

DELEGATED POWERS REPORT NO.

1955

**SUBJECT: Private Managed Accommodation Pilot and General Fund Temporary Accommodation Fees and Charges 2013/14**

**Control sheet**

**All of the following actions MUST be completed at each stage of the process and the signed and dated report MUST be passed to the Governance Service for publishing**

<b>All reports</b>		
1. Governance Service receive draft report	Name of GSO Date	Andrew Charlwood 28 February 2013
2. Governance Service cleared draft report as being constitutionally appropriate	Name of GSO Date	Andrew Charlwood 6 March 2013
3. Finance clearance obtained ( <i>report author to complete</i> )	Name of Fin officer Date	Collette Sutton 7 March 2013
4. Staff and other resources issues clearance obtained ( <i>report author to complete</i> )	Name of Res officer Date	N/A
5. Strategic Procurement clearance obtained ( <i>report author to complete</i> )	Name of SPO Date	Lesley Meeks 4 March 2013
6. Legal clearance obtained from ( <i>report author to complete</i> )	Name of Legal officer Date	Paresh Mehta 8 Mar 2013
7. Policy & Partnerships clearance obtained ( <i>report author to complete</i> )	Name of P&P officer Date	Andrew Nathan 1 March 2013
8. Equalities & Diversity clearance obtained ( <i>report author to complete</i> )	Name of officer Date	Andrew Nathan 1 March 2013
9. The above process has been checked and verified by Director, Head of Service or Deputy	Name Date	Pam Wharfe 22 March 2013
10. Signed & dated report, <u>scanned or hard copy</u> received by Governance Service for publishing	Name of GSO Date	Andrew Charlwood 28 March 2013
11. Report published by Governance Service to website	Name of GSO Date	Andrew Charlwood 28 March 2013
12. Head of Service informed report is published	Name of GSO Date	Andrew Charlwood 28 March 2013
<b>Key decisions only:</b>		
13. Expiry of call-in period	Date	N/A
14. Report circulated for call-in purposes to Business Management OSC members & copied to Cabinet Members & Head of Service	Name of GSO Date	

## ACTION TAKEN UNDER DELEGATED POWERS BY OFFICER IN CONSULTATION WITH CABINET MEMBER (EXECUTIVE FUNCTION)

**Subject** **Private Managed Accommodation Scheme and General Fund Temporary Accommodation Fees and Charges 2013/14**

**Officer taking decision** Director for Place

**Date of decision** 22 March 2013

Summary	The report outlines a proposal to deliver a supply of accommodation through Housing Association partners to increase the supply of accommodation for homeless applicants at a lower cost to the council. Changes to fees and charges are included to accommodate the new scheme along with charges that apply to temporary accommodation for properties acquired in Central London areas.
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**Officer Contributors** Nick Lowther, Homelessness Reduction Co-ordinator, Barnet Homes  
Paul Shipway, Head of Strategy and Performance

**Status (public or exempt)** Public

**Wards affected** All

**Enclosures** Appendix 1 – Additional Fees and Charges for Temporary Accommodation – 2013/2014

**Reason for exemption from call-in (if appropriate)** Not applicable

**Key decision** No

Contact for further information: Contact for further information: Nick Lowther, Housing Options, 020 8359 6002, [nick.lowther@barnethomes.org](mailto:nick.lowther@barnethomes.org)

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## **1. RELEVANT PREVIOUS DECISIONS**

- 1.1 Cabinet Resources Committee, 23 September 2004 (Decision item 6) – That increases in fees and charges which in line with the Financial Forward Plan, be approved by Heads of Service in consultation with the Cabinet Member for Resources, and that increases be implemented from 1 January each year, with only limited exceptions to those being increased from 1 April.

## **2. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 2.1 The use of Privately Managed Accommodation procured by housing associations will contribute to the corporate priority to maintain the right environment for a strong and diverse local economy by providing homeless households with an alternative to emergency accommodation.

## **3. RISK MANAGEMENT ISSUES**

- 3.1 Further welfare reforms to be introduced from April 2013 will have a potentially significant impact on homelessness and temporary accommodation in the borough. Whilst the actual effects of these changes will only become fully apparent over the coming year, it is important that the council secures adequate supply of suitable accommodation to meet demand.
- 3.2 There are several risks to the successful delivery of the PMA scheme:
- There is the potential for confusion on the part of the tenant given the mixed nature of services provided (i.e. rent collected by Barnet Homes and tenancy agreement with Barnet Homes yet repairs and tenancy management carried out by the Housing Association)
  - The council will be taking on bad debt liability and the costs of rent collection. Whilst there is a margin between cost and potential rental income, careful consideration must be given to nominations to larger units given applicants may be affected by the overall benefits caps.
- 3.3 To help mitigate against the potential risks in 3.2 there are several safeguards that will be in place:
- Households with no arrears and good payment history will be selected for nomination to these units.
  - The sign-up for these properties will be done by Barnet Homes so the housing benefit form and documentation are collected to ensure smooth processing of claims
  - Where there is a shortfall, Discretionary Housing Payments may be applied for to top-up rents to minimise bad debt

## **4. EQUALITIES AND DIVERSITY ISSUES**

- 4.1 Analysis shows that almost 70% of households in temporary accommodation (TA) are from non-white households, compared to 20% of the Borough's population as a whole. This suggests that the black and ethnic minority households are at greater risk of the potential negative effects of living in unsuitable TA. This proposal will

help to ensure a supply of homes that better meet the needs of homeless households.

## 5. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 5.1 The Council reclaims the Housing Benefit it pays to residents living in temporary accommodation from the Government in the form of Housing Benefit Subsidy (HBS).
- 5.2 Changes in HBS regulations from April 2010 saw tighter restrictions on the level of HBS payable on rents for leased and licensed temporary accommodation. In October 2012, the Department for Work and Pensions (DWP) confirmed that these regulations would continue in 2013/14 whilst a longer-term solution is identified. Rents charged on leased and licensed temporary accommodation properties generally reflect Local Housing Allowance (LHA) rents that can be reclaimed through HBS.
- 5.3 It has, however, become increasingly difficult to procure temporary accommodation on a leased or licensed basis at LHA rents, as rents in Barnet and London have continued to increase; this has resulted in a significant increase in the use of emergency accommodation often at a cost that can not be fully met through the housing benefit system, resulting in a pressure on the council's general fund budget.

### 5.4 Private Managed Accommodation

The PMA scheme will provide a more affordable alternative to the use of emergency accommodation. Each Housing Association partner has proposed a management fee, regardless of the size of the unit for properties procured in London:

Housing Association	Proposed Management Fee
Genesis	£25.00 per week
London Strategic	£29.53 per week
Notting Hill Housing Group	£40.00 per week

- 5.4 The overall cost of the scheme is likely to be less than £8k per annum as shown in the table below which shows estimated net costs to the council on an indicative basis with 50 units procured via three partners.

	Genesis		London Strategic		Notting Hill		Grand Totals	
Beds	Total units	net income/cost	Total units	net income/cost	Total units	net income/cost	Units	Net Income/Cost
1	3	£773.21	1	£22.18	1	-£262.26	5	£533.13
2	10	£1,354.60	5	-£500.50	5	-£1,922.70	20	-£1,068.60
3	10	-£260.00	5	-£1,307.80	5	-£2,730.00	20	-£4,297.80
4	3	-£650.00	1	-£1,121.12	1	-£845.00	5	-£2,616.12
<b>Total</b>	<b>26</b>	<b>£1,217.81</b>	<b>12</b>	<b>-£2,907.24</b>	<b>12</b>	<b>-£5,759.96</b>	<b>50</b>	<b>-£7,449.39</b>

- 5.5 This scheme is likely to provide better value for money than alternative schemes such as emergency accommodation. Using the January 2013 emergency accommodation costs, the average cost of housing a 5-bed household is £2.9k per annum over and above HBS. 5-bed units acquired under this scheme would represent approximately a £2.3k per annum saving per unit.
- 5.6 The table below sets out the costs of procuring 50 units under the PMA scheme compared to those of procuring 50 units as emergency accommodation, and shows that these will deliver savings of 92%:

Property Size	Number of units	Emergency Accommodation Cost*	PMA Cost	Saving
1-bed	5	£ 7,090.25	-£533.13	-£7,623.38
2-bed	20	£ 33,184.20	£1,068.60	-£32,115.60
3-bed	20	£ 36,814.00	£4,297.80	-£32,516.20
4-bed	5	£ 11,619.30	£2,616.12	-£9,003.18
<b>Total</b>	<b>50</b>	<b>£ 88,707.75</b>	<b>£7,449.39</b>	<b>-£81,258.36</b>

\*average cost to the council of securing equivalent sized unit for a period of 12 months as at 31/01/13

## 6. LEGAL ISSUES

- 6.1 Provision of temporary accommodation (TA) for homeless applicants' arises in the following circumstances:

### **Provision of TA – the main homelessness duty**

- 6.2 Where an applicant is unintentionally homeless, eligible for assistance and has a priority need for accommodation the housing authority has a duty under s.193(2) of the Housing Act 1996 to secure that accommodation is available for occupation by the applicant. This is commonly known as the main homelessness duty and constitutes one of the main reasons for the provision of TA for homeless applicants.

### **Provision of TA – the lesser duty**

- 6.3 Where an applicant is intentionally homeless, eligible for assistance and has a priority need for accommodation, the housing authority has a duty under s.190(2) of the Housing Act 1996 to secure that accommodation is available for occupation by the applicant for such period as the housing authority considers will give the applicant a reasonable opportunity of securing his/her own accommodation.
- 6.4 Where an applicant is unintentionally homeless, eligible for assistance and does not have a priority need for accommodation the housing authority has a power under s.192(3) of the Housing Act 1996 to secure that accommodation is available for occupation by the applicant.
- 6.5 Those applicants who are owed the lesser duty constitute the other main reason for the provision of TA to homeless applicants.

### **Interim duty to accommodate**

- 6.5 Section 188(1) of the Housing Act 1996 imposes an interim duty on housing authorities to secure that accommodation is available for an applicant pending their decision as to what duty, if any, is owed to the homeless applicant, if they have reason to believe that the applicant may be homeless, eligible for assistance and in priority need. Such applicant's are normally placed in short term or emergency bed

and breakfast accommodation. However, where applicants have family commitments i.e. the applicant or a member of the applicant's household is pregnant or the applicant has dependent children, bed and breakfast accommodation is only secured as a last resort. Such applicants' are invariably placed in TA pending enquiries by the housing authority.

### **Emergency accommodation**

- 6.6 Accommodation pending enquiries, a homelessness review decision or an appeal to the County Court, constitute the main reason for the provision of emergency accommodation to homeless applicants.

## **7. CONSTITUTIONAL POWERS**

- 7.1 Council Constitution, Part 3, Responsibility for Functions, paragraph 3.3 states that Chief Officers (i.e. the Chief Executive, Directors and Heads of Service as listed in Article 12) can take decisions, in consultation with the Cabinet Member concerned: to discharge the functions allocated to them or dealt with by them or their staff, (except for matters specifically reserved to Executive Members, Cabinet meeting, Cabinet Committees, Committees or Council); and in all matters where they have managerial or professional authority.

## **8. BACKGROUND INFORMATION**

### **8.1 Private Managed Accommodation (PMA)**

Barnet currently has over 350 units of long-term temporary accommodation provided by its RSL partners through the Housing Association Leasing Direct (HALD) scheme. These properties are procured from private sector landlords on three to five year leases.

- 8.2 With rising market rents and greater competition for private sector properties, procuring units in Barnet has proven difficult. Despite the introduction of a £500 incentive for new acquisitions, procurement of accommodation has been relatively slow. At the end of February 2013, 66 properties had been acquired and let, compared to 79 at the same point in February 2012.

- 8.3 As a consequence of the above, the council has made increasing use of emergency accommodation often at a cost above what can be recovered through the housing benefit system, creating budgetary pressures in the general fund.

- 8.4 A new scheme (Private Managed Accommodation) is proposed to address current shortages in supply at a cost that can be contained within housing benefit subsidy levels. The scheme operates in a similar manner to the existing HALD scheme, with two key differences; Barnet Council will hold the tenancy agreement and Barnet Homes be responsible for rent collection. Tenancy management (including repairs and maintenance) and void loss will continue to be managed by the Housing Association. A summary of functions carried out under this scheme is shown below:

Condition	Existing HALD scheme	Proposed PMA scheme
Tenancy Management	Housing Association	Housing Association
Rent Collection	Housing Association	<b>Barnet Homes</b>
Bad Debt	Housing Association	<b>Barnet Homes</b>
Tenancy Agreement	Housing Association	<b>Barnet Council</b>
Void Liability	Housing Association	Housing Association

8.4 The PMA scheme has been adopted by other authorities, most notably in the West London sub-region. A framework agreement was established following a tender exercise in July 2011. To date there have been over 400 properties provided through this scheme.

### 8.5 Using PMA as a vehicle to acquire properties outside London

The PMA model is also a viable option for developing a supply of temporary accommodation stock outside Barnet and indeed London. This will provide an alternative for households who might otherwise find themselves placed in unsuitable emergency accommodation, and a number of households have asked for assistance in accessing homes in lower cost areas outside of the borough.

8.6 Where providers hold stock in other local authorities, the HB claim is paid at the discretion of the host borough. This could ultimately mean that the maximum rents paid by the host borough could be restricted to the Local Housing Allowance rate and would consequently jeopardise the financial viability of schemes. Where the placing authority uses the accommodation as temporary accommodation, they are able to secure the required rent levels to ensure scheme affordability. Therefore, with Barnet Homes securing out of borough temporary accommodation units using the PMA model, the HB claim will be with Barnet, hence required rent levels to fund the scheme will be assured.

8.7 Barnet Homes has been approached by a Housing Association partner, with an offer of securing approximately 50 units in Luton. The units acquired are dispersed street properties and have been offered through one of their large portfolio landlords. The Housing Association has requested a £30 per week management fee to cover their costs.

Property Size	Rent per week	Cost per week	5% Bad Debt	Balance	Annual Income/Cost
1-bed	£143.84	£133.84	£7.19	£2.81	£146.12
2-bed	£164.61	£154.61	£8.23	£1.77	£92.04
3-bed	£190.58	£180.58	£9.53	£0.47	£24.44
4-bed	£226.92	£216.92	£11.35	<b>-£1.35</b>	<b>-£70.20</b>
5-bed	£299.61	£289.61	£14.98	<b>-£4.98</b>	<b>-£258.96</b>

As highlighted in the table above, this offer represents a cost effective method of securing out of London stock with an estimated annual unit costs of between £70 and £258 for larger units

## **8.8 Temporary Accommodation Fees and charges**

The current Housing Benefit Subsidy system introduced in April 2010 indexes the rent to the Local Housing Allowance. Maximum rent is determined as 90% of the Local Housing Allowance rate for the property in its location plus a £40 management fee per week. Any rents charged over this cap will receive 0% subsidy from the DWP.

- 8.9 It is proposed to add further rent grids that set out rent charges for emergency temporary accommodation for units acquired in the Central London area and for homes acquired in London and Luton under the PMA scheme to the existing schedule of fees and charges for temporary accommodation – the additional grids are set out in Appendix 1.

## **9. LIST OF BACKGROUND PAPERS**

- 9.1 None

## **10. CONSULTATION WITH CABINET MEMBER(S)**

- 10.1 The Cabinet Member for Housing has been consulted and has agreed with the officer's decision set out in 11.1, 11.2 and 11.3.

## **11. OFFICER'S DECISION**

**I authorise the following action:**

- 11.1 The development of a Private Managed Accommodation scheme in London to help increase the supply of long-term affordable temporary accommodation**
- 11.2 The development of a Private Managed Accommodation scheme to secure approximately 50 units to help deliver temporary accommodation outside of London**
- 11.3 Implementation of amended Fees and Charges as set out in Appendix 1 from April 1<sup>st</sup> 2013.**

**Signed**                      Pamela Wharfe  
   **Director for Place**

**Date**                         22 March 2013



## Appendix 1

### Additional Fees and charges for temporary accommodation– 2013/2014

#### Private Managed Accommodation

Broad Rental Market Area 150 (Outer North London)

<b>Leased &amp; Licensed Accommodation – Weekly charges (52 week basis)</b>				
Property Size	Accommodation Charge	Heating & Hot Water	Water <sup>1</sup>	Total
Studio	<b>£200.97</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£200.97</b>
1-bedrooms	<b>£200.97</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£200.97</b>
2-bedrooms	<b>£247.90</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£247.90</b>
3-bedrooms	<b>£310.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£310.00</b>
4-bedrooms	<b>£375.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£375.00</b>
5-bedrooms	<b>£375.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£375.00</b>

Broad Rental Market Area 147 (Outer North West London)

<b>Leased &amp; Licensed Accommodation – Weekly charges (52 week basis)</b>				
Property Size	Accommodation Charge	Heating & Hot Water	Water <sup>2</sup>	Total
Studio	<b>£195.77</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£195.77</b>
1-bedrooms	<b>£195.77</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£195.77</b>
2-bedrooms	<b>£237.31</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£237.31</b>
3-bedrooms	<b>£299.61</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£299.61</b>
4-bedrooms	<b>£361.92</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£361.92</b>
5-bedrooms	<b>£375.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£375.00</b>

Broad Rental Market Area 161 (Inner North London)

<b>Leased &amp; Licensed Accommodation – Weekly charges (52 week basis)</b>				
Property Size	Accommodation Charge	Heating & Hot Water	Water <sup>3</sup>	Total
Studio	<b>£274.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£274.00</b>
1-bedrooms	<b>£274.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£274.00</b>
2-bedrooms	<b>£346.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£346.00</b>
3-bedrooms	<b>£445.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£445.00</b>
4-bedrooms	<b>£500.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£500.00</b>
5-bedrooms	<b>£500.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£500.00</b>

<sup>1</sup> In Broad Rental Market Area 150/147/161 – Service charges on PSL properties on regeneration estates at Grahame Park and Stonegrove vary.

<sup>2</sup> In Broad Rental Market Area 150/147/161 – Service charges on PSL properties on regeneration estates at Grahame Park and Stonegrove vary.

<sup>3</sup> In Broad Rental Market Area 150/147/161 – Service charges on PSL properties on regeneration estates at Grahame Park and Stonegrove vary.

## Private Managed Accommodation outside London

Broad Rental Market Area 106 (Luton)

<b>Leased &amp; Licensed Accommodation – Weekly charges (52 week basis)</b>				
Property Size	Accommodation Charge	Heating & Hot Water	Water	Total
Studio	<b>£143.84</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£143.84</b>
1-bedrooms	<b>£143.84</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£143.84</b>
2-bedrooms	<b>£164.61</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£164.61</b>
3-bedrooms	<b>£190.58</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£190.58</b>
4-bedrooms	<b>£226.92</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£226.92</b>
5-bedrooms	<b>£299.61</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£299.61</b>

## Emergency Accommodation

Broad Rental Market Area 142 (Central London)

<b>Leased &amp; Licensed Accommodation – Weekly charges (52 week basis)</b>				
Property Size	Accommodation Charge	Heating & Hot Water	Water	Total
Studio	<b>£373.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£373.00</b>
1-bedrooms	<b>£500.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£500.00</b>
2-bedrooms	<b>£500.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£500.00</b>
3-bedrooms	<b>£500.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£500.00</b>
4-bedrooms	<b>£500.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£500.00</b>
5-bedrooms	<b>£500.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£500.00</b>