



Report of the Director of Environment and Neighbourhoods

Executive Board

Date: 21 July 2010

Subject: Homeless Prevention Fund & Breathing Space Initiative

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In
(Details contained in the report)

EXECUTIVE SUMMARY

The Leeds Housing Options Service is the principal Council service offering housing advice to people who are homeless, threatened with homelessness or in some form of housing need. The service has seen a significant rise in demand for housing advice over the last two years, primarily due to the economic downturn. The service has therefore focused on maximising homeless prevention outcomes and the establishment of a Homeless Prevention Fund is a key part of this approach. The focus on homeless prevention has helped the Council to achieve significant reductions in temporary accommodation placements/costs.

The Homeless Prevention Fund, and other homeless prevention initiatives, are examples of where an 'invest to save' approach can deliver enhanced outcomes for service users and reduced costs to the Council, even in the context of increased service demand. The Homeless Prevention Fund has been sourced from governmental grant and Supporting People funding. It is unlikely that funding to the same level will be available, for the Homeless Prevention Fund, from these two sources in future financial years. The report therefore proposes the option of offering households loans, in addition to a grant option, through the Homeless Prevention Fund, if this is an affordable option for the household.

Mortgage Rescue and other related schemes are a key element of the Council's homeless prevention package. Breathing Space is a home loss prevention initiative, administered by Wakefield District Council, which offers loans to owner occupiers who are experiencing difficulty in meeting mortgage and/or secured loan payment commitments. All local authorities in the Yorkshire and Humber region are eligible to join the scheme. Central Government funds Wakefield District Council to administer the Breathing Space scheme. The report sets out the proposal for Leeds City Council to join the Breathing Space scheme.

1. Purpose Of This Report

- 1.1. To seek approval to permit the award of loans, in addition to the alternative of a grant payment, to households who are threatened with homelessness, through the Homeless Prevention Fund.
- 1.2. To seek approval for Leeds City Council to become a participating authority in the Breathing Space scheme administered by Wakefield District Council.

2. Background Information

- 2.1. The Leeds Housing Options Service, which is part of the Housing Strategy and Solutions Group, is the principal Council service offering housing options advice to people who are homeless, threatened with homelessness or in some form of housing need. The two key aims of the Leeds Housing Options Service are to maximise homeless prevention outcomes and to minimise temporary accommodation placements. The contraction in the availability of social housing to let has meant that the capacity of the Council to minimise temporary accommodation placements, and length of stay in temporary accommodation, has been largely dependent upon the effectiveness of homeless prevention strategies.
- 2.2. A homeless prevention is defined as being an intervention on the part of the Council that enables a household, who are threatened with losing their existing home, to either stay in this accommodation or to make a planned move to alternative housing. The Council and household must perceive that the accommodation option secured will be available for a minimum of six months.
- 2.3. The rationale for focusing on homeless prevention is two fold: invariably households would prefer to stay in their existing homes, or to make a move to alternative longer term housing, than to go into temporary accommodation; homeless prevention outcomes also tend to be more cost effective for the Council than temporary accommodation placements.
- 2.4. The Housing Strategy and Solutions Group established a Homeless Prevention Fund in June 2009. The fund has been financed from governmental grant (Homelessness Grant and Repossession Prevention Grant both of which are to be used to pay for homeless prevention initiatives) and Supporting People funding. The fund can be used to cover the financial cost of interventions that either averts home loss or enables the household to secure alternative long-term housing. Examples of where the fund can be used include payment of a bond to help a household access a private rented tenancy, furniture packs to help a formerly homeless household be resettled into a tenancy, help to clean up properties where a vulnerable person has been unable to maintain it themselves and assistance to part pay off mortgage debt.
- 2.5. The fund is rooted in the principle of 'invest to save': officers must demonstrate that a homeless prevention payment will generate a higher level of savings for the Council such as avoiding a temporary accommodation placement.
- 2.6. The Homeless Prevention Fund, and other homeless prevention initiatives, have delivered significant benefits for the Council. The economic downturn has meant that more people are presenting at the Leeds Housing Options Service for housing options advice: in 2008/09 an average of 547 households presented per month; this figure rose to an average of 617 per month in 2009/10 – an increase of 12.7%. The figure for April 2010 was 637 presentations. Staffing costs at the Housing Strategy

and Options teams were reduced from £2.983m in 2008/09 to £2.204m in 2009/10 – a reduction of £779k or 26%. The Housing Strategy and Solutions Group were able to contend with the increase in service demand/reduction in staffing resources because of a marked improvement in prevention outcomes. In 2008/09 the Council helped prevent homelessness for 1296 households; the comparative figure for 2009/10 was 2693 preventions – an increase of 107%. The improvement in 2009/10, following the introduction of the Homeless Prevention Fund, was even more significant: in Quarter 1 homelessness was prevented for 350 households whilst in Quarter 4 1075 homeless preventions were achieved – a mark up of 207%.

2.7. The increase in homeless preventions has helped the Council achieve significant reductions in temporary accommodation placements. In September 2008, the Council placed, on a nightly basis, an average of 381 homeless households in temporary accommodation leased through a private provider. In March 2010, the average number of nightly placements had fallen to 4. On the 31st of March 2010, the Council had no households placed in temporary accommodation with private providers – the first time this had occurred since the late 1990s, at which time the city had significantly more hostel spaces¹. Temporary accommodation placements with private providers are particularly significant as the Council incurs a net cost, following housing benefit payment, because the rental charges exceed the housing benefit subsidy.

2.8. In 2008/09, the Council paid £2.782m to private providers for placements made; the comparative figure for 2009/10 was £772k – a reduction of £2.009m or 72%. The net cost, following housing benefit payment, of such temporary accommodation placements fell from £357k in 2008/09 to £39k in 2009/10 – a reduction of £317k or 89%.

2.9. Preventing home loss for owner-occupiers is a priority for the Leeds Housing Options Service. Mortgage related debt is a significant, albeit minor in numerical terms, presentation reason at the Leeds Housing Options Service. Since May 2009, mortgage debt related presentations at the Leeds Housing Options Service have been consistent at around 13 per month.

2.10. Where a household approaches the Leeds Housing Options Service because of mortgage/secured loan default, officers will invariably carry out an income and expenditure assessment to determine whether housing costs are or could be affordable. Officers also seek to negotiate, where appropriate, with mortgage companies to agree revised affordable payment plans. In the last year, 42 of the households who have approached the Leeds Housing Options Service because of mortgage related difficulties have had their threat of home loss prevented. 38 of these outcomes were achieved through an advice/negotiation intervention on the part of the service and 4 through a Mortgage Rescue outcome.

2.11. Mortgage Rescue schemes have been used as a means of preventing home loss for owner-occupiers where previously the lender would have sought to repossess the property. There are two Mortgage Rescue schemes in operation in the city: the Leeds Mortgage Rescue Scheme, administered through the Leeds Housing Options Service in partnership with Yorkshire Housing Group, and HomeSave Plus (Golden Triangle Partnership) – a partnership between Leeds City Council, City of York

¹ In 1999 Leeds City Council managed three emergency access hostel services that have since been decommissioned: Brett Gardens (22 units for families), Prospect House (14 units for young males), St. Michael's Lane (13 units for single women). The YWCA also managed a hostel for single people, Lovell Park House that had 50 units.

Council, Harrogate District Council and Guinness Northern Counties Housing Association. The Leeds Mortgage Rescue Scheme and HomeSave Plus both offer differing equity loan products, which reduce the value of the mortgage loan and accompanying monthly payments, and the Leeds Mortgage Rescue Scheme offers a 'mortgage to rent' option where the household sells the property to Yorkshire Housing Group and becomes a tenant of the housing association.

2.12. Eligibility for both Mortgage Rescue schemes operating in the city are dependent upon the affected household meeting specific criteria - the conditions for the Leeds Mortgage Rescue scheme were set up by Central Government. Referrals to the HomeSave Plus initiative must be residents in specific areas located in the north of Leeds and the Leeds Mortgage Rescue scheme requires that households would be considered, if homelessness could not be prevented, to be statutorily homeless and there are caps relating to property value, household income and mortgage loan to property value ratio.

2.13. To date, 4 mortgage to rent outcomes had been completed through the Leeds based scheme, and 3 Leeds based HomeSave Plus mortgage rescues have been completed.

3. Main Issues – Homeless Prevention Fund

3.1. Homeless Prevention Fund payments have to date been made as grant payments: the recipient has not had to pay the Council back for the money given. Private rented bond payments are made to a nationally recognised Bond Deposit Scheme, rather than to a landlord, and are repayable to the Council at the end of a tenancy. Expenditure from the Homeless Prevention Fund, £123k in 2009/10, has been more than offset by the savings generated through the reduction in temporary accommodation placements and staffing efficiencies (please see section 2) Spend has also been significantly sourced through governmental grant given to fund homeless prevention initiatives.

3.2. Nevertheless, it is envisaged that governmental Homeless Grant/Repossession Prevention Grant will either be withdrawn or significantly reduced from 2011/12 onwards. It is also likely that Supporting People funding, given the £1m reduction in funding in 2010/11 and anticipated further cuts from 2011/12 onwards, will not be readily available in the future. It is also likely that any homeless grant funding received, as has already occurred with Supporting People funding, will be made through the Area Based Grant route and therefore can be used for any priority the Council chooses.

3.3. Consideration has therefore been given to identifying opportunities to sustain the Homeless Prevention Fund on an ongoing basis. The proposed action is to amend the existing arrangements so that households can either be offered a grant or a loan to cover the cost of the homeless prevention intervention.

3.4. Staff at the Leeds Housing Options Service will carry out a budget assessment, as part of developing a household's Personal Housing Plan, to determine whether a homeless prevention outcome is feasible, whether the household can afford to pay back a loan and, if so, the level of payments that they can afford.

3.5. The Housing Strategy and Solutions Group are working with Legal and Democratic Services to develop a template loan agreement. The loan agreement will set out the value of the loan, the term of the loan, the value of the monthly payments and the

method by which the applicant will make the payments to the Council. It is envisaged that the majority of applicants will set up a direct debit arrangement to make the necessary payments. The loan agreement will also advise applicants that, if they were to default on their monthly payment arrangements, the Council will potentially pursue the outstanding amount through its debt recovery function. In the event that a loan recipient does not repay the whole/part of the loan then the Council will need, on a case by case basis, to determine whether it is cost effective to pursue the outstanding debt.

3.6. It is envisaged that loan payments will be spread over a three year term. No interest charge will be levied as it is believed that this would further compound the household's financial difficulty. A typical loan could consist of the following:

- 3.6.1.1. Loan Value: £500
- 3.6.1.2. Loan Term: 3 years
- 3.6.1.3. Monthly payment: £13.89 (36 months)

3.7. It is envisaged that around 300 households will be assisted with a homeless prevention loan in the first year at an average cost of £500. This equates to expenditure of £150k per annum. Assuming a three year repayment term then it is forecast that up to £50k income will be received in the first year. Payments will build up so that by the third year the scheme could be self-financing. It is recognised that not all households will make the requisite payments. Nevertheless, the introduction of a loan provision will ensure that the fund can be replenished on an ongoing basis and will reduce further inputs of funding.

| | Year 1 | Year 2 | Year 3 |
|-------------|----------------|--------------------------------|-------------------------------------------------|
| Expenditure | £150k | £150k | £150k |
| Income | £50k (Year 1)) | £50k (Year 1) £50k (Year 2) | £50k (Year 1) £50k (Year 2) £50k (Year 3) |

4. Main Issues – Breathing Space Scheme

4.1. The Breathing Space initiative would supplement the existing initiatives available to staff at the Leeds Housing Options Service to prevent homelessness relating to mortgage default. The Breathing Space initiative is administered by Wakefield District Council and all local authorities located in the Yorkshire and Humber region are eligible to join. Wakefield District Council has been funded through Central Government to administer the scheme. A decision by Leeds City Council to join the scheme means that Leeds based residents would be able to access the service.

4.2. The Breathing Space initiative involves the award of an interest free loan by Wakefield District Council to help home owners who are experiencing difficulty meeting mortgage or other secured loan payment commitments. The scheme is particularly helpful for households who have got into mortgage payment difficulty because of a change in circumstance, perhaps because they have lost employment or had a reduction in earnings, and anticipate that with some form of short-term assistance they could resolve these challenges. This could be paying off arrears, meeting mortgage payments until alternative employment can be secured or giving the household sufficient scope to meet mortgage payments whilst a property is sold. A Breathing Space loan will generally cover mortgage/secured loan arrears and future payments for up to one year. The recipient of the loan must own the affected property. A Breathing Space loan can also be used to pay off the outstanding

mortgage/secured loan amount providing that this figure does not exceed the Breathing Space loan cap. The minimum loan is £2,000 with a maximum of £15,000. The value of all outstanding loans, including the Breathing Space loan, should not exceed 90% of the property value. The key criteria for accessing a loan is that the household will be able to meet their ongoing mortgage/secured loan commitments, including the Breathing Space loan, after the period of financial assistance has ended. For example, it may be determined that there is a significant likelihood that the household's income will rise or that the affected property can be sold.

4.3. A Breathing Space loan is nominally interest free and does not need to be repaid until a three year period has elapsed – no monthly payments during the three year term are required. At the end of the three year period, the loan recipient must pay the loan amount back in full. The loan recipient can repay the loan amount back before the expiry of the three year term; if, for example, they sell the property and part repayments are permitted. If the Breathing Space loan is not repaid at the end of the three year term then an interest rate of 2% above the Bank of England base rate is charged.

4.4. Wakefield District Council has been commissioned by Central Government to deliver the Breathing Space scheme across the Yorkshire and Humber region. Leeds City Council, in common with other Yorkshire and Humber authorities, is able to join the scheme and make referrals for Leeds based residents who it believes will benefit from a loan payment. All decision making responsibility relating to loan applications sits with Wakefield District Council. The scheme does not involve the delegation of Leeds City Council held functions to Wakefield District Council: the scheme has been established by Central Government with Wakefield District Council being the sole administering authority in the Yorkshire and Humber region. All financial risk liability relating to the scheme sits with Wakefield District Council. This position has been confirmed by Legal and Democratic Services.

4.5. Wakefield District Council officers will be responsible for carrying out a formal financial assessment of a household and a property valuation. Leeds City Council officers will be responsible for carrying out a standard housing options assessment, in common with all other people who present at the Leeds Housing Options Service, and making referrals to the Breathing Space scheme as appropriate. If a referral is accepted and a loan payment made then Leeds City Council will be expected to maintain monthly contact with the household and to notify Wakefield District Council of any changes in circumstances – including whether any possession action has been taken. In the event that a household does not repay the loan at the end of the loan period, and a decision is made by Wakefield District Council to pursue the loan, then Leeds City Council would be obliged to assist Wakefield District Council to pursue the outstanding debt through its debt recovery function.

5. Implications for Council Policy and Governance

5.1. The Director of Environment and Neighbourhoods has determined that approval from the Leeds City Council Executive Board is required before the existing Homeless Prevention Fund can be amended so that loans can be offered to households who are threatened with homelessness.

5.2. The Director of Environment and Neighbourhoods has determined that approval from the Leeds City Council Executive Board is required before Leeds City Council can formally join the Breathing Space scheme.

5.3. The Breathing Space scheme does not involve the delegation of a Leeds City Council function to Wakefield District Council. Central Government has chosen Wakefield District Council as the sole administering authority for the Breathing Space scheme in the Yorkshire and Humber region. Leeds City Council's role in the scheme primarily relates to being a source of referrals. This position has been confirmed by Legal Services.

6. Legal And Resource Implications

6.1. The template Homeless Prevention Fund loan agreement has been developed in conjunction with officers from Legal and Democratic Services.

6.2. Legal and Democratic Services has confirmed that the guidance produced by the Communities and Local Government Department relating to the Homeless Repossession Grant permits local authorities to make loan payments to households, albeit that such loans are capped at £5k.

6.3. The introduction of a loan option will ensure that the Council has an ongoing source of income to maintain a Homeless Prevention Fund, without requiring further inputs of new funding, for the foreseeable future if it so chooses.

6.4. Loan payments through the Breathing Space scheme, secured as a legal charge against the applicant's property, are in the name of Wakefield District Council. The budget for paying Breathing Space loans and for administering the scheme is held by Wakefield District Council. The financial risk liability relating to the loan payments rests with Wakefield District Council.

6.5. There are resource implications for Leeds City Council relating to officer time in making referrals to Wakefield District Council for Leeds based residents and for maintaining ongoing contact with loan recipients. However, this should be compared to the resource implications, including financial costs, of placing a household in temporary accommodation pending them being rehoused if homelessness cannot be prevented. There are also resource implications relating to Leeds City Council's responsibility for assisting Wakefield District Council to recover the outstanding loan in the event that the household does not repay at the end of the three year term. However, Leeds City Council will be entitled to recover costs associated with this action through the loan recipient.

7. Conclusion

7.1. The introduction of a Homeless Prevention Fund has meant that significantly more people are being helped to either stay in their existing homes or to find alternative longer term accommodation. The Homeless Prevention Fund has also helped generate significant savings to the Council in relation to reduced temporary accommodation levels and staffing efficiencies. Nevertheless, it is envisaged that current funding arrangements, through governmental grant aid and Supporting People funding, are likely to be either markedly reduced or removed from 2011/12 onwards. Introducing a loan option will mean that the Council has an ongoing source of income to replenish the fund when payments are made. The Homeless Prevention Fund will continue to help the Council better control temporary accommodation levels and costs.

7.2. The Breathing Space initiative is a useful addition to the package of options available to staff at the Leeds Housing Options Service to prevent homelessness caused by

mortgage/other secured loan payment default. The resource implications for Leeds City Council are minimal and the potential benefits of increasing homeless prevention outcomes for home-owners significantly outweigh these considerations.

8. Background Papers

8.1. None.

9. Recommendation

9.1. To approve the recommendation to change the existing Homeless Prevention Fund arrangements so that an affordable loan option can be offered to households to prevent their homelessness.

9.2. To approve Leeds City Council becoming a member of the Breathing Space scheme.