London’s Homelessness Challenge

Homelessness continues to be a significant challenge for London boroughs and rising demand and a lack of supply mean boroughs are finding it increasingly difficult to secure affordable housing for homeless households. This briefing examines some of the current issues facing boroughs in relation to homelessness, including two recent Supreme Court decisions that will affect boroughs’ decision making, and considers the impact of future government policy affecting homelessness.

Background

London has an inflated housing market with rents and house prices almost double the national average. Government figures indicate that homeless acceptances continue to rise in London. The first quarter figures for this year show that there were 4,390 homeless acceptances in March 2015, an increase of 9 per cent from 4,030 in March 2014. This upward trend is also reflected in the number of households living in temporary accommodation currently at 48,240 in March 2015, representing an increase of 11 per cent compared to the previous year and accounting for 75 per cent of the national total. This data confirms that London boroughs are under increasing pressure to find accommodation for homeless households compared to the rest of country. The main cause of homelessness continues to be the loss of a settled home as a result of the end of an assured shorthold tenancy with a private landlord. Tenancies ending in this way have risen from 925 in 2009/10 to 5,960 in 2013/14.

The cost of homelessness

The cost of providing households with temporary accommodation is expensive and this is placing an additional cost burden on local authorities. Total expenditure on homelessness by London boroughs has increased from £559 million in 2010/11 to £617 million in 2013/14. The private rented sector (PRS) is used by boroughs as temporary accommodation as it provides a good alternative to bed and breakfast accommodation where facilities are shared. However, market pressures within the sector mean that landlords are able to receive higher rents by letting their properties to those not receiving housing benefit support. The cumulative impact of London’s changing housing market has resulted in the PRS becoming more competitive as boroughs chase fewer available properties.

The combined effect of welfare reform and a lack of supply of properties has made access to the PRS more difficult in London. This is confirmed in the recent Homelessness Monitor report by Crisis which states that fewer claimants are able to access properties in the private rented sector, particularly in inner London, where there has been a 30-35 per cent decline in

1. DCLG Statutory Homelessness January – March 2015
2. Revenue Outturn figures 2013/14
applicants wishing to live in Westminster and Kensington and Chelsea since March 2011. The impact of the benefit cap for working age out of work households has resulted in an average estimated benefit reduction of £62 per week severely impacting larger families and those in living in high rental areas.

Prior to the election, there had been an unconfirmed understanding that the government was considering an increase in the temporary accommodation management fee for London from £40 to £45 and that this would apply to outside of London (where the management fee was previously £60); this has yet to be substantiated. This remains an area of concern as boroughs are procuring properties in the absence of a firm commitment from the government that the management fee will be increased to better reflect the current market. It also remains uncertain about how temporary accommodation subsidy will operate following the introduction of universal credit. This could have a significant impact on councils’ ability to pay for temporary accommodation for their homeless population.

Recent legal judgments

Boroughs are required to make decisions about whether a household is offered accommodation locally, based on a number of factors including affordability. Boroughs will always try to place households in accommodation as near as possible to their home borough where reasonably practicable. This particularly impacts on larger households, where in some cases the housing benefit support is insufficient to cover the rental payments or in parts of London where rents are higher. Boroughs are developing policies to take account of these considerations and to balance the need to reduce overall spending and to meet their statutory homeless obligation.

Boroughs are considering the implications of two recent legal judgements involving two London boroughs. Firstly, a decision made in the Supreme Court in April 2015 (Nzolameso v Westminster City Council), involving a family with five children who refused an offer of temporary accommodation near Milton Keynes. While Westminster had successfully defended their housing review decision at the County Court, this was not successful at the Supreme Court. The Court decided Westminster should have provided clearer evidence about how they arrived at their decision not to offer the applicant housing locally and issues about their allocation policy. Westminster had a TA and an allocations policy at the time but these were not taken into account. This decision has increased the complexities surrounding homeless placements as boroughs will be required to publish and refer to their procurement and allocations policies when making decisions.

Secondly, in May 2015 another Supreme Court decision, considered the issue of vulnerability involving the circumstances of two individuals, Mr Hotak, an Afghan refugee with learning difficulties and depression and Mr Kanu, who had mental health problems. Both individuals had been deemed not in priority need by Southwark Council. In circumstances where individuals are vulnerable, boroughs apply the ‘Pereira test’ of vulnerability, which compares someone who is vulnerable with an ‘ordinary street homeless’ person. The Supreme Court set aside Southwark Council’s decision on the grounds that any comparison must be made with an ordinary person facing homelessness rather than an ordinary person who is already homeless. This judgment has broadened the scope about who is considered vulnerable and has the potential to place more pressure on boroughs to try to source more accommodation. This will be challenging given that it may raise expectations for applicants at a time when there is a limited pool of properties available.

Forthcoming government legislation

Following the Queen’s speech on 27 May 2015 and the announcements arising from the budget on 8 July 2015, the government will be seeking to progress a number of legislative bills and budgetary proposals to reduce welfare spending by £12 billion by 2019/2020. The proposals relating to welfare will be contained in the Welfare Reform and Work Bill currently
in parliament. One of the key aspects affecting London will be to reduce the benefit cap from £26,000 to £23,000. There will also be housing benefit restrictions for young people aged between 18 and 21 years-old and a loss of an automatic entitlement to housing benefit for claimants under universal credit. Limited support will be given to people claiming working tax credit for families with more than two children and this will also impact on their housing benefit entitlement. The cumulative impact of the government’s proposals will be challenging for boroughs as a reduction in household income for capped households living in temporary accommodation may place more people at risk of homelessness.

The proposed four year freeze on LHA rates could have an impact on the PRS in London. This will further hinder boroughs’ ability to procure affordable properties locally thus shrinking the supply of affordable properties for use as temporary accommodation.

Measures in the proposed Housing Bill will seek to require councils to sell off their high value housing stock to pay for the extension of the Right to Buy scheme for housing association tenants. This policy has the potential to have a negative impact of reducing the number of affordable properties available for nomination. This is of concern at a time when homelessness numbers continue to increase. Similarly, the Right to Buy policy for social housing tenants will continue to reduce the number of social housing properties boroughs have available to meet housing need.

Commentary

London Councils continues to support boroughs in their endeavours and in our discussions with government by highlighting the budgetary pressures boroughs are facing. We will continue to represent the interests of boroughs in the forthcoming legislation as it goes through parliament. London Councils estimates that London would need to build more 56,000 homes per year over the next 10 years in order to keep up with rising London’s expected household growth. We will continue to maintain that there is now an urgent need to rapidly increase housing supply if we are going to make real progress at reducing homelessness in London.

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Links:
Nzolameso v Westminster City Council (Judgment)
Hotak and others v Southwark Council (Judgment)

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