

<b>Housing Select Committee</b>			
Title	Under Occupation and the Benefit Cap: preparing for the changes		
Contributor	Executive Director for Customer Services	Item	4
Class	Part 1 (Open)	Date	19 June 2013

## **1 Summary**

- 1.1 On the 8 March 2012 the Welfare Reform Act received Royal Assent. The Act legislates for the biggest change to the welfare system for over 60 years.
- 1.2 As part of these changes, from April 2013, a restriction will be implemented to the number of bedrooms for which a social rented sector tenant can receive housing benefit. This rule will only apply for people of working age.
- 1.3 The new rules allow one bedroom for:
- every adult couple
  - any person aged 16 or over
  - any two children of the same sex under 16
  - any two children aged under 10
  - any other child
  - a carer (or team of carers) who do not live with you but provide you or your partner with overnight care
- 1.4 People who are under-occupying (living in a house with more bedrooms than they need), will have their rent reduced by 14% (for 1 bedroom) and 25% (for 2 or more bedrooms).
- 1.5 In addition to this, from August 2013, a cap will be applied to the total out of work benefits a household can receive. The cap of £350 for singles and £500 for families will affect over 478 households in Lewisham.

## **2 Purpose**

- 2.1 The aim of this report is to provide a high-level summary of the size criteria and under occupation-related issues, including the approaches that Lewisham is currently developing in response.
- 2.2 The report also provides a summary of the benefit cap and the approaches that Lewisham is developing in response to that.

## **3 Recommendation**

- 3.1 That the Committee notes the report and the presentation given by Peter Gadsdon (Head of Strategy and Performance, Customer Services) at the meeting on 19 June.

## 4 Policy context

4.1 On the 8 March 2012 the Welfare Reform Act received Royal Assent. The Act legislates for the biggest change to the welfare system for over 60 years.

4.2 The elements of the Welfare Reform Act discussed in this report are:

- application of the size eligibility criteria in the private rented sector to social housing. Families under-occupying properties will have a reduction made to their housing benefit entitlement of either 14% for one bedroom or 25% for two or more bedrooms (this is informally known as the bedroom tax);
- the introduction of a benefit cap so that no out of work household can receive more than £500 a week for families and £350 for singles.

## 5 Under Occupancy

5.1 In contrast to the private rented sector, eligible rent levels for claimants in the social rented sector were not determined by the size of the claimant's household. However, the Welfare Reform Act changed this by setting financial penalties for working age tenants living in social housing that is larger than their needs (as defined by legislation).

5.2 The key rules governing this change, which came into force in April 2013, are:

- The reduction in Housing Benefit is 14% (up to £14pw) of rent for tenants with one extra bedroom and 25% (up to £32pw) of rent for tenants with two extra bedrooms or more;
- One bedroom is allowed for each person/couple living as part of a household, although the size of the bedroom will not be considered;<sup>1</sup>
- Two children aged under 16 of the same gender are expected to share regardless of the room size and two children aged under 10 are expected to share, regardless of gender and room size.<sup>2</sup>

5.3 The differences in the criteria applied by Housing Benefit and LBL's Allocations Scheme will impact most detrimentally on larger families. The main impact is for households currently living in or applying for accommodation with four bedrooms – they are assessed as having a four bed need under the Allocations Scheme, but a three bed need under the Housing Benefit criteria. For example, a couple with four children aged under 10 in receipt of Housing Benefit would therefore be subject to a 14% reduction in entitlement, although they could potentially be able to bid for a four bed property as per the Allocations Scheme criteria.

5.4 There are three amendments to the legislation:

- Disabled tenants/partners needing a non-resident overnight carer are allowed an extra room.

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<sup>1</sup> LBL's current Allocations Scheme allows one bedroom for each person/couple with no restriction on the size of the room. However, other housing provider partners in the borough allocate individual tenants to a single room and couples to a double room.

<sup>2</sup> LBL's current Allocations Scheme expects two children of the same gender aged under 18 to share a room, but does not place any restrictions on its size. However, other housing provider partners allocate single rooms to one child and double rooms to two children.

- People who are approved foster carers are allowed an additional room, whether or not a child has been placed with them, providing they have fostered a child in the previous 12 months.
- Adult children serving in the armed forces who continue to live with their parents.

5.5 LBL is currently reviewing the Allocations Scheme and will include the additional room criteria for foster carers and families with adult children serving in the armed forces in the revised document, although it should be noted that these exemptions are already applied when supporting evidence is provided.

### Impact In Lewisham

5.6 In June 2013, the council completed an in-depth analysis of the households impacted by the bedroom tax using data provided by Housing Benefit. From this analysis we know that:

- 3,023 households in total are affected by the changes to the size criteria
- 2,355 are subject to a 14% reduction in rent
  - 1540 (65.4%) are single people
  - 136 (5.8%) are couples
  - 568 (24.1%) are lone parents
  - 111 (4.7%) are couples with children
- 668 are subject to a 25% reduction in rent
  - 494 (74%) are single people
  - 77 (11.5%) are couples
  - 81 (12.1%) are lone parents
  - 16 (2.4%) are couples with children

5.7 These figures also show that the four largest providers have the following number of tenants affected:

Housing Provider	Number Affected By 14% Reduction	Number Affected By 25% Reduction	Total
Lewisham Homes	903	250	1153
L&Q	440	168	568
Phoenix	420	139	559
Hyde	175	37	212

### Other Impacts

5.8 If under occupying households affected by the bedroom tax do not move, the potential consequences (as well as increased rent arrears) include:

- An increase in tenancy and income management work;
- An increase in homelessness if evicted for rent arrears;
- A lack of housing mobility (i.e. the opportunities for other priority households, such as those being decanted, with serious medical needs or living in overcrowded homes, to move into suitable properties via the Housing Register will be reduced).

5.9 At present, there are 645 households on Lewisham's Housing Register who are classed as under occupying (defined as a council or partner tenants vacating a property with two or more bedrooms to move into accommodation of an appropriate size which has at least one less bedroom). All these households are prioritised as

Band 1 and can bid/view as many properties as they are successfully shortlisted for, although under occupying tenants have historically tended to be more selective about the properties they are willing to accept (leading to longer average letting times for this group).

- 5.10 Work is currently being undertaken to determine how many of these households have registered as under occupiers as a result of the bedroom tax and what impact this has on the current stock profile within the borough. As an indicator of need, there are 144 Lewisham Homes tenants affected by the bedroom tax who have expressed an interest in moving.

### *Move-On Options*

- 5.11 LBL's Annual Lettings Plan for 2013/14 anticipates 1,515 lets overall, with a planned target of 139 moves (11.4%) for under occupiers. This broadly reflects the current number of Lewisham Homes tenants who have expressed an interest in moving, but will not provide for the total number of under occupying households on the Housing Register (currently 645).
- 5.12 Of the Lewisham Homes tenants affected by the bedroom tax, 596 are in rent arrears, some of which may be due to the shortfall in rent experienced since April 2013. LBL, together with our housing provider partners, has now changed the arrears policy to enable under occupiers with rent arrears of up to £800 to move into suitably sized properties via the Housing Register (households with arrears over this sum are considered on an individual basis).
- 5.13 Discretionary Housing Payments (DHP) can also be awarded to under occupying households affected by the bedroom tax for a maximum of six months if they are able to demonstrate that they have joined the Housing Register and are actively bidding.<sup>3</sup>

### **Developing Our Strategic Response**

- 5.14 Following a meeting of the Welfare Reform Steering Group in April 2013, senior officers from LBL and Lewisham Homes met to discuss current work in this area and begin developing a number of strategic approaches to mitigate the impact of the bedroom tax on affected tenants.
- 5.15 To date, the following activities (including the move-on options outlined above) have either been completed or are in progress:
- Under occupation approaches (e.g. working with housing providers to identify affected households or obtaining details of those potentially entitled to DHP) coordinated internally by a lead officer within Housing Benefit
  - Various projects to contact affected tenants and provide advice about their housing options undertaken by individual housing providers
  - Lewisham Housing Affordable Housing Group (LEWAHG) subgroup established to track progress and share good practice

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<sup>3</sup> Discretionary Housing Payments (DHP) are funded by the DWP and administered by local authorities, who decide the length and amount of any awards. They are intended to help customers who qualify for housing benefit, but may need additional support with their housing costs. This additional support could include rent deposits, rent in advance, rent arrears (but not if customers were receiving enough housing benefit to pay all their rent when the arrears built up) or to meet a shortfall between housing benefit and rent.

- Joint LBL/Lewisham Homes under occupancy and mutual exchange event ('Trading Places') planned for 29 June 2013 to offer on-going support to affected tenants and help them find solutions, including moving to a smaller property or obtaining employment

5.16 During the meeting with senior officers from LBL and Lewisham Homes, two further work streams were identified (to be managed via a senior officer project board comprising attendees from this meeting, plus representatives from other providers as required):

### *Data Analysis*

5.17 The main aims of this work are:

- To establish a baseline position of all tenants in social housing across the borough affected by the bedroom tax, which will enable officers to track the effectiveness of on-going interventions and identify the number of those affected by the tax increases in future
- To gather more detailed tenant profiles, so that officers within Housing Needs can undertake targeted work with specific groups, particularly those in rent arrears as a result of the bedroom tax. These specific groups include:
  - o Tenants who have agreed to 'stay and pay'
  - o Tenants who wish to consider moving
  - o Tenants who have not engaged with outreach work
  - o Under occupying tenants and overcrowded tenants could be matched to suitable properties (i.e. mutual exchange)

### *Strategies*

5.18 The strategic approaches that are developed and implemented will likely differ based on the needs of these five groups, but will include:

- Establishing a project team to work closely with Registered Providers in facilitating moves to more suitably sized and affordable accommodation
- Intensively promoting other LBL housing initiatives, such as FreshStart, Seaside & Country Homes and mutual exchanges, as part of wider options and solutions advice (aligned to the above project)
- Using financial assistance to encourage under occupation moves, pay for removals or clear arrears
- Reviewing the Allocations Scheme to continue to prioritise under occupiers and enable them to move quickly but including the potential introduction of a management offer only after 26 weeks of bidding
- Introducing additional properties as a short-term measure to kickstart the move-on process and establish chain moves for under occupiers and overcrowded households
- Using Discretionary Housing Payments to temporarily meet rent shortfalls where tenants have expressed an intention to downsize by joining the Housing Register and are actively bidding

5.19 In addition, a roundtable meeting is planned between LBL and the five largest Registered Providers in the borough (Lewisham Homes, Regenter B3, Phoenix, London & Quadrant and Hyde) to discuss under occupation issues in more detail and further align individual approaches to supporting tenants affected by the bedroom tax.

## 6 The Benefit Cap

- 6.1 The benefit cap places a limit on the total amount of benefits an out of work household can receive (including unemployment, child and housing elements). The limit has been placed at £500 a week for families and £350 for singles.
- 6.2 There are some exemptions to the benefit cap. People will be exempt if they are living in supported accommodation or they are claiming one of the following benefits:
- Disability Living Allowance
  - Personal Independence Payment
  - Attendance Allowance
  - Industrial Injuries Benefit
  - Employment Support Allowance, if paid with the support component
  - Armed Forces Compensation Scheme payments
  - War Pension Scheme payments (including War Widow's/Widower's Pension and War disablement Pension).
- 6.3 Also important to note is that people who qualify for Working Tax Credit will also be exempt. This means that lone parents will need to work 16 hours a week and couples 24 hours a week to be exempt from the cap.
- 6.4 Ultimately, the benefit cap will be integrated into the administration of Universal Credit. However, in the interim period the DWP will be making deductions from Housing Benefit.
- 6.5 At the end of December 2012, the government announced that there would no longer be a full roll out of the benefit cap from April 2013 as had originally been planned. Instead, the DWP are pursuing a phased roll out starting with four London boroughs in April with an expected full roll out by September 2013. The four pilot boroughs are: Bromley, Croydon, Enfield and Haringey. The subsequent roll out plans have not been shared with local authorities.

### Impact in Lewisham

- 6.6 The latest figures provided by the DWP show that 478 households in Lewisham will be affected by the benefit cap. This list constantly changes as individual circumstances change.

### Local response

- 6.7 There are a number of strategies which people affected by the benefit cap can use to manage the financial impact of the change:
- *Find work* – becoming eligible for working tax credit (which for most affected families means finding 16 hours of paid work a week) will exempt households from the cap.
  - *Move to cheaper accommodation* – for those in temporary accommodation, moving to cheaper accommodation in the social or private rented sector will reduce their overall benefit entitlement and therefore bring them below the cap threshold. Although for some families, it may be possible to move out of London to avoid the cap, for very large families, even this will not be a solution.

- *Manage the financial loss through budgeting* – for those whose loss is less significant, it may be possible to manage the shortfall in housing benefit through other benefits.

6.8 For the avoidance of doubt, Lewisham's default position is to encourage residents to seek employment.

6.9 Lewisham is making contact with all families affected by the benefit cap to inform them that they will be impacted and offer them face to face support to manage the transition. Contact with affected families is being integrated into the Universal Credit pilot to ensure that individuals are offered a holistic advice, signposting and service provision offer which covers all planned benefit changes. We are now in the process of mainstreaming elements of the pilot so that Housing Benefit and Housing services can also provide support to residents affected by the cap and developing the service the council will provide under the DWP's Local Support Services Framework.

## **7 Policy approach to mitigating impacts**

7.1 There are options available to the Council as it considers how to mitigate the impact of the introduction of the benefit cap and the bedroom tax.

7.2 A good starting point for a this is to see what other councils are doing. Most are at the same point as Lewisham, however examples of some policies are shown below. Lewisham could consider some or all of these options.

7.3 *Brighton and Hove Borough Council* have identified that nearly 1,000 households will be affected by the bedroom tax and have identified funding that will be utilised to assist those affected. £70,000 has been diverted from the councils homes repair fund to help those struggling with rent payments. This works out to approximately £74 per tenant affected. B&H have identified funding from another housing budget, most likely the HRA but if this is the case, it is important to note that this will need Government approval. Council workers have also, in a similar way to other councils, visited those affected to discuss moving, taking in a lodger, paying the shortfall or prioritising their household expenditure.

7.4 *Swindon* intends to use HRA funding as an 'emergency fund' for those directly affected. The council has not yet finalised how its emergency fund will be used, but expects to support families including someone with disabilities who cannot be expected to move, people living in rural areas who cannot downsize, and other people in exceptional circumstances (its unclear who this will be). It is likely that this approach will need government approval.

7.5 *Southwark Council* offer advice on their website to assist those affected by the size criteria:

- Moving to a smaller property;
- Asking other adult members of the household to contribute to the rent;
- Find work or increase hours;
- Ensure that all eligible benefits are claimed;
- Take in a boarder or a lodger;
- In exceptional circumstances, if tenant doesn't get full housing benefit but have a good reason for needing to stay in their home, they may be able to receive extra

help with a discretionary housing payment. An example of this may include a disabled person whose home has been adapted.

- 7.6 *Lambeth Council*, like other boroughs, provide a contact number for advice and suggest that those affected could start looking for at different housing options including downsizing and getting a lodger.
- 7.7 *Greenwich Council* suggest that concerned tenants contact their landlord and start to think about their housing options. They go on to provide advice about finding a job, speaking to other household members to contribute to the housing cost, and providing contact details for organisations providing free financial advice (such as local advice services). They also suggest moving to a smaller home and taking in a lodger.
- 7.8 *Newham Council* provided a report to their Overview and Scrutiny Committee on the 28<sup>th</sup> May 2013 outlining their proposed response to the benefit changes. Like others, Newham have written to all households affected by the changes, and have also held an open day providing advice, options and practical assistance on how to move or find work. The open day was attended by 250 tenants a further event is planned for later in the year. General benefits advice is provided on the website.

## 8 Financial Information

### 8.1 *Under Occupancy- Financial Impact*

- 8.2 Analysis undertaken as part of the Universal Credit Pilot has calculated the total loss for Lewisham residents as a result of the bedroom tax at £1.5m, which equates to £550 per household each year or approximately £10 each week. However, this is spread unevenly, so some tenants will be more affected than others. If the average weekly rents for Lewisham Homes are used as a guide, then the indicative impact on tenants in different sized properties can be modelled (although it should be noted that 70% of all tenants affected by the bedroom tax will only be subject to a 14% rent reduction):

Current Bedsize	Required Bedsize (% Rent Reduction)	Weekly Financial Loss (Lewisham Homes Property)
2 Bed	1 Bed (14%)	£12.24
3 Bed	2 Bed (14%)	£14.16
3 Bed	1 Bed (25%)	£25.28
5 Bed	2 Bed (25%)	£31.55

- 8.3 As at 21<sup>st</sup> May 2013, data reported by Lewisham Homes indicated that of the tenants they have identified as under occupying:
- 37.5% were in credit
  - 62.5% were in arrears
    - o The average level of arrears was £506.88 (if the average Lewisham Homes rent is £100 per week, then this equates to around 5 weeks non-payment for total rent, 36 weeks for 14% of the rent and 20 weeks for 25% of the rent)
- 8.4 Approximately 30 households who are in arrears already had a poor payment history and were subject to arrears action – 42% of the increase in arrears since the end of March 2013 (which equates to around £17K) is due to these 30 households



## 8.5 *Benefit Cap- Financial Impact*

8.6 The overall annual loss for all the families affected by the benefit cap in Lewisham is currently estimated at approx. £2.5m per annum, based on the current benefit cap list of 478 households.

<b>Financial Loss</b>	<b>No of households affected</b>
Over £300	23
£100-£300	130
£1- £100	325

## **9 Financial implications**

9.1 There are no direct financial implications arising from this report at this time.

## **10 Legal implications**

10.1 There are no direct legal implications arising from this report at this time.

## **11 Crime and disorder implications**

11.1 There are no direct crime and disorder implications arising from this report.

## **12 Equalities implications**

12.1 There are no direct equalities implications arising from the contents of this report, however any new policies arising from it will require an EAA or equivalent to be undertaken.

## **13 Environmental implications**

13.1 There are no direct environmental implications arising from this report.

## **14 Conclusion**

14.1 The purpose of this report is to highlight the changes resulting from the Under Occupancy rules and the introduction of the Benefit Cap and the steps being taken to manage these.

If you have any questions about this report please contact Peter Gadsdon (Head of Strategy and Performance, Customer Services) on 02083148464.