

**Wards Affected:**

All Wards

**ITEM 2****DELEGATED DECISION****10 JANUARY 2017****TEMPORARY ACCOMMODATION CHARGES**

Responsible Cabinet Member: Councillor Long, Cabinet member for Adult Care and Housing

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**Executive Summary:**

The rates at which Temporary Accommodation is licensed to homeless families, which are covered by Housing Benefit (HB), exceed the amounts of Housing Benefit Subsidy (HBS) received from the government. This deficit in HBS is a hidden cost of homelessness, which these proposals will bring into the open. They will also reduce complications in the audit of our annual HBS claim.

License fees for Temporary Accommodation are in many cases set at a level higher than HBS covers. Because full benefit is paid, and less than full subsidy received, the shortfall falls on the Revenues & Benefits budget, with several adverse consequences. This paper sets out possible actions to reduce or eliminate these consequences.

The current £60 per week management allowance for Temporary Accommodation within HBS is to be ended from April 2017 and replaced with a direct revenue grant. This paper sets out possible actions to deal with the financial and accounting impact of this change.

This report recommends that, to address these issues, rents are reduced to the levels covered by HBS.

*Councillor Nigel Long, Cabinet Member for Adult Social Care and Housing*

**1. Recommendations**

- 1.1 That rents for temporary accommodation be reduced, to the levels attracting Housing Benefit Subsidy with effect from 30 January 2017 for Bed and Breakfast type (shared facility) accommodation, and 3 April 2017 for self-contained accommodation.
- 1.2 That the budgetary impact of these reductions be reflected in the 2016/17 Budget and Medium Term Financial Plan from 2017/18.

**2. Licenses for Shared Facilities Accommodation**

- 2.1 At present, the charges made under the licenses to occupy shared facility Temporary Accommodation (e.g., B&B hotels) issued to homeless families ("rents") are in excess of the HBS claimable. It is proposed to reduce the rents to the level of HBS claimable, so that the deficit will be incurred within Housing and therefore be visible as a cost of homelessness, rather than of benefit administration, as illustrated below:

Table 1: Current B&B Budget Impact

<b>Budget</b>	<b>Item (per night)</b>	<b>Current Amount</b>	<b>Proposed Amount *</b>	<b>Change</b>
Housing	B&B Accommodation Cost (typical)	£63.00	£63.00	-
Housing	Rent charged to homeless family	(£26.05)	(£17.31)	£8.74
<b>Housing</b>	<b>Budget Surplus/(Deficit)</b>	<b>£36.95</b>	<b>£45.69</b>	<b>£8.74</b>
Benefits	HB paid to Homeless Family	£26.05	£17.31	(£8.74)
Benefits	HBS claimable from DWP	(£17.31)	(£17.31)	-
<b>Benefits</b>	<b>Budget (Surplus)/Deficit</b>	<b>£8.74</b>	<b>£0.00</b>	<b>(£8.74)</b>
<b>Total Budget (Surplus)/Deficit</b>		<b>£45.69</b>	<b>£45.69</b>	<b>-</b>

\* Note: This illustration refers to a B&B in Milton Keynes. Other areas would differ.

2.2 The current charge of £26.05 is levied irrespective of location. It is proposed that the charge should be variable according to the LHA rate payable in the relevant Broad Market Rent Area, as set out in the **Annex**.

### 3. **Temporary Accommodation Management Fee**

3.1 The temporary accommodation management fee is payable with HB in respect of some households placed in temporary accommodation, where the landlord manages the tenancies concerned. The Spending Review and Autumn Statement 2015<sup>1</sup> announced a measure to remove this additional payment from April 2017, and that local authorities will be given more than equivalent funding directly, to enable them to manage temporary accommodation and homelessness pressures as they see fit.

3.2 Taking the government's assurance that the new grant funding will be fully funded at its face value, there should be no net loss to the council from this measure. New Burdens funding of £1.5 million was set aside for the 2015 Autumn Statement policy measure for removing the temporary accommodation management fee from April 2017 and the setting up of a new equivalent fund from the Department for Communities and Local Government (DCLG) at that point.<sup>2</sup>

3.3 Currently, the deficit between the rent chargeable and the subsidy receivable therefore falls on the Revenues & Benefits budget. This means that the total cost of homelessness is not clearly identified in the council's budget, since costs appear both in Housing and in Revenues & Benefits.

### 4. **Universal Credit**

4.1 Universal Credit (UC) is being rolled out, including to those living in temporary accommodation. The claimant receives an amount for housing costs within the UC payment, based on LHA rates for the household size, including a shared accommodation rate. The inclusion of those living in temporary accommodation in receiving UC rather than HB (new claimants for single people, at present only) increases the risk of non-recovery of charges. This

<sup>1</sup> [Spending Review and Autumn Statement 2015](#) (page 15)

<sup>2</sup> [DWP Housing Benefit Circular HB S9/2016](#) (para 1)

is because initial payments take over 6 weeks to be processed, are paid in arrears and are paid directly to the tenant – all unlike HB. Since current T A rents are in excess of HB levels, claimants will be required to pay more than the amount covered within their UC, increasing the likelihood of arrears and bad debt. Reducing TA rents to the HB rate would mitigate this risk, since claimants would not be asked to pay more than their UC provides for (except for those aged under 35, where UC would only pay shared room rates).

## 5. **Options**

5.1 Four options have been identified in response to the underreporting of homeless costs and the loss of the £60 per week management allowance.

### 5.2 Option 1 – No Change

5.3 The HBS shortfall in respect of B&B-type (shared facility) accommodation would continue to fall on the Revenues & Benefits budget. This would lead to continued understatement of homelessness costs, and further challenges to the council's HBS claim.

5.4 The DWP will alter the subsidy regime for self-contained accommodation by reducing it by the £60 management fee. Since the Benefits Service are aware of the replacement grant, they would reduce the HB paid for these claims accordingly. Homeless families would be liable for the income shortfall. Since it is unlikely that they would be able to cover these costs, the shortfall would be reflected as a significant increase in bad debt against the Housing income budget.

### 5.5 Option 2 – Reduce rents for B&B-type accommodation

5.6 Reducing the shared facility accommodation rents would mean that the existing HBS loss would be eliminated, so that the budget impact would fall on the Housing budget rather than the Revenues & Benefits budget. The reported cost of homelessness would increase to reflect the actual gross costs. The council's HBS claim would be less susceptible to challenge.

### 5.7 Option 3 – Reduce rents including management costs by the £60 allowance

5.8 Reducing the rents currently part-funded by the £60 management allowance would mean that the consequent subsidy loss would be matched by reduced benefit claim value, so that the impact would fall on the Housing budget rather than the Revenues & Benefits budget. Homeless families would not be liable for the shortfall between charges and benefit payable.

### 5.9 Option 4 – Reduce all rents in excess of HBS (combining options 2 & 3)

5.10 To implement both options 2 and 3 would achieve both sets of benefits. The full cost of subsidy losses relating to homeless temporary accommodation would be transferred to the Housing budget.

### 5.11 Recommended Option

5.12 Based on the option analysis set out above, Option 4 is recommended.

## Implementation

5.13 If reductions are approved, as per Options 2, 3, or 4, the intention would be to write to all affected families and give notice of the changes and effective

dates. New entrants to TA after the implementation date would be provided with standard letters updated to reflect the amended charges.

## 6. **Implications**

### 6.1 Policy

The proposals in this report do not comply with the council's Income Policy, which would require an inflation-linked increase in charges, since the LHA rates on which the proposals are based have been frozen by the government.

### 6.2 Resources and Risk

The financial implications of the options are set out in the option analysis above.

The Department for Work & Pensions (DWP) are currently challenging the council's mid-year estimate of HB subsidy claimable, since the unsubsidised amount (relating to the payments in excess of subsidy levels) is large and rising. This challenge will have an adverse impact on the stage payments made to the council, and hence to the council's cashflow. It is anticipated that DWP will further challenge the year-end subsidy claim for similar reasons, which may result in a loss of subsidy. Reduction in TA rents to HB Subsidy levels would mitigate the likelihood of further challenge and adverse financial consequences.

The risk of a qualified HBS claim as a result of the proposed change, and consequent loss of subsidy payable to the council, has been mitigated by the involvement of expert HB staff in the preparation of this paper.

The few homeless families not in receipt of HB are currently liable to pay the full charges, and there is no HBS claim and therefore no HBS deficit. The proposed reduction will reduce the financial burden on these families, and the payment receivable by the council. Since a provision for bad debt on these payments is already allowed for, the budget impact will be negligible.

N	Capital	Y	Revenue	N	Accommodation
N	IT	Y	Medium Term Plan	N	Asset Management

### 6.3 Carbon and Energy Management

There are no implications in respect of the Council's Carbon and Energy Management Policy.

### 6.4 Legal

Temporary Accommodation is occupied on the basis of licenses to occupy, not on the basis of tenancies to which the Landlord & Tenant Act's provisions as to consultation apply. No formal consultation is proposed, since the recommended option is to reduce rents. Homeless families will be given written notice of the proposed rent reductions.

### 6.5 Other Implications

Y	Equalities/Diversity	N	Sustainability	N	Human Rights
N	E-Government	N	Stakeholders	N	Crime and Disorder

6.6 An Equality Impact Assessment was completed and recommended that since the impact for vulnerable groups (who would include all families for whom the council accepts the full homeless duty) is neutral or positive, there are no equalities grounds to reject the proposal.

7. **Background Papers**

7.1 Working papers held in Housing Finance, Housing Income, and Revenues & Benefits.

Annex: Proposed Temporary Accommodation License Rates

Background papers: <sup>1</sup> [Spending Review and Autumn Statement 2015](#) (page 15)  
<sup>1</sup> [DWP Housing Benefit Circular HB S9/2016](#) (para 1)