



AUDIT COMMITTEE

REPORT

16 May 2011

Subject Heading:

Private Sector Leased Accommodation (PSL)

Report Author and contact details:

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Policy context:

Private Sector Leased Accommodation is a form of temporary accommodation primarily used to discharge the Council's duty to provide interim accommodation for homeless households

Financial summary:

The report summarises the financial position of PSL accommodation showing that on a turnover of £c9m, the Council collect around 96.5%.

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	<input type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input type="checkbox"/>
Value and enhance the life of every individual	<input type="checkbox"/>
High customer satisfaction and a stable council tax	<input checked="" type="checkbox"/>

SUMMARY

This report sets out the framework in which the Council uses Private Sector Leased accommodation to support its duties under homelessness legislation, and other discretionary powers to intervene to prevent households from becoming homeless. It explains how the properties are procured and managed, and paid for within the Retained Housing Service.

RECOMMENDATIONS

That the Committee:

1. Note the financial position of the Council's Private Sector Leased (PSL) accommodation;
2. Note that there may be future budget pressures on this form of temporary accommodation as a result of the Government's changes to the Housing Benefit Subsidy system

REPORT DETAIL

Background

1. The Council has a range of duties that arise under Homelessness legislation. The initial duty is that if the Council has reason to believe that someone may be homeless, the Council must investigate the circumstances. If the Council has reason to believe that the applicant may be homeless and be in priority need, then the Council has a duty to provide interim accommodation whilst those investigations take place. Priority need category applicants broadly include families with children, older people, and people who are vulnerable by reason of disability, health, mental illness or age. The further investigations involve assessing the households needs, and their previous housing history to establish whether the applicant has done anything deliberately, or recklessly that has led them to become homeless ("the intentionality test"). If a household has become homeless through no fault of their own, and are in priority need, then the Council has a duty to secure that settled accommodation shall become available to them. If the Council establishes that it does have an ongoing to duty to secure accommodation for the applicant and anyone who might reasonably be expected to live with them, then the obligation to provide interim accommodation continues until such settled accommodation becomes available.
2. Temporary accommodation has to be reasonably suitable. Havering currently provides emergency accommodation in hostels, and more long term temporary accommodation through properties leased from the private sector (PSL). Individual properties are leased on a three year basis from private landlords, and then managed by a team of 7.5 officers, including one Team Leader at SO2 level. The cost of funding this team is recovered from the rents charged to the tenants.
3. There is a specific limit on the amount of rent that the Council can charge the tenants, which is set by the Housing benefit subsidy system. This is 90% of the Local Housing Allowance (LHA), plus a Management fee of £40 pw. The LHA is also the amount that a private tenant who is renting the private sector can claim if they are benefit dependent and living in private rented accommodation. The LHA rate is set by the Valuation office, who

monitor rents within a Broad Market Rental Area, and who set the LHA rate at the 30th percentile of the market. In effect, benefit claimants can choose accommodation from accommodation available in the market where the rents are in the bottom third of the market.

Current Position

4. The Council currently leases 810 units of PSL accommodation from 650 different landlords. The rents payable by the tenants are, for 2011/12:

Size	Rent per week
1 BED	£180.19
2 BED	£216.54
3 BED	£258.08
4 BED	£330.77

5. The total rental income from this in 2010/11 was **£8,677,650**. In the year ended 31st March 2011, the PSL team collected **£8,374,175**, which comprises a collection rate of 96.5%. This compares favourably with the collection rate of Council Tax (96%) and Council housing rents (98%). The rents are very much higher than Council rents, so the arrears will accumulate more quickly. In addition, as the accommodation is only temporary, there is a higher proportion of people who leave without giving notice. Homeless households generally are more vulnerable and likely to have complex life histories, and therefore a collection rate of 96.5% in this context is very good.
6. Arrears owed by current tenants amount to £455,554. This includes some arrears built up from previous years. The current arrangements for the collection of rent are that:
- Letters are issued to tenants when arrears reach 2 weeks
 - Contact is made with tenants by telephone and home visits
 - All residents are provided with assistance in completing relevant Housing benefit forms
 - Staff will arrange to liaise with Housing benefit staff where benefit is not in payment
 - Staff will accept offers of payment from tenants for the repayment of arrears which are consistent with the tenants' ability to pay
 - Action is taken to serve Notice to Quit and take court action where arrears are not being reduced
 - Court action unfortunately takes time, and therefore it is likely that arrears will accumulate during the time taken to obtain court hearing dates, and execute bailiff's warrants
7. Former Tenants' Arrears (FTAs) that is, rent arrears which are owed by tenants who have left their accommodation amounts to **£634,681** at 31st March 2011. These arrears are owed by 213 tenants. These may be tenants who have disappeared, or in some cases have been rehoused.

Efforts are made to recover former tenants' arrears through correspondence and tracing agents, but where the arrears are very old, and there is no current address for the debtor, the debt may have to be written off. Debts are generally not written off where we know where the debtor lives, or they hold a current tenancy with the London Borough of Havering.

The future

8. The Retained Housing Service have recently engaged an officer for a period of six months, dedicated to the collection of former tenant arrears, and to review and overhaul procedures to ensure that performance in this area is as good as it can be. However, it is important to bear in mind the factors that cause this income to be difficult to collect.
9. The PSL scheme houses more than just those to whom we owe a duty under homelessness legislation. We are also able to obtain and manage temporary accommodation in order to prevent people from becoming homeless, and as a result PSL accommodation has been used in order to assist people who are otherwise threatened with homelessness, who are not in priority need, or who may have made themselves homeless. In addition, some overcrowded households have moved into PSL accommodation as part of this overall scheme. The numbers are:

Type of housing need	Number of households in each housing need group currently living in PSL accommodation
Statutory Homeless households under s193 of the Housing Act 1996	381
Homelessness but not in priority need under s192(3) of the Housing Act 1996	111
Households on the Council's Housing Register who have been identified as overcrowded under the Government's new Bedroom Standard definition	262
People who are living in the Council's accommodation whose tenancy is coming to an end because they have no rights to succeed to the tenancy	8
Children and adults who are owed a social services duty but not a housing duty including young people requiring accommodation who are owed a duty under the Children (Leaving Care) Act 2000	36
Void	26
Total	824

11. In the past three years, the Government have indicated their intention to reduce the amount of money available for temporary accommodation support. As a result there have been a number of reductions to the Housing Benefit subsidy system, which has reduced the income the local authority

receives from PSL accommodation. The current system is in place until 2012/13 but it is likely that it will be further reduced after this date. The Council could therefore consider reducing its involvement in discretionary temporary accommodation schemes, and seek to find ways, where possible, to assist more households directly into sustainable housing options that do not involve the Council in managing an interim solution.

IMPLICATIONS AND RISKS

12 Financial implications and risks:

Collection

This report was requested to clarify the arrears position on PSLs. The arrears have grown, year on year, as the operation has similarly grown:-

Arrears	Year ending 2008/09	Year ending 2009/10	Year ending 2010/11
Current	309,783	363,929	455,554
Former	290,015	443,480	634,681
Total	599,798	807,409	1,090,235

These arrears are covered in the accounts by a Bad Debt provision. While, at 31st March 2011, there is £1,090,235 of arrears, there is actually £923,000 worth of Bad Debt provision as cover, should some of the arrears prove non collectable.

As explained in paragraph 7 above, these debts are difficult to collect; it is for this reason that some councils ensure near 100% bad debt provision in this area. Paragraph 8 refers to measures being taken to improve the collection rate. This said, however, the context of these arrears is a collection rate running at 96.5% (paragraph 5 above).

Medium Term

Currently the PSL scheme is a cost effective method of providing temporary accommodation. Paragraph 11 refers to possible changes from 2013/14 in the government's subsidy system for PSLs. This may make the regime less

attractive financially. Any such changes will need to be monitored and addressed – in service and financial terms – when and if they become firmed up.

Legal implications and risks:

The Council has both a duty and a power to provide temporary accommodation for people who are homeless and in priority need whilst investigations are carried out into their cases. In addition, the Council has a duty to provide temporary accommodation for those to whom it owes a duty to provide settled accommodation, but where it is unable to provide that accommodation immediately. The Council further has powers to provide temporary accommodation in order to prevent people from becoming homeless.

Debt collection action can be taken in almost all cases where arrears have accrued, however, unless there is any realistic prospect of recovery this is often unproductive.

Human Resources implications and risks: None arising directly from this report.

If it is decided in the future, to reduce our stock of PSL accommodation, this will have implications for the team that manage the temporary accommodation function. However, this report does not propose any change of policy at present.

Equalities implications and risks.

A significant number of households who are assisted with temporary accommodation have vulnerabilities. This is because homelessness amongst families is often associated with difficult life events, such as debt, relationship breakdown and domestic abuse. In addition, those households who are assisted because they are vulnerable will have particular difficulties. They will only be entitled to assistance because they are vulnerable by reason of their age (this could be either old age, or young and vulnerable) disability, mental illness or other special reason.

Nothing in this report changes our duties to these households, who will continue to be assisted in line with current legislation.

BACKGROUND PAPERS

Working papers held within the Housing and Public Protection Service.