

# **Report to Housing Scrutiny Standing Panel**

**Date of meeting: 23 April 2014**

**Portfolio: Housing – Cllr D. Stallan**

**Subject: Effect of Welfare Reforms on the Council's  
Housing Service in the First Year**



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## **Recommendations:**

That the effect of the first year of the Government's Welfare Reforms on the Council's Housing Service be noted.

## **Introduction**

1. The Cabinet has previously asked the Housing Scrutiny Panel to monitor the progress made with the Council's Welfare Reform Mitigation Action Plan, although it was agreed at the last meeting of the Scrutiny Panel that there was no merit in receiving any further progress reports on the Welfare Reform Mitigation Action Plan, until the Government had decided on the arrangements for the introduction of its Universal Credit proposals.
2. However, since 2013/14 was the first year that the main Welfare Reforms were introduced, officers felt the Scrutiny Panel may welcome some information on the effect of the Welfare Reforms on the Council's Housing Service in the first year, and the effectiveness of the Council's Welfare Reform Mitigation Action Plan in response.
3. The Chairman has therefore agreed to this additional report being considered by the Scrutiny Panel as a late item – which is due to the fact that the information has only just been collated.

## **Main effects of the Welfare Reforms**

4. The main effects that the Welfare Reforms have had on the Council's tenants over the past year have been:
  - **The removal of the “spare room subsidy” (sometimes referred to as the “bedroom tax”)** - With effect from April 2013, any working-age Council tenants in receipt of housing benefit with one “spare room” have had their eligible rent for housing benefit purposes reduced by 14%; for such tenants with two “spare rooms”, it has reduced by 25%. The average weekly loss for the Council's tenants has been £14 per week for those under-occupying by 1 bedroom and £26.50 per week for those under-occupying by 2 or more bedrooms.

- **The introduction of the Benefit Cap** - From July 2013, benefit claimants whose total income from a range of benefits (including housing benefit) was in excess of £500 per week (£350 per week for single claimants without children) had their housing benefit reduced to bring their total benefits income down to a cap of £500 (or £350) per week.
- **Introduction of the Local Council Tax Support Scheme** – From April 2013, like all working-age residents in Epping Forest (i.e. not those in receipt of pension credits), working-age Council tenants in receipt of Local Council Tax Support (previously known as Council Tax Benefit) have had to pay at least 20% of their Council Tax themselves for the first time.

### **Removal of “Spare Room Subsidy” and Benefits Cap**

5. There were originally around 390 working-age Council tenants who had their housing benefit reduced at the beginning of 2013/14, as a result of the removal of the “spare room subsidy”. By the end of the year (March 2014), this number had reduced by 24% to 295 Council tenants. In addition, 133 housing association tenants in the District were subject to the removal of the “spare room subsidy” at the end of the year. These numbers regularly change, since the make-up of households frequently change.

6. This reduction was due to a number of reasons, including:

- Tenants “downsizing” to smaller accommodation:
  - In 2013/14, 41 Council tenants moved to smaller accommodation  
*Note: It is not possible to know how many of these were due to the effects of the welfare reforms – but, as an indication, this compares with the position prior to the introduction of the welfare reforms, when a total of 17 downsized in 2011/12 and 20 downsized in 2012/13).*
  - A further 18 tenants undertook mutual exchanges to smaller accommodation in 2013/14
- Tenants finding work and no longer being in receipt of housing benefit.
- Tenants vacating their Council property for some reason.

7. At the end of the year (March 2014), there were 69 cases affected by the Benefit Cap, which included 7 Council tenants.

8. Problems have been experienced in other parts of the country, with Council tenants wanting to downsize to smaller accommodation but being unable to, due to an insufficient amount of smaller Council accommodation being available. However, this has not been the case in Epping Forest. Despite there being a number of Council tenants wanting to downsize, and being placed in (the highest) Band A of the Council’s Housing Allocations Scheme accordingly, vacant one bedroom Council flats and two bedroom Council properties have regularly been able to be offered to applicants in Band B, and sometimes even Band C, throughout the year. This demonstrates that, although such properties may not have been in areas of the District where tenants wanting to downsize were prepared to move to, it has not been due to an insufficient number of properties becoming available.

### **Rent arrears**

9. Most council landlords and housing associations across the country have reported experiencing significant increases in their rent arrears during the past year, due to the combined effect of the above.

10. However, it is pleasing to report that, despite the introduction of the Government's Welfare Reforms, rent arrears **have reduced** over the past 12 months by 27% (£175,000). Similarly, the Council's Rent Collection Rate has increased from 97.16% at the end of 2012/13 to 97.60% by the end of 2013/14.

11. During 2013/14, 143 applications for Discretionary Housing Payments (DHPs) were approved by the Council's Benefits Team, of which 70 were from Council tenants (60 relating to the removal of the "spare room subsidy") - who had demonstrated that they were attempting to move to smaller accommodation, or were taking other steps to mitigate the effects of the welfare reforms, but needed some temporary financial assistance. A further 136 applications were refused, including 37 from Council tenants.

12. In total, DHPs amounting to around £75,000 were paid (to all applicants) by the Council's Benefits Division in 2013/14.

### **Welfare Reform Mitigation Action Plan**

13. There are a number of reasons for all of the above achievements, but it is considered that they were mainly due to the effectiveness of the Council's Welfare Reform Mitigation Action Plan, adopted by the Cabinet in October 2013, and implemented by the Welfare Reform Mitigation Project Team over the past 18 months.

14. The Action Plan had 59 separate actions, of which 70% had been completed by March 2014. All of the remaining actions are dependent on the Government's decisions in relation to its proposed introduction of Universal Credit.

15. Some of the actions that undoubtedly assisted both tenants and the Council included:

- Understanding the likely effects of the welfare reforms on the Council and its residents, in advance of them being introduced, through the commissioning of the Chartered Institute of Housing to undertake a major study;
- The recruitment of two additional Housing Management Officers, to help with implementing the Council's response to the welfare reforms and dealing with the resultant rent arrears – more information on this issue is provided in the separate report elsewhere on the Scrutiny Panel's agenda;
- Housing Management Officers visiting all Council tenants (who wanted to meet) who were due to have their "spare room subsidy" removed or have their benefits capped, to advise them of the options available and, in particular, how to apply to transfer to smaller Council accommodation;
- The provision of grant funding to the Citizens Advice Bureau, to appoint two full-time Debt Advisers for 18 months;
- The creation of a new post of Housing Under-occupation Officer, to assist Council tenants wanting to downsize;
- Benefits Officers working really hard to process housing benefit claims and benefit changes as quickly as possible;
- Housing Management Officers - and others involved in the process, such as Legal Services - working really hard to recover rent arrears;
- The targeted provision of Discretionary Housing Payments to those most affected by the Welfare Reforms and who are taking steps themselves to mitigate those effects;

- The introduction of a new Housing Allocations Scheme, which included:
    - Giving maximum priority to Council tenants wanting to downsize;
    - A change to the size of Council properties offered to housing applicants, in order to meet the Local Housing Allowance requirements;
    - The introduction of a new Local Residency Criteria, which effectively increases the priority given to under-occupying Council tenants, due to the exclusion of applicants from the Housing Register with less than three years' residence in the District;
    - A new provision to no longer penalise downsizing tenants who refuse an offer of accommodation for which they have expressed an interest; and
    - A reduction in the age limit for lettings of Council bungalows for those downsizing, from 60 to 50 years of age;
  - Extending the financial incentive scheme for Council tenants downsizing to smaller accommodation to Council tenants who downsize through a mutual exchange; and
  - Keeping tenants regularly informed of the effects of the Welfare Reforms, through *Housing News* and *The Forester*.
16. The Scrutiny Panel is asked to note the report.