

FAREHAM

BOROUGH COUNCIL

Report to Health and Housing Policy Development Review Panel

Date **12 September 2013**

Report of: **Director of Community**

Subject: **REVIEW OF TEMPORARY ACCOMMODATION**

SUMMARY

There have been a number of significant changes to national housing policy including the Localism Act 2011 and the changes to benefit entitlement introduced by the Welfare Reform Act 2012. These changes could result in an increase in the number of households seeking housing advice from the Council's Housing Options team. In light of these changes a review has been undertaken of all of the temporary accommodation that is currently available to determine whether a different approach should be taken.

RECOMMENDATION

That the Panel supports the new approach to the management and procurement of Temporary Accommodation as set out in the Report.

INTRODUCTION

1. There have been some significant changes to national housing policies in the last couple of years including those made to the benefits and tax credits system following the introduction of the Welfare Reform Act 2012. Some of these changes will have a direct impact on the ability of some households to continue to afford their housing costs which may result in an increase in the number of households seeking housing assistance from the Council. Some of the caps and thresholds being introduced could also present challenges for the Council as to the type and size of accommodation it is able to secure for some of these households.
2. As a result of these national changes, the structure of the Housing Options team has been reviewed to increase the number of front line Housing Options Officers and included the creation of a new Housing Initiatives Team. The Initiatives Team has reviewed the availability of temporary accommodation (TA) throughout the Borough to help identify current gaps and inform future needs. The other key issue which has been reviewed is how long households are staying in TA and whether more can be done to find them a more permanent housing option.

TEMPORARY ACCOMMODATION – BACKGROUND AND CURRENT SITUATION

3. Local authorities have a legal duty to house certain people in their area who are, or who are likely to become homeless. They may have become homeless due to the general economic situation, the changes brought about by the Welfare Reform Act, mortgage repossession, the lack of affordable housing for people on lower incomes or family issues. Only 5% of the Borough's housing stock is privately rented and the majority of this exceeds the Local Housing Allowance (LHA) level which someone on full Housing Benefit would be able to afford. Similarly, house prices in the area are out of reach for local people on a low income.
4. Wherever possible Housing Officers try to prevent anyone from becoming homeless but when this cannot be achieved then it is necessary for the household to be placed in some form of Temporary Accommodation (TA). In an emergency or if there is no other TA available, this could include the household being placed in bed and breakfast (B&B) accommodation for a short period of time. The use of B&B accommodation needs to be avoided wherever possible, both in terms of its impact on the household, and also the cost to the Council. The average weekly cost for a family in B&B is around £500, with a six week stay costing approximately £3,000.
5. The Government has issued statutory guidance to Local Authorities through the *Homelessness (Suitability of Accommodation) (England) Order 2003* which states that B&B accommodation is not suitable for families with children and households that include a pregnant woman, unless there is no alternative accommodation available and then only for a maximum of six weeks.
6. There is a range of different properties which can be used as TA in an emergency to accommodate households who are homeless. It could be a B&B, a hostel (such as 101 Gosport Road), private sector leased (PSL) accommodation or Council or housing association stock.
7. The Council currently has access to 106 units of TA. These TA units range in size and type and are managed by various Registered Providers (RP). The breakdown of the units, including the ownership of each property, is contained in Appendix 1. The majority of this

accommodation is within the Borough, with a very small number of properties in Gosport and Havant. Discussions have been held with RPs operating in the Borough to see whether they have units of accommodation which could be used for TA. However, no properties were identified as being suitable.

8. Members will be aware of the direct access hostel operated by Two Saints at 101 Gosport Road which provides 18 x 1 bedroom flats as emergency TA for single homeless households and that Gosport Borough Council are also able to make referrals to the hostel.
9. First Wessex own two schemes in the Borough which provide self-contained accommodation for homeless households. The first of these schemes is Meon House which is situated in the High Street. There are fifteen one and two bedroom flats which have been used as TA for approximately ten years. With the exception of three households who have been in residence for over two years, the average stay is six months. The scheme provides accommodation close to the town centre and it should be retained and used for those accepted homeless households who need support and/or who are first time tenants. The proposed maximum period of occupation in Meon House is around six months.
10. Sharland Place is First Wessex's other scheme which is situated in South Fareham on Bishopsfield Road, adjoining Broadlaw Walk. The block comprises eighteen one and two bedroom flats which have also been used as TA for around ten years, for the same client group as Meon House. Households in this block have generally been in residence for longer periods of time than in the other TA, making the average stay twenty one months. Therefore a case could be made for the flats to become permanent housing over time, which would help to make the local community a more settled one. However, this would result in a net loss of available TA across the Borough. However, before commencing the change of use of these flats from TA to permanent, further discussions will be held with First Wessex to ensure that alternative TA is identified in the Borough to offset any loss of TA at Sharland Place.
11. In addition to Meon House and Sharland Place, First Wessex have their own PSL scheme, known as Housing Associations as Managing Agents (HAMA) and currently have 22 properties they manage in the Borough. However it is difficult for RPs to manage TA across various local authority areas as staff are focused mainly on their core housing management business. In addition, TA can be difficult to manage and in the past there have been problems with anti-social behaviour at Sharland Place and Meon House. Although these properties constitute just over half of all TA used by the council and are therefore a valuable resource, it is a very small part of the RP's total housing stock.

COUNCIL TEMPORARY ACCOMMODATION - FINANCIAL IMPLICATIONS

12. The TA 'borrowed' from the Council's permanent housing stock is managed by the new Initiatives Team within the Strategic Housing division, with any repair works required being carried out by the Council's Responsive Maintenance team. It is important that any voids in TA are kept to a minimum as there is a loss of rental income if the property is not let and the Council could also be meeting the cost of a household in B&B.
13. The Council's Private Sector Leased properties (PSL), which are leased from private landlords for a minimum of twelve months, make up around 30% of the available TA in the borough. Through the PSL scheme, the Council takes on the responsibility for the tenancy

and guarantees a fixed rental income to the landlord irrespective of whether the property is occupied. We also guarantee to return the property to the landlord, at the end of the lease, in the same condition as when the property was originally leased (subject to normal wear and tear).

14. PSL rents are based on the Local Housing Allowance (LHA) rate for the property size. In return for managing the property on the landlords' behalf, the Council deducts 10% of the full rent charged to the tenant, before passing the remainder onto the landlord. The 34 PSL properties therefore generate a rental surplus of approximately £30,000 per year which helps to cover the management and administration costs of the PSL properties.
15. The Council receives Housing Benefit subsidy from the Department of Work & Pensions (DWP) as reimbursement for Housing Benefit paid out to tenants in TA. Local authorities rely on Housing Benefit subsidy to cover the costs of providing TA as most households in temporary accommodation claim Housing Benefit.
16. However, the Government has increased the maximum amount of Housing Benefit subsidy which could be charged for TA for homeless households, which is based on 90% of the appropriate January 2011 Local Housing Allowance (LHA) rate for the property plus £60. The £60 is the 'management element', which is in recognition of the increased financial costs associated with providing TA. The rents currently charged by the Council do not include this management element, for example a 3 bedroom PSL currently has a rent of £750 per month (LHA level) but if the Council charged the full amount under this formula the maximum rent that could be charged for a 3 bedroom property would be £935 per month. This gives an additional management charge income of £185 per month, but of course will result in a higher cost to the tenant.
17. If this new management charge was added to all of the Council's PSL existing properties this would achieve an additional rental surplus of approximately £45,000, per annum (£75,000 in total) but would result in a significant rent increase for existing tenants. Therefore, it is proposed that when a new PSL property is taken on, the new rent formula will be applied and when a property becomes void the higher rent will be charged to the new TA tenant.
18. There are also financial liabilities associated with the PSL scheme. The rent is guaranteed to be paid to the landlord for the full twelve months, even if the tenants default on their payments or the property is void. Therefore, there is a potential annual liability of approximately £220,000 for the 34 properties. In reality, very little of this is required. The current rent loss stands at approximately £5,000 per annum and while this figure fluctuates, it generally stays at around this level.
19. In addition to the PSL scheme the Council also works with private landlords through the Assistance for Families For a Dwelling (AFFORD) scheme. The AFFORD scheme is in effect a match-making service, whereby we find a tenant for the landlord who has a property available to rent, which is both affordable and in a good condition. Through the AFFORD scheme the Landlord enters directly into a Tenancy Agreement with the Council's nominated tenant. In order to make this an attractive option for the landlord the Council offers a bond equivalent to one month's rent, together with a rent guarantee for six months.
20. The AFFORD scheme has been a very effective way for the Council to find homeless households good quality accommodation in the private rented sector and there are

currently 94 live AFFORD cases throughout the Borough. The total rent liability for the fourteen properties which are still within the first six months of the tenancy is currently approximately £61,000. To date though, the average financial liability for an AFFORD property is just over £200.

FUTURE TA REQUIREMENTS

21. The current provision of TA has been reviewed to establish whether it is suitable, sufficient and sustainable for the predicted future needs. The introduction of the changes under the Welfare Reform Act mean that some households will be less able to afford their current accommodation and therefore could be more likely to be at risk of becoming homeless.
22. In recent months, nine units of TA have been removed from the list of available accommodation; four at Gibraltar Close (which will be demolished as part of the Collingwood House redevelopment) and five units at the Dibles mobile home caravan park which have been sold with a capital receipt to the Council of just over £200,000.
23. Through the initial review of TA it has been highlighted that some tenants who are currently in TA are staying longer than was originally anticipated, some in excess of two years. This means that there are other households waiting for TA who cannot be provided with accommodation. The reasons for this are varied with some households not bidding for new housing through LetSelect and some not looking for private rented housing opportunities. Before the restructure of the Housing Options team, the focus was more on dealing with new homeless cases that needed re-housing rather than reviewing existing households that had been housed in TA and trying to ensure they were proactively looking for a permanent home.

TEMPORARY ACCOMMODATION – FUTURE PROPOSALS

24. In general terms, the properties managed directly by the Council through the PSL scheme work best as TA as there is direct control of all aspects of the management of the properties, including rent arrears and void periods. As the tenants are also being supported as homeless households, this also helps to make the management more cost effective.
25. Existing TA will be more proactively managed and tenancies will be regularly reviewed to try and move occupants on to the next stage of accommodation. The three council owned bedsits at 24 Wickham Road are ideally located close to the town centre and have been part furnished. It therefore makes sense to continue to use these properties as an alternative to bed and breakfast. Ideally the maximum period of occupation in these properties will be six weeks, before tenants are moved on. However, it is recognised that some may need to stay for slightly longer.
26. Move on plans should be in place for homeless households in TA and once they have demonstrated that they can manage a tenancy, they can be moved on into an AFFORD property or another property in the private rented sector. The proposed maximum period of occupation in the PSLs is twelve months.
27. It is proposed that discussions are held with First Wessex and Sovereign to review their existing TA in the Borough with a view to:-

- Have a managed transition of the 18 units of TA at Sharland Place to permanent accommodation. This would be First Wessex's preference but there will need to be some discussion as to the how the transition will work in practice.
- Explore the possibility of the HAMA properties being transferred from First Wessex and Sovereign to the Council's PSL scheme. First Wessex has confirmed that this is feasible and as the terms of their HAMA agreement is very similar to the Council's PSL scheme, it is likely that the existing landlords would be in agreement to the switch.

TEMPORARY ACCOMMODATION - ADDITIONAL REQUIREMENTS

28. The number of new housing advice cases has been consistent at around 1,100 for the last two years and is likely to be similar this year. However, the number of households placed into TA increased sharply from 340 in 2011-12 to 424 in 2012-13; an increase of 84. Based on the figures from quarter one of 2013-14 it is likely that there will be a further increase this year. Additional details can be found in Appendix 2. However it is difficult to predict the future need for TA taking into account the welfare reforms as it may take at least 12-18 months before we really see the outcomes associated with these changes. Therefore, there is a strong likelihood that the pressure on TA will increase.
29. There are currently between fifteen and twenty households at any time who are waiting for TA; mainly families who need two or three bedroom accommodation. There is not enough of this type of property available at present. In addition there is a need for bedsits and/or 1 bedroom flats for single people and childless couples and maybe a small hostel-type establishment is an option worth exploring. The projected numbers of accommodation required can be found in Appendix 2.
30. If the number of households needing TA increases at a similar rate to that of 2011/12, we could need an increase in the number of TA properties for 2014/15. If the current pattern of need is followed, this would require a significant increase in the number of one and two bedroom units, and a slight increase in the number of 3 bedroom units. By the end of March 2014, the aim is to secure a minimum of fifteen additional units of TA. The number of TA units required for 2014/15 will be dependent upon the impact of welfare reforms and being able to reduce the length of stay in TA for existing homeless households.
31. By increasing the number of TA properties this will have staffing implications that will need to be considered in the future, but the aim will be to cover any additional management costs through increased income.

TEMPORARY ACCOMMODATION – SECURING MORE PROPERTY

32. Expanding the portfolio of TA will be challenging due to the size of the private rented sector in Fareham. As a result, it may be necessary to look at housing opportunities for local people outside of the borough. There is a possibility that some additional council accommodation could be used, but this will only generate a very small number of units. Therefore, the most likely source of accommodation is still from private landlords in the borough. However, in order to make the Council's PSL and AFFORD schemes more attractive to them, some additional incentives will need to be investigated.
33. One option that has been explored nationally by some local authorities is setting up a local lettings agency to attract landlords and encourage them to let their properties to customers of the Housing Options Service. For example, it may be possible to provide

additional services such as free, or discounted gas and electric checks, energy performance certificates (EPCs), a maintenance service, rent guarantee insurance, etc. The level of interest in these options and the associated costs will need to be researched further to determine whether they are viable.

FINANCIAL IMPLICATIONS

34. It is possible to increase the income from the PSL properties by including the management element of the TA subsidy in the rents, as outlined in paragraphs 16 and 17 of this Report. This would increase the cost of the rent to the tenant. However, it is likely that the DWP will provide the additional management charge over and above the LHA rent to the Council through some form of additional Housing Benefit subsidy. The details as to how this will operate nationally have not yet been confirmed by the Government.

RISK ASSESSMENT

35. There are no significant risk considerations in relation to this report. However, if additional TA is not procured, this could lead to higher bed and breakfast costs being incurred by the Council.

CONCLUSION

36. The changes to national housing policy and the difficult economic conditions are likely to result in pressure on the Council to provide TA for local households in housing need. Although it is difficult to accurately predict the amount of TA that will be needed in the future, recent trends indicate that more properties will be needed within the next twelve months. Recent advertising in Fareham Today prompted a number of Landlords to offer their properties to the Council under the PSL scheme and further advertising will be considered later in the year.

37. To ensure that sufficient TA can be provided, a number of steps will be taken. The management element of the TA subsidy will be included in the rent for all new tenancies from 1st October 2013. A package of incentives and management offers will be devised to encourage landlords to work with the Council and this will be reported to Members later in the year.

Appendix One - [Temporary Accommodation Details](#)

Appendix Two - [Housing Options and B&B Statistics](#)

Background Papers:

Reference Papers:

Report to Health and Housing PDR Panel on 14th March 2013 – “Review of Temporary Accommodation.”

Enquiries:

For further information on this report please contact Andrea Howells. (Ext 4370)