

<b>Subject:</b>	<b>Minimising the risk of evictions caused by the Housing Benefit Social Rented Sector Size Criteria</b>		
<b>Date of Meeting:</b>	<b>8 May 2013</b>		
<b>Report of:</b>	<b>Executive Director for Environment, Development &amp; Housing</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Jugal Sharma</b>	<b>Tel: 293201</b>
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<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE**

**Note:** The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that statutory guidance and financial information could not be clarified in time for the report to be printed with the agenda papers.

**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 Full Council meeting on 28 March considered a Notice of Motion relating to the reductions in Housing Benefit payments from the introduction of the social rented size criteria, sometimes referred to as the 'bedroom tax'. Council agreed to:  
  
'Request that the relevant Council Committee considers this motion with a view to ensuring that the Council and its partners work with all those affected by this Housing Benefit cut, and all other welfare cuts, to wherever possible prevent further expensive and socially disruptive homelessness such as through evictions.'
- 1.2 The Council is committed to making best use of housing resources and has a strong track record of supporting initiatives that encourage social housing tenants under-occupying their current accommodation to downsize. The Council is also committed to preventing homelessness and supporting tenants to maintain their current accommodation wherever possible.
- 1.3 This report explains how this change to housing benefits will affect council tenants and its link to the wider welfare reform agenda. It also sets out a proposal to consult with tenants to develop an approach to minimise the risk of the council taking action to evict those affected. It also proposes some urgent action be taken due to the immediacy of the benefit changes.

## **2. RECOMMENDATIONS:**

- 2.1 That Housing Committee note the Council resolution in relation to the Housing Benefit social rented sector size criteria attached as Appendix 1 to this report.
- 2.2 That Housing Committee request Area Panels consider the Notice of Motion and the proposals contained in this report so that their feedback can be considered by Housing Committee (via Housing Management Consultative Sub -Committee) during autumn 2013.
- 2.3 That Housing Committee earmark £70,000 on a one off basis from the Housing Revenue Account, to support urgent initiatives to minimise the risk of evictions.
- 2.4 That the consent of the Secretary of State be sought to use that funding to support additional dedicated Discretionary Housing Payments (DHP) for council tenants, supplementing the council's overall DHP fund.

## **3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:**

- 3.1 It is important to consider the changes to housing benefit that relate to under-occupation through the social rented sector size criteria (also referred to as the "bedroom tax") in the context of the government's wider welfare reforms. The welfare reforms are broad and complex and the council's response to any one aspect of it must be mindful of all the other changes that are already taking place and still to be rolled out. Understanding the cumulative impact on individuals and households and which groups are likely to face the most difficulty is very challenging. For example we cannot predict the scale of the behaviour changes that the reforms are to an extent designed create. The impacts will also be different across tenure, for example the challenges faced by households in the private rented sector will be different to those in social housing, particularly in council secure tenancies with low rents.
- 3.2 The council needs to be mindful of its fiduciary duties to council taxpayers. The collection of income, whether for rents, council tax or other charges is essential in order to ensure that the council is financially resilient and can afford to meet its agreed priorities. In this particular situation the council is not collecting the "bedroom tax", it is collecting rent from its council tenants in the same way it has always done. The challenge is that those tenants affected by the under-occupation rules who do not take any action will have less income from housing benefits to pay for that rent. It is vital that the council is clear and consistent in the messages it gives about the importance of paying rent, council tax and other charges and follows that through in its recovery action.
- 3.3 The council does however have legitimate concerns about those households facing the most severe financial hardship and those who are most vulnerable and there may in certain circumstances be a case for the council to intervene early to provide extra support to prevent additional costs being incurred by the council at a later date, in particular by avoiding evictions and preventing homelessness. However such decisions need to take into account the impact this may have on incentives for individual behaviour particularly in the longer term in order to ensure that the council's approach is affordable and sustainable.

3.4 The Government has provided a Discretionary Housing Payment (DHP) fund of an estimated £1 million to support the most vulnerable who have a shortfall between their benefit and their housing costs in 2013/14. Guidance from the Department for Work and Pensions (DWP) states that the fund is not intended to compensate for changes to the benefit system, but instead to provide temporary financial assistance to people who are experiencing particular difficulties or hardship. A report to Policy & Resources Committee on 2 May 2013 set out that the reduction in housing benefit across the city for people in all tenures is estimated to be in the region of £11m to £12m for 2013/14. That report also puts forward proposals for how the DHP would be administered and guidelines on when awards would be granted in order to be as fair and transparent as possible. Council tenants are eligible to apply for support from that fund.

### Impact of under-occupation changes on council tenants

3.5 In April 2013 the Social Sector Size Criteria came into force which will reduce Housing Benefit entitlement for working age tenants who are deemed to have more rooms than they need. Tenants under occupying by more than one room will have their Housing Benefit reduced by 14% and two or more extra rooms will attract a reduction of 25%. There are some exceptions to this size criteria:

- § pensioners are not affected by the provisions so will continue to receive full housing benefit if they have spare rooms
- § foster carers are allowed a room in between placements
- § families with adult sons or daughters in the armed forces are allowed a bedroom when they are away on active duty (so long as they intend to return)
- § disabled children who would normally be expected to share because of their ages no longer have to do so where it is unreasonable to expect this.

3.6 The council currently has 949 people of working age under-occupying council accommodation. 140 of those have 2 or more spare bedrooms, 809 have 1 spare bedroom. This is a reduction of £700,000 in housing benefit for the tenants affected, as detailed in table 1 below.

Table 1 **Size criteria – impact from HB reduction**

<b>Under-occ level</b>	<b>No. of households</b>	<b>Average* weekly HB reduction per household</b>	<b>Average annual HB reduction per household</b>
<b>1</b>	809	£11.66	£606
<b>2+</b>	140	£22.69	£1,180
<b>Total</b>	<b>949</b>	<b>£13.32*</b>	-

\* NB: These are only average figures, and so are liable to change as the profile of tenants coming in or out of benefit changes

## **Actions we have taken to date**

- 3.7 All council tenants currently affected have been advised in writing by the Benefits Service. In addition some existing housing officers (Neighbourhood Officers and Housing Service Advisors) along with three newly appointed visiting officers have been carrying out a programme of home visits to ensure tenants have understood the changes, are aware of their options, and have the opportunity to get additional advice. Our current advice to tenants has been to:
- Move to smaller accommodation either through the transfer incentive scheme or by doing a mutual exchange
  - Rent out a spare room or take in a lodger
  - Pay the rent shortfall
  - Get help to maximise your income and prioritise your expenditure.
- 3.8 More broadly the Council has put in place a number of support services to help households affected by the welfare reforms, mitigate the impacts and to present them with the options that will enable them to make well informed choices to move where they want to. These include:
- Additional funding for 2 years for the council's own Welfare Rights Service as agreed at Budget Council
  - Money advice contracts have been commissioned for both Council Tenants facing financial hardship and for households in all sectors who will be affected by the introduction of Council Tax Reduction. This support is to be delivered as a coordinated approach by Money Advice and Community Support (MACS) to the value of £180,000
  - Two Learning and Participation officers have been recruited to support and assist Council tenants to overcome any barriers they may face to learning, up-skilling and seeking work.
- 3.9 The Council's Financial Inclusion Strategy includes amongst other actions to:
- Create a Community Banking Partnership to deliver banking, savings and advice
  - Work within the Council and with other organisations in the city to ensure a consistent approach and to support people with their finances.
  - To commission organisations to help people make the most of their money by going online (digital inclusion).
- 3.10 The Council Tax Reduction Discretionary Fund (£300,000 for 2013/14), Local Discretionary Social Fund (£630,000 for 2013/14) and the Discretionary Housing Payments budget (£1m for 2013/14) are all being administered by a single team. There is a further £300,000 to top up any of these discretionary budgets under particular pressure.

## **Future Proposals to Support Council Tenants Affected by Under Occupancy Changes**

- 3.11 It is proposed to set aside £70,000 as a one off sum from the HRA to support urgent initiatives to reduce the risk of evictions for council tenants. It is the intention to use this to supplement the council's main DHP fund with specific additional funding for council tenants. Council tenants would still be treated equally alongside other applicants to the main fund, but more would be able to be

supported than would otherwise be the case. The costs that can be borne by the HRA are carefully prescribed in statute and there is a significant risk using funding in this way could be considered unlawful. However we are aware of another authority that has applied to the Secretary of State to agree this approach and we intend to follow the same route. Should this not be agreed then the funding will be retained for other initiatives that would meet the statutory criteria.

3.12 Consultation will be undertaken with Area Panels to consider whether there is merit in a longer term approach to supplementing the DHP fund to provide additional support to council tenants. This will consider:

- whether or not to set aside this additional funding in the future;
- the level of funding
- for how long should it continue
- how this should be addressed in the budget setting process for 2014-15.

3.13 In addition those meetings will consider ideas for alternative ways to minimise the risk of evictions including reviewing the incentives we have in place to help people move if they want to.

3.14 Any proposals following consultation with Area Panels will be considered at a Housing committee during autumn 2013.

#### **4. COMMUNITY ENGAGEMENT AND CONSULTATION**

4.1 In line with agreed protocols in relation to tenant consultation Area Panels in August will be asked to consider the Notice of Motion and proposals to set up a Discretionary Hardship fund solely for tenants along with reviewing incentives to help people move to support tenants affected by the welfare reform changes.

4.2 In line with agreed protocols in relation to tenant consultation Housing Committee request Area Panels consider Notice of Motion and review of proposed provision of an additional amount from the HRA to support tenants affected by rent arrears arising from under-occupation shortfalls arising from the welfare reform changes.

#### **5. FINANCIAL & OTHER IMPLICATIONS:**

##### Financial Implications:

5.1 The council reclaims eligible expenditure from government up to the total value of the Discretionary Housing Payments grant allocation. This report proposes that Secretary of State consent be sought to use £70,000 of HRA funding to support additional dedicated Discretionary Housing Payments (DHP) for council tenants, supplementing the council's overall DHP fund. The expenditure in relation to housing tenants will be closely monitored during the next few months to identify the level of demand to feed into the review of the scheme for council tenants.

5.2 The 2013/14 HRA budget includes an increase of £70,000 to the contribution to the bad debt provision because the introduction of benefit changes may make it harder to collect rents. This report proposes redirecting this funding to support

urgent initiatives to minimise the risk of evictions, which should in turn reduce the potential increase in bad debts.

*Finance Officer Consulted: Sue Chapman*

*Date: 23/04/13*

Legal Implications:

- 5.3 The HRA is a statutory account administered in accordance with the Local Government and Housing Act 1989. The Secretary of State may give directions as to the accounting practices to be followed by a local housing authority keeping the account. Section 87 of the Act allows him to give a direction making different provision for different cases and different housing authorities. This is the approach understood to have been taken by the other local authority referred to in paragraph 3.11. The legal risks associated with the report are set out in that paragraph.

*Lawyer Consulted:*

*Name Liz Woodley*

*Date: 26/04/13*

Equalities Implications:

- 5.4 An Equalities Impact Assessment is ongoing and has been summarised in the 2 May 2013 Policy and Resources committee report on the Discretionary Housing Payment fund.

Sustainability Implications:

- 5.5 There are no sustainability implications.

Crime & Disorder Implications:

- 5.6 The welfare reform programme have worked with the Police to share knowledge and understanding on welfare reform impacts including working with Police analysts to discuss joint monitoring of the impact of welfare reform.

Risk and Opportunity Management Implications:

- 5.7 The wider welfare reform programme has a risk log for all the welfare reform changes.
- 5.8 The risk of not supplementing the Discretionary Housing Payment fund is that the existing fund will not be sufficient to help many households most in need of securing their tenancies. The implication of this being severe hardship, increased effects of poverty, rent arrears and possible eviction.

Public Health Implications:

- 5.9 Maintaining people in their homes with a healthy standard of living helps improve the population's health and minimise inequalities. The use of discretionary payment schemes will help to mitigate any adverse impact of the benefit changes on vulnerable people's health and wellbeing. The public health directorate will work with colleagues to review the evidence relating to the effects of the welfare changes at a national level and to undertake a high level review of local impacts.

### Corporate / Citywide Implications:

- 5.10 Supporting the most vulnerable tenants to maintain their tenancies will prevent homelessness and demands on other support services. It will also reduce the costs of income collection and potentially appeals against the operation of the Discretionary Housing Payment fund.

### **6. EVALUATION OF ANY ALTERNATIVE OPTION(S):**

- 6.1 Housing could choose not to give additional funding to the Discretionary Housing Payment fund. The welfare reform changes will inevitably lead to increased rent arrears and more officer time to collect the arrears, as well as higher collection costs.

### **7. REASONS FOR REPORT RECOMMENDATIONS**

- 7.1 The impact of the Government's welfare reform changes will reduce income for tenants in receipt of benefit payments and may potentially affect their ability to pay their rent. Whilst the Government have given a higher Discretionary Housing Payment fund for 2013/14, (approximately £1 million), there is a large difference between the amount of the fund and the shortfalls in rent across the city, estimated to be between £11 and £12 million.
- 7.2 Providing additional funding from the HRA will enable the benefits service to better support more vulnerable council tenants across the city and provide a cost avoidance facility to the city council and other public agencies.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Notice of Motion

### **Documents in Members' Rooms**

### **Background Documents**

1. Notice of Motion – 'Bedroom Tax'

