

Report to the Board

16 January 2014



Title: Council decisions on further measures to mitigate the impact of welfare reform

Report of: Director of Customers and Communities

Purpose of Report

1. To inform the Board of decisions taken by Gateshead Council which aim to mitigate the impact of welfare reform on council tenants.

Background

2. The Council's Cabinet, at its meeting on 17 December 2013, considered a report recommending further measures to mitigate the impact of welfare reform.
3. The report included information on discussions of the Sustainable Communities Place Advisory Group which had met in July and in November 2013. Officers of the housing company had presented information on the impact of welfare reform at both of these Advisory Group meetings.

Cabinet Report

4. The cabinet report of 17 December 2013 is attached as an Appendix to this report.
5. The further mitigations contained in the report and agreed by cabinet are:
 - subject to approval by DCLG (and subject to providing a clear business case and justification for the transfer within the council), to make available £300k from the Housing Revenue Account to top-up the 2013/14 fund for Discretionary Housing Payments (DHP) for council tenants.
 - to recommend Council to provide £500k per annum into the DHP pot in subsequent years from the HRA to assist Council tenants.
 - to recommend Council to approve an amendment to the Constitution by giving delegated powers to the Strategic Director, Finance and ICT in conjunction with the Strategic Director of Community Based Services to vary this amount if deemed necessary
6. The cabinet report also restates some of the earlier decisions, such as agreeing to carry out consultation on low demand one bedroomed older persons' bungalows and flats in order to increase the supply of one bedroomed properties.

7. The Appendix to the cabinet report (paragraph 8: 6th bullet “**redesignate stock**”) explains that actions to address properties that have become hard to let will be incorporated in a forthcoming report on the HRA Business Plan.

Link to Values

8. This report related to the company value of being honest, accountable and transparent.

Impact on Tenants

9. 2,439 tenants are currently affected by a weekly reduction in housing benefit for under-occupation. 295 tenants are in receipt of a discretionary housing payment.

Risk Management Implications

10. The impact of welfare reform is a key strategic risk for The Gateshead Housing Company.

Financial Implications

11. Gateshead’s allocation of DHP for 2013/14 is £428,392, with £403,558 spent or committed to date (£293,684 of this for council tenants). Any additional top-up from HRA will be reserved for council tenants.

Equality and Diversity Implications

12. The equality and diversity implications are outlined in the Cabinet report.

Value for Money Implications

13. The report states that the Council’s Strategic Director Finance and ICT confirms any transfer from the Housing Revenue Account to increase funds for DHP would be supported by a clear business case and justification for the transfer.

Health Implications

14. There are negative health implications if tenants experience difficulties managing income or struggle to sustain their tenancies.

Environmental Implications

15. There are no environmental implications directly associated with this report

Consultation carried out

16. It has not been necessary to carry out any consultation for this report.

Recommendations

17. The Board are requested to note the decisions taken by the Council.

TITLE OF REPORT: Mitigating the Impact of Welfare Reform on Council Tenants

REPORT OF: David Bunce, Strategic Director of Community Based Services

Purpose of the Report

1. To seek Cabinet and Council approval for further actions to help mitigate the impact of welfare reform on Council tenants.

Background

2. Prior to the summer recess, a Notice of Motion to Council recognising the 'devastating effects' of welfare reform and 'in particular, the bedroom tax is having on social housing tenants throughout Gateshead' was carried. A report to Cabinet on 5 November set out a series of measures which were being considered. This report will provide further information on impact, progress and recommendations.

Proposal

3. Since April 2013, working age households who under-occupy social housing no longer receive the full Housing Benefit (HB) entitlement. The amount they receive is reduced 14% if they under-occupy by one bedroom and 25% if they under-occupy by two or more rooms.
4. The initial response in preparation for this HB change, was to visit and advise the 2,838 Council tenants who would be affected. 2,319 faced a 14 percent reduction in the Housing Benefit they would otherwise have received and 519 a 25 percent reduction.
5. Cabinet responded by offering Council tenants who wished to move, additional priority for rehousing and also help with removal costs. Advice was given was to take in a lodger, advertise for a mutual exchange or move into the private sector. In addition, some properties were redesignated as being a smaller size, as the installation of a through floor lift or level access shower had made one of the bedrooms unusable for sleeping purposes.
6. Through work with Sustainable Communities Place Advisory Group on 3 July 2013, additional mitigations were identified:
 - Provision of additional new accommodation
 - Increased flexibility in the application of the rent arrears policy
 - Conversion of flats and maisonettes into smaller units of accommodation
 - Change the eligibility criteria to allow flats and maisonettes with shared entrances to be let to families with older children

- Increase the supply of one bed accommodation for working age households by lower the eligible age limit for some of the accommodation for the elderly
 - Redesignation of the size of accommodation to increase the sustainability of stock
 - Use housing revenue account (HRA) resources to fund discretionary housing payments (DHP).
7. Cabinet on 5 November agreed to consultation on policy changes to increase the supply of accommodation for working age Council tenants who were affected. Following further discussion with Advisory Group on 18 November, members were of the view an additional £300k should be provided from the Housing Revenue Account (HRA) during 2013/14 to top up the Discretionary Housing Payments (DHP) pot. This action would require approval from DCLG. Given concerns from Advisory Group that this amount may not be enough, it is proposed that £500k per annum is made available in subsequent years and delegated powers are granted to vary this amount if required. Further changes in relation to welfare reform and low demand stock will be incorporated in a subsequent report on the HRA Business Plan.

Recommendations

8. It is recommended that Cabinet:
- (i) Endorses the actions being taken by officers.
 - (ii) Agrees subject to Council and DCLG approval to provide £300k from the HRA in 2013/14 to help Council tenants by topping up the DHP pot.
 - (iii) Agrees to recommend Council to provide £500k per annum into the DHP pot in subsequent years from the HRA to assist Council tenants.
 - (iv) Agrees to recommend Council to approve an amendment to the Constitution by giving delegated powers to the Strategic Director, Finance and ICT in conjunction with the Strategic Director of Community Based Services to vary this amount if deemed necessary.

For the following reason:

To mitigate the impact of welfare reform on Council Tenants.

Policy Context

1. The proposals support the following aims of Vision 2030:
 - **City of Gateshead** - Building the homes we need for our growing population
 - **Sustainable Gateshead** - Providing good quality, affordable and energy efficient homes. Helping to grow the local economy and provide local jobs through housing investment
 - **Active and Healthy Gateshead** – Support the health and well-being of residents. Good quality affordable housing will reduce, and prevent, demand for more expensive critical health and social care services
2. The proposals are also set in the context of the Welfare Reform Act 2012

Background

3. From April 2013 onwards, working age households who under occupy social housing no longer receive the full Housing Benefit entitlement. The Government's Occupancy Standard requires a bedroom to accommodate a couple, an adult aged 16 years or older; two children aged 0-16 of the same sex or two children of any sex less than ten years of age. Prior to the introduction of the change, efforts were made to visit the 2,838 tenants due to be affected. Of these 2,319 faced a 14 percent reduction in the Housing Benefit they would otherwise have received (due to under-occupancy by one bedroom) and 519 a 25 percent reduction (as under-occupying two or more rooms).
4. Following policy changes, the Council was able to offer Council tenants who wished to move additional priority for rehousing and also help with removal costs. Other advice given was to take in a lodger, advertise for a mutual exchange or move into the private sector. Some properties were redesignated as being a smaller size, as the installation of a through floor lift or level access shower had made one of the bedrooms unusable for sleeping purposes.
5. Cabinet on 5 November were informed of further mitigations and agreed to consultation on changes in the lettings policy to increase the supply of accommodation for working age tenants.
6. In the first six months since the changes were implemented, there has been a reduction in Council tenants affected by 342 to 2,496; with 111 tenants moving since the policy change gave them increased priority. Rent arrears have risen £152k due to the changes in Housing Benefit; but the biggest impact of the benefit changes has been an increase in tenancy terminations and vacant properties. This is due to an increase by a third in terminations and less demand for some stock. It is estimated that over a year there will be over £1m additional repairs expenditure to void properties and an additional £185k vacant property rent loss. It is projected that the cost to housing management will be in excess of £1.5m.
7. Officers have been working with Sustainable Communities Place Advisory Group on additional mitigations to help support Council tenants. Seven further mitigations were identified on 3 July 2013:

- Provision of additional new accommodation
- Increased flexibility in the application of the rent arrears policy
- Conversion of flats and maisonettes into smaller units of accommodation
- Change the eligibility criteria to allow flats and maisonettes with shared entrances to be let to families with older children
- Increase the supply of one bed accommodation for working age households by lower the eligible age limit for some of the accommodation for the elderly
- Redesignation of the size of accommodation to increase the sustainability of stock
- Use of the housing revenue account to fund discretionary housing payments

8. It has become apparent that no single mitigation can help Council tenants affected; but by application of a number of measures, the Council can maximise the number of Council tenants we help out of their current untenable predicament. Further details of the proposed mitigations and progress to date are as follows:

- **New Build** - This work is in hand and it is expected this measures will help a some Council tenants affected by the changes in HB.
- **Increased Flexibility in the Application of the Rent Arrears Policy** – The proposal will help Council tenants where in a relatively short period of time, due to an increase in the ages of children in the household or the tenants themselves will become pensioners, the restriction will no longer apply.
- **Conversion of Flats and Maisonettes to smaller units of accommodation** - The Council has 5,133 flats and maisonettes, of which 3,123 are larger than one bedroom. The viability of converting some of the larger flats or maisonettes into one bedroom flats is being explored.
- **Change the Eligibility Criteria to allow Flats and Maisonettes with Shared Entrances to be let to Families with Older Children** – In line with the decision of Cabinet on 5 November consultation on changes in the Lettings policy has been agreed pending a further report on the outcome.
- **Lower the Eligibility Age limit for One bedroom Bungalows and Flats** – In line with the decision of Cabinet, an individual lettings and assessment for each identified scheme is being developed, which will inform the consultation programme.
- **Redesignate Stock**
The Council could consider redesignation of the size of existing accommodation, but only so if we have a valid reason to do so. This would need to be carried out as part of a whole stock review based upon sustainability of stock and include a reduction in rent charged. Some authorities who carried out redesignation without changes in rents, faced criticism from DCLG and the threat of withdrawal of Housing Benefit subsidy. There are currently 1,288 Council dwellings which have become increasingly hard to let. Actions to address this issue will be incorporated in a forthcoming report on the HRA Business Plan

- **Use of the Housing Revenue Account (HRA) to fund Discretionary Housing Payments (DHP)**

The Council was initially awarded £373k and recently a further £55k to provide temporary financial support to tenants in receipt of Housing Benefit facing hardship. The Council is permitted, subject to DCLG approval, to increase this pot by up to two and a half times using the HRA, provided these additional resources are used solely for the benefit of Council tenants. Following support from Advisory Group on 18 November, it is suggested that an additional £300k is made available in 2013/14 from the HRA to help Council tenants and £500k in subsequent years. Given concerns at Advisory Group that this may not be sufficient, it is suggested delegated powers are granted to officers to vary this amount if it is deemed necessary.

Further Mitigations

9. Alternative approaches to offset the Housing Benefit reduction for any tenant affected or provide incentive grants to take low demand properties are also being considered from a legal perspective.

Consultation

10. Consultation on the proposals has taken place with the Cabinet member for Housing

Alternative Options

11. The alternative option is to do nothing

Implications of Recommended Option

12. **Resources:**

- a) **Financial Implications** – The Strategic Director Finance and ICT confirms any transfer from HRA to DHP would be supported by a clear business case and justification for the transfer and also necessary DCLG approval sought
- b) **Human Resources Implications** – There are no human resource implications arising from this report.
- c) **Property Implications** - The report may lead to an increase in dwellings built by Keelman Homes.

13. **Risk Management Implication** - The actions proposed will assist the Council in its well-being duty. It is important care is taken consulting DCLG and on the legal and financial implications to prevent placing the Council in undue risk.

14. **Equality and Diversity Implications** - The report aims to increase sustainability of stock and equality for Council tenants.

15. **Crime and Disorder Implications** – The actions proposed may indirectly prevent an increase in crime and disorder.

16. **Health Implications** – The proposals may provide beneficial in terms of physical and mental health of Council tenants.

17. **Sustainability Implications** - The proposals aim to increase the sustainability of Council stock. Some churning in estates may be required if tenants relocate to find more affordable accommodation.
18. **Human Rights Implications** - There are no human rights implications arising out of the report.
19. **Area and Ward Implications** - All

Background Information

Notes of Sustainable Communities Place Advisory Group 3 May 2013

Notes of Sustainable Communities Place Advisory Group 18 November 2013

Notes of Place Advisory Group 3 May 2013

Purpose of the Meeting

The views of the Advisory Group were sought on mitigating the impact of Welfare Reform on Council Tenants where under occupation occurs.

The Advisory Group raised the following issues:

Building New Dwellings

The Advisory Group were supportive of new build properties.

It was suggested that the new builds include properties for older people. This may help with Re-housing in an older persons existing community and help to free up properties which are currently under-occupied.

- The Group recognised that it can be difficult to influence the type of new build properties coming forward as landlords/builders may have different approaches to that of a local authority.
- It was noted that any new build properties are not just to cater for those affected by welfare reform but there could be scope to look at this further within future phases of developments

Increased Flexibility in Application of Rent Arrears Policy

- It was suggested that there could be scope to balance rent arrears with a tenants individual circumstances with the potential for the Council to write off irrecoverable debt
- If rent arrears applied (in line with the above) it was suggested that this could be time limited, taking in to account individual circumstances
- It was suggested that the rent arrears policy be linked to DHP as a means of mitigation
- There were concerns raised if rent arrears were allowed to be accrued as there could be factors which could change in a person(s) circumstances and then they may not be in a position to repay

- The Group advised that there needs to be a pragmatic approach to this option of mitigation and there is a need to revise current protocols

Conversion of Flats and Maisonettes

- There was support for this option if demands can be met based on cost effectiveness
- It was suggested that current policies of allowing pets in maisonettes be looked at

Change of Eligibility Criteria to Allow Flats and Maisonettes with Shared Entrances to Families with Older Children

- The Group were supportive of allowing families, particularly with older children to reside in maisonettes.
- The Group recognised that the sustainability of flats would need to be taken into account and that consultation would need to be undertaken with existing residents and ward councillors.

Lower the Eligible Age Limit for One Bed Bungalows Flats

- The Group agreed that there would be a need to balance the needs of those people over the age of 60/65 years and those who would be newly eligible.
- There is also the need to be mindful of potential right to buy options that could impact on bungalows/flats

Redesignate Stock

- The Group recommended that this is an area that should be explored to the maximum and should be done in the context of meeting the needs of people within Gateshead and through a business planning process

Use HRA Funded Discretionary Housing Payments

- There was support from the group to further explore this option

General Comments

- The Group recommended that a further Advisory Group meeting be held to look further at the impact of Welfare Reform through case studies, the impact of Direct Payments and how Discretionary Housing Payments are allocated.
- A longer term view of the impact, increased costs to the Council and multi-agency work is need
- Can national statistics be provided on how much housing benefit is paid to private sector landlords and it was queried if there would be a positive impact if there was a national fair rent policy
- It was suggested that the impact on health, particularly mental health be considered when looking at Welfare Reform

Chair: Councillor B Goldsworthy

Members present: Councillors C Bradley, J Lee, P Ronan and S Ronchetti

Also Present: Councillors J Wallace, P Foy, L Caffrey, D Davidson, T Graham, L Twist and M Foy

Officer Attendance Michael Laing, Jackie Park, Neil Bouch, Kevin Johnson, Pam Richardson and Clare Morton

Notes of Place Advisory Group 18 November 2013

Sustainable Communities Place Advisory Group

18 November 2013

Report to Cabinet

Purpose of the Meeting

On 3 July 2013 the group considered the implications for Council tenants of restricting Housing Benefit where under-occupation occurs and provided views on the ways the impact could be mitigated.

The purpose of this meeting was to provide an update on impact, progress with mitigations and case studies of households in Gateshead.

The views of the group were sought in order to inform a report to Cabinet on 17 December 2013.

Advice provided:

The Advisory Group made the following comments:

- With regard to the impact on the Housing Revenue Account (HRA), the group noted the projection of over £1m in additional relet expenditure. It was recognised that some funds have been identified to mitigate the impact on the HRA.
- There were queries in relation to entitlement for Discretionary Housing Payments (DHP). The group noted that whilst there is a DHP policy, officers assess each application individually.
- The group was keen that opportunities to bid for more resources are taken.
- It was commented that many young tenants (under 25s) will be unaware of DHPs. The group welcomed the suggestion that all who would benefit from DHPs be proactively targeted.
- It was queried whether the resources allocated for DHPs is sufficient.
- As the resources allocated for DHPs are limited, it is essential that those who are most in need receive the payments. It was noted that tenants are assessed on their ability to pay rent and as part of this assessment their spending on non-essentials is taken into account.
- The group welcomed the case studies as a means of understanding the issues being faced by tenants.
- It was noted that the reduction in rents by Housing Associations is reducing their ability to build.

- The priority lettings to those affected by the under occupancy rules was praised, however, it was queried whether the properties they have vacated have since become hard to let. In which case it was said that it may be more viable to encourage tenants to remain in their properties but support them using DHPs. It was suggested that this be an area for further monitoring.
- The group agreed that redesignation be incorporated into the HRA Business Plan.
- The group agreed that a report be submitted to Cabinet at its meeting on 17 December 2013.

Chair: Councillor J Eagle

Members Present: Councillors C Bradley, J Lee and P Ronan.

Also Present: Councillors M Brain, L Caffrey, D Davidson, P Dillon H Hughes, K McCartney and J Turnbull.

Officer Attendance: Jackie Park (Community Based Services)
 Michael Laing (Community Based Services)
 Lisa Philliskirk (Community Based Services)
 Neil Bouch (The Gateshead Housing Company)
 Kevin Johnson (The Gateshead Housing Company)
 Jonathan Graham (The Gateshead Housing Company)
 Pam Richardson (Finance and ICT)
 Neil Porteous (Legal and Corporate Services)