

The Highland Council

Finance, Housing and Resources Committee – 26 February 2014

Agenda Item	15
Report No	FHR/37/14

Rent levels in temporary homeless accommodation

Report by the Director of Community Services

Summary

At the Finance, Housing and Resources Committee on 22 January 2014 it was agreed that a report on the rents and costs relating to temporary accommodation would be presented to Committee on 26 February 2014. This paper details the current cost of provision and rent levels in temporary accommodation in Highland.

1. Introduction

- 1.1 The Council has a legal duty to provide temporary accommodation to homeless people. We have been able to reduce the number of people in temporary accommodation through the success of our homeless prevention team from **575** in March 2012 to **477** in March 2013. This represents a **17%** reduction which compares well against the Scottish reduction of **3%** over the same period. However, the continuing high level of demand for affordable homes in Highland means we cannot currently meet all our temporary accommodation needs from current housing stock.
- 1.2 The Council therefore uses various other types of temporary accommodation. The table below shows the type, number of units currently in use and the average weekly rents:

Type	Number	Average weekly rent
Council owned (HRA) Furnished	83	£103*
Leased Property Furnished	212	£141*
Contract/Spot Purchased Rooms	425	£160

*including management charge

- 1.3 In Council owned (HRA) properties, homeless households pay the normal rent for the property as dictated by the current rent structure (see **Appendix 1**) plus a maximum management service charge of **£50.62** (see **Appendix 2**). This is the most affordable option for homeless people.
- 1.4 For leased properties homeless households pay the agreed rent plus the service charge as above. Rents in leased properties are based on what we pay the landlord and rents are set to achieve full cost recovery. This type of accommodation is funded from the General Fund. If we were to set rents and charges at similar levels as HRA properties, a further minimum sum of **£41,000** would need to be identified from the General Fund. Rents vary but staff are guided to ensure they are kept within affordable levels in comparison with market rents in the area.
- 1.5 For contract/spot purchased rooms there is an agreed per night rate set out in the Council's Framework agreement and rents are based on what we pay the landlord on the basis of full cost recovery. The re-procurement exercise carried out in 2013 resulted in reduced costs for the provision of contracted rooms. This type of accommodation is funded from the General Fund. If we were to set rents at the same

level as HRA properties a further minimum sum of **£128,180** would need to be identified from the General Fund although use of contract/spot purchased rooms will continue to decrease as a result of the Temporary Accommodation re-provisioning project approved in April 2013.

- 1.6 The Scottish Housing Best Value Network (SHBVN) undertook a benchmarking exercise on the rents charged for temporary accommodation provided by Councils in 2012.

	HRA	Leased	Contract rooms
Highland Council Average	£104.00	£136.00	£159.00
Scottish Average	£214.82	£178.62	£240.91

- 1.7 This shows that Highland Council rents for temporary accommodation are well below the Scottish average.

2. Benefit implications

- 2.1 The Council wants to ensure that the cost of temporary accommodation is affordable and does not act as a disincentive to work while charging rents which balance the cost of provision.
- 2.2 The amount of Housing Benefit entitlement in temporary accommodation is determined by the level of rent and any eligible service charges. As a general rule, the service charge will be eligible for housing benefit where it has to be paid as a condition of occupying the property, such as those detailed in **Appendix 2**. This will include charges that are applicable to common areas. Examples of service charges that are not eligible for housing benefit may include meal charges and heating and lighting of the tenant's own accommodation.
- 2.3 Recent analysis demonstrated that the only circumstance where there is an affordability issue would be where both members of a couple are working full time. In this circumstance they would not qualify for any Housing Benefit and the cost of temporary accommodation is likely to be greater than equivalent accommodation in the private rented sector. In these cases the best solution is to identify other housing options such as helping people to access private rented accommodation.
- 2.4 There is actually a greater incentive for someone under the age of 35 to remain in temporary accommodation while working but receiving a low wage due to the levels of Local Housing Allowance in the private rented sector and the other costs they would become liable for such as Council Tax and utility bills.

3. The Temporary Accommodation Re-provisioning project

- 3.1 In April 2013 the Finance, Housing and Resources Committee approved a new approach to the Council's provision of temporary accommodation in discharge of its statutory duties in relation to homeless households. This new approach involves the Council transferring expenditure on private sector rooms used to provide temporary accommodation and to fund building and procuring Council owned self-contained flats in small developments across the Highlands.
- 3.2 As shown above, using HRA properties as homeless accommodation is the most affordable option for homeless people. As well as providing improved, self contained

accommodation for homeless people, the re-provisioning initiative will allow us to increase our supply of affordable homeless accommodation and reduce our use of the more expensive contracted rooms over the next 4 years.

4. Conclusion

- 4.1 The most affordable solution for people living in temporary accommodation is to find suitable permanent housing. Due to high demand and lack of stock, this is not always possible in the short term.
- 4.2 The most affordable type of temporary accommodation for homeless people is our own HRA properties. However, due to the high demand on our housing stock overall, it is not currently possible to provide all the temporary accommodation required from our current stock. We currently lease 212 self-contained properties of various sizes from our housing association partners and private landlords. We would need to remove a similar number of houses from our letting stock across Highland to replace these, putting further strain on waiting times for permanent accommodation.
- 4.3 The Temporary Accommodation re-provisioning project will allow us to increase our supply of the more affordable HRA properties and reduce our use of contracted rooms, allowing us to offer more affordable temporary accommodation to homeless people.
- 4.4 Rents in leased properties and contract/spot purchase rooms and the associated service charges are currently applied on the basis of full cost recovery and are funded from the General Fund. Were the Council to decide to reduce the level of charges then it would require to address the shortfall in income through additional direct budget provision from the General Fund.
- 4.5 The majority of people in our temporary accommodation are in receipt of housing benefit and affordability is less of an issue in these cases. Analysis shows that affordability can be an issue in leased accommodation where both members of a couple are working full time. This can be mitigated by ensuring the financial situation of all applicants is fully considered when placing them in temporary accommodation and placing them in the most appropriate accommodation on a case by case basis. If this is not possible due to availability of accommodation, staff will ensure homeless people are fully aware of the cost implications; have access to income maximisation and money advice and are fully aware of their other housing options. Such cases will be reviewed weekly and applicants offered more suitable, affordable accommodation when available.

5. Recommendation:

5.1 Members are asked to:

- retain the current charging arrangements in relation to rents in temporary accommodation on the basis of full cost recovery;
- note the positive impact of the Temporary Accommodation Re-provisioning project on the affordability of homeless accommodation;
- note that staff placing homeless people in temporary accommodation will take full account of affordability on a case by case basis and place them in the most appropriate accommodation available;
- note that where there are issues of affordability and no appropriate temporary accommodation available, staff will ensure homeless people are fully aware of the cost implications; have access to income maximisation and money advice and are fully aware of their other housing options. Such cases will be reviewed weekly and applicants offered more suitable, affordable accommodation as it becomes available.

Designation Director of Community Services

Date February 18, 2014

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Highland Council Rents 2013/14

Type/Size	Bedsit	1 bed	2 bed	3 bed	4 bed	5 bed
Flat/Maisonette	£49.03	£56.99	£64.95	£72.91	£80.87	£88.82
Homeless (charged over 52 Weeks)	£45.26	£52.61	£59.95	£67.30	£74.65	£81.99
House/Bungalow	£53.28	£61.24	£69.19	£77.15	£85.11	£93.07
Homeless (charged over 52 Weeks)	£49.18	£56.53	£63.87	£71.22	£78.56	£85.91
New Build Supplement	£3.71	£4.77	£5.84	£6.90	£7.96	£9.02
New Build Supplement (from Nov 13)	£10.00	£10.00	£10.00	£10.00	£10.00	£10.00

Appendix 2: Temporary Accommodation Service Charging Framework:

Charges	Charge per week (based on 52 weeks)
Garden maintenance (Only for properties where there are gardens).	£3.74
Tenancy Management - Administration of temporary accommodation including ordering of furnishings and arranging delivery etc., recording who is in each property etc.	£9.42
<p>Property Management Service Provide cleaning, repairs and painting as necessary for all Temporary Homeless Accommodation between re-lets. Undertake or organise furniture removal if required.</p> <p>Provide an inducted entry into property for each new tenant, checking inventory (when required) and providing necessary advice to tenant on use of supplied domestic equipment/heating etc.</p> <p>Ensure persons occupying flat comply with their conditions of occupancy. Issue and collect cards for gas and electric meters.</p>	£11.77
<p>Furniture</p> <ul style="list-style-type: none"> • 3 and 3+ bed property with a stair will be the maximum charge or • 2 bed property on one level or • 2 bed property with a stair or • 1 bed property or • bedsit that has either a bedroom/living room or living room/kitchen. <p>Maximum charge will be £25.69 per week</p>	£25.69 £17.13 £21.41 £12.84 £8.56
The maximum charge which should be applied to any homeless property is therefore	£50.62