



**Haringey Council**

<b>Report for:</b>	Overview & Scrutiny Committee 10 <sup>th</sup> April 2014	<b>Item Number:</b>	
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<b>Title:</b>	Under Occupation of Social Housing and Housing Benefit Entitlement ('Bedroom Tax') – Final Report
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<b>Report Authorised by:</b>	Cllr Gideon Bull, Chair of Overview & Scrutiny Committee
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<b>Ward(s) affected:</b> All	<b>Report for Key/Non Key Decisions:</b>
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**1. Describe the issue under consideration**

- 1.1 As part of its work programme for 2013/14, the Overview & Scrutiny Committee agreed to assess the implications of changes to Housing Benefit rules that introduced benefit reduction for tenants deemed to be in under occupation in social housing (otherwise known as the 'bedroom tax'). The attached report details the conclusions and recommendations developed within this work, for which approval of the Committee is sought.

**2. Cabinet Member Introduction**

- 2.1 This is not applicable at this stage. The relevant Cabinet Member will introduce a response to the recommendations of this report when presented at Cabinet.

**3. Recommendations**

- 3.1 That the Overview & Scrutiny Committee a) note contents of the attached final report and b) agree the recommendations contained in the final report.

**4. Other options considered**

- 4.1 The final recommendations detailed within this report were developed in consideration of a wide range of evidence presented to the Overview & Scrutiny Committee. Other possible recommendations are detailed within the narrative of the attached report.

**5. Background information**

- 5.1 Under the agreed terms of reference, Overview & Scrutiny Committee can assist the Council and the Cabinet in its budgetary and policy framework through conducting in depth analysis of local policy issues.
- 5.2 In this context, the Overview & Scrutiny Committee may:
- Review the performance of the Council in relation to its policy objectives, performance targets and/or particular service areas;
  - Conduct research, community and other consultation in the analysis of policy issues and possible options;
  - Make recommendations to the Cabinet or relevant nonexecutive Committee arising from the outcome of the scrutiny process.
- 5.3 Cabinet Members, senior officers and other stakeholders were consulted in the development of an outline work programme for Overview & Scrutiny Committee and Scrutiny Panels. An assessment of the impact of the Welfare Reforms was agreed to be included within this work programme by the Committee at its meeting on 17<sup>th</sup> June 2013 and the scope of this work was agreed on 7th October 2013

## **6. Under Occupation of Social Housing – Housing Benefit entitlement**

### National Context

- 6.1 As part of the Government's Welfare Reform Agenda, a number of changes have been introduced to control Housing Benefit expenditure. These have included:
- Recalculation of Local Housing Allowance (LHA);
  - Extending the Shared Accommodation Rate to include single people under 35;
  - Introducing a weekly Benefit Cap of £500 (£350 for single people without children);
  - Increasing non-dependent charges for other adults in the household each year;
  - Restricting the amount of Housing Benefit paid to social housing tenants who are under retirement age and deemed to be under occupying their homes (also known as the 'bedroom tax' or 'spare room subsidy').
- 6.2 Nationally, the changes to Housing Benefit rules and entitlements outlined above were expected to reduce the total spend on this aspect of welfare provision by approximately £7 billion over the period 2011/12 to 2017/18.<sup>1</sup>

### Under Occupation of Social Housing – Housing Benefit entitlement

- 6.3 In April 2013, new size criteria were introduced to determine the amount of Housing Benefit that can be awarded to social housing tenants below the age of retirement. Under the size criteria, one bedroom is allowed for each person or couple living as part of the household. Children aged 16 or over are allowed their own bedroom, but children under the age of 16 will normally only be allowed their own bedroom if they are aged 10 or over and their sibling is of a different gender.
- 6.4 The rate of Housing Benefit reduction for under occupancy is set at a percentage of the rent, to reflect national variations in rent levels. Thus Housing Benefit reductions would be applied on the following basis:
- 14% where under occupying by 1 bedroom;
  - 25% where under occupying by 2 or more bedrooms.

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<sup>1</sup> Measure to Reduce Housing Benefit Expenditure , Standard Note (SN/SP/5638) House of Commons Library

- 6.5 It is expected that the above changes to Housing Benefit entitlement in the social rented sector will contribute to the following national policy objectives:
- Reduce Housing Benefit expenditure by approximately £460m;
  - Encourage greater mobility in the social rented sector (as tenants move to properties more suited to their needs);
  - Make better use of existing housing stock (ease overcrowding as larger properties become available);
  - Improve work incentives for working age claimants;
  - Establish parity in Housing Benefit rules with the private rented sector (where under occupancy rules already exist).

## 7. Aims, objectives and work-plan scrutiny involvement

### Overarching aim

- 7.1 To assess how changes to Housing Benefit rules for under occupation in the social rented sector have impacted on tenants and landlords, identify local priorities for the Council, and evaluate the effectiveness of the action that landlords and the Council have taken to mitigate the effect of the under occupancy penalty.

### Component objectives

- 7.2 Within the above overarching aim the Committee sought to address the following questions in relation to the 'bedroom tax':
- What has been the impact of this reform on local tenants, in particular, vulnerable tenants?
  - What support has been provided to affected tenants, what interventions have been most effective and are there any gaps in current provision?
  - What approaches have social landlords taken to rent arrears and how are tenants with arrears being supported?
  - How effective have Discretionary Housing Payments (DHPs) been in supporting local tenants and how sustainable is this in the long term?
  - What opportunities are there for improved partnership working among social landlords in supporting tenants affected in Haringey (e.g. provision of advice or support or cooperation in housing transfers)?
  - Can support services be provided in a more coordinated way or effective way (e.g. debt advice, income maximisation, access to employment and training schemes)?
  - What impact has this development had upon wider housing issues such as homelessness, the need for temporary accommodation, the housing register or demand for smaller housing units?
- 7.3 In fulfilling these objectives, the Committee consulted the following stakeholders within the themed work programme:

### **Bedroom Tax Project: Aims, stakeholders and timeline**

<b>Local Policy &amp; Practice (December 2013)</b>	<ul style="list-style-type: none"> <li>▪ Community Housing Service (Haringey Council)</li> <li>▪ Homes for Haringey (HfH)</li> <li>▪ Registered Providers (L&amp;Q, Metropolitan, Sanctuary, Family Mosaic &amp; Newlon)</li> </ul>
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	<ul style="list-style-type: none"> <li>▪ Revenues, Benefits &amp; Customer Services</li> <li>▪ Haringey Citizens Advice Bureau</li> </ul>
<b>Comparative Policy &amp; Practice (January 2014)</b>	<ul style="list-style-type: none"> <li>▪ National Housing Federation (NHF)</li> <li>▪ Chartered Institute of Housing (CIH)</li> <li>▪ London Borough of Islington</li> <li>▪ London Borough of Hackney</li> </ul>
<b>Tenant consultation (February 2014)</b>	<ul style="list-style-type: none"> <li>▪ Focus groups with tenants of both Homes for Haringey and other social landlords affected by the 'bedroom tax'</li> </ul>

## 8. Main conclusions and recommendations of the Committee

8.1 In undertaking this work the Committee have drawn the following conclusions in relation to the impact of the 'bedroom tax':

- The 'bedroom tax' has been applied to approximately 2,000 local households across the social rented sector;
- Cumulatively, the application of the 'bedroom tax' is likely to reduce the amount Housing Benefit paid to local tenants by approximately £2.25m;
- If all those tenants affected by the bedroom tax sought to downsize, this would create additional demand for 1,000 one and two bedroom units, whilst freeing up an equal amount of three and four bedroom properties;
- Housing Benefit reductions had contributed to a significant increase in rent arrears among those tenants affected;
- Anxiety and stress related to a reduction in household incomes and accruing rent arrears was adversely affecting the health of tenants affected by the bedroom tax.

8.2 The Committee have drawn the following conclusions in respect of the support provide to tenants:

- Social landlords began notifying tenants likely to be affected by the bedroom tax from September 2012 onwards and many took on staff to deal with tenants enquiries, however some tenants fell through the net and were unprepared when Housing Benefit deductions started in April 2013;
- Downsizing remains the most effective and, in the long term, most sustainable approach to supporting tenants affected by the bedroom tax, yet underlying structural issues in housing supply as well as poor tenant mobility limits its application;
- The award of DHP to tenants affected by the bedroom tax, whilst helpful, is only able to assist a small fraction of those affected;
- There is significant potential for improved partnerships among social landlords in the commissioning of services to support tenants affected by the 'bedroom tax' (e.g. financial advice and support, work and training opportunities).

8.3 The Committee have made 16 recommendations in the following areas:

- Supporting tenants to swap and mutual exchange;
- Discretionary Housing Policy payments;
- Rent arrears policy;
- Financial advice and support provided to tenants;
- Vulnerable adults;

- Referring tenants to related support programmes;
- Partnerships;
- 'Bedroom tax' loophole;
- Core strategy; and
- Customer Service Transformation Project.

## **9. Comments of the Chief Financial Officer and Financial Implications**

- 9.1 The introduction of HB size criteria for the Social Housing sector is a significant financial issue both for individual residents and for the Council as a whole. Additional provision for bad debt (£735k in total to take account of a range of benefit changes and other factors) has been made within the HRA budget and the position is being closely monitored by Homes for Haringey and the Council.
- 9.2 This is a wide ranging report that makes a number of recommendations. Recommendations 1, 8, 9, 10, 13 and 16 could all involve significant staffing resources and other costs and the costs and benefits of these proposals would need to be fully assessed before they can be adopted and implemented and the required resources identified.
- 9.3 Recommendations 2 to 6 all concern Discretionary Housing Payments. It should be noted that this is funded by a cash limited grant and so an increase in applications may require a tightening of award criteria and other controls in order to remain within budget. The Council has the legal ability to add its own resources but this is capped at 2.5 times the grant and moreover is constrained by the need to identify the source of this extra funding within its revenue budget.
- 9.4 At this stage, the proposals are high level recommendations. If adopted further work will need to be undertaken to identify resources and put in place appropriate control arrangements. It will be important that any proposals that are put before Cabinet for formal adoption are fully costed and the risks properly assessed before Cabinet are asked to agree to them.

## **10. Comments of the Assistant Director of Corporate Governance and legal implications**

- 10.1 The Assistant Director Corporate Governance has been consulted on the contents of this report.
- 10.2 The terms of reference of the Overview and Scrutiny Committee are as set out in paragraphs 5.1 and 5.2. and there are no specific legal implications arising from this report.

## **11. Equalities and Community Cohesion Comments**

- 11.1 Overview and scrutiny has a strong community engagement role and aims to regularly involve local stakeholders, including residents, in its work. It seeks to do this through:
- Helping to articulate the views of members of the local community and their representatives on issues of local concern

- As a means of bringing local concerns to the attention of decision makers and incorporate them into policies and strategies
- Identified and engages with hard to reach groups
- Helping to develop consensus by seeking to reconcile differing views and developing a shared view of the way forward
- The evidence generated by scrutiny involvement helps to identify the kind of services wanted by local people
- It promotes openness and transparency; all meetings are held in public and documents are available to local people.

11.2 A number of engagement processes have been used to support the work of the Overview & Scrutiny Committee (dedicated event) which has sought to include a broad representation from local stakeholders. A number of equalities issues have been identified in this report including:

- Health impact of welfare reform
- Financial exclusion of welfare reform

11.3 The Committee have made a number of recommendations to mitigate the impact of the 'bedroom tax';

- Improved access to financial advice and support provided to tenants affected;
- The identification and provision of ongoing support to those vulnerable adults affected by the 'bedroom tax'.

## **12. Head of Procurement Comments**

12.1 Not applicable.

## **13. Policy Implications**

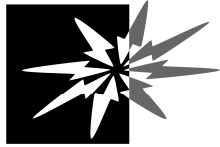
13.1 It is intended that the work of the Overview & Scrutiny Committee will contribute and add value to the work of the Council and its partners in meeting locally agreed priorities. In this context, it is expected that the work of the Committee will contribute to improved policy and practice for the following corporate priorities:

**Opportunities for all:** A successful place for everyone - Ensure that everyone has a decent place to live.

## **14. Use of Appendices**

14.1 All appendices and references are listed in the main body of the report.

## **15. Local Government (Access to Information) Act 1985**



**Haringey** Council

# **Under Occupation in Social Housing (‘Bedroom Tax’)**

**April 2014**

A PROJECT BY THE OVERVIEW & SCRUTINY COMMITTEE

[www.haringey.gov.uk](http://www.haringey.gov.uk)

## **Foreword**

This project has demonstrated that the new size criteria for social housing has had a considerable impact on social landlords and their tenants in Haringey. Evidence to the Committee has demonstrated that the provision of appropriate advice, support and signposting is key to helping those tenants mitigate any adverse affects.

The project has revealed good examples of how housing providers work together to help improve the range of support services available for local tenants and has also highlighted that there may be other partnership opportunities to extend the help and support currently provided to tenants, for example in local housing allocations, the provision of financial advice and employment support.

It is hoped that this report and the recommendations contained within it will help build on the advice, support and services already provided to tenants affected by the size criteria.

I would like to thank local tenants, housing officers as well as representatives from national agencies and neighbouring local authorities who attended consultation events and provided invaluable evidence to assist the Committee with this project.



**Councillor Gideon Bull (Chair Overview & Scrutiny Committee)**



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## Recommendations

### Transfers and mutual exchanges

1. In order to successfully tackle under occupation and overcrowding, the Council should work with Homes for Haringey and Registered Providers to develop, publish and promote a comprehensive programme of support that makes it as easy as possible for tenants affected by the 'bedroom tax' to move to accommodation that has fewer rooms.

The programme, underpinned by a review of social landlords housing allocations arrangements and supported by written advice on the full range of options available to tenants, should include the following:

- Borough wide and localised events that bring together under occupiers and over-crowded tenants across Haringey (to include a programme of published events held by Council, Homes for Haringey and other Registered Providers)
- Collect, review and publish details of financial incentives (to downsize), allowances (e.g. removals) that support housing transfers and exchanges (across Homes for Haringey and other Registered Providers);
- Explore the possibility of developing a rent guarantee for downsizers (which ensure that the rent that tenants are charged for their new home does not exceed the rent that they have been charged for the home they are leaving)
- That Registered Providers support mutual exchanges by offering small scale repairs and provide decorating materials for tenants where this will encourage mutual exchange between downsizers and tenants who are living in overcrowded housing;
- Actively market 1 bedroom properties to under-occupying tenants and ask all Registered Providers to make available all of their 1 bedroom properties (including those that are not subject to the Council's nomination rights) for a specific period of time in order to assist Haringey's efforts to tackle under occupancy and overcrowding;
- Develop mutual arrangements across the sector through which tenants of all local social landlords (Homes for Haringey and other Registered Providers) are supported in mutual exchange processes, including three and four way swaps;
- The provision of dedicated support to guide tenants through the process of mutual exchange or home swap (hand-holding) e.g. to help tenants to register on Homeswapper, upload photos and support active engagement.
- Training and updates provided to other relevant staff groups (social workers etc)

### Discretionary Housing Payment (DHP)

2. The Committee recommended that a summary DHP guide is developed for social housing tenants which:
  - Clearly sets out the eligibility criteria, application process and timeframe for processing and assessment
  - Ensures that the commitment to change (e.g. job search, training) is made explicitly clear in the applications criteria and assessment process;
  - Makes tenants aware that reapplications are possible;
  - Is systematically distributed to those affected by welfare reforms.

3. In order to increase awareness and uptake of DHP among Registered Providers (RHPs) and Council tenants:
  - The DHP policy should be re-circulated to all RHPs (including Homes for Haringey) to help improve awareness of these payments, particularly in relation to the eligibility criteria and the application process;
  - Further guidance should be provided to RHPs and Homes for Haringey, making use of case study examples of successful and unsuccessful DHP claims;
  - The above information should be cascaded to front line RHP and Homes for Haringey staff to better advise potential applicants.
4. It is recommended that, when considering DHP applications, the Council give greater priority to tenants who are facing legal action or eviction.
5. Improvements are made to the DHP assessment and notification process, including;
  - Faster processing of applications (it is suggested that this is 18 working days to conform with the targets for the processing of new Housing Benefit applications)
  - Improved communication between Revenues Benefits & Customer Services (as processor of claims), housing providers and tenants.
6. As shortfall between the Housing Benefit lost and the availability of DHP may grow the Council should explore the merits and feasibility of using other budgets – such as the HRA (as other LAs have done so) and the homelessness budget – to supplement, even on a temporary basis, the financial support that is provided to tenants through the DHP.

#### Rent Arrears Policy

7. Given the growing level of rent arrears among tenants affected by the 'bedroom tax' across the sector, it is recommended that
  - Homes for Haringey and other Registered Providers make a realistic projection of rent arrears for 13/14 and for 14/15 (financing, impact).
  - Rent arrears policies are reviewed to ensure:
    - Implications for court order and evictions are full assessed;
    - That policies and practices are not a barrier to further action by the tenant (e.g. swaps, exchange and transfer).

#### Partnerships

8. That Revenues Benefits and Customer Services develop a more systematic and coordinated process through which data on those tenants affected by the 'bedroom tax' is communicated with local housing providers (particularly as tenants move in and out of 'bedroom tax' deductions).
9. The Council should work with Homes for Haringey and other Registered Providers to identify partnership opportunities in the provision of information, advice, support or services to those tenants affected by the 'bedroom tax' and other welfare reforms (e.g. budgeting skills, welfare rights advice, employment & training). This will ensure a more consistent, efficient and coordinated approach to the housing and welfare needs of residents across the borough.

#### Financial Advice and Support

10. To improve the level of budgeting information, advice and support available to tenants affected by the 'bedroom tax' and other welfare reforms that the Council with Homes for Haringey and other Registered Providers:
- Promote further awareness of the role of local (e.g. Moneywise at Haringey CAB) and national (e.g. Shelter, Crisis) advice services;
  - Work with the Haringey & Islington Credit Union to develop awareness of this service and where possible, extend the accessibility and range of budgeting services available to local tenants (e.g. jam jar accounts).
  - Explore the possibility of joint training to help improve budgeting and money management skills;
  - Promote further awareness of other financial assistance schemes (energy/utility e.g. British Gas Energy Trust, EDF Energy Trust and Thames Water Trust Fund);
  - Consider jointly producing a short guide/ booklet/ webpage detailing the above for Haringey residents.

#### 'Bedroom Tax' Loophole

11. It is recommended Revenues Benefits & Customer Services assess and notify tenants affected by the 'bedroom tax' loophole as soon as practicable, ensuring that the implications of any Housing Benefit adjustments together with any reclaim of any DHP awards, is clearly communicated to tenants to allow them to plan and manage their finances.

#### Front line services (Housing Benefit and Housing Officers)

12. It is recommended that front line staff in both housing services (Homes for Haringey) and Revenues (Housing Benefit & DHP) receive a refresher on the welfare reform issues and the impact that this may be having upon local residents, particularly in respect of:
- Improve knowledge and understanding of welfare reform issues and how this may affect residents;
  - Awareness of other support services and agencies with appropriate signposting;
  - Sensitivity of client issues;
  - Accessibility of services (telephone access).

#### Referral to related support programmes (employment & training)

13. That there is a more coordinated process through which employment training, advice and support is provided to those tenants affected by the 'bedroom tax' and other welfare reform. In particular:
- Best practice across housing providers should inform service development opportunities (e.g. Family Mosaic back to work schemes)
  - The possibility of sector-wide joint commissioning of employment and training schemes explored.

#### Customer Services Transformation Project

14. Given the problems that tenants have experienced in accessing information and advice about the 'bedroom tax', DHP and other welfare reforms, the Committee would like further clarity from the Council as to the level of advice and support available to vulnerable adults or those less IT literate in the move towards greater digital service provision (channel shift).

#### Future unit size – Core Strategy

15. In recognition of the impact of the 'bedroom tax' on local housing needs (e.g. increase demand for smaller properties and increased availability of larger properties) it is recommended that the Council undertake further modelling to fully assess the impact of this and other welfare reforms, and ensure that this is reflected in plans for future housing and development.

#### Vulnerable Adults

16. A significant number of those affected by the 'bedroom tax' were identified as having multiple and complex health and social care needs (e.g. chronic long term conditions, mental health needs). It is recommended that all housing providers:
  - Undertake additional work to further identify such tenants;
  - Ensure that *additional* and *ongoing* support is provided to assist them in accessing and navigating housing and welfare options available (e.g. access to budgeting advice, transfer and mutual exchange).

## **Introduction**

- 1.1 In April 2013, new size criteria were introduced to Housing Benefit rules in which tenants in the social rented sector would be subject to a benefit reduction if they were assessed to be in under occupation (i.e. had spare bedrooms). Consequentially, this reform has become more colloquially known as the '*bedroom tax*'. The purpose of this reform was to help reduce Housing Benefit expenditure, make better use of social housing stock and bring parity with the private rented sector (where similar Housing Benefit regulations already exist).
- 1.2 As part of its work programme for 2013/14, the Overview & Scrutiny Committee agreed to assess the impact of the new size criteria for Housing Benefit payments. In particular, the Committee sought to assess the impact of the '*bedroom tax*' on social landlords and their tenants and to identify what actions the Council could take to mitigate any adverse affects.
- 1.3 In undertaking this work, the Committee has consulted widely with local stakeholders, including a dedicated session with those tenants directly affected by the '*bedroom tax*'. In addition, specialist evidence has been received through the involvement of the Chartered Institute of Housing (CIH), the National Housing Federation (NHF) and other local authorities. It is therefore hoped that the conclusions and recommendations developed within this report will guide and inform Haringey's response to the '*bedroom tax*'.

## **2. Background information**

### National Context

- 2.1 Housing Benefit is a financial payment for people on a low income to help them pay all or part of their rent. This benefit is means tested and available to qualifying tenants in both the social and private rented sectors. As of 2012, there were approximately 5 million Housing Benefit claimants, of which 3.4 million were living in the social rented sector.<sup>2</sup>
- 2.2 Expenditure on Housing Benefit has increased from £11 billion to £21 billion over the period 2000/01 to 2010/11.<sup>3</sup> A number of measures were introduced as part of the Governments welfare reform agenda to control Housing Benefit expenditure, these included:
  - Calculating Local Housing Allowance (LHA) rates on the basis of the 30<sup>th</sup> percentile (rather than median) of local rents and applying a 'cap' on LHA rates;
  - Extending the Shared Accommodation Rate to include single people under 35;
  - Introducing a Benefit Cap that restricts the total benefits that most workless households can receive each week to £500 (or £350 for single people);
  - Increasing non-dependent charges for other adults in the household each year;
  - Restricting the amount of Housing Benefit paid to social housing tenants who are under retirement age and deemed to be under occupying their homes (also known as the '*bedroom tax*').

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<sup>2</sup> Managing the impact of Housing Benefit Reform National Audit Office, 2012

<sup>3</sup> Impact Assessment – Housing Benefit: Under Occupancy of Social Housing, DWP 2012

2.3 Nationally, changes to Housing Benefit rules and entitlements outlined above were expected to reduce total the annual spend on this aspect of welfare provision by approximately £7 billion to 2017/18.<sup>4</sup>

#### Under occupation in social housing and Housing Benefit entitlement

2.4 In 2010/11 according to Department of Work and Pensions (DWP) data, there were an estimated 1.5 million spare bedrooms in the social rented sector.<sup>5</sup> This has become a definitive measure of under occupancy.

2.5 Under occupancy in the social housing sector occurs where a household lives in a property that is deemed too large for its needs. Under occupancy may arise when:

- Older tenants remain in the family home after children have left;
- Family breakdown and separation occurs;
- Tenants are initially allocated the property (due to mismatch between size of homes available and those households seeking accommodation).

2.6 In April 2013, the new housing size criteria were introduced that determined the amount of Housing Benefit that could be awarded to social housing tenants below the age of retirement. Under these criteria, one bedroom is allowed for each person or couple living as part of the household. Children aged 16 or over are allowed their own bedroom, but children under the age of 16 will only be allowed their own bedroom if they are aged 10 or over and their sibling is of a different gender.

2.7 There are however a number of exceptions and exemptions to the size criteria, these being:

- An extra bedroom is allowed for a non-resident carer of the claimant or their partner where overnight care is required and provided;
- Registered foster carers who have fostered in the past 12 months;
- Parents of adult children in the armed services.

2.8 Tenants of working age will have a reduction in their Housing Benefit entitlement if they are assessed (under the size criteria) as being under occupied. The size of the reduction depends on the circumstances of the household and is equated to a percentage of the rent:

- 14% where the tenant is under occupying by 1 bedroom;
- 25% where the tenant is under occupying by 2 or more bedrooms.

2.9 It was anticipated that the above changes to Housing Benefit entitlement in the social rented sector will contribute to the following national policy objectives:

- Reduce Housing Benefit expenditure by approximately £460 million per annum;<sup>6</sup>
- Encourage greater mobility in the social rented sector (as tenants move to properties more suited to their needs);
- Make better use of existing housing stock (ease overcrowding as larger properties become available);
- Improve work incentives for working age claimants;

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<sup>4</sup> Measure to Reduce Housing Benefit Expenditure , Standard Note (SN/SP/5638) House of Commons Library

<sup>5</sup> Family Resources Survey 2010/11 (DWP)

<sup>6</sup> 2013 Budget Red Book

- Establish parity with the private rented sector (where under occupancy Housing Benefit rules already exist).

### **3. Scrutiny aims, objectives and work-plan**

#### Aims and objectives

3.1 The Committee agreed the following overarching aim to guide this work:

*‘To assess how changes to Housing Benefit rules for under occupation in the social rented sector have impacted on tenants and landlords, identify local priorities for the Council, and evaluate the effectiveness of the action that landlords and the Council have taken to mitigate the effect of the under occupancy penalty.’*

3.2 Within the above guiding framework, the Committee agreed that it would seek to address a number of key questions in this work, which included?

- What has been the impact of this reform on local tenants, in particular, vulnerable tenants?
- What support has been provided to affected tenants, what interventions have been most effective and are there any gaps in current provision?
- What approaches have social landlords taken to rent arrears and how are tenants with arrears being supported?
- How effective have Discretionary Housing Payments (DHP) been in supporting local tenants and how sustainable is this in the long term?
- What opportunities are there for improved partnership working among social landlords in supporting tenants affected in Haringey (e.g. housing transfers)?
- Can support services be provided in a more coordinated way or effective way (e.g. debt advice, income maximisation, access to employment and training schemes)?
- What impact has this development had upon wide wider housing issues such as homelessness, the need for temporary accommodation, the housing allocation register or demand for smaller housing units?

#### Methods and work-plan

3.3 A range of information gathering methods were employed to ensure that the Committee had access to necessary evidence to assist with this investigation. The following methods were used:

- Desk based reviews (local policy and performance data, research and other published material);
- Informal evidence gathering sessions (with local stakeholders and other informed agencies);
- Formal panel meetings (to coordinate, report and conclude work);
- Primary data collection (focus groups with affected tenants).

3.4 The investigation adopted three key themes around which evidence was collected which were:

- To assess how the 'bedroom tax' had impacted on affected tenants in Haringey;
- To establish those policies and practices which were developed across Haringey in response to the 'bedroom tax';
- To assess the policies and practices of other local authorities, social landlords and other specialist that may further inform service provision in Haringey.



3.5 The list of key stakeholders who were involved within these three themed evidence gathering sessions together with the project timeline is given in Table 1 below:

<b>Table 1 - 'bedroom tax' Project: Aims, stakeholders and timeline</b>	
<b>Local Policy &amp; Practice (December 2013)</b>	<ul style="list-style-type: none"> <li>▪ Community Housing Services (Haringey Council)</li> <li>▪ Homes for Haringey (HfH)</li> <li>▪ Social Landlords</li> <li>▪ Revenues, Benefits &amp; Customer Services</li> <li>▪ Haringey Citizens Advice Bureau</li> </ul>
<b>Comparative Policy &amp; Practice (January 2014)</b>	<ul style="list-style-type: none"> <li>▪ National Housing Federation (NHF)</li> <li>▪ Chartered Institute of Housing (CIH)</li> <li>▪ London Borough of Islington</li> <li>▪ London Borough of Hackney</li> </ul>
<b>Tenant consultation and impact assessment (February 2014)</b>	<ul style="list-style-type: none"> <li>▪ Focus groups with tenants of both Homes for Haringey and other social landlords affected by the 'bedroom tax'</li> </ul>

#### 4. General impact of the 'bedroom tax'

##### National

4.1 Nationally it has been estimated that 660,000 households have been affected by the 'bedroom tax'. The region most affected in terms of the absolute numbers is the North West, where 110,000 households are affected, though the highest rate of households affected and the greatest financial loss per working age adult is in the North East region (Table 2). The greatest cumulative financial loss however will be in London, where tenants are subject to higher rents in this region (Table 2).

<b>Table 2 - Regional impact of under occupancy changes.<sup>7</sup></b>				
	<b>Households affected</b>	<b>Estimated Loss £million per annum</b>	<b>No of households affected per 10,000</b>	<b>Financial loss per working age adults</b>
<b>North East</b>	50,000	30	440	20
<b>North West</b>	110,000	80	370	18
<b>York &amp; Humb.</b>	80,000	50	360	16
<b>London</b>	80,000	90	240	15
<b>Scotland</b>	80,000	50	340	14
<b>Wales</b>	40,000	20	310	13
<b>West Mids</b>	60,000	40	260	11
<b>East</b>	50,000	40	210	11
<b>East Midlands</b>	40,000	20	210	9
<b>South West</b>	30,000	20	130	7
<b>South East</b>	40,000	30	110	6
<b>GB</b>	<b>660,000</b>	<b>490</b>	<b>260</b>	<b>10</b>

<sup>7</sup> Beatty & Fothergill, Hitting the poorest places hardest: the local and regional impact of welfare reform, Centre for Regional Economic and Social Research (Sheffield Hallam University)

4.2 An impact assessment undertaken by the Department of Work and Pensions (DWP) suggested that of the 660,000 of households affected by the 'bedroom tax', a majority (81%) will be in under occupation by 1 bedroom and therefore liable for a 14% reduction in Housing Benefit (Table 3). The projected average weekly Housing Benefit loss for those affected by this change will be £12 for one bedroom in under occupation and £22 for two or more bedrooms in under occupation (Table 3). Using these figures, it is estimated that the 'bedroom tax' will produce a national saving of **£470m** in the payment of Housing Benefit payments.

**Table 3 - Estimated impact of under occupancy changes<sup>8</sup>**

<b>Under occupation by accommodation</b>	<b>Estimated claimants affected</b>	<b>% claimants affected</b>	<b>Average weekly benefit loss</b>
<b>1 bedroom</b>	540,000	81%	£12
<b>2 or more bedrooms</b>	120,000	19%	£22
<b>All bedrooms</b>	660,00	100%	£14

Local impact - Haringey

4.3 Preliminary assessments undertaken in Haringey prior to April 2013 (and the introduction of the bedroom tax) estimated that 2,500 households in the social rented sector in Haringey would be affected (Table 4). This analysis suggested that:

- Twice as many households from Council owned properties would be affected than (1,656) than those from another social landlord (847);
- About 1,800 households (71%) would have their benefit cut (by 14%) for under occupancy of one bedroom and result in an approximate £18 cut for both Council and housing association tenants.
- About 700 (29%) households would have their benefit cut (by 25%) for under occupancy of two or more bedrooms and result in an approximate £33 cut for both Council and housing association tenants;
- Using this data it was noted that this would result in annual reduction of **£2.96m** paid in Housing Benefit to tenants in Haringey.

**Table 4 – Estimated impact of 'bedroom tax' in Haringey (January 2013)**

	<b>Council tenants – Number affected and average loss</b>		<b>Housing Association Tenants – Number affected and average loss</b>	
<b>Under occupancy 1 bedroom</b>	1,233	£18.73	565	£18.46
<b>Under occupancy 2 or more bedrooms</b>	423	£33.45	282	£32.96
<b>Total</b>	<b>1,656</b>	<b>-</b>	<b>847</b>	

4.4 Although more recent data (April 2013 and November 2013) was obtained by the Committee to support its work, this was not as comprehensive as listed above in that

<sup>8</sup> Impact Assessment – Housing Benefit: Under Occupancy of Social Housing, DWP (2012)

this only included tenants of Homes for Haringey and the five largest social landlords in the borough.<sup>9</sup> However this data demonstrated:

- A small but discernible decrease in the number of Homes for Haringey tenants affected by the bedroom tax';
  - 1,656 households affected prior to implementation January 2013
  - 1,512 affected at implementation date of April 2013
  - 1,468 affected at November 2013.
- A similar trend was exhibited among tenants of the five largest social landlords:
  - 531 households affected at implementation date of April 2013
  - 516 households affected at November 2013.

4.5 The scale of the impact of the 'bedroom tax' upon individual local social landlords does vary as is illustrated by the following submissions made to the Committee:

- Of the 800 properties managed by Sanctuary Housing in Haringey, 66 (8.25%) were affected by the bedroom tax;
- Of the 750 properties managed by Family Mosaic in Haringey, 7.5% were affected by the bedroom tax;
- Of the 450 general needs properties managed by Newlon in Haringey, 11% were affected by the bedroom tax.

4.6 The absolute number of households affected by the 'bedroom tax' will vary as households will move 'in' and 'out' of the 'bedroom tax', reflecting the constant change in household circumstances. Thus households will move out of the 'bedroom tax' as people find work or children grow older (and longer required to share). Similarly, for example, tenants will become liable for the 'bedroom tax' as their children grow up and move out of the home.

4.7 Homes for Haringey and the five largest social landlords provided additional data to the Committee in respect of those tenants affected by the 'bedroom tax' and the size of the property in which they reside. This is detailed below (Table 5).

<b>Table 5 – Tenants subject to 'bedroom tax' reduction (14% and 25%) by property size (04/2013)</b>								
	<b>Current unit size</b>	<b>Homes for Haringey</b>	<b>Family Mosaic</b>	<b>L &amp; Q</b>	<b>Metro-politan</b>	<b>Newlon</b>	<b>Sanctuary</b>	<b>Total</b>
<b>14% reduction</b>	<b>2 bed</b>	537	30	134	56	49	29	<b>1,562</b>
	<b>3 bed</b>	505	22		58		15	
	<b>4 bed</b>	98	3		9		5	
	<b>5 bed</b>	10	-		1		1	
<b>25% reduction</b>	<b>3 bed</b>	285	13	36	31	6	14	<b>481</b>
	<b>4 bed</b>	63	7		8		1	
	<b>5 bed</b>	14	-		2		1	
		<b>1,512</b>	<b>75</b>	<b>170</b>	<b>165</b>	<b>55</b>	<b>66</b>	<b>2,043</b>

4.7 Analysis of the above data indicated that the majority of those affected by a 14% reduction in Housing Benefit through the 'bedroom tax' (under occupying by 1 bedroom) were tenants in two and three bedroom properties (Table 5). Similarly, those subject to a 25% Housing Benefit reduction (under occupying by 2 or more bedroom), in excess of 80% were in currently in 3 bedroom property (Table 5).

<sup>9</sup> Data was supplied from Family Mosaic, London and Quadrant Housing, Metropolitan Housing, Newlon and Sanctuary Housing.

4.8 If the above data was translated into new housing stock requirements, that is tenants that want to downsize to a smaller property to avoid the bedroom tax, this would generate significant demand for smaller units, particularly one bedroom properties. Conversely, a surplus of larger properties would be created as tenants vacated these for smaller properties. In summary, the net effect of the above data would mean that:

- An additional 1,000 one bedroom homes would be required;
- An additional 40 two bedroom homes would be required;
- 860 three bedroom homes would be freed up;
- 90 four bedroom homes would be freed up;
- 30 five bedroom homes would be freed up.

4.9 The Committee noted that as the total annual lettings of one bedroom properties in Haringey was in the region of 400-450 units, and additional 550-600 one bedroom units would be required to support any tenant flow arising from the 'bedroom tax'. In this context,

- It would be helpful to prioritise under occupiers within any allocations;
- More developed partnership working in the allocation in housing allocations would be needed across the housing sector in Haringey to meet demands on existing housing stock by under occupiers;
- Ensure that initial allocations reflect benefit changes of the bedroom standard for working age households.

4.10 A significant proportion of Registered Providers indicated that longer term plans for housing development have been affected by the 'bedroom tax' and the additional demand this has created for smaller unit properties. Just 8 months after the introduction of the 'bedroom tax', 21% of Registered Providers indicated that they had changed development plans to give greater priority to 1 and 2 bedroom units, and 12% were considering such a change. Research undertaken by the National Federation of ALMOs indicated that, at current projections, for some members, it would up take up to 14 years to move all those tenants needing to downsize as a result of the bedroom tax.<sup>10</sup>

4.11 It is suggested that further modelling of the impact of the 'bedroom tax' should take place to ensure that housing requirements arising from this reform are reflected in longer term housing development plans for the borough.

## **5. Impact on tenants**

5.1 Those tenants affected by the 'bedroom tax' generally have a number of options which can be summarised as thus:

- To stay on and absorb the cut within their benefits;
- To increase income to offset the benefit reductions (e.g. employment, take in a lodger)
- To move to another smaller property where the 'bedroom tax' would not apply.

### Staying on

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<sup>10</sup> National Federation of ALMOs, Welfare Reform Survey October 2013

- 5.2 Evidence from a multitude of sources would appear to indicate that most tenants affected by the 'bedroom tax' have, in the short term at least, to stay on in their current property and absorb the Housing Benefit reduction. It should be noted however, that many of those tenants, who gave evidence to the Committee, indicated that in fact there was little or no choice but to remain in the property due to adaptations that had been made to the property or the need to retain the room for informal caring roles provided to other family members.
- 5.3 Initial assessments made by Homes for Haringey and other social landlords would suggest that a very high proportion of tenants would stay on in the property and either absorb the benefit reduction or seek to increase income from other sources. One social landlord indicated that whilst 85% of tenants had indicated that they would stay on, strong concerns were held for ¾ of these cases as to whether they would be able to meet the shortfall.

#### Weekly budget

- 5.4 The pressure that a deduction in the Housing Benefit would place on household finances was made clear in the focus groups, particularly those facing a 25% reduction for being two or more room in under occupation. A number of participants indicated that they had their Housing Benefit reduced by about £30 per week, which meant that there was often little money left for other essentials (food and clothing) once all household bills (rent, council tax and utility services) had been paid. The pressures on weekly budgets were such that in a number of cases, tenants indicated that it was often a choice between 'heating or eating'.

**Case Study A:** A 46-year old single woman living with her 19-year old daughter, as a housing association tenant. She suffers from chronic illnesses. Client is subject to the 'bedroom tax' as it is a 3 bed home and has to pay £19.76 a week towards her rent out of her benefit income which is £71.70pw. (Haringey CAB)

- 5.5 In the focus groups, fuel and energy costs were cited as of the biggest pressures on weekly budgets and many indicated that these particular bills were a struggle to pay, especially during the winter. Tenants with dependents living with them found it very difficult to ration heating and other fuel costs, particularly where there were other dependents in the property.
- 5.6 A small number of tenants indicated that they had savings which they were having to draw upon to manage their weekly budget. This was a cause of great anxiety, as many of those affected were approaching retirement age and did not want to deplete what little savings they had put aside for this purpose. More commonly, attendees indicated that they had to borrow money to help them manage household bills and to afford essential goods. In most cases tenants had borrowed money from other family members which they personally found difficult and upsetting.

#### Rent arrears

- 5.7 There is substantive evidence to suggest that, both nationally and locally, the introduction of the 'bedroom tax' has contributed to increased rent arrears among affected tenants. At the national level, research conducted by the National Federation of ALMOs indicated that the number of households affected by under occupancy and in arrears has increased by 56% and the amount of rent arrears in

this cohort has increased by 28%. Similar research conducted by the National Housing Federation, concluded that among those affected by the bedroom tax:

- 53% had reported increased difficulty in rent collection;
- 39% reported increased levels of rent arrears;
- 35% reported a fall in rental income
- 29% fell in to arrears for the first time.

5.8 Similar issues and patterns of rent arrears were recorded amongst local social landlords that contributed to this investigation. In data submitted to the Committee, it was noted that among Homes for Haringey tenants affected by the 'bedroom tax' (1,512), 23% reported an increase in rent arrears above £250 to November 2013 (Table 6). There was however significant variations in accrual of rent arrears among other social landlords, with just 12% of Family Mosaic 'bedroom tax' tenants reporting rent arrears of more than £250 compared to 73% of similarly affected tenants of Metropolitan Housing (Table 6).

	<b>Homes Haringey</b>	<b>Family Mosaic</b>	<b>L &amp; Q</b>	<b>Metro-politan</b>	<b>Newlon</b>	<b>Sanctuary</b>	<b>Totals</b>
<b>Bedroom tax cases 4/13</b>	1,512	75	170	165	55	66	2,043
<b>No. of arrears increased by £250</b>	352	9	86	121	20	9	597
<b>%</b>	<b>23%</b>	<b>12%</b>	<b>51%</b>	<b>73%</b>	<b>36%</b>	<b>14%</b>	<b>29%</b>

5.9 Hackney Council indicated that arrears had also risen significantly for those tenants affected by the 'bedroom tax'. In evidence received, the Committee noted that among the 2,084 tenants affected by the 'bedroom tax' in properties managed by Hackney Homes, rent arrears increased from £305,686 to £468,929 in the 9 week period from April 2013 to the end of May 2013, a 53% increase.

5.10 In other evidence presented to the Committee, one local social landlord indicated that ¾ of those tenants affected by the 'bedroom tax' were in arrears, and that arrears continued to grow, albeit slowly (on average £6 per week). Other social landlords suggested that the rent arrears appears to have stabilised as more tenants adjust and adapt to new benefit levels.

*Arrears and court action*

5.11 Evidence from the focus groups with tenants affected in Haringey verified that, without any alternative sources of income to offset Housing Benefit losses, many had gone in to rent arrears. Many examples of rent arrears were provided to the Committee at the focus groups, with varying accruing debts of between £200 and £800 reported. In a case study (B) presented by Haringey CAB, one tenant had accrued arrears of £1,462. Rent arrears is clearly a cause of considerable anxiety to those tenants affected.

5.12 Focus group data also revealed a more holistic picture of how the broader package of welfare reforms was affecting local tenants. In addition to Housing Benefit deductions for under occupancy, many local residents were now required to pay a

percentage of the Council Tax under new local schemes. This compounded the financial pressures as the following case study illustrates.

**Case Study B:** Client is in receipt of Employment & Support Allowance, Housing & Council Tax benefit. Client is now required to pay £16.96 a week of 'bedroom tax' plus £225 a year under new Council Tax reduction scheme. Financial problems have been exacerbated:  
Summons for non-payment of CT, with the court fees the debt is now £419.49.  
Client has rent arrears of £1,462.19, which is being paid off at £3.60pw. (Haringey CAB)

- 5.13 Being in arrears was a cause of great anxiety to focus group participants, in particular the prospect of legal notices being issued, being taken to court or ultimately, receiving an eviction notice. Although none of those tenants attending the focus group had been threatened with eviction, many had court proceedings instigated for non-payment of rent arrears which, when court costs were added, further compounded rental account arrears. Local tenant concerns were centred on:
- The relatively small amounts for which court action was taken (two tenants had arrears of approximately £200);
  - The addition of court costs for non-payment at approximately £150;
  - The speed and notice period over which court action is taken.
- 5.14 The Committee was reassured that most social landlords actively sought to engage and communicate with tenants with arrears, and that eviction was used when the tenant had not communicated with officers, and then only in extreme circumstances and as a last resort. L and Q reported that it would only take action to evict if the tenant had not responded to five communication attempts over a 28 day period.

#### *Sustainability of rent arrears*

- 5.15 The growing level of rent arrears would appear to give testament that the 'stay and pay' approach adopted by many tenants in response to 'bedroom tax' has not been effective, with many not finding the replacement income to cover the benefit shortfall. As a consequence, the Committee was naturally concerned about the organisational impact of arrears arising from the 'bedroom tax' and other welfare reforms, particularly as arrears still appeared to be growing and there would be increased financial pressures for tenants in the year ahead. It was therefore important that social landlords should have clear systems in place to monitor arrears and that a realistic projection for 2013/14 and for 2014/15 is calculated and factored in to financial modelling.
- 5.16 The Committee noted that as rent arrears continue to increase this may require social landlords to review associated policies and practices that impact on local tenants, for example, the ability of tenants to move or transfer with arrears, or the threshold at which court action is taken. Such policies should be reassessed in relation to growing rent arrears, and any alterations or amendments clearly communicated to local tenants. That is social landlords should assess arrears policies to ensure that these are not a barrier to further actions by the tenant.

#### Health impact

- 5.17 Attendees at the focus group reported that the 'bedroom tax' and other welfare reforms had created severe budgeting, debt and other financial worries which had precipitated high levels of anxiety and stress. Many of those attending reported sleep difficulties because of anxiety about their personal, financial and household situation.
- 5.8 Other health concerns were reported as a result of budgeting pressures, which included unhealthy eating. A number of participants in the focus groups indicated that there was no longer enough money to spend on weekly shopping and food supplies and there was a feeling that they were eating cheap unhealthy foods, or indeed going without to ensure dependents could eat. Similarly, focus group attendees felt that they were exposing themselves to ill health by their reluctance to put on heating and other energy supplies.
- 5.9 Evidence obtained via the focus groups could also not overstate the personal impact that the 'bedroom tax' and other welfare reforms had had upon affected tenants. In one example provided to the group, a recovering alcoholic indicated that they had almost relapsed as a result of the anxiety and the stress of coping with reduced benefits and the impact that this was having in the household.

## **6. Support provided to tenants**

- 6.1 The Committee sought to assess the nature, level and source of advice and support received by tenants affected by the 'bedroom tax'. This covered the following areas:
- Pre-implementation support and advice;
  - Re-designation;
  - Financial advice and money matters;
  - Discretionary Housing Payments;
  - Transfers and Exchanges;
  - Taking in a lodger;
  - Employment and training advice;
  - Most effective interventions.
- 6.2 The scale of welfare reforms introduced in April 2013 necessitated many housing providers to recruit additional staff to support the organisational response and to help and its tenants adapt to proposed changes. It was noted that among Homes for Haringey and five other local Registered Providers almost 50 additional staff were recruited to deal with the 'bedroom tax' and other welfare reforms.<sup>11</sup> The range of roles that staff were recruited to included:
- Generic welfare reform advice;
  - Financial inclusion;
  - Transfer and mutual exchanges.

### *Pre implementation notification, advice and support*

- 6.3 In evidence presented to the Committee, it was noted that many housing providers had embarked upon a programme of notification, information provision and direct engagement with tenants affected by the 'bedroom tax' prior to its implementation in April 2013. It was noted that Homes for Haringey for instance, began a notification programme in September 2012, specifically targeting vulnerable tenants and those

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<sup>11</sup> Recruitment by Registered Providers was to support Haringey and residents in other boroughs.



that were likely to experience the greatest Housing Benefit reduction. Lower needs tenants were notified in October and November 2013.

- 6.4 In addition to written notification, a number of housing providers indicated that this was followed-up with direct contact with tenants, this included telephone calls or in the case of vulnerable tenants, a home visit. It was noted that direct home visits were made by Metropolitan Housing to all tenants affected by the 'bedroom tax'. From the data supplied to the Committee, levels of tenant engagement were reported by housing providers:
- Homes for Haringey indicated that housing officers had made contact with 80% of tenants;
  - Welfare Reform team at L & Q directly engaged with 71% tenants.
- 6.5 Whilst housing providers were evidently successful in reaching a majority of those tenants affected by the 'bedroom tax', it is apparent that a significant proportion were harder to reach and engage, this was verified in the focus groups with local tenants where:
- Whilst many attendees indicated that they had received written notification (that they would be affected and by how much their benefit would be deducted), many other tenants appeared to have missed such notifications and found out through other means (media, friends);
  - About half of those attending the focus group indicated that they did not know how much money was to be deducted at the point at which the 'bedroom tax' was introduced (April 2013).
- 6.6 The focus groups also identified a number of shortcomings in the accessibility, presentation and usefulness of information about the 'bedroom tax' provided by front line housing staff. These included:
- Poor telephone accessibility to front line staff (phones unanswered, messages unreturned);
  - Lack of knowledge as to how tenants would be affected by the bedroom tax, and, possible options available to them;
  - Lack of dedicated support available to assist tenants to assess options;
  - Inability to signpost tenants on to other sources of advice or information;
  - Unsympathetic manner in which enquiries were handled.
- 6.7 In relation to the Housing Benefit Service, focus group participants reported severe problems in accessing this service, with telephone access poor and messages left unreturned. Focus group participants indicated that this left them frustrated and confused, particularly in relation to what deductions were going to be applied. Again, focus group attendees indicated poor access and the unsympathetic manner of staff made it difficult for them to assess their new benefit levels.
- 6.8 The above would suggest that whilst there were systematic efforts to engage and involve affected tenants before the implementation of the bedroom tax, clearly a significant number were omitted, did not respond or were failed by support services which left them unprepared for the significant changes that they faced in relation to welfare changes on April 1<sup>st</sup> 2013.

6.9 Given the unprecedented volume of welfare reforms, the Chartered Institute of Housing underlined the importance of ongoing and updated communications with tenants; to keep them informed of changes and further options available. In particular, it was important to continually reinforce key messages as to how welfare changes have and continue to affect tenants and where further advice can be obtained. It was also noted that providers should also try new and innovative ways of getting key messages across to key audiences and hard to reach groups.

*Budgeting advice and support*

6.10 Understanding that many tenants affected by the bedroom tax were reluctant or unable to move to a smaller property, the short term focus of many housing providers was to provide money management and budgeting advice, to help tenants adjust to reduced income. Almost all of those Registered Providers participating in this project indicated that financial inclusion staff were at hand to support tenants through the financial impact of Housing Benefit deductions, for example:

- Homes for Haringey formed new team of 3 Financial Inclusion Officers with a new post of Financial Inclusion and Legal Manager;
- Metropolitan reported two dedicated Financial Inclusion Officers working across London.

6.11 Evidence from the focus groups with local tenants suggested that there was particular appreciation for financial inclusion staff where it was noted that staff were sympathetic, understanding, knowledgeable and helpful. Many participating tenants indicated that they had been very stressed and anxious state in seeking help and therefore found the approach of financial inclusion officers very supportive.

6.12 The Committee noted that a number of housing providers also worked with other external services to extend the range of financial and other money management advice and support available to tenants. In many cases, arrangements had been made with CAB or other similar type agencies. The Committee indicated that this may be an opportunity for the Council to work with local housing providers to jointly provide such services.

6.13 The Chartered Institute of Housing reported that as tenant income was being squeezed, it was important that there should be free and accessible money handling and budgeting advice to help support tenants through change. In addition, housing providers should consider other ways to help tenant adjust to financial pressures:

- Maximize payment methods – giving tenants more options through which to pay bills;
- Improved access to banking – the promotion of the basic bank account and access to credit unions;

6.14 The Committee noted that there had also been some work among providers to promote the basic Bank Account to assist tenants in money handling, but this product was no longer available at the Bank. Furthermore, it was noted that whilst Credit Unions do offer a budgeting account to help local people manage their finances, there has been low take up as there is an administrative charge of £10 per month which is beyond what people could afford. The panel felt that this was a significant local gap, and that the Council (as a key stakeholder in the local Credit Union) should help to develop and extend financial services to local residents.

### Transfer and mutual exchange

- 6.15 For those tenants wishing to avoid a deduction in their Housing Benefit because of the 'bedroom tax', a further option would be to move to a smaller property. As has already been noted in this report elsewhere, demand for smaller properties (particularly 1 bedroom units) would be in the region of 1,000 units if all those tenants affected by the 'bedroom tax' wanted to downsize. This demand far exceeds local housing stock availability, and as a consequence it has been difficult for local social landlords to accommodate these needs and facilitate moves to smaller properties.
- 6.16 In the local management of housing tenancies, social landlords clearly have opportunities through which to help tenants affected by the 'bedroom tax' to move to smaller properties and, in doing so, free up larger homes for the benefit of other housing applicants, including overcrowded tenants. The needs of under occupied tenants however, need to be assessed in comparison with other housing applicants, including people who are homeless. As a consequence, there is strong competition for smaller properties.

### *Barriers to downsizing*

- 6.17 The difficulties that social landlords face in facilitating those affected by the 'bedroom tax' in to smaller properties were made plain to the Committee, where aside from the evident stock shortage, there were a number of structural, socio-economic and personal barriers to downsizing. Social landlords indicated that there were a number of structural issues which inhibited tenants affected by the 'bedroom tax' to downsize, these included:
- Insufficient priority given to under occupants in local housing allocations policies;
  - Local tenancy agreements which prevented those with rent arrears being considered for housing transfers or swaps;
  - Differences in housing tenancy agreements (especially in transfer across landlords);
  - Paucity of information (e.g. available housing, those willing to exchange).
- 6.18 In addition, from evidence obtained within the focus groups with affected tenants, it was noted that there were a number of significant personal factors that inhibited those affected by the 'bedroom tax' to downsize. These included:
- Reluctance to move out of area and away from existing social support networks;
  - Preference to move to what was perceived to be a 'better' property (e.g. in a nice area, low build, more modern stock);
  - Poor maintenance of internal decoration (reduces prospect of transfer);
  - Lack of tenant confidence or understanding of the transfer or exchange process.

### *Local transfer and mutual exchange performance*

- 6.19 Locally, Homes for Haringey and other social landlords reported that a number of schemes were in operation to support housing transfers and mutual exchanges. These included:
- Registration to the national Homewapper scheme (Homes for Haringey have registered 1,200 tenants);
  - Internal local events to promote mutual exchange;

- Financial incentives and expenses for those wanting to downsize.

6.20 Despite the above, social landlords reported there was poor mobility in the housing transfer arena which meant that very few tenants affected by the 'bedroom tax' had been assisted to downsize. In evidence submitted to the Committee from the Homes for Haringey and the five largest social landlords, just 37 (2%) tenants affected by the 'bedroom tax' had successfully downsized to a smaller property. Using Homes for Haringey as a case example, it was noted that as of November 2013, just 25 (1.6%) tenants affected by the 'bedroom tax' had successfully downsized via transfer, mutual exchange or nomination to another social landlord. Other social landlords described similar patterns of tenant mobility.

6.21 Given the paucity of comparable data, assessment of the comparative performance of housing providers in assisting tenants to downsize is difficult. National data among ALMOs (which managed council owned stock) indicates that 2% of tenants affected by the 'bedroom tax' have downsized,<sup>12</sup> though higher figures are obtained among other social landlords, where on average 6% of tenants have been assisted to downsize.<sup>13</sup>

6.22 Evidence from the focus groups indicated that tenants had received information and advice about downsizing, but were frustrated at the lack of opportunities to exchange or transfer. Frustrations focused on three areas:

- Tenants indicated that it was unjust for them to be subject to the 'bedroom tax' when they were willing and able to move, but where there were little or no opportunities for them to downsize.
- A number of those attending the focus group indicated that as they were now in rent arrears due to the 'bedroom tax' which could further inhibit them from moving or exchanging.
- As many of those wanted to stay in the same area, there was a need for more localised home swap events, to help match up tenants for home swaps and mutual exchanges in the local area.

#### *Measures to improve downsizing*

6.23 Whilst many local social landlords reported low levels of successful transfers or mutual exchanges, there was a strong concurrence of opinion that, in the short to medium term, this process represented the best opportunity to support tenants affected by the 'bedroom tax' to downsize. Furthermore, evidence presented by Chartered Institute of Housing and other local authorities suggested that a more coherent and coordinated approach to transfers and exchanges could significantly help improve local performance.

6.24 Islington Council (Housing Options Team) provided evidence on the successful transfer and exchange programme in operation there. It was noted that over 4,500 Islington tenants are on the transfer list and 3,000 have registered with Homeswapper. The Committee particularly noted the work of the 'smart move' programme which sought to match under occupiers with tenants in overcrowded

<sup>12</sup> National Federation of ALMOs, Welfare Reform Survey October 2013

<sup>13</sup> Impact of welfare reforms on housing associations: early effects and responses by landlords and tenants IPSOS/Mori for National Housing Federation 2014

properties. The panel noted that 47 mutual exchanges have been supported by this programme in Islington in Q1-Q3 of 2013/14, this is in addition to the 214 housing transfers over the same period.

6.25 There were a number of factors which contributed to the success of the mutual exchange and transfer model adopted by Islington, which were:

- The operation of localised events to match under occupiers with tenants on overcrowded properties supported by regularly updated literature/ brochures;
- Formalised financial incentives payable to those wishing to downsize;
- Small works grants (up to £1000) for home decoration to improve the chances of those in under occupation to exchange;
- Rent guarantee scheme (further details to be provided)
- Recognition that a significant degree of 'handholding' is required to assist tenants to transfer as many may be vulnerable or do not have the confidence to engage and follow through (e.g. officer taking pictures of properties and uploading for tenants);
- Offer 'vacant one-bed property' to under occupier to help complete chains of mutual exchanges;
- Staff briefings and training for related council services.

6.26 At an evidence session held with local social landlords, the Committee noted that they would support further local work to coordinate transfers and exchanges. It was indicated that it was particularly important that more is done to support the active participation of local tenants in transfer and exchange schemes, and that this could be coordinated at the local level.

6.27 Evidence presented to the Committee from the Chartered Institute of Housing would also concur with the experience and learning from of Islington. Here it was noted that the Council and social landlords needed to work in partnership to help address the structural barriers to transfer and exchanges (e.g. allocation policies) and to increase the opportunities for local tenants to transfer through a dedicated programme of mutual exchange and transfers. It was suggested that key features of a programme would include:

- Matching events – to put under occupiers in touch with overcrowded householders;
- Dedicated officers and advice (hand holding was important to help people through the process, make aware of process, steps, liaison)
- The provision of financial incentives to support transfer.

#### Discretionary Housing Payments

6.28 Discretionary Housing Payments (DHP) are short term payments to help people pay their rent if they are experiencing financial difficulties. It is awarded to those tenants in receipt of Housing Benefit and can be a one off payment or a series of payments, usually of three months duration. In 2013/14, £155m was provided by DWP to local authorities to assist local DHP schemes.<sup>14</sup>

#### *DHP Budget*

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<sup>14</sup> HB/CTB Circular S1/2013 DWP

- 6.29 From this national allocation, Haringey received £2.422m of which was made up of the following:<sup>15</sup>
- £1.353m was to support benefit cap;
  - £0.56m was to support Local Housing Allowance Reforms;
  - £0.292m was a core payment;
  - £0.216m was to support under occupancy.
- 6.30 The Council may contribute additional resources to the local DHP budget, but these cannot exceed 2.5 times the total DHP allocation (creating a potential budget of £6.056m for 2013/14). Haringey contributed £0.443m to the central allocation, creating a total DHP budget of £2.865m for 2013/14.
- 6.31 The Committee noted that there were extreme pressures on the DHP budget. The central DHP allocation to assist with affects of the 'bedroom tax' was £0.216m in 2013/14, though this equates to about 1/10 of the cumulative Housing Benefit deductions applied to local tenants as a result this particular reform (between £2.3m and £2.9m). Furthermore, when taking all welfare reforms into consideration, total Housing Benefit deductions were likely to exceed £8m in Haringey, thus the total DHP allocation even with a local top up, would be insufficient to meet the local shortfall and prospective demand.

*DHP policy and award criteria*

- 6.32 Each local authority is required to have a DHP policy setting out the eligibility criteria, any case prioritisation and the application process. Although responsibility for the production and administration of the DHP Policy rests with Revenues Benefits & Customer Services, the Policy is produced in collaboration with Housing Services. The DHP Policy was updated in 2013 to reflect welfare changes, including the benefit cap and the 'bedroom tax').
- 6.33 Given the level of Housing Benefit reductions and the DHP budget, demand for such an award is high. As a consequence, the criteria for awarding such payments is necessarily restrictive, indeed, it was noted that it was only awarded in extreme and unusual circumstances and where additional financial support would have a significant impact:
- in alleviating hardship;
  - in reducing the risk of homelessness;
  - or helping in the transition back to work.
- 6.34 The Committee noted that the DHP policy was a substantive and detailed document that ran to 12 pages. Whilst accepting that it was necessarily detailed to explain its purpose, eligibility criteria and the application process, the Committee questioned how accessible this was to local tenants.
- 6.35 In terms of the local DHP policy, social landlords suggested to the Committee that additional priority should be given within the eligibility criteria to those facing legal action or eviction as a result of rent arrears. The DHP policy is due to be updated, therefore it was suggested that social landlords should be consulted in this process

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<sup>15</sup> Haringey Discretionary Housing Payment Policy, Haringey Council

to ensure that the totality of local housing needs is reflected in the eligibility criteria agreed for DHP.

#### *Uptake among tenants*

- 6.36 National figures suggest there are wide variations in the allocation of DHP awards. Among tenants of Arms Length Management Organisations (that manage Council owned stock) it is estimated that about 8% of tenants affected are in receipt of DHP.<sup>16</sup> Evidence submitted by the National Housing Federation suggested that 15% of social landlord tenants affected by the 'bedroom tax' are in receipt of DHP.<sup>17</sup>
- 6.37 Locally, although the actual number of individual tenants in receipt of DHP award was not available, it was noted that 350 awards for DHP have been made to tenants affected by the 'bedroom tax'. It was noted that these payments were not ongoing, but were granted for a fixed period of time, usually between three and six months. The average DHP award in Haringey was approximately £20 per week. Data supplied by Homes for Haringey to November 2013 indicated that there were 189 successful applications for DHP made by 148 individual tenants.
- 6.38 The accessibility and uptake of DHP was assessed within the focus groups among affected tenants. There were four important issues raised by tenants in respect of DHP, which included:
- Firstly, and perhaps most importantly, awareness of this local benefit was very poor. Most of those attending were not aware of what this payment was, who was eligible or how to apply for it.
  - Secondly, for those who had been made aware of DHP, it was noted that the administration of this benefit was slow and cumbersome, often taking 3 months to process applications. In the meantime, applicants were falling into debt and into rent arrears.
  - Thirdly, that there was poor communication between Revenues Benefits & Customer Services and social landlords and applicants in processing applications and processing
  - Fourthly, for those in receipt of DHP, there was anxiety as to what would happen once the payment stopped, would they be able to re-apply and if there would be sufficient money.

#### *Uptake among social landlords*

- 6.39 In evidence submitted to the Committee it was noted that there were wide variations in the number of tenants in receipt of DHP among different social landlords. As the largest manager of social housing stock in Haringey, it was not unexpected that 189 Homes for Haringey tenants were in receipt of DHP. There were significant variations among other social landlords however, where for example 42 tenants of Sanctuary Housing were in receipt of DHP as compared to just one tenant from Newlon.
- 6.40 A number of social landlords that gave evidence to the committee suggested that improved access to DHP processing (the Revenues and Benefits & Customer

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<sup>16</sup> National Federation of ALMOs, Welfare Reform Survey October 2013

<sup>17</sup> Impact of welfare reforms on housing associations: early effects and responses by landlords and tenants  
IPSOS/Mori for National Housing Federation 2014

Services) could assist further applications (e.g. dedicated contact or telephone line). It was suggested that further work should be undertaken to promote and improve DHP uptake among social landlords.

#### *Future of DHP*

- 6.41 Of those social landlords directly consulted within this project, 3 out of 6 indicated that the allocation of the DHP was the most effective method of support that could be provided to tenants affected by the 'bedroom tax'. Whilst DHP support has inevitably helped those who have received it, it is apparent DHP can only offer a short term solution to a small number of tenants. Furthermore, there are concerns about viability of this response to the 'bedroom tax' in the medium term as:
- Demand continues to outstrip available funds available through DHP;
  - DHP budgets are finite and those affected by the 'bedroom tax' will continue to compete against those affected by other welfare reforms (i.e. benefits cap, Local Housing Allowance);
  - That there has been no guarantee that 'bedroom tax' element of the DHP will be funded beyond 2015/16.
- 6.42 In evidence presented to the Committee from the Chartered Institute of Housing, it was noted that a small number of other authorities had sought to boost contributions to the local DHP budget from other sources, including the Housing Revenue Account (HRA). Given the effectiveness of this intervention in supporting local tenants, the Committee suggested that similar funding sources should be explored locally (e.g. homelessness budget, HRA) which may add further to the local funds available through the DHP.

#### *Taking in a lodger*

- 6.43 Under the new Housing Benefit rules regulations have been relaxed to allow those tenants subject to the 'bedroom tax' to take in a lodger. This would raise the prospect of offsetting any benefit reduction for under occupancy against the potential increase in rental income from a lodger. Only the first £20 of income however, would be disregarded in calculating benefit entitlement.
- 6.44 In evidence to the Committee, the Chartered Institute of Housing noted that whilst some social landlords had an active programme to support tenants to find lodgers (e.g. Nottingham City Homes), there was a general reluctance to promote this option because of welfare and financial concerns. This approach was verified by social landlords in Haringey which indicated the option of taking in lodgers to increase the income of affected tenants had not been promoted because of:
- The safeguarding implications of taking in unknown people in to the household where vulnerable adults or children were present.
  - The potential complications for income assessment and benefit entitlement (particularly where a turnover of lodgers is likely);
  - The possible links to fraud.
- 6.45 Analysis of focus group evidence also confirmed that tenants themselves were reluctant to take in a lodger to increase household income. It was noted that for some this was impracticable to take in a lodger as the supposed under occupied room was in fact being used for other health or welfare issues (e.g. a visiting disabled child). Most indicated however, that they would be reluctant to let a room



because of personal safety concerns, that there was no guarantee that a lodger would pay rent and uncertainly that this would have on benefit entitlement.

- 6.46 As a consequence, most of those social landlords that gave evidence to the Committee indicated that few, if any, of their tenants affected by the 'bedroom tax' had taken up the option of taking in a lodger. It was noted however that the introduction of Universal Credit (end 2017) would allow a more generous income assessment of lodger income<sup>18</sup>, which may increase the uptake of this policy option in the future.

#### Re-designation of properties

- 6.47 It was apparent that in some circumstances, it may be appropriate for social landlords to re-designate the size of a property where significant adaptations have been made (to accommodate health and social care needs of the tenant) or earlier misclassification has occurred (a small box room counted as a bedroom). Thus re-designation may represent a process through which a small number of tenants may avoid the 'bedroom tax'.

- 6.48 There was some evidence of social landlords undertaking a 'blanket re-designation' of properties in response to the 'bedroom tax' in which up to 850 properties have been re-designated as having one bedroom less.<sup>19</sup> This approach has not been widely deployed however, as re-designation should be accompanied by a corresponding reduction in the rental value of that property which would impact on the rental income and financial viability of social landlords. Furthermore, where a reduction in the rents of re-designated properties has not been applied, social landlords may be subject to DWP penalties.<sup>20</sup>

- 6.49 Most social landlords however, would appear to have deployed re-designation on a very limited scale. Evidence from a national survey of social landlords by the National Housing Federation (NHF) suggested that just 0.02% of properties affected by the 'bedroom tax' have been re-designated.<sup>21</sup>

- 6.50 Local evidence would also verify limited use of this approach. In evidence to the Committee, social landlords indicated that re-designation was applied on a case-by-case basis and where it was apparent that this would represent the best use of the property (e.g. where accommodation had been adapted for the tenant).

#### Work and employment training

- 6.51 For those tenants choosing to stay on in the property, taking paid employment may be one way of increasing income which may help reduce the shortfall of the Housing Benefit cut. Many of the social landlords that gave evidence to the Committee indicated that dedicated work and employment training programmes were offered to tenants through their organisation.

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<sup>18</sup> There is no room allowance, but tenants will be able to keep all income from lodgers

<sup>19</sup> *Cities stand firm on 'bedroom tax' tactics*, [Local Government Chronicle](#) 24 June 2013

<sup>20</sup> *Freud issues 'bedroom tax' reclassification warning*, [Inside Housing](#) 20 June 2013

<sup>21</sup> *Impact of welfare reforms on housing associations: early effects and responses by landlords and tenants* IPSOS/Mori for National Housing Federation 2014

6.52 The Chartered Institute of Housing highlighted areas of good practice for work and employment training, in particular the programme provided by Family Mosaic. In this Registered Providers employment and training programme the Committee noted that:

- This was part of long standing response to welfare reform;
- Welfare rights advisers attempt personal contact with all affected by size criteria, to assess appropriate support;
- 460 tenants were helped back in to work through the “employment boot camp” and “get that job” schemes;
- Cost-per-job outcome is extremely favourable compared to national work programme.
- An employment support programme has resulted in a 42% reduction in arrears for Family Mosaic in 2012-13, who are confident it will reduce impact of arrears resulting from the ‘bedroom tax’.

6.53 National data however, would suggest that such employment and training schemes have provided little assistance to those affected by the ‘bedroom tax’. In a national survey of registered Providers, of those tenants who were no longer affected by the bedroom tax, just 7% was attributable to gaining paid employment, which on average, equated to about 4 tenants per Registered Provider.<sup>22</sup> This was substantiated in the focus groups with local tenants, where there was little or no mention of tenants having received any employment or training interventions to help them back to work.

6.54 The Committee were of the view that more could be done to increase the employment and training opportunities to tenants affected by the ‘bedroom tax’ and possibly other welfare reforms. In particular, it was noted that the good practice exhibited at Family Mosaic, could guide and inform employment and training schemes more widely across the sector. Furthermore, given the evident success of the Family Mosaic Scheme, it was suggested that consideration should be given to joint commissioning of this or a similar scheme in Haringey.

#### *Effectiveness of interventions*

6.55 To date, there is little direct evidence to inform the relative merits of interventions to support those affected by the ‘bedroom tax’. However, the cumulative impact of all such intervention to support those affected by the ‘bedroom tax’ would appear to be small, being as there is only a small decline in the total number of tenants affected both nationally and locally:

- Nationally, NHF research indicated that the average number of tenancies that were no longer affected to November 2013 was 52 per Registered Provider;
- Between April 2013 and November 2013, there was a 2.9% reduction in the number of tenants affected by the bedroom tax among Homes for Haringey and the 5 other largest local Registered Providers.

6.56 Nationally, it would appear that housing transfers and mutual exchanges have made the largest contribution to the fall in tenants no longer being affected by the bedroom

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<sup>22</sup> Impact of welfare reforms on housing associations: early effects and responses by landlords and tenants  
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tax; of all those who are no longer affected 45% had transferred or had a mutual exchange.

- 6.57 The Committee assessed the perceived effectiveness of interventions by Homes for Haringey and other Registered Providers, which included interventions impact on tenancy sustainability as well as no longer being subject to the 'bedroom tax'. From this evidence it was concluded that the award of DHP and the provision of budgeting advice and money management skills were most effective in enabling tenants to sustain their tenancy.
- 6.58 It can be concluded however, that such interventions will continue to have limited impact due to the underlying structural problems in housing stock availability and of tenant mobility.

## **7. Bedroom Tax Loophole**

- 7.1 The Committee noted that in January 2014, a 'bedroom tax' loophole was identified due to a technical error in the primary legislation. It was noted that the 'bedroom tax' reduction had been misapplied to those tenants who had been continuously claiming Housing Benefit from before 1 January 1996 at the same address (as a previous set of Housing Benefit rules were in operation before this time). The legislation has now been corrected and will be effective from April 1st 2014.
- 7.2 The Committee noted that there has been considerable work within the Council to identify and notify those claimants affected by the 'bedroom tax' loophole. The Revenues, Benefits and Customer Service team worked with software suppliers to allow the council to identify those affected. An initial examination of claimants identified that approximately 350 tenants would potentially be affected by the loophole. It was noted that necessary adjustments would be made in the rent accounts of tenants affected.
- 7.3 The RBCS team noted that approximately 10% of those entitled to a refund of HB deduction because of the 'bedroom tax' loophole have received a DHP. It was confirmed to the Committee that any DHP awarded to tenants affected by the 'bedroom tax' loophole would be reclaimed and would be offset against any Housing Benefit owed.

## **8. Partnership working**

- 8.1 It is clearly important that in supporting tenants affected by the bedroom tax, that local housing providers and the Council work together to develop the network of services available and to improve coordination and effectiveness of services. The Committee noted many examples of good practice among housing providers in many areas of service provision (e.g. money advice, work and employment training) which should be disseminated and could improve practice across the sector.
- 8.2 On a more localised basis, a number of providers noted that improved partnership with the Revenues Benefits and Customer Services department (as administrators of Housing Benefit locally) would be welcome. In particular:

- improved information sharing arrangements by RBCS, with Registered Providers requiring more timely notifications as tenants move in and out of being affected by the bedroom tax;
- improved liaison with RBCS – including the reinstatement of its Landlord Liaison Officer for social landlords - would also help to minimise the instances of over payment of benefits, which is also a contributing factor to money problems of affected tenants;
- improved telephone access to RBCS staff in relation to Housing Benefit and DHP claim processing.