



## Welfare Reform/Under-Occupation – One Year On!

Analysis of financial year **2013/14**

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## Introduction

This report sets out the experience of South Cambridgeshire District Council in tackling the impact of the Spare Room Subsidy policy more commonly known as the 'bedroom tax' during its first year of implementation. The policy was introduced on 1<sup>st</sup> April 2013 and this report is based on an analysis of data from the first year (1<sup>st</sup> April 2013 – 31<sup>st</sup> March 2014).

The 'bedroom tax' was brought in by the Welfare Reform Act 2012 which reduces entitlement to housing benefit for residents in social housing who are deemed to be under-occupying their home because they have more bedrooms than their household requires. If there is one spare bedroom, maximum housing benefit entitlement is reduced by 14% and where there are two or more spare bedrooms by 25%.

The two main aims of this new policy are to reduce the benefit bill and to make better use of the housing stock by encouraging residents with spare rooms to downsize freeing up homes for larger families in housing need.

### **Relevant Corporate objective for the Housing Service**

(10) Ensure the impacts of welfare reform are managed smoothly and effectively

## Executive Summary

This report shows that South Cambs has largely been successful in minimising the impact of welfare reform changes on tenants during the first year. Key to this success has been close working relationships between benefits, rents and housing staff providing good information, advice and support to those households subject to the changes.

In some cases progress has been hampered by a lack of suitable smaller properties for people to move in to especially one bedroom units. Where rent arrears have increased this has usually been due to a reluctance from customers to regularly contact/engage with staff who can signpost/help with DHP applications/Citizens Advice Bureau (CAB) referrals etc.

The negative financial impact of the changes has been minimised in many cases by an award of Discretionary Housing Payment (DHP) and South Cambs benefits staff have carried out campaigns throughout the year to target financially struggling households. DHP applications were up over 130% compared to the previous year and additional staff brought in at key times to help cope with the welfare reform changes and the resulting additional workload. A streamlined process/short DHP renewal form was introduced prior to April 2014 to help vulnerable tenants re-claim if their circumstances remained unchanged which also helped with staff/processing time. A dedicated Under-occupation Officer post was appointed prior to April 2013 to help tenants deal with the welfare reform changes.

14% of under-occupied households have managed to move to smaller properties. In most cases tenants would not have been able to afford to move without using our help to move scheme which organises and pays for removals and other minor costs. Some under-occupied households were thinking of downsizing prior to April 2013 and the help to move scheme has enabled them to achieve this for example a move to be nearer family for support.

Demand from waiting list applicants remains high for smaller units in most areas especially larger villages with better amenities whereas in some more rural areas demand for three bedroom properties has dropped significantly.

South Cambs has offered all tenants affected by welfare reform the option of a home visit to talk through the range of options available to help minimise the impact/financial hardship caused by these welfare changes. This approach whilst being labour intensive has helped target support to vulnerable households who otherwise may have been reluctant to come forward for advice.

### South Cambs approach to reducing impact of welfare reform on tenants

#### **SIGNIFICANT DATES/TIMELINE:**

**July/August 2012:** HB databases analysed and all potential households written to giving information about the future changes, how this could impact on them and offered an opportunity for an interview/home visit.

**August 2012 – January 2013:** Agency staff and Housing Officers visiting tenants to offer support. Standard visit/interview form produced covering move options, lodger scheme, CAB advice, employment/training advice, bank details.

**February 2013:** Under-occupation Officer appointed - visiting tenants to offer support as above using standard form. Regular updates received from benefits of under-occupied working age households in receipt of HB checked and new cases visited/contacted.

**March 2013:** Affected tenants written to again regarding changes from 1<sup>st</sup> April encouraging tenants to come forward if not already done so.

**April 2013:** Additional benefits temporary staff recruited to deal with increased workload due to legislative changes/increased customer queries/DHP increase.

**June 2013:** Frequently Asked Questions produced and put on South Cambs website.

**August 2013:** Under-occupation policy approved by Housing Portfolio Holder.

**September 2013:** Help to move scheme offering up to £600 per move approved by Housing Portfolio Holder.

#### **OPTIONS AVAILABLE TO HELP:**

**455** home visits/phone contacts/office interviews made.

**342** under-occupation questionnaires completed.

When visiting/interviewing tenants affected by the welfare reform changes a standard form was developed which included discussions about:

- Option to Downsize – Village choice and property choice was discussed and wherever possible tenant's views incorporated in any offer of accommodation. Residents were also encouraged to register on Home-link and offered advice and support to get registered if needed. **40** downsize moves completed in the year – 11% of under-occupiers as at 01/04/2013. Help to move scheme available.
- Possibility of taking in a lodger – SCDC advice leaflet produced 'Guidance to tenants thinking of taking in a lodger' and **31** households referred to King Street Housing home-finder scheme. Joanne Davis at King Street Housing has been contacted by several SCDC tenants for advice some of whom have taken in lodgers using this service. So far these have mainly been under-occupied working households rather than households in receipt of HB.
- Financial/Benefits advice – from under-occupation visits **8** people referred to experienced CAB adviser service offering budgeting, claiming the right benefits and dealing with debts advice. Many more SCDC tenants making use of regular appointments available at our Cambourne office with CAB advisers usually referred via benefits staff when applying for DHP or housing benefit.
- Employment Education and Training Advice – **6** people referred to CHS people for free work skills improvement advice. SCDC working in partnership with CHS Community Investment Service delivered under the National Careers Service. For those seeking work 76% of tenants quoted health reasons as the main reason for having difficulty gaining employment.
- Bank account advice – Of the 65 people surveyed who did not have access to a bank account nobody wanted help setting one up. This could largely be due to previous difficulty with operating a bank account i.e. excessive bank/overdraft charges. Initial enquiries have been made regarding Credit Unions and the Rainbow Savers Group are giving a presentation to TPG in June 2014.

This will become more important when Universal Credit is introduced as in the majority of cases Housing Benefit will be paid direct to the claimant monthly in arrears and tenants will be expected to pay landlords the rent.

- Tenant participation – 8 tenants surveyed expressed an interest in getting involved in the Council’s tenant led scrutiny function and have been invited to take part in initial meetings.
- Discretionary Housing Payments – tenants were encouraged to apply for DHP and applications made/forms completed on their behalf when needed.

### **DISCRETIONARY HOUSING BENEFIT (DHP):**

DHP can support tenants affected by the Bedroom Tax. It provides customers with further financial assistance in addition to any HB being in payment when the LA considers that help with housing costs is required. DHP has also been used to pay removals costs.

Central Government provides funding to LA’s for DHP. This was increased in 2013/14 in preparation for the welfare reform changes. SCDC supported the DHP budget for 2013/2014 via the HRA due to a significant increase in demand over previous years.

The table below shows the number of application received over the past 7 years.

<b>Total DHP applications received by year (LA and private sector)</b>						
<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
121	115	105	98	142	264	609

DHP 2013/14 – 451 (74%) applications approved. 158 (26%) refused.

DHP is supporting a large number of SCDC tenants to meet the shortfall in rent due to under-occupation.

An applicant’s income, savings and outgoings are analysed prior to a decision being taken to award DHP. Under-occupied households affected by the welfare reform changes especially those struggling to pay the rent have been encouraged to apply for DHP throughout the year. Where applicants have been unsuccessful they have been given the reason why and usually offered an appointment with the CAB for financial/budgeting advice.

### The under-occupiers

The table below shows the total numbers of SCDC tenants under-occupied and affected by welfare reform changes/reduced HB throughout the year:

Date	Number of households	Comments
27/03/13	360	
15/05/13	342	Reducing
04/06/13	321	Reducing
04/07/13	320	Reducing
15/08/13	305	Reducing
23/09/13	298	Reducing
21/10/13	293	Reducing
13/12/13	286	Reducing
07/02/14	281	Reducing
30/03/14	285	Slight increase on previous month

As at 31/03/2013 **360** SCDC tenants under-occupied/experiencing a reduction in HB

As at 31/03/2014 **285** SCDC tenants under-occupied/experiencing a reduction in HB

256 under-occupied by 1 bedroom (14% reduction in HB)

29 under-occupied by 2 or more bedrooms (25% reduction in HB)

#### Numbers reduced by 75 (21%) in the year.

As well as those originally affected by the bedroom tax, there has been a regular number of new cases being affected after 1<sup>st</sup> April 2013. Most of these are new Housing Benefit claims where a change of circumstances has meant tenants now require support or where a household member has left the property resulting in under-occupation. The main reasons households have stopped being affected by the bedroom tax are:

- Downsized/mutual exchanged/moved in to private sector.
- HB entitlement ended – started work or increased hours of work.

- New household member – larger family or lodger moved in.
- Milestone age reached (i.e. 10, 16 or Pension Credit age).

72 under-occupiers are currently registered with the Under-occupation Officer as wishing to downsize and we are hoping to find suitable properties for direct lets. Most of the 40 households who have already downsized said they would not have been able to afford to pay for the move themselves. The 'help to move scheme' has therefore been vital to achieve these downsizes and reduce the numbers of under-occupiers.

### Rent Arrears

Set out below is a table showing the numbers of Under-occupiers in each rent balance band at the beginning and end of the year.

Arrears Value	1K+ credit	500-1K credit	0.01-500 credit	0 balance	0.01-100 arrears	100-500 arrears	500-1K arrears	1K-2K arrears	2K+ arrears
WK 1 2013/14	1	1	72	121	33	27	6	8	2
WK 53 2013/14	2	5	127	13	67	35	11	9	2
Change	+100%	+500%	+76%	-89%	+103%	+30%	+83%	+12%	No change

Adding up the balances of the rent accounts including credit balances of the 271 under-occupiers at the end of the year compared to the beginning of the year:

Beginning of Week 1: £19,939.10 owing  
 End of week 53: £19,223.60 owing

This represents an **overall improvement of £715.5 or 3.5% in the year**. This is reflected in an analysis of balances at the beginning and end of the year which results in:

148 accounts were in a better position at the end of the year  
123 accounts were in a worse position at the end of the year

Factors which have helped this position:

- Early communication with all households potentially affected by welfare reform changes.
- Carrying out home visits/telephone interviews to all those affected to go through all possible support options.
- Targeting DHP to those struggling to pay the rent/HB shortfall.
- Small number of accounts put in credit due to HB loophole (continuous claim from 1996 ruling - now closed) where backdated HB awarded.

Whilst this overall picture on rent accounts is positive you get a different perspective if credit balances are taken out of the equation as show below.

However just looking at rent accounts in arrears:

WK 1 - £27,337.71 arrears owing from 76 accounts (28% of under-occupiers)

WK 53 - £36,863.86 arrears owing from 124 accounts (46% of under-occupiers) although the majority of these (67) are in the 0-100 category i.e. less than one weeks' rent owing.

**Under-occupiers rent arrears up £9,526.15 or 35% in the year.**

The biggest proportional increase is in the £500-£1K arrears category.

Just to complete the picture overall rent arrears for all SCDC properties:

01/04/2013 – 1.04%

01/04/2014 – 1.19%

### **Fuel Poverty/Condensation**

Whilst the welfare reform changes have only had a significant impact on rent arrears for a relatively small number of South Cambs tenants many people will now have less money to spend on other household costs such as heating. The culmination of the bedroom tax,

localised council tax support, benefit cap and other benefit changes such as the introduction of Personal Independence Payments (replacing Disability Living Allowance and having a stricter qualification requirement) has all impacted on low income households.

Although last winter was one of the mildest on record South Cambs experienced a significant increase in the number of calls/complaints from tenants about black mould/condensation which could reflect more households experiencing fuel poverty. We are now monitoring the number and location of customer complaints about condensation/black mould in order to try and target future support for warm homes initiatives and financial/benefits advice.

### Voids

Another consequence of the welfare reform changes is a significant increase in void costs for the year. This has prompted closer monitoring and reviewing of the tenant re-charge policy. In the main under-occupied households downsizing tend to be either vulnerable and/or on a very low income and have typically lived in properties for a long time. As a result there has been a tendency to resist planned programmes for improvements and a reluctance to report repairs. Subsequently there has tended to be an underinvestment over a number of years in the properties. This has resulted in void costs per unit for under-occupied downsize moves being typically about 50% higher than average which along with the additional moves in the year has significantly impacted on the void budget.

2012/13 additional void expenditure £32,034\*

2013/14 additional void expenditure £95,723\*

(\*figure includes all void costs including capital expenditure and costs which will have been re-charged to out-going tenants. In reality due to the financial circumstances of those downsizing it is unlikely much of this will be recovered).

### Making best use of our Housing Stock

The table below gives data on the average number of children living in the property by property type before and after downsize moves have taken place (33 moves analysed).

Property Type	Average no. of children per property prior to downsize	Average no. of children per property after re-letting void
2 Bedroom (10 units/moves)	0	1.2
3 Bedroom (21 units/moves)	0.71	2.71
4 Bedroom (2 units/moves)	1	5

The above data shows that South Cambs is making best use of its stock as the properties which have been vacated by under-occupying households are now occupied by appropriately sized households.

### Allocations/Waiting Lists

The main option open to tenants to avoid being affected by the bedroom tax is to move to a smaller property. As a result of helping people to downsize through direct lets (40 in the year) this has led to an increase in larger properties and a reduction in smaller properties becoming available for letting to waiting list applicants via Home-link.

The increase in turnover of 3 bedroom properties along with a stricter allocation policy to prevent future under-occupation has resulted in low demand for three bedroom houses especially in some rural areas. The demand for smaller units from waiting list applicants continues to grow and has been exaggerated as not so many small units have been advertised on Home-link due to direct lets of under-occupied households in to smaller properties.

Set out below is a table showing current numbers on the waiting list by property size, average turnover (based on last 4 years lettings) and therefore estimates of how many years it would take to meet existing demand using South Cambs stock for each property size.

Property Type (general needs stock only)	Average turnover per year	Number on the waiting list (June 2014)	Estimated number of years it will take to meet existing need
1 Bedroom	40	914	22.9
2 Bedroom	84	537	6.4
3 Bedroom	45	129	2.9
4+ Bedroom	1	45	45

The above table clearly highlights the difficulties in the District of meeting current housing need for small households especially with a one bed need and larger households requiring four or more bedrooms.

### Bedroom size

Several people have challenged their second (two bedroom property) or third (3 bedroom property) bedroom size saying it is too small for someone to live in quoting the 1985 Housing Act room size regulations. This quotes figures of under 70ft sq or under 50ft sq. which

relates to decisions on whether a property is statutorily overcrowded or not. However this has no relevance for under-occupation or housing benefit determinations.

South Cambs have taken the decision not to alter a property description from that set out in the Tenancy Agreement unless it is not possible to get a single bed with some circulation space in the room. Regarding needing a separate sleeping room for medical reasons benefit regulations do not allow for this.

There have been several cases where tribunal judges have sided with tenants on judgements of what constitutes a bedroom however as yet these have not been at a high enough level to set a legal precedent for other cases. The DWP have stated that landlords who have reclassified properties with less bedrooms without good cause could be in breach of benefit regulations/risk losing future subsidy.

## Conclusion

Overall the welfare reform changes have had a negative impact on tenants however South Cambs has invested heavily in the provision of support and advice on offer to tenants in order to minimise this financial impact. Organisational costs have included:

- Employment of agency staff (6 months full-time) then recruitment of full-time Under-occupation Officer (2 year post).
- Employment of additional benefits/contact centre staff (6 posts for 3 months) to cover increased workload due to April 2013 welfare changes.
- Additional benefits staff time involved in policy updating/IT changes and administration of DHP applications.
- HRA support for DHP budget for first two years.
- Additional staff time on rent arrears associated with under-occupation/reduced HB.
- Additional staff time in housing - operational staff helping with downsizes/transfers and policy changes – allocations/lodgers.
- Significant additional void costs and staff time to deal with increased incidence of black mould/condensation complaints (increased fuel poverty).
- Allocations/IT support staff time/costs associated with updating allocation policy/Home-link.

Some tenants have managed to keep their rent accounts up to date but many are struggling and the numbers are increasing. DHP targeting has been fairly successful as a safety net for many tenants but future funding levels for DHP beyond the first two years is uncertain. South Cambs has been successful in helping 40 households downsize however we still have around 280 households potentially to try and help around 80 of whom have indicated they would consider moving. There is a shortage of vacancies for smaller units especially one bedroom properties and low demand in some areas for three bedroom houses.

The bedroom tax has not come in isolation as other changes such as Localised Council Tax Support and the Benefits Cap have added to financial hardship for some low income households. It will be important to continue to provide the best possible support and advice to low income/vulnerable households especially with the introduction of Universal Credit likely to start in Cambridgeshire within the next two years.

### Costs to the Organisation of Welfare Reform.

The table below shows a summary of actual/budgeted organisational costs incurred as a result of the April 2013 Welfare Reform changes split in to financial years. (1<sup>st</sup> April – 31<sup>st</sup> March).

SCDC Cost/Expenditure Heading	2012/13	2013/14	2014/15
Agency staff (Sept 2012 – February 2013 F/T)	18	-	-
Under-occupation Officer (February 2013 – 2 yr contract F/T)	13	52	40
Additional Benefits staff (6 posts for 3 months March – May 2013)	-	40	-
Additional staff time administering DHP	-	6	7
HRA support for DHP budget	-	18	50
Additional staff time on rent arrears – rents/finance staff	-	30	45
Additional staff time – housing officers helping with downsizes/arrears/DHP	-	28	27
Additional void expenditure/cost	32	96	63
Additional staff time – allocations/IT dealing with updating allocation policy/Home-link	-	29	29
<b>TOTAL</b>	<b>£63K</b>	<b>£299K</b>	<b>£261K</b>

#### Additional notes:

2013/14 data completed using allocations in the final accounts

2014/15 data from approved estimates

2014/15 void costs based on an estimated 19 downsize moves in the year

**Department for Work & Pensions (DWP) National Research Data/Benchmarking Information**

Set out below is information taken from research carried out by the Cambridge Centre for Housing and Planning Research and Ipsos MORI on behalf of the Department for Work and Pensions. All social landlords throughout Britain were surveyed during October and November 2013. The report used information from April 2013 to September 2013.

Benchmarking Data	Nationally	SCDC
Number of Households affected and this number as a % of total social housing stock as at August 2013	555,905 (11.1%)	305 (5.7%)
% reduction in the number of households affected April to August 2013	4.6%	15.3%
Number of households achieving a downsize move within the first 6 months	4.5%	4.2% *
% of affected tenants registering for a downsize	19%	24%
Total Rent arrears change April 2013 to October 2013	16% increase	14% increase **
After 5 months: Paying full shortfall (inc DHP)	41%	41%
Paying some of shortfall	39%	49%
Paying none of the shortfall	20%	10%
DHP spend – What % of English LA's spent their full DHP allocation (Scottish/Welsh Council's overspent).	27%	Fully spent DHP allocation
% of landlords reported visiting 90% or more of affected households	53%	SCDC offered visits to all households affected

 = better than national statistics/performance

 = worse than national statistics/performance

Additional notes on above table results:

- \* SCDC downsized 11 households in the months leading up to March 2013 which would have taken this figure up to 7.2%
- \*\* SCDC data based on the full financial year – 01/04/13 to 01/04/14

**Additional Information from research data readers may find useful:**

- Difficulty letting larger properties reported by 41% of landlords primarily 3 bedroom houses.
- Most LA's and social landlords have adapted allocation criteria – changing the size of homes applicants are eligible for in line with DWP rules.
- Widespread concern about the impact of welfare reform on the number of future evictions impacting on local services, landlord's finances and the lives of vulnerable people.
- Reclassification of homes (in terms of the number of bedrooms) has been very small – under 0.1% of the stock.
- Widespread concern that tenants who were paying the shortfall were making cuts to other household essentials such as food and heating or incurring other debts.
- DHPs have helped some households to meet their rental shortfall. Some local authorities struggle to make long-term plans for this resource and suggested that this was because of uncertainties around both future demand and the size/availability of the fund. The 2014/15 allocation was only announced in January 2014, after the fieldwork for this phase of the research had taken place.
- 18 per cent of affected claimants say they have looked to earn more through employment-related income as a result of the Removal of the Spare Room Subsidy (RSRS), rising to 50 per cent of those who said they were unemployed and seeking work. Social landlords had encouraged tenants to find work, although they were concerned about the long-term barriers faced by tenants. Claimants also reported difficulties finding work because of disability, having been out of the workplace for a long period and having young children (and being their sole carer). Some had asked employers for additional hours in their current jobs, although employers were sometimes unable to accommodate this.
- Very few affected claimants have taken a lodger. A frequently given reason was concerns around sharing their home with someone they did not know. This was a particular concern if claimants had children or if they felt themselves to be vulnerable. Some had made enquiries about taking in a family member.
- Voluntary sector agencies working with the single homeless reported difficulties in hostel move-on to social housing because of the shortage of one bedroom homes and the reluctance of landlords to allocate single people to two bedroom homes where they would be affected by the RSRS. Moving single people to private rented housing had also become more difficult lately because those aged under 35 were now limited to LHA to cover only a single room, rather than a one bedroom flat, although it must be noted that other research shows that landlords are increasingly planning to expand the shared accommodation they offer.
- As part of the implementation of RSRS, the Government worked with relevant stakeholders, including charities, advice agencies and other organisations, many of whom received public funding. Citizens Advice Bureaus (CABs) reported that people were increasingly asking for help related to welfare benefits, with some CABs saying that they had difficulty meeting the level of demand for their services. They believed that RSRS was one of several factors causing this, although they also noted that people affected commonly had additional problems as well.

## DHP topping up from HRA

In response to the question - Does your LA intend to top up the Government DHP contribution?

LA response:	No of LA's	As a % of all LA's
Yes we have already topped up our DHP spend	33	14%
Not yet but intending to	41	17%
No we do not intend to do this	133	56%
Don't know	30	13%
<b>TOTAL</b>	<b>237</b>	<b>100%</b>

## Feedback from landlords:

In summary the research found that social landlords' main concerns were around three key area:

- The large costs of welfare reform to their organization
- A lack of supply of one-bedroom homes
- The increased possibility of tenants ending up in poverty

Other comments made included concerns around the cumulative impact of welfare reforms and the 'bedroom tax' having a damaging impact on relationships with tenants.