

Manchester City Council Report for Resolution

Report to: Neighbourhoods and Environment Scrutiny Committee - 4
November 2020
Executive - 11 November 2020

Subject: Homelessness Directorate Budget and Savings Options 2021/22

Report of: Director of Homelessness

Summary

As reported to the Executive on the 14th October 2020, it is anticipated the implications of Covid-19 will have a significant impact on the Council's finances for a number of years, the current potential budget gap for 2021/22 is £105m, after mitigations are taken account of. The report of the Deputy Chief Executive and City Treasurer, elsewhere on the agenda provides the detailed update on the Council's MTFP focusing on the financial position and strategy from 2021/22.

This report provides the high level budget context and priorities for Homelessness across 2021/22 and the feedback from the budget conversation, which has been used for the development of savings options 2021/22 and investment requirements to fund population driven and other budget pressures.

Recommendations

1. The Neighbourhoods and Environment Scrutiny Committee is asked to consider and make recommendations to the Executive on the budget options which are within the remit of this Committee.
 2. Executive are asked to consider the officer cuts and savings options, taking into account the feedback from this scrutiny committee.
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Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

Encouraging commissioned and inhouse services to reduce CO2 emissions and reduce their use of plastics will contribute to a low carbon city. Introducing climate change conversations with homeless people will support them in adopting a low carbon lifestyle.
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Our Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A thriving and sustainable city: supporting a diverse and distinctive	Helping people to stay in their accommodation through prevention work will help them to thrive.

economy that creates jobs and opportunities	Reducing the number of people who are homeless, or placing them in appropriate accommodation with help to access employment and learning opportunities will contribute to Manchester becoming a thriving and sustainable city.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Having public, private and voluntary sector organisations working together to help people who have personal insight into homelessness into volunteering and employment will contribute to the objective of having a highly skilled city. Employment breaks the cycle of generational benefit dependency and will encourage children to access school and employment in later life
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Supporting people who are homeless to access employment and accommodation will unlock their potential to help them become independent citizens who contribute to our city. Working with the Homelessness Partnership to ensure that the views of people with personal insight into homelessness influence ways of working.
A liveable and low carbon city: a destination of choice to live, visit, work	Encouraging commissioned and inhouse services to reduce CO2 emissions and reduce their use of plastics will contribute to a low carbon city. Introducing climate change conversations with homeless people will support them in adopting a low carbon lifestyle.
A connected city: world class infrastructure and connectivity to drive growth	Promoting inclusive growth for the benefit all Manchester citizens

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Background documents (available for public inspection):

Note applicable.

1.0 Introduction

- 1.1 The report outlines the financial position and sets out Officer options for savings against Homelessness aligned to the remit of the Neighbourhoods and Environment Scrutiny Committee to help achieve a balanced budget in 2021/22.

2.0 Background

- 2.1 Homelessness has been at the forefront of the Council response to Covid-19 and effectively delivered the government's 'Everyone In' programme since its inception, providing accommodation for people sleeping rough in the city. Working with colleagues from the Greater Manchester Combined Authority (GMCA), voluntary sector, internal partners and other local authorities across Greater Manchester, 12 separate venues were secured, mainly within Manchester itself, representing 372 bed spaces, with 277 people who were sleeping rough and who are currently accommodated have been placed by Manchester City Council. This is a significant achievement but has come at considerable cost with an indicative additional cost in 2020/21 of £7m. Ongoing funding of £7m has been allocated to maintain this provision beyond March 2021, however if costs can be managed for less this will provide mitigation for the level of cuts which need to be made.
- 2.2 In the longer-term, greater unknowns include the potential homelessness-related economic impact of Covid 19 on individual households, such as unemployment, debt, arrears and home/tenancy loss. There are real risks of increasing homelessness through residents who lose tenancies and/or are no longer able to access affordable housing, so there is a real risk around any potential reductions to preventative or support services as activity levels and increased need could increase exponentially. Presentations in 2019/20 were 9,840, 21% higher than in the previous year. Despite Covid-19 restrictions, presentations from April to September 2020 are 4,851 and are expected to increase significantly once the impact of expected increases in unemployment and subsequent evictions are experienced across the City.
- 2.3 The Homelessness budget report for 2020/21 identified the greatest risk to the priorities of the service and the budget strategy is the continuing rise in need and the uncertainty of short-term funding and temporary staffing capacity. These risks have increased due to the impact of Covid-19. A key focus is on cost avoidance through preventing Homelessness and benefits maximisation, any reductions to preventative services will result in increased costs in future years.
- 2.4 The current system cannot cope with the constant pressure of demand and the growing imbalance between need and the availability of affordable solutions to meet this. This will be exacerbated by the impact of Covid-19, particularly in terms of pent-up demand for homelessness services due to mental health, domestic abuse and the insecurity and unhealthiness of overcrowding and shared accommodation. Therefore, the key solution for

Manchester City Council is to take a broader system-wide focus and re-design the system in the city for people in housing need and at risk of homelessness.

2.5 The vision for the Homelessness Directorate mirrors the Homelessness Charter vision and the Homelessness Strategy for the City (2018-23) developed with Manchester Homelessness Partnership. The Partnership consists of people with personal insight into homelessness, and organisations working to reduce homelessness and has agreed the following three key priorities:

- Homelessness a rare occurrence: increasing prevention and earlier intervention at a neighbourhood level.
- Homelessness as brief as possible: improving temporary and supported accommodation to be a positive experience.
- Experience of homelessness to be a one-off occurrence: increasing access to settled homes.

2.6 Since August 2019, the Directorate has adopted 4 key aims to focus on. These are embedded into service plans, will continue to be in the future, and will form the core of the activities for the service in 2021/22. The 4 key aims adopted are:

- Reduce rough sleeping
- Reduce the use of temporary accommodation
- Reduce the cost of temporary accommodation
- Increase prevention

2.7 The 2020/21 business plan and budget recognised the continuing challenge of availability of affordable housing in the city. Welfare Reforms such as the freezing of Local Housing Allowance, the 'bedroom tax', the benefit cap, application of the shared room rate to single households under 35 and a stricter sanctions regime have all contributed to the increase in demand and also the ability of the Directorate to prevent and relieve homelessness. In addition, recent case law relating to the purpose of benefits payments will also make the prevention of homelessness and the rehousing of homeless households in receipt of benefits potentially more difficult.

2.8 The private rented sector has grown significantly in the last decade and rents have increased three times faster than wages nationally. This tenure is increasingly unaffordable for families on low incomes, particularly to households in receipt of Local Housing Allowance. The loss of a private rented tenancy has recently become the prime reason for people who are accepted as statutorily homeless. Work is ongoing with Private Rented Sector landlords to investigate the extent of arrears and provide support to landlords and their tenants to prevent loss of tenancy.

3.0 Budget Strategy

3.1 The budget strategy for Homelessness has been to contain the cost of rising need for temporary accommodation within available resources whilst also

prioritising resources towards service developments that will achieve the service's priority to prevent and reduce the incidence of homelessness. This has been supported by significant additional investment from the Council, maximising draw down of Housing Benefit income that the Council can claim and seeking opportunities for accessing external funding.

- 3.2 The greatest risk for the priorities of the service and the budget strategy is the continuing rise in need which is likely to be exacerbated by the impact of Covid-19 and the uncertainty of short term funding. Primarily, key services designed to deliver homelessness prevention and rapid rehousing, underpinned by time-limited funding are the ones presenting most risk as these have the greatest impact on reducing the use of temporary accommodation and in enabling more housing solutions to reduce the length of people's stay. The 2020/21 budget process allocated £1m of funding to support the key teams at significant risk, the Section 21 team and the Private Rented Sector Team where 33 staff are employed to improve outcomes for people and supporting service priorities.
- 3.3 The number of people and families in temporary accommodation has continued to rise from 1,491 in March 2019 to 1,835 in September 2020. This is following a significant increase over the last few years where numbers in temporary accommodation are now ten times what they were five years ago. Unsupported temporary accommodation (known as Bed and Breakfast) during September averaged 227 single people and 31 families per night, a total of 258.
- 3.4 Successful management of pressures and risks must be addressed in the context of increasing demand and footfall, with over 9,840 households approaching the service in 2019/20. Presentations for April to September 2020 are 4,521, with numbers expected to increase in the latter half of the year. Funding for increased need of £0.979m was applied to support the budget position this year as part of the budget setting process for 2020/21 based on estimated growth in demand and assuming increases continued along a trend of 5 properties per week, with a further increase of £1.391m allocated for 2021/22.
- 3.5 The Service Transformation Programme will form the core of the approach to tackling and reducing homelessness over the next three years. It will be the framework in which reductions in temporary accommodation and rough sleeping will be achieved through a radical reorganisation of the Homelessness Service and its activities. The programme will focus on five key areas; the strategic vision, redesigning the journey through the system, prevention, accommodation and communication and development.
- 3.6 Several individual projects make up the programme as a whole, addressing each part of the system and redesigning it. Examples of bespoke projects include improving prevention and move-on through more cost-effective enhanced incentives for private landlords to increase the level of property available in order to rehouse households, at lesser cost than expensive and unsuitable temporary accommodation and bed-and-breakfast. The service will

work with Early Help, Education Services and Integrated Neighbourhood Teams providing a multiagency/multi-modal prevention response to those households identified as being at risk of homelessness before they hit crisis point and critically before they need to present as homeless.

4.0 Directorate Budget

4.1 The current Directorate budget for 2020/21 is summarised in the table below.

Service Area	2020/21 Gross Budget £'000	2020/21 Net Budget £'000	2020/21 Budgeted Post FTE
Homelessness	37,914	15,209	270
Homelessness Commissioned Services	5,915	5,915	6

4.2 The budget for 2021/22 by Business Area is provided at Appendix A. The approved adjustments to the current base budget reflect:

Homelessness Budget	Original Cash Limit	Cash Limit	Savings	Growth / Other Adj	Cash Limit
Financial Year	2020/21	2020/21	2021/22	2021/22	2021/22
	£'000	£'000	£'000	£'000	£'000
Homelessness Budget	15,285	15,209	0	1,391	16,600
Homelessness Commissioned Services	5,915	5,915	0	0	5,915

One Off Funding 2020/21

4.3 £2.000m from the Ministry of Housing, Local Government and Communities or Homelessness Service linked to Covid-19 expenditure from July 2020 to March 2021

- £1.700m for the Next Steps Accommodation Programme. This will contribute towards the longer term offer for those who have been sleeping rough prior to the Government's directive of 'Everyone In' linked to the Covid-19 response. The estimated cost of the rough sleeper offer, including the £500k A Bed Every Night (ABEN) shortfall and additional capacity in the winter months to cover cold weather provision, is £3.7m. Including ABEN this is 250 bed spaces available each night from July 2020 to March 2021.
- £300k is to be spent on incentives to landlords to secure properties in the private rented sector specifically for people who were rough sleepers and

have been provided with accommodation as a result of the Covid-19 response.

- £2.530m Next Steps Capital has been awarded to Manchester City Council and Registered Providers to bring on board an additional 40 bedspaces by 31st March 2021. This is supported by £134k additional revenue per annum from MHCLG.

4.4 Rough Sleeper Initiative funding of £0.724m funds a number of different initiatives and services that work together as an RSI Partnership, with the objectives of preventing people from rough sleeping and finding accommodation for people already rough sleeping. This funding includes the provision of a Rapid Rehousing Pathway programme of £215k for 4 Navigators and 1 Team Leader. These are attached to the Council's Outreach Team and the Navigators develop relationships and help people who sleep rough to access appropriate local services, get off the streets and into settled accommodation. It is anticipated that this funding will continue at similar levels to this financial year with a co-produced bid likely to be submitted to MHCLG in the coming months.

4.5 The new burdens funding of £461k is being utilised to provide capacity to reduce demand, as above it is assumed that this funding will be provided at the same level in the next financial year. This funding provides additional capacity which is needed for:

- Housing Solutions Officers to increase prevention work and reduce flow into the system
- Private Rented Sector (PRS) team to develop a PRS offer for homeless people
- Investment to reduce floating support caseloads to allow meaningful work in moving people on and ensuring people are appropriately safeguarded

4.6 Funding of £1.6m has been awarded by GMCA, supported by Housing Benefit of £400k, to fund 165 bed spaces in Phase 3 of A Bed Every Night which has been extended to cover the period July 2020 to March 2021, indicative costs are £2.5m. Therefore the shortfall in funding is approximately £500k which has been included in COVID-19 costs.

5.0 Savings Options and Proposals

5.1 The approach to savings will be based on the proposed Service Transformation Programme which gives a strategic direction and framework to services, based on a focus of outcomes and partnerships. The assumption is to achieve the total required saving there needs to be a targeted approach, rather than a flat percentage Directorate-wide reduction. In the instance of the 'least worst' option for the Council set out in the accompanying report which requires cuts of £50m in 2021/22, the Homelessness options if approved would deliver £2.835m in 2021/22 with a further £739k in 2022/23, detailed in appendix B. These proposed reductions will allow the Council to plan effectively to deliver a balanced budget in 2021/22 but will have a significant

impact and reduce support in key areas. If no additional financial support is received and the cuts have to go deeper, further service cuts within Homelessness will then need to deliver an additional £2m of cuts and these options will be presented in January after the financial settlement.

Covid-19 response and Everyone In.

- 5.2 Initial indications are that the annual cost of provision for providing accommodation for those previously sleeping rough in response to Covid-19 and Everyone In is £7m. However the Directorate are working with partners to confirm the expected provision beyond March 2021 which recognises the longer term needs of those who were sleeping rough and recognises the longer term accommodation needs. Positive discussions are ongoing with MHCLG to bid for funding to maximise recouping of MCC costs, work will also continue to maximise housing benefit claimed to support the new schemes in the long run, thereby providing better value provision as a legacy. Therefore current plans are to ensure that provision can be maintained at £1.4m below the original estimate of £7m as rough sleepers are moved out of temporary hotel accommodation and into more permanent accommodation ensuring residents do not return to the streets. If these costs can be managed for less than that will provide some mitigation for the level of cuts required.
- 5.3 Manchester City Council and Registered Providers (RP's) in Manchester have bid for funding from MHCLG to bring additional properties on line by 31st March 2021. To date bids have been approved to bring on board an additional 40 bed spaces. These bids aim to supply additional properties for use and are supported along with maximising Housing benefit and grant funding. The creation of these properties would create the vacancies in housing related support, to move the people from the 'Everyone In' hotels, ensuring appropriate support. This proposal is dependent upon keeping Housing Related Support accommodation open though, as otherwise there will be no accommodation to move people into.
- 5.4 We know that there are a number of people still sleeping rough, and that we will see an increase in people sleeping rough due to the economic impact of Covid-19 and the lifting of the eviction embargo. We want to ensure that there is a rapid offer of accommodation and support available so that their time spent on the streets is minimised, thus reducing cost pressures.
- 5.5 Review of A Bed Every Night provision, provision in Manchester currently stands at 165 bed spaces per night, this not a statutory service and funding at present is one off with MCC underwriting c£500k unfunded by GMCA. We are working with colleagues in Revenue & Benefits to identify whether this gap can be closed through higher levels of housing benefit income and will also be discussing options with GMCA to review the funding settlement for Manchester and/or the delivery model to fit the available funding envelope. The long-term viability of the A Bed Every Night programme in its current form will be impacted by the outcome of these discussions.

Externally Commissioned Homelessness Services

- 5.6 Review of the Housing Related Support Budgets c£6m, work is ongoing to identify value for money achieved and the outcomes delivered for each of the schemes to ensure each contract is delivering against the objectives. With indicative savings options of £1.2m.
- 5.7 Discussions with housing providers at present are centred around maintaining current service delivery as far as possible within a much reduced financial envelope. However, a reduction in funding of £1.2m would impact significantly on service delivery and it is expected that some services will close completely and cut provision. Under this model, the impact would be to reduce expenditure by £600k in 2021/22 and a further £600k in 2022/23.
- 5.8 The impact of such a reduction in funding to Housing Providers will almost certainly mean the closure of some accommodation schemes, and a reduction in resettlement and other support services. These services provide essential support to some of our city's most vulnerable residents, including young people and people sleeping rough. Housing Related Support (HRS) services support the key objectives in the city's homelessness strategy; they work to ensure that a person's experience of homelessness is as brief as possible by supporting them to develop the skills to move on to independent living, and they help to make homelessness a one off, and not a repeated experience by providing resettlement support to allow people to maintain their settled homes on an ongoing basis.
- 5.9 The impact of closure will mean an increase in the number of people who are homeless and sleeping rough, and an increased demand for temporary or more expensive emergency accommodation, including Bed and Breakfast. There will be a wider knock on cost effect as people accommodated in HRS are less likely to use more expensive services such as health and social care, and the police and justice system. There is a risk that the likely impact of making these savings is increased expenditure and greater impact on other budgets both in the short and longer term.

Homelessness Management

- 5.10 A full service redesign was already planned in Homelessness as the Directorate aims to focus on prevention and improving the flow of residents through temporary accommodation, this redesign will take place within Homelessness which will include a review of the management structure, including the Directorate Management Team. The management structure at Grade 10 and above is 9 FTE supported by a budget of £639k. As part of 2020/21 budget setting, funding was assigned for 3 FTE grade 10 posts to lead on the service redesign, this work will now be undertaken within existing resources. These posts were proposed as 18 month posts so reduction in posts would deliver £89k of savings in 2021/22.
- 5.11 33 FTE additional management posts support the service between grades 7-9, with a budget of £1.383m. The redesign aims to reduce management levels and replace them with a more consistent structure. At this stage it is not

known what level of savings can be delivered to maintain appropriate management to staffing ratios across the service. Removing management posts would significantly impact workload for remaining managers and consideration will need to be given to the new structure to maintain appropriate management and staffing numbers. A reduction in FTE would deliver savings of £277k over 2 years with a reduction of £138.5k in 2021/22 and a further reduction of £138.5k in 2022/23.

- 5.12 As part of the redesign the provisional assumption is a more coherent split into three areas, Accommodation, Access and Assessment (including Housing Solutions and Rough Sleeping) and Commissioning, Strategy and Policy.
- 5.13 The Programme will deliver a more joined-up system based around locality-based prevention. The current legislative-based process does not serve people well in terms of delivering outcomes and so the aim is to deliver a more person-centred service based on needs, with more people taken out of the formal statutory process altogether.

6.0 Additional options to be considered

- 6.1 In order to plan effectively to deliver a balanced budget this means that a programme of cuts totalling c£50m must be started on now for 2021/22. The options put forward above for consideration are designed to protect front line services and not to cut too much across what needs to be achieved in the future. Due to the extent of the challenge further cuts may be required, and these will need to be carefully planned, in line with the Future Shape of the Council work. These reductions will be avoided if possible, however if there is no further funding at all then the Council will have to act quickly to balance the budget. These have been identified on a 'least worst' basis in order to minimise the total impact, while acknowledging there will be significant implications, including difficult decisions to de-prioritise and reduce support in key areas.
- 6.2 If there is a requirement to cut deeper, there will be a need to complete a further review of value for money across all in house and externally commissioned services. If the prevention and the move on through the service is not efficient, there is a risk that closing temporary accommodation schemes will adversely impact on the number of people accessing more expensive and lower quality hotel accommodation.
- 6.3 There is a need to explore leaseholder schemes as an alternative to both temporary and settled accommodation that is more cost effective for the Council, affordable and accessible for homeless households.
- 6.4 Further detail on additional cuts will come back to Scrutiny after the financial settlement if required.

Overall Impacts

- 6.5 Although the service can hold some vacancies the vast majority of roles within homelessness services focus upon homelessness assessment which we know will face increasing demand as recession deepens, or the provision of direct support to individuals and families in temporary accommodation. Many of those the service supports have medium to complex needs and are vulnerable families. The safeguarding risk to the city and reputational risk for the Council would be considerable were frontline support services to be reduced.
- 6.6 Whatever we do - reducing core costs will not reduce demand - people will continue to increase in accessing the service, people will continue to present with complex needs and so we will pay for more expensive services to meet the demand.

7.0 Workforce Impact

- 7.1 The framework for how the Council supports its workforce is set out in the People Strategy. The development of the service workforce and the *Our Ways of Working* approach has been supported through a programme of activity that includes building rapport, Our Manchester context, introduction to strengths, and the Our Manchester behaviours.
- 7.2 Key elements of improved and increased service delivery within Homelessness have been reliant on time limited funding and therefore temporary posts. Previous proposals to put in place funding to enable a permanent staffing structure to be implemented in April 2020, therefore avoiding the need for 33 time limited placements are no longer viable given the accelerated requirement to deliver considerable levels of savings in the next financial year.
- 7.3 Working to move the service from a 'developing' to 'maturing' Our Manchester approach across all areas will be extremely challenging in regard to the capacity of the service and managers in light of the level of savings facing the service. The increased demand likely to be placed upon Homelessness Services as recession deepens, set against the need to deliver savings and the resultant reduced service offer as a result of budget reductions within the sector, both in-house and within Commissioned Homelessness Services, will undoubtedly impact upon the workforce's ability to further develop their approach and behaviours to delivering services; supporting citizens to develop personal resilience and break the cycle of poverty and homelessness.
- 7.4 Current savings options for Homelessness which would contribute to the £50m 'least worst' option for the Council would result in an FTE reduction of 12 FTE. If there is a requirement to deliver deeper cuts the likelihood is that schemes will need to close which result in a significant increase in the number of FTE impacted.

8.0 Recommendations

- 8.1 The recommendations appear at the front of this report.

APPENDIX A - Budget Control Totals based on 2020/21 Budget Reports

Service Area	2020/21 Net Budget £'000	Savings £'000	Growth and Other Adjustments £'000	2021/22 Net Budget £'000
Singles Accommodation	1,676	0	0	1,676
B&B's Room Only	4,063	0	0	4,063
Families Specialist Accommodation	299	0	0	299
Dispersed Temporary Accommodation	3,586	0	1,391	4,977
Homelessness Management	668	0	0	668
Homelessness Assessment & Caseworkers	2,317	0	0	2,317
Homelessness PRS & Move On	792	0	0	792
Rough Sleepers Outreach	397	0	0	397
Tenancy Compliance	201	0	0	201
Commissioned Services	1,210	0	0	1,210
Total	15,209	0	1,391	16,600

In addition to the approved budgets in the table above, £7m has been set aside for the continued provision of accommodation for those who previously slept rough. A further £6m of commissioned services budgets are in the MHCC pool but are managed by the Director of Homelessness.

APPENDIX B – Officer Savings Options

Service Area	Description of Saving	Type Of Saving	Rag Deliverability	Rag Impact	21/22 £000's	22/23 £000's	Total £000's	FTE's
Homelessness Commissioning budgets	Housing Related Support, work with RP's to reduce costs by 20%	Service reduction - High Risk	Red	Red	600	600	1,200	
Management posts	Management reductions for G10 and above	Service Reduction	Amber	Amber	108		108	2
Service Redesign Posts	As part of 2020/21 funding was assigned for 3 FTE grade 10 posts to lead on the service redesign, this work will now be undertaken within existing resources	Service Reduction	Green	Green	89		89	3
Homelessness - full service redesign	Management G7-G9	Service Reduction	Amber	Amber	139	139	277	7
Rough Sleeper Provision	New Provision Rough Sleepers	Service Reduction	Red	Amber	1,400		1,400	
A Bed Every Night	Provision for rough sleepers	Service reduction	Red	Red	500		500	
Total					2,835	739	3,574	12