

---

<b>REPORT TO:</b>	<b>OVERVIEW and SCRUTINY COMMITTEE</b>	<b>AGENDA ITEM: 6</b>
<b>DATE OF MEETING:</b>	<b>21<sup>ST</sup> MARCH 2012</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>HEAD OF HOUSING AND ENVIRONMENTAL SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>Bob Ledger (01283 595775)</b>	<b>DOC: u</b>
<b>SUBJECT:</b>	<b>NON REIMBURSEMENT OF HOUSING BENEFIT SUBSIDY</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE:</b>

---

## **1. Recommendations**

- 1.1 That officers seek to negotiate a reduced B+B rate for accommodating homeless applicants utilising a threshold of a guaranteed number of clients.
- 1.2 That officers explore further the option of partnering with a local B+B which may incur some capital costs but would potentially reduce ongoing revenue costs.

## **2. Purpose of Report**

- 2.1 At its October 2011 meeting, the Overview and Scrutiny Committee approved a report that detailed the housing benefit arrangements applicable nationally as applied in South Derbyshire. One of the issues coming out of the report was that housing benefit costs relating to accommodating homeless applicants in temporary accommodation were not reimbursed in full by national government. Therefore the question was raised over whether these costs could be reduced whilst still maintaining an effective service. This report considers that issue further.

## **3. Detail**

- 3.1 Prior to 2009/10, rebates for homeless families in bed and breakfast accommodation attracted subsidy at 100% up to a DWP-set local rent threshold and 10% beyond that up to a cap. From 2010/11 this has been limited to the one bedroom self-contained LHA rate which generally is lower.
- 3.2 In 2010/11 the costs incurred by the authority relating to temporarily accommodating homeless applicants in B+B was approximately £45,000 of which £23,000 was recouped in subsidy. For 2012/12 the figures are likely to be £50,000 costs with £30,000 recouped. The net costs to the authority therefore are in the region of £20,000 to £25,000 per annum. Are there alternatives to current service provision that could seek to reduce this cost?
- 3.3 Housing Benefit is payable at different rates dependent upon the nature of the accommodation. If homeless applicants were accommodated in self contained

accommodation (i.e. not hostel or hotel) then benefit would be payable at a higher rate than the current one bedroom cap.

- 3.4 Alternatively if our homeless provision remained as B+B but a better financial arrangement struck costs would also reduce.
- 3.5 The key financial issue therefore is whether the costs of providing an alternative type of provision to the current B+B are less than £25,000 per annum.
- 3.6 Many larger councils, and some smaller, have dedicated units of accommodation to accommodate homeless applicants. In some areas this has involved the building of a specialised unit(s) and in others by designating a proportion for existing stock for such use. In smaller Councils this tends not to be the norm as the demand is less predictable and the capital cost of new provision is deemed to be prohibitive.
- 3.6 The case for review and possible change is not limited to the financial. B+B accommodation is not ideal for anything other than short term stays. When many homeless applicants present to the authority seeking assistance they are already in a very stressful situation. Living, albeit temporarily, in B+B can compound that stress. Furthermore we tend to use chain hotel provision which is not necessarily well located for accessing community facilities i.e. the Trevelodge on the A38 or the Etap on the A50.
- 3.7 The reason we use these chains is that they will meet good health and safety requirements and will have the right equality and customer service policies in place e.g. going back a number of years we tended to use more local B+B provision but there were a number of health and safety risks, landlords occasionally turned away applicants at the door even though arrangements had been made by phone for them to accommodate, our own staff had to spend much more time liaising with landlords and residents in managing relationships.

#### **4. Options for the future**

- 4.1 If the Council does consider alternative provision to that currently in place we need to factor in that the current welfare reform agenda means that future levels of housing benefit are not as predictable as we would like.
- 4.2 There are a number of potential options. Although the current funding gap is sizeable (upto £25,000) per annum there are significant costs to a number of the options below i.e. the current costs need to be weighed against potential cost of alternative provision.
- 4.3 If we are to move away from the current provision the likeliest option (in terms of capital outlay) is the partnering with a current local B+B business or promoting the idea to create a potential new business. Some tentative work was done on such an idea in 2008/9 and found little genuine interest or favour. However as pointed out above the financial driver now is greater and our capital outlay could maybe be higher as a reflection of that.

	Capital costs	Revenue costs	Advantages	Disadvantages
Build 3 new dedicated units of accommodation	£400k + £5k p.a.	90% recoverable in HB when occupied i.e. will be times of non-occupation	Always available More control over revenue costs Better service provision	High capital costs. Staff will need to manage although some of this recoverable in HB Unpopular with neighbours
Dedicate three current units of SDDC accommodation	£30k. £5k per annum	90% recoverable in HB when occupied i.e. will be times of non-occupation	Always available More control over revenue costs Better service provision	High capital costs. Staff will need to manage although some of this recoverable in HB Unpopular with neighbours
Enter more formal agreement with a current or new B+B operation for provision.	Capital costs to improve current accommodation £25k	90% recoverable in HB when occupied i.e. will be times of non-occupation	Always available More control over revenue costs Better service provision	Will need more staff time than current arrangement. Risk of small B+B ending agreement at short notice.
Negotiate lower more fixed rate with current hotel chains based on a 'guaranteed' number of clients	None	Will still be significant costs not recovered but could potentially reduce current costs by 15-25%.	Always available Lower costs with no capital outlay	Service provision not improved.

## 5. Recommendations

- 5.1 That officers seek to negotiate a reduced B+B rate for accommodating homeless applicants utilising a threshold of a guaranteed number of clients.
- 5.2 That officers explore further the option of partnering with a local B+B which may incur some capital costs but would potentially reduce ongoing revenue costs.