

**NON HRA RENT REBATE PAYMENTS FOR HOMELESS PEOPLE
PLACED IN BOARD AND LODGING ACCOMMODATION**

Derby City Council believes that the way in which people housed under the homelessness legislation claim Housing Benefit is both administratively impractical and financially costly. The whole procedure could be streamlined quite easily by taking this group out of Housing Benefit administration completely and for housing authorities to receive specific grant directly from government to meet these housing costs. This would be a much more efficient process.

Under the current system when the Council's housing department place people in board and lodging accommodation, the customer has to complete a claim for Housing Benefit, even though the charge they have to pay will already have been paid for them. The process works as follows –

- The customer is identified as one whom our housing department has a duty to house under the homelessness legislation.
- The department finds accommodation for the customer, and pay the charge for the board and lodging accommodation direct to the landlord.
- The customer completes a claim for Housing Benefit, together with all the proof of identity and verification that accompanies the claim.
- As we are a Verification Framework-compliant site, all claims have to be verified up to Verification Framework standard.
- The claim is passed over to our Housing Benefit team who process the benefit entitlement.
- The Housing Benefit payment is passed back to the housing department to reimburse it (in part or in full) for the rent that has already been paid out.
- The Housing Benefit payments are classed as non-HRA rent rebates and subsidy is claimed on that basis.
- The Housing Benefit section reclaim the cost through Housing Benefit subsidy

There are a number of difficulties with this process. The customers involved often lead an unsettled lifestyle and verifying the income, capital, National Insurance and identity up to Verification Framework standards is proving at best, difficult and at worst, impossible. As they are housed in board and lodging accommodation they are not covered by the exemptions to the Verification Framework that apply to hostels. It would be much better if they were.

Administration is made worse because the claimants often move on very quickly. We do not always know where they have moved to, and it is sometimes outside our area. The whole process is more difficult to resolve because the claimants have already had their housing costs met by our Housing Department, so there is no incentive for them to reply to our requests for further information in support of their Housing Benefit claims. As a result, and despite significant efforts undertaken to obtain the necessary data from

customers, we have many incomplete Housing Benefit claims that never get paid.

Even when the City Council manages to complete a Housing Benefit claim on behalf of the customer, we only receive partial subsidy on these payments. The way the subsidy regime works for these types of cases is:

- We get full subsidy up to a threshold (for Derby the threshold for 2006/07 is £90.19),
- We get 10% subsidy from the threshold up to a cap (for Derby the cap for 2006/07 is £159.50),
- We get no subsidy for any benefit paid above the cap.

It is therefore unfortunate that the board and lodging accommodation that is commissioned to deal with emergency homelessness has a tendency to be above the full subsidy threshold. This leads to a further financial loss to the City Council.

Example:

If the weekly rent charged is £165.00 per week we would get subsidy calculated as follows

- 100% up to the threshold of £90.19 = £90.19
- 10% on the difference between the threshold of £90.19 and the cap of £159.50 ($£159.50 - £90.19 = £69.31$) = £6.93
- NIL on the remaining balance over the cap of £5.50
- Total subsidy in this example each week would be £97.12
- **Total subsidy loss in this example each week would be £67.88**

The amounts paid in Derby, and subsidy lost during 2005-06, are given below.

	Housing Benefit paid	Subsidy to reclaim	Subsidy loss 2005/06
Homeless above Cap	£101,324	NIL	£101,324
Homeless above threshold but below the cap	£68,619	£6,862	£56,757
Homeless at or below threshold	£110,294	£110,294	NIL
Total			£158,081

The City Council believes that there is no valid reason why Housing Benefit should be used to meet the cost of people housed under the homeless legislation. This only creates an extra administrative complication to an already difficult situation that must be dealt with within critical timescales. A much simpler process would be for Housing Authorities to be reimbursed directly for the cost of housing people classed as homeless, and for this source of funding to be outside the Housing Benefit scheme completely. Incentives can be built into any replacement scheme to avoid overuse of board and lodging accommodation, and overcharging by landlords.