

**HOMELESSNESS AND THE HOUSING MARKET
(Report by the Head of Housing Services)**

1. INTRODUCTION

1.1 The Corporate Plan Working Group recently considered a quarterly monitoring report on service delivery which identified achievements, issues and risks. When considering the report the Working Group raised two questions with regard to Housing Services. These were:

- a) Given the current national and local economic factors affecting the housing market was the increase in demand for social rented housing a potential issue rather than an identified risk that the Council would have to manage to continue to achieve a low level of homelessness?
- b) Is there anything the Council can do to help facilitate the remodelling of Coneygear Court if Granta Housing Society is unsuccessful in bidding for government funding to carry out these works?

1.2 It was requested by the Working Group that a report be submitted to the Service Delivery Scrutiny Panel, given that these areas fall within its remit.

1.3 As the demand for social rented housing is influenced by economic factors and these also have a direct relationship with the rates of homelessness in the district, this report also covers the initiatives and measures that have been put in place to try and prevent homelessness and so reduce demand.

2. BACKGROUND INFORMATION

The Economic Factors

2.1 The demand for social rented housing is significantly affected by economic factors, both when the economy is booming and when there is an economic downturn. We have had a period of economic growth and increases in property prices that have priced many first time buyers out of the market. In these circumstances many people see social rented housing as their only realistic option and so demand increases.

2.2 We are now faced with an economic downturn and although property prices are reducing, the fact that unemployment is rising and the availability of mortgage products decreasing, many people

still see social rented housing as their only realistic option. Added to this increasing unemployment can lead to more households falling into arrears with their mortgages, leading to higher repossession rates, and an increase in households coming to the Council as a result.

- 2.3 The Council has been successful over the last four years with reducing homelessness in the district by changing the way we deliver our housing advice service. This has involved restructuring to deliver a more proactive advice service that helps customers prevent their homelessness in the first place or helps them find alternative housing before they actually become homeless. This has been achieved by introducing a range of measures to highlight where there is the threat of homelessness at the earliest stage possible and then taking the most appropriate action to prevent it happening.
- 2.4 As a result households accepted as homelessness has reduced from 254 in 2004/05 to 146 in 2007/08. Unfortunately, the first 6 months of 2008/09 has seen 91 households accepted as homeless compared to 76 in the same period of the previous year, so if rates continue we are expecting an overall increase in homelessness this year.
- 2.5 The number of households where homelessness was prevented increased from 98 in 2005/06 to 138 in 2007/08, with the majority of these households helped to find private sector tenancies via the Rent Deposit/Rent In Advance scheme. We have already helped 129 households avoid homelessness in the first six months of this year compared to 52 in the same period of the previous year and so we can see the positive outcomes our prevention and options services are achieving.
- 2.6 Much of this has been achieved in a period of economic growth where there has been a buoyant private rented sector, and where we have managed to develop good relationships with private landlords and agents who have provided us with solutions to resolve some households' needs.
- 2.7 We now face a range of different problems that may affect households within the district and possibly lead to them seeking help from the Council. These primarily revolve around:
- owner occupiers facing repossession where they are struggling to pay their mortgage, perhaps because of unemployment or the end of more affordable fixed term mortgage deals, and
 - private sector tenants facing eviction as a result of their landlord choosing to sell the property due to their financial situation or facing repossession if they have defaulted on the mortgage.

2.8 Where a private sector tenant is faced with eviction we try to assist with finding another tenancy in the private sector as this is often the most realistic way of preventing the household from becoming homeless. Where an owner occupier faces possible repossession there are a number of options that we explore with them to see if we can resolve their problems. Where we are not able to assist ourselves we refer to other agencies who can act on behalf of the household. Possible prevention options in these situations include:

- a) Negotiation with the mortgage lender – where someone approaches their lender and explains they are having difficulty paying their mortgage the lender has a range of hardship options they should consider. These include extending the term of the mortgage to make the monthly payments cheaper; moving the mortgage to an interest only deal; repayment ‘holidays’ and checking whether the customer has the best available mortgage deal for them. Where the customer has not made contact to discuss these options we advise that they should, assist them with this if necessary or direct them to CAB or Huntingdon Law Centre to assist them.
- b) Ensuring the lender has followed the pre-court possession protocol – the government has launched a protocol, agreed with the Council of Mortgage Lenders, that possession proceedings should only be taken as a last resort and then only when this protocol has been followed. Where a lender has not followed the protocol before applying for a Possession Hearing at the Court, this may be used as a ground for having the case adjourned. The purpose of the protocol is to prevent inappropriate possession action by lenders when there may still be legitimate ways in which possession may be prevented.
- c) Court desk service – the Council has commissioned Huntingdon Law Centre (HLC) to provide a Court Desk Service on Possession Hearing days at the County Court. This service commenced in November and its purpose is to ensure that households have representation at Possession Hearings and HLC liaises between the Court, lender and householder where there are still options to be explored that may prevent a Possession Order being granted. This is a pilot initiative for 18 months to see whether it provides positive outcomes.
- d) Mortgage rescue scheme – the government will introduce a national mortgage rescue scheme from January 2009. £200m has been pledged nationally to support up to 6,000 vulnerable owner-occupiers facing repossession, to remain in their home. This funding will be distributed through the Homes and Communities Agency with match funding (supported by rent or equity loan charges) from provider Housing Associations. Further details of this scheme are awaited.

- e) Money and debt advice services – where a person has several debts and requires help managing these we refer them to CAB or Huntingdon Law Centre (HLC) who have specialist advisors to help. The advisors will help negotiate with lenders and prioritise debts with the aim of preventing the person losing their home. A debt advice service is an integral part of the mortgage rescue process and so it is essential that we ensure these services have the capacity to react quickly where mortgage rescue may be an option. The Council currently funds the CAB to provide these services but not HLC.
- f) Changes to the benefit system – the government has changed the rules for Income Support on mortgage interest payments. From January 2009, this benefit is available 13 weeks after making a claim, whereas previously it was only available after 39 weeks. Homeowners will be eligible for help on the first £200,000 of their loan, which is up from the previous limit of £100,000.

2.9 A further initiative announced by government at the beginning of December is the Homeowner Mortgage Support Scheme. Under this scheme households that experience a significant and temporary loss of income as a result of the economic downturn will be able to defer a proportion of the interest payments on their mortgage for up to two years. The government is working with lenders to encourage their participation in the scheme on the basis that the government offers a guarantee against the deferred payments. Further details of the final scheme are anticipated in the New Year and will be another option we can advise customers on to prevent them losing their home.

Re-modelling of Coneygear Court

2.10 Granta Housing Society owns and manages Coneygear Court, the main source of temporary accommodation available to the Council. This scheme has 21 units, with the main block having cluster flats around shared kitchens and bathrooms. This is an out-dated model of temporary accommodation and contributes to the Council's poor performance measured against the placement of families in shared hostel accommodation (a previous Best Value Performance Indicator). Plans have been drawn up with options to either refurbish this scheme, or demolish and re-build, which would provide self contained units. Granta has advised that to demolish and re-build this scheme would be the most cost effective option, at an estimated cost of £2.75m

3. IMPLICATIONS

3.1 It is anticipated that the range of measures available to homeowners mentioned in paragraph 2.8 above will help prevent mortgage arrears becoming a significant cause of homelessness during this period of economic downturn. There are, however,

likely to be circumstances where these options are not successful and at present we are not aware how many households this may apply to. The concern is that if there are large numbers of households where these options are not successful we may see an increase in the number of households approaching the Council for assistance under the terms of the homelessness legislation. If this were to happen it would have implications on the number of households we have to place into temporary accommodation, with the associated cost to the welfare of the household and financial cost to the Council.

- 3.2 The Council has previously been criticised for its performance against the Best Value Performance Indicator (BVPI) measuring the average length of stay of families in hostel accommodation with shared facilities. The calculation of this BVPI is based on the Council's placement of families into Coneygear Court. Although this BVPI does not appear in the new set of National Indicators it will continue to be recorded as a local indicator and appear in the returns that are made to government on our homelessness work. It is therefore likely to remain a high profile area of our work.
- 3.3 The Council's performance in this area will only improve when Coneygear Court is remodelled to provide self contained units. The issue is identifying the capital funding for this work, by supporting a bid to the Homes and Communities Agency, by supporting this through the Council's own capital funding, or a combination of the two. A bid for funding via the Homes and Communities Agency is expected in the near future.

4. RECOMMENDATION

It is recommended that Scrutiny Panel note:

- a) the initiatives in place to help prevent a rise in mortgage repossessions in the district, and
- b) the issues around identifying the capital funding to re-model Coneygear Court.

BACKGROUND INFORMATION

Service Delivery Plan (up to 30th September 2008)

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