



Democratic Services

DELEGATED DECISIONS

Tuesday, 10 January 2017

17:30

Room 4 (Civic Offices)

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Decision to be taken by Councillor Long.

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Decision to be taken by Councillor Long.

PROPOSED REVISIONS TO SHELTERED HOUSING SERVICE CHARGES

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

Report Sponsor: Linda Ellen, Acting Service Director Housing & Communities

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Executive Summary

The council is determined to continue to provide a high-quality sheltered housing service in Milton Keynes, to support residents to live independently. This means that we need to ensure that the service is financially viable, and that sheltered housing tenants are contributing fair and affordable amounts towards the costs of the service.

This report proposes new and revised landlord charges, which will over the course of time cover in full the costs incurred on their homes. These charges have been designed so that no tenant will be charged more next year in rent and landlords service charges than they currently are. These proposed changes will result in more Housing Benefit eligibility, and consequently provide savings to claimants which will partly offset the proposed decrease in subsidy for housing related support charges.

Currently, tenants in receipt of Housing Benefit receive a subsidy which covers the whole of the charges for housing related support provided to Sheltered Housing tenants. To increase the proportion of costs recovered through housing related support charges, and so to ensure that the service can be maintained at current levels, it is proposed to reduce this subsidy.

Sheltered Housing tenants have been consulted on these proposals, details and results of which are set out in the report.

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

1. Recommendation(s)

1.1 That the results of the consultation be considered

1.2 That new and revised charges and the subsidy for Sheltered Housing tenants be approved.

2. Report

2.1 Consultation

2.2 A delegated decision was taken on 8 November to formally consult Sheltered Housing tenants on the proposed changes, as is required in respect of landlord service charges by clause 2.5 of the tenancy agreement.

2.3 The consultation, consisting of a letter to each tenant, a page on the council's website, and a supporting document setting out the detail of the proposed changes, opened on 28 November.

2.4 Responses were invited by telephone, by email, and by return of a response slip through Sheltered Housing Officers, with a closing date of 31 December.

2.5 Responses to the consultation as at 20 December 2016 can be summarised as:

I agree with the council's proposals	111	82%
I do not agree with the council's proposals	25	18%
Total agree/disagree responses	136	100%

2.6 This represents a response rate [to date] of 14% of the total of 942 tenants consulted.

2.7 The final outcome of the consultation will be circulated after the closing date of 31 December 2016.

2.8 Analysis of the response by Sheltered Scheme will be shown in Annex A.

2.9 Comments received during the consultation will be shown in Annex B, together with responses from the Council.

2.10 The response to the consultation [to date] is generally very positive. The responses indicate that tenants are supportive of the council's aim to sustain the services offered through the Sheltered Housing Officers, and while concerned about the financial implications of the proposals, are appreciative of the council's plan to revise charges and subsidy simultaneously so as to mitigate adverse financial impacts.

2.11 On the basis of the consultation responses [to date], tenants appear supportive of the proposals, and it is therefore recommended that they are approved unchanged.

2.12 Landlord Service Charges

2.13 These service charges are intended to recover the cost of landlord services provided to specific groups of tenants. Recovery of service charges minimises any subsidy from the rents of tenants who do not receive those services. There are significant variances on the recovery of existing service charges to Sheltered Housing tenants due to actual costs having increased over the past few years at a different rate to the annual increases applied.

- 2.14 Not all Sheltered Housing tenants receive all services. There are schemes where tenants have their own utility meters for personal use charges but make no contribution to the costs incurred by MKC for communal area costs.
- 2.15 The council proposes to cover the variances by revising existing service charges, so that they cover the costs of each utility, and where the utilities cover individual properties as well as communal areas, to separate the charges into individual and communal elements. Communal charges will be covered by Housing Benefit; individual charges will not be covered by Housing Benefit. This will improve affordability for tenants in receipt of Housing Benefit, since existing charges are not eligible.
- 2.16 Sheltered Housing tenants receive, through the Sheltered Housing Officers, a more intensive landlord service than General Needs tenants do; there is a higher staff/tenants ratio, some additional functions are provided that are not provided for General Needs tenants and some functions are provided to a higher standard (e.g., fire alarm testing weekly rather than monthly). A new service charge is proposed to cover these enhanced landlord services.
- 2.17 The Welfare Reform & Work Act 2016 introduced a 1% rent cut which will apply to sheltered housing from 2017 to 2019. It is proposed that the differences on existing utilities service charges are recovered from this 1% saving in each of the three years. This means that no tenant will be charged more in rent and service charge than they do currently.
- 2.18 Charges on properties that are re-let will immediately be set at full rates and not be subject to the transition process.
- 2.19 The costs of these services may increase or decrease (by inflation or otherwise), but any resulting increase in service charges will be covered by the cap at the level of rent reduction during this three-year period.
- 2.20 The council will need to consider, before the end of the three-year period, any subsequent capping of increases remaining outstanding owing to the operation of the cap. This consideration will need to take into account any government direction and/or guidance on rent levels following on from the capped period.
- 2.21 New charges for cleaning and enhanced landlord services will be de-pooled from current rent, so there will be no additional cost to tenants at present. These charges will be increased (or decreased) in future proportionately to the relevant service costs, rather than included within the general rent increase (or decrease).
- 2.22 Support Charges
- 2.23 Currently, tenants in receipt of Housing Benefit receive a subsidy which covers the whole of the charges for the support provided to Sheltered Housing tenants, which is not part of the landlord service and not covered by Housing Benefit.
- 2.24 To increase the proportion of costs recovered through support charges, and so to ensure that the service can be maintained at current levels, the council proposes to reduce this subsidy by £5 per week.

2.25 Tenants in receipt of Housing Benefit will therefore be paying £5 per week, though this may be mitigated by savings on landlord service charges. There will be no change to the charges paid by tenants not receiving Housing Benefit.

3. Implications

3.1 Charges for communal services (communal utilities, cleaning, enhanced landlord services) will be covered by Housing Benefit, which will improve affordability since current charges are ineligible. Charges for individual utility supplies and support charges will not be covered by Housing Benefit.

3.2 Modelling shows that most tenants will benefit from the net change to landlord charges, taking into account increased Housing Benefit eligibility. For those on Housing Benefit, increased eligibility may mitigate the cost of the new support charges.

4. Resources and Risk

4.1 Resources

4.2 The financial implications of the proposals for the council have been incorporated into the proposed 2017-18 budget and Financial Sustainability Plan 2017-18 to 2020-21.

4.3 Risks

4.4 The risks, and the relevant mitigation, are set out below:

- (a) Bad debts – service charges are collected together with rent. Not all service charges are covered by Housing Benefit. There is therefore a risk that the proposed service charges will impact on the level of arrears or bad debt, though Housing Benefit eligibility increases will mitigate the risk.
- (b) Challenge – interested parties may challenge the implementation of these proposed service charges. This risk is managed and mitigated by the documentation of the evidence, processes, and consultation.

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

4.5 Carbon and Energy Management

4.6 There are no consequences in respect of carbon and energy management.

4.7 Legal

4.8 Service charges are recoverable from tenants only where their tenancy agreement so provides. The council's tenancy agreement requires that tenants are consulted before making a decision over new services or service charges. As reported above, this consultation will be carried out.

4.9 Tenants will individually be given 28 days' notice of the proposed charges as part of the annual rent review letter.

4.10 Other Implications

4.11 There are no other implications of this report.

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

5. **Background Papers**

5.1 Service Charge review working papers held by Housing Finance.

5.2 [Delegated Decision report 8 November 2016](#)

5.3 [Consultation document](#)

5.4 Consultation responses held by Housing Finance

Annexes: A and B to follow:

A. Responses to Consultation by Scheme

B. Comments received during consultation

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

Report Sponsor: Linda Ellen, Acting Service Director Housing and Community

Author and contact: Mark Smith, Housing Finance Manager, Tel: 01908 253904

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:

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Table 1: Current B&B Budget Impact

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

* 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 2015¹ 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.²

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

¹ [Spending Review and Autumn Statement 2015](#) (page 15)

² [DWP Housing Benefit Circular PB 69/2016](#) (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: ¹ [Spending Review and Autumn Statement 2015](#) (page 15)
¹ [DWP Housing Benefit Circular HB S9/2016](#) (para 1)

Proposed Temporary Accommodation License Rates(1) Shared Temporary Accommodation (B&Bs and City Centre Rooms)

Current HBS Basis	One Bedroom LHA rate
Proposal	Reduce charge to occupants (licensees) to current Local Housing Allowance rate with effect from 30 January 2017

Daily (current)

Area	Charge
All	26.05

Daily (proposed) from 30 January 2017

Area	Charge
Milton Keynes	17.31
Northants Central	12.20
Northampton	14.84
Bedford	15.16
Luton	16.48
Dunstable	16.48
Leighton Buzzard	17.31
Stevenage & North Herts	17.31
Tring	18.13
Buckingham	18.13
Aylesbury	18.13

Daily (change)

Area	1-bed
Milton Keynes	-8.74
Northants Central	-13.85
Northampton	-11.21
Bedford	-10.89
Luton	-9.57
Dunstable	-9.57
Leighton Buzzard	-8.74
Stevenage & North Herts	-8.74
Tring	-7.92
Buckingham	-7.92
Aylesbury	-7.92

(2) Self-Contained Temporary Accommodation

Current HBS Basis	90% of the 2011 LHA rate + £60 per week management allowance
Proposal	Reduce charge to occupants (licensees) to 90% of 2011 Local Housing Allowance with effect from 3 April 2017

Weekly (current)

Area	Bedsit	1-bed	2-bed	3-bed	4-bed +
Milton Keynes	169.04	169.04	195.00	215.77	278.08
Northants Central	136.84	136.84	158.66	174.23	215.77
Northampton	153.47	153.47	174.23	184.61	231.34
Bedford	155.54	155.54	179.42	200.19	246.92
Luton	163.84	163.84	184.61	210.58	246.92
Dunstable	163.84	163.84	184.61	210.58	246.92
Leighton Buzzard	169.04	169.04	195.00	215.77	278.08
Stevenage & North Herts	169.04	169.04	195.00	225.11	288.47
Tring	174.23	174.23	200.19	241.73	340.39
Buckingham	174.23	174.23	200.19	241.73	340.39
Aylesbury	174.23	174.23	200.19	241.73	340.39

Weekly (proposed) from 3 April 2017

Area	Bedsit	1-bed	2-bed	3-bed	4-bed +
Milton Keynes	109.04	109.04	135.00	155.77	218.08
Northants Central	76.84	76.84	98.66	114.23	155.77
Northampton	93.47	93.47	114.23	124.61	171.34
Bedford	95.54	95.54	119.42	140.19	186.92
Luton	103.84	103.84	124.61	150.58	186.92
Dunstable	103.84	103.84	124.61	150.58	186.92
Leighton Buzzard	109.04	109.04	135.00	155.77	218.08
Stevenage & North Herts	109.04	109.04	135.00	165.11	228.47
Tring	114.23	114.23	140.19	181.73	280.39
Buckingham	114.23	114.23	140.19	181.73	280.39
Aylesbury	114.23	114.23	140.19	181.73	280.39

Weekly (change)

Area	Bedsit	1-bed	2-bed	3-bed	4-bed +
Milton Keynes	-60.00	-60.00	-60.00	-60.00	-60.00
Northants Central	-60.00	-60.00	-60.00	-60.00	-60.00
Northampton	-60.00	-60.00	-60.00	-60.00	-60.00
Bedford	-60.00	-60.00	-60.00	-60.00	-60.00
Luton	-60.00	-60.00	-60.00	-60.00	-60.00
Dunstable	-60.00	-60.00	-60.00	-60.00	-60.00
Leighton Buzzard	-60.00	-60.00	-60.00	-60.00	-60.00
Stevenage & North Herts	-60.00	-60.00	-60.00	-60.00	-60.00
Tring	-60.00	-60.00	-60.00	-60.00	-60.00
Buckingham	-60.00	-60.00	-60.00	-60.00	-60.00
Aylesbury	-60.00	-60.00	-60.00	-60.00	-60.00