



AUDIT COMMITTEE

22 September 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

Audit Committee asked for a further update on the financial position with regard to Private Sector Leased Accommodation (PSL). This report provides some additional information, and comparisons with other debt collection activities that the Council carries out.

RECOMMENDATIONS

That the Committee:

1. Note the financial position of the Council's Private Sector Leased (PSL) accommodation;
2. Note that the activity provides financial security for the Council's activities in relation to temporary accommodation.

REPORT DETAIL

Background

1. At its meeting in May, the Audit Committee received a report which set out the duties of the Council in relation to the provision of temporary accommodation. A copy of this report is attached as an appendix for information.
2. The current financial regime for temporary accommodation is due to continue until March 2013, and therefore there is a relatively stable period for the Council to procure and manage temporary accommodation to meet its statutory obligations, as well as its powers to assist households who need accommodation, but towards whom the council has not statutory duty.

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%. The compares favourably with the collection rate of Council Tax (96%) and is comparable to that of 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. The current arrears represent 5.8% of the current annual debit.

6. Arrears at 5th September 2011 owed by current tenants amount to **£544,577**, and the in-year collection rate so far is 94.1%. This highlights a slight reduction the collection rate compared the 2010/11 outturn of 96.5%. Income management continues the main focus for the PSL Team and as part of the Housing and Public Protection re-structure that was implemented on the 1st April 2010, a dedicated post was established to recover current rent arrears. In order to address the recent increase in current arrears and the slight reduction in collection rate, additional resources has been put in place. The impact of the additional resources and the performance is being monitored on a weekly basis.

Former Tenants' Arrears (FTAs) that is, rent arrears which are owed by tenants who have left their accommodation amounts to **£619,641** at the 5th September 2011. These arrears are owed by 233 tenants. At the 31st March 2010, the FTAs totalled £634,681. Since that time, an additional £87,185 has been added to the total FTA account where households have left their PSL accommodation owing outstanding rent to the Council. Despite the significant level of new FTA cases the current FTA total shows a 2.4% reduction since the 31st March 2011. This has been a result of appointing a dedicated FTA Officer on a six month agency contract running from March to September this year to carry out a range of focussed to maximise the recovery of FTA debt. FTAs represent 6.6% of the current debit.

7. The Council has powers to assist households who are in housing need, where they have difficulty accessing the private rented sector. This can be by leasing properties, which are then let to households, or by acting as managing agent, and charging a fee for managing the properties that landlords wish to let. It is proposed that this area of activity should be expanded in the period before the significant changes in the regime anticipated. This will enable the council to assist more households in housing need, and at the same time, cover its costs in the management and provision of temporary accommodation.

IMPLICATIONS AND RISKS

8 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 | 31 st August 2011 |
|--------------|---------------------|---------------------|---------------------|------------------------------|
| Current | 309,783 | 363,929 | 455,554 | 544,577 |
| Former | 290,015 | 443,480 | 634,681 | 619,641 |
| Total | 599,798 | 807,409 | 1,090,235 | 1,164,218 |

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.