



Haringey Council

Agenda item:

[No.]

Cabinet

On 12 October 2010

Report Title: **Withdrawal of Temporary Accommodation Workers Rebate Scheme**

Report of: **Niall Bolger, Director of Urban Environment**

Signed:

Date: 5 October 2010

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Wards(s) affected: **ALL**

Report for: **Key Decision**

1. Purpose of the report

- 1.1 Haringey's Workers Rebate Scheme was introduced in 1989 to limit the amount of rent that working households were required to pay for the temporary accommodation provided for them under the homelessness legislation.
- 1.2 This report describes the purpose of the scheme, how it operates, who benefits from the 'capping' of rents and the unintended consequences (for the Council and local residents) of operating such a scheme. It asks Cabinet to approve the withdrawal of the Workers Rebate Scheme.

2. Introduction by Cabinet Member

- 2.1 We are facing unprecedented times in the public sector with budget cuts of between 25% and 40% expected across all services over the next three or four years. Accordingly, Haringey, like other local authorities, needs to look at new ways of targeting scarce resources to meet individual needs.

- 2.2 Since the introduction of the Workers Rebate Scheme, there have been numerous changes to the welfare benefits system that have helped increase working households' disposable income. As a result of these changes and the combination of the Workers Rebate Scheme, working households in temporary accommodation now have a higher disposable income than those working households that have similar earnings, household composition and rent charges but are living in social rented housing or private rented accommodation.
- 2.3 I believe that the proposed withdrawal of the Workers Rebate Scheme affords the opportunity to increase temporary accommodation rent revenue and remove the unintended consequences that have developed since the introduction of the rebate.

3. Recommendations

- 3.1 It is **recommended** that Cabinet:
- (a) Approves the withdrawal of the Workers Rebate Scheme, for new applicants, with immediate effect;
 - (b) Approves a £50 reduction in the weekly Workers Rebate awarded to all existing recipients, with effect from 1 January 2011; and
 - (c) Approves the withdrawal of the weekly Workers Rebate for all existing recipients, with effect from 31 March 2011.

4. Background

- 4.1 The Workers Rebate Scheme was introduced in 1989, to ensure that the rent that the Council charged homeless households for its temporary accommodation was affordable for those who were in employment.
- 4.2 Under the scheme, the maximum rent that working households are charged (excluding service or other charges) is £85 per week. In order to qualify for the Workers Rebate, households must first apply for Housing Benefit and, where they are assessed as needing to contribute more than £85 towards the weekly rent, they will receive a rebate equivalent to the difference between that figure and the maximum rent charge of £85.
- 4.3 The original purpose of the Workers Rebate Scheme was to mitigate the impact of changes in benefit regulations that came into effect in April 1989 and resulted in housing benefit no longer covering charges for breakfast, fuel and water, etc.
- 4.4 Other objectives of the Workers Rebate Scheme were to:
- Make temporary accommodation rents comparable to council rents
 - Help working households placed in high cost temporary accommodation to seek and/or maintain employment
 - Address the financial and equality implications (for households who are predominantly from disadvantaged/vulnerable backgrounds) of living in high cost temporary accommodation.

4.5 Since the introduction of the Workers Rebate Scheme 21 years ago, there have been numerous changes that have helped to increase the disposable income of homeless households living in temporary accommodation and in employment. These include:

- **Working Tax Credit** - A working household can receive between £1,920 and £6,420, depending on their circumstance (see Appendix 3).
- **Childcare costs** – From April 1996, monies paid in respect of childcare costs were disregarded up to £175 per week for one child (£300 per week for two or more children), subject to certain criteria.
- **Return to Work Credit** was introduced in 2003 and is a non taxable weekly payment of £60 for a maximum of 52 weeks. It is disregarded as income in the calculation of Housing Benefit and Council Tax Benefit entitlement.
- **Child maintenance** – From October 2008, any payment towards the maintenance of a child or young person (whether paid voluntarily or because of a legal requirement) by the parent of the child or young person was disregarded as income in the calculation of Housing Benefit and Council Tax Benefit entitlement.
- **Child Benefit** - From November 2009, Child Benefit payments was disregarded as income in the calculation of Housing Benefit and Council Tax Benefit entitlement, thereby increasing the disposable income of families.
- **Breakfast charges** – Following consultation with the residents of temporary accommodation, the Council stopped providing (and charging for) for breakfast from April 2008 onwards. This removed residents' obligation to pay for a service that many residents of temporary accommodation did not want.
- **Utility charges** – From April 2010, most residents of temporary accommodation became responsible for paying their own fuel and water charges. This means that households only pay for the services they receive, rather than a compulsory standard weekly charge of £9.25 for shared accommodation or £17.95 for family accommodation.
- **Local Housing Allowance** – From April 2010, the rents charged for temporary accommodation were based on the Local Housing Allowance (LHA) rates, resulting in a range of weekly rents (based on the size of property) from £121 to £400. Previously, the standard rent as £303.80, irrespective of the location or size. LHA rates are comparable to the private rented sector.

5. Reasons for recommendations

5.1 Only two London authorities are known to operate a scheme of this type, and one of these is in the process of withdrawing it.

- 5.2 The Workers Rebate Scheme is at odds with the Council's objective of reducing the number of homeless households living in temporary accommodation. As working households living in the private rented sector are not entitled to this rebate, the scheme's continued operation discourages households from accepting the offer of private rented accommodation, even when this would meet their needs.
- 5.3 The scheme is expensive and may actually contribute to higher levels of homelessness in Haringey, since it may encourage homeless households in neighbouring boroughs to pursue homelessness applications with Haringey.
- 5.4 By reducing households' Workers Rebate by £50 per week from 1 January 2011, the Council will be allowing those households that are currently receiving a lot more than £50 per week to continue receiving part of their rebate, for another three months, until the end of March 2011.

6. Other options for consideration

- 6.1 Although the Council is under no obligation to withdraw the Workers Rebate Scheme, to continue awarding the rebate to households who have already been assessed under the Housing Benefit regulations as having sufficient income to some or all of the rent charged does not represent value for money.
- 6.2 Whilst it is proposed that the Workers Rebate Scheme is withdrawn with immediate effect for all new applicants, existing recipients will receive 2 months' written notice of the change to their accommodation charges. They will continue to receive a rebate until 31 December 2010 or, if they are currently receiving a rebate of more than £50 per week, they will continue to receive the Workers Rebate (but at a reduced amount) until 31 March 2011

7 Advising and supporting tenants

- 7.1 If the proposal is agreed, all homeless households living in temporary accommodation (including tenants nominated to housing associations) will be informed, in writing, of the decision. A translation panel will accompany the letter.
- 7.2 The letter will:
- stress the importance of claiming housing benefit
 - give advice about claiming other welfare benefits
 - include information about Discretionary Housing Payment (Housing Benefit)
 - encourage affected tenants to contact their Income Recovery Officer
- 7.3 At the same time, a second letter will be sent to everyone in receipt of Workers Rebate, inviting them to make an appointment to see their Income Recovery Officer. Those tenants who are receiving the largest rebate will be offered the earliest appointments, since they will have the biggest drop in disposable income.

- 7.4 Those attending appointments will be offered a welfare benefits check and encouraged to undertake an assessment of their income and expenditure. If their financial situation is especially complex, arrangements will be made for them to see a Housing Benefit Liaison Officer, the Citizens Advice Bureau or other agency.
- 7.5 In exceptional cases – where, for example, a household is receiving a substantial weekly Workers Rebate and the Council is satisfied that they will suffer considerable hardship when the Workers Rebate is withdrawn – consideration will be given to moving them into Homes for Haringey accommodation on a non-secure tenancy. This will reduce their rent to an amount they can afford.
- 7.6 The accounts of affected tenants will be closely monitored to ensure that help and advice is provided at the earliest opportunity.
- 7.7 Since the beginning of September 2010, a weekly training and employment surgery (delivered by Haringey Guarantee and its partners) has operated in Apex House. The surgery provides one-to-one advice and support, job interview and placement opportunities, and advice on in-work benefits, etc.

8 Transitional arrangements

- 8.1 It is proposed that all tenants are given notice that, for new applicants, the Scheme is being withdrawn with immediate effect and that, for existing recipients, the rebate will be reduced by £50 per week from 1 January 2011.
- 8.2 Existing recipients will be encouraged to apply for Discretionary Housing Payments under the housing benefit regulations.
- 8.3 Existing recipients demonstrating financial hardship will be helped and encouraged to secure a move to alternative, more affordable accommodation.

9 Service Financial Implications

- 9.1 The Workers Rebate Scheme was introduced to address the affordability issues for tenants placed in temporary accommodation who were working households.
- 9.2 In April 2010, the Department for Work and Pensions introduced a new subsidy regime based on Local Housing Allowances, making rents more affordable.
- 9.3 The Workers Rebate Scheme reduces the amount that the Council is entitled to collect in rent by reducing the tenant's rent liability. In 2009/10, for example, the total rent charged by the Council for its General Fund temporary accommodation was £54.97 million, but this was reduced by Workers Rebate of £1.33 million.
- 9.4 Based on the current number of households and rent levels, the operation of the Workers Rebate Scheme costs the General Fund £700,000 per annum. The removal of the scheme from 1 January 2011 should deliver savings to the homelessness budget in the sum of £175,000 in 2010/11. However, if transitional arrangements are applied – to ensure that, until 31 March 2011, no household is more than £50 per week worse off – the extra rental income that could be achieved in 2010/11 would be to £95,000.

- 9.5 It is projected that, by removing the Workers Rebate Scheme with immediate effect for new applicants and applying a £50 reduction to all existing recipients with effect from 1 January 2011, the Council's rental income from temporary accommodation will be increased by approximately £95,000 for 2010/11 and, if it was withdrawn in full for all existing recipients from 1 January 2011 instead, the increase would amount to £175,000.
- 9.6 Although full year savings will be approximately £700,000 in 2011/12, future year savings will be determined by the prevailing Housing Benefit Subsidy regime that has been subject to a lot of change in recent months.
- 9.7 As the operation of the Workers Rebate Scheme is an administrative burden, the withdrawal of the scheme will support the continued delivery of efficiency savings.

10 Chief Financial Officer Comments

- 11.1 Following changes in the Housing Benefit Subsidy regime that were implemented in April 2010, the Council is showing a substantial overspend of around £2.5m within its Temporary Accommodation budgets, as the amount of Housing Benefit received no longer covers the rent paid to landlords in many circumstances. Payment of the Workers' Rebate exacerbates this situation as it reduces the amount of rent that can be reclaimed.
- 11.2 It is estimated that the existing overspend can be reduced by around £95,000 in 2010-11, if the scheme is removed in stages as outlined in this report. The full year saving is expected to be around £700,000, although the exact amount will be affected both by the number of families remaining in TA and by any further changes in the subsidy regime.
- 11.3 The in year saving would be greater if the scheme was removed in its entirety from 1st January. The Council is still projecting a significant overspend on Temporary Accommodation in 2011-12 and policy will need to be further reviewed to provide options for addressing this.
- 11.4 Significant savings are also proposed for 2011-12 via a restructure of the Housing service, and removal of the administration burden associated with this scheme will help to enable these savings to be achieved.

11 Head of Legal Services Comments

- 11.1 The Head of Legal Services has been consulted in the preparation of this report.
- 11.2 The Workers Rebate Scheme is a discretionary scheme that has been operated by the Council for a considerable time. No assurances have been given to recipients about the continued operation of the Scheme and there are no legal barriers to its withdrawal. The Council does however have to act fairly in withdrawing the Scheme and this requires that a reasonable period of notice is given to provide a cushion against the change.

- 11.3 The Head of Legal Services considers that a minimum notice period of 2 months, combined with the advice, assistance and transitional arrangements set out in paragraphs 6, 7 and 8 of the report should be sufficient.
- 11.4 There is a statutory duty to ensure that temporary accommodation is affordable and any challenges to the affordability of the accommodation will have to be dealt with on a case by case basis.
- 11.5 An Equality Impact Assessment is required to assess the impact of the withdrawal of the Scheme and this has been conducted.

12 Consultation

- 12.1 Externally, the Council's housing association partners, the Citizens Advice Bureau and Homes for Haringey were consulted. Other internal stakeholders (including Benefits & Local Taxation and the Procurement & Compliance Team) were also consulted. Those consulted were asked for their comments or concerns regarding the impact on existing and potential recipients if the scheme is withdrawn
- 12.2 Concerns were raised only by some housing associations partners:
- **Newlon Housing Trust** has no objection to the withdrawal of the scheme.
 - **Pathmeads** has no objection to the withdrawal of the scheme. However, it seeks an undertaking that the future housing needs of existing temporary accommodation recipients are prioritised and that tenants are given adequate notice of the withdrawal of the scheme.
 - **Stadium Housing** is concerned that, if the scheme is withdrawn and existing recipients accrue arrears and are evicted, Stadium could face complex legal challenges around *affordability* and the Council may find it difficult to prove that the tenant had made him/herself intentionally homeless, so may still have to re-house the household after they have been evicted.
 - **Circle Anglia** is concerned that, if the scheme is withdrawn, rent arrears will increase (resulting in a reduction in Circle Anglia's revenue) and tenants will be taking paid employment

13 Policy considerations

- 13.1 The proposed withdrawal of the Workers Rebate Scheme will play a key role in achieving efficiency savings and better value for money by:
- Removing universal financial support for working households residing in temporary accommodation

- Delivering a customer focused service that provides residents with the financial support they require, based on their financial situation rather than on whether or not they are in employment and living in temporary accommodation.
- Promoting independent living by targeting financial support to those households that are in the greatest need.

13.2 The proposal has a key role to play, also, in aiding the Homelessness Strategy by:

- Removing any financial incentive for households to remain in temporary accommodation
- Encouraging households to accept an offer of private rented accommodation as a means of preventing homelessness or as a viable alternative to a lengthy stay in temporary accommodation pending the offer of a council or housing association home.
- Reducing the number of households in temporary accommodation

14 Use of Appendices

Appendix 1 – Number of households affected by the proposed change.

APPENDIX 1

Number of Households Affected by the Proposed Withdrawal of the Workers Rebate Scheme (as at 11/06/10)

| Number of tenants in Council TA | Weekly amount credited to tenant's rent account | Housing Associations |
|---------------------------------|---|---|
| 1 household | More than £200 | 8 housing association tenants were paid a total of £55,564 in 2009/10 |
| 8 households | Between £150 and £200 | |
| 21 households | Between £100 and £150 | |
| 9 households | Between £90 and £100 | |
| 2 households | Between £80 and £90 | |
| 12 households | Between £70 and £80 | |
| 8 households | Between £60 and £70 | |
| 9 households | Between £50 and £60 | |
| 15 households | Between £40 and £50 | |
| 33 households | Between £30 and £40 | |
| 56 households | Between £20 and £30 | |
| 99 households | Between 11p and £20 | |
| Total 273 | | |

On 11 June 2010, a total of 273 households in the Council's own temporary accommodation were receiving Workers Rebate. Another 392 working households (excluding housing association tenants) were either receiving full Housing Benefit (to cover all of the rent) or were only required to pay a rent of not more than £85 per week.

Based on the above figures and the proposals set out in the attached report, 203 (three quarters of the 273 recipients of the Workers Rebate living in the Council's temporary accommodation would **cease** to receive a rebate on 1 January 2011.

The remaining 70 households would receive a reduced rebate (£50 per week less than they had been getting) until they **cease** to receive a rebate on 1 April 2011. During this 3 months period, 61 households will receive a weekly rebate of between £1 and £100, 8 households will receive a weekly rebate of between £100 and £150. and 1 household will receive a weekly rebate of more than £150.

Where a tenant is experiencing financial hardship, they will be helped to apply for a Discretionary Housing Payment (under the housing benefit regulations) and, in very exceptional circumstances, consideration may be given to writing off some or all of the rent arrears that accrue between 1 January 2011 – 31 March 2011.