

WIRRAL COUNCIL

ECONOMY AND REGENERATION OVERVIEW AND SCRUTINY COMMITTEE

8TH MARCH 2012

SUBJECT:	<i>RESPONDING TO UNDER OCCUPATION IN WIRRAL</i>
WARD/S AFFECTED:	<i>ALL</i>
REPORT OF:	<i>ACTING DIRECTOR OF HOUSING, PLANNING AND REGENERATION</i>
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report is to update members on the potential impact of Welfare Reform across both the social and private sector and highlight the current position in Wirral with regards to under occupation in the social rented sector.
- 1.2 For the private sector the focus is to prevent financial hardship and potential homelessness arising from Welfare Reform through early intervention, payment of Discretionary Housing Payments and working with tenants to find affordable and sustainable accommodation
- 1.3 The report also highlights work being undertaken by the Council in responding to under occupation across both sectors, focusing in particular on the work being undertaken in the social sector to develop a pilot scheme which will aim to tackle and reduce under occupation in Wirral. The scheme developed will target those residents registered on the Wirralhomes housing register and awarded an Urgent Need Status for under occupation, which under the current allocations policy means that they have two or more spare bedrooms. By targeting these residents, it is anticipated this will free up some larger social properties for families in need and who may be overcrowded, and also reduce the threat of financial hardship when the Welfare Reforms are introduced.
- 1.4 Addressing under occupation will promote the Council's Corporate Priorities in terms of support for vulnerable people to maintain their independence in the community, prevent and alleviate homelessness and to make best use of existing housing stock across all sectors.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 Under occupation of housing is increasingly recognised as an issue both nationally and locally. The Government carried out a study based on the Department of Work and Pensions Family Resources Survey using data from 2008/09, which indicated that 11% of social tenants have two or more spare bedrooms. This is one of the driving

forces behind recent benefit changes and proposed reforms under the Localism Act and the Welfare Reform Bill which aim to change the way that housing is allocated and housing costs are subsidised.

- 2.2 The Government (Department of Communities and Local Government) currently defines under occupation as a household which has two or more spare bedrooms. This is likely to change to one spare bedroom under the Welfare Reform Bill, which is currently the subject of debate in the House of Commons and House of Lords, and will affect the benefit awarded to tenants in receipt of housing benefit who are under occupying social tenancies. It is proposed that social housing tenants of working age who are under occupying their property will have to pay a “tax” of up to 14 per cent of their housing credit if they have one spare room and up to 25 per cent for two spare rooms. The Government has estimated that the changes will potentially affect up to 670,000 people in England. This reform will have implications for the Wirralhomes allocations policy which is soon to transfer to Property Pool Plus.
- 2.3 Further to this, housing benefit will be included in the Universal Credit which will be subject to an overall cap and will reduce the income of some households. Certain households, including those receiving working tax credit and war widows, will be excluded.
- 2.4 It is proposed that Universal Credit will be paid direct to tenants, whereas social landlords currently receive housing benefit direct from the Council. Social landlords will need to put in place additional mechanisms to proactively collect rent from tenants whose payments they have previously received automatically. They need to start to identify how many affected tenants they have and what the impact could be. Their business plans based on rental income may need to be revised as rising arrears could reduce their expected income.
- 2.5 These changes will be in addition to changes already introduced as a result of the Comprehensive Spending Review in 2010 and mostly applying to tenants in the Private Rented Sector. In Wirral there are currently 11,207 private tenants claiming under the local housing allowance (LHA) scheme. All of these will be affected by the reforms which are being phased in from April 2011 with transitional protection for some cases. Some have already seen their housing benefit reduce and those who haven't already will experience reductions at some point during 2012/13. The changes include the following:
 - **Increase in non-dependent deductions**
Deductions for non-dependents are no longer to be frozen at £7.40 per week for non-earners and will be linked to consumer price index (this applies to private and social rented sectors).
 - **Setting LHA rates at 30th percentile**
LHA rates were previously set at the 50th percentile and these reduced to the 30th percentile in April 2011. In Wirral the LHA rate for a 3 bed room house reduced from £595 to £550 per month or from £137.31 to £126.92 per week.
 - **Limiting Local Housing Allowance to 4 bed room accommodation**

A large family living in a five-bedroom or larger property are only eligible for the 4 bedroom rate. Claimants have to find the top up themselves, move to more affordable accommodation or claim Discretionary Housing Payment (DHP) to address the shortfall. In Wirral the maximum rate which could be claimed by a large family reduced from £862.51 to £625 per month, or from £199.04 to £144.23 per week in April 2011. Families who were initially protected are now starting to be affected.

- **Removal of £15 excess**

Claimants are no longer allowed to keep any excess of local housing allowance they receive which is above their actual rent.

- **Shared Accommodation Rate for under 35s**

From January 2012, the age limit for the shared accommodation rate (also known as the Single Room Rate) for single claimants increased from 25 to 35 years. This means that the maximum Local Housing Allowance that can be paid for a single person under 35 is limited to the rate for a single room in a shared property or a bedsit, even if they live in a self-contained property such as a one-bedroom flat. In Wirral there were 802 single people under 35 claiming local housing allowance. This reform is particularly unpopular with single people who have access to children. People who have previously spent at least 3 months living in supported accommodation designed to help rehabilitate them from homelessness, and some potentially dangerous individuals subject to Multi Agency Public Protection Arrangements are exempt.

- 2.6 In order to mitigate the effects of the introduction of these changes, the Government has increased the amount of Discretionary Housing Payment (DHP) awarded for distribution by local authorities in 2011-12 and 2012-13. Nationally there has been an increase in the award of DHP from £30m in 2011-12 to £60m in 2012-13. Local Authorities are expected to use this money to lessen the impact on those households who are unable to afford to pay top ups. Wirral's allocation has been increased by 64% from £282,981 in 2011-12 to £463,875 in 2012-13. Wirral can also ask for any under spend from 2011-12 to be carried over and has the freedom to top up this Government allocation to a capped limit of £1,159,688. Wirral has revised its policy and procedures in line with Government Good Practice Guidance to ensure that those cases that are likely to suffer the most hardship caused by the welfare benefit reforms are considered favourably. The Housing Options Team is also working closely with the Housing Benefit Section to ensure that best use is made of these payments.
- 2.7 At a local level, analysis of Wirralhomes has seen a steady increase in the number of households with urgent need due to under occupation, from 101 in August 2011 to 127 in February 2012. These households are under occupying by at least 2 bedrooms.
- 2.8 Due to the pending Welfare Reform Bill and the increase in those households who are under occupying their home, Wirral has been working with local Registered Providers (RPs) to carry out some research of the profile of residents in social housing stock. This information has enabled the Council to gain a greater understanding of the impact of the Welfare Reform Bill, in particular in relation to under occupation in social housing in Wirral.

- 2.9 Registered Providers have conducted a tenancy audit which indicates that out of 15,434 units of the social housing stock (which the Council has been provided information about to date), 5% will be affected by the Welfare Reform reduction in benefit of up to 25% due to occupying a property that has two or more spare bedrooms, and 15% will be affected in benefit of up to 14% due to occupying a property that has one spare bedroom. This brings the total amount of stock affected to 20% (3102). It should however be noted that one Registered Provider has not yet responded to the request for information, and three have not yet carried out a tenancy audit to find out the exact make up of the households living in their stock. These four Registered Providers hold a combined total stock of 4,370 which has not been included in the figures above. There is also an issue that some tenants may currently not be disclosing the presence of non-dependents in their households in order to avoid non-dependent deductions and therefore the figures may over represent the actual numbers.
- 2.10 This, along with the significant demand for social housing and increasing levels of over-crowding has led to Wirral Council working to develop a pilot scheme to assist those households that want to move into smaller accommodation which meets their needs.
- 2.11 To inform and direct the introduction of a pilot scheme, the Housing Strategy Team have been carrying out some consultation with those people who have been awarded an Urgent Needs Status for under occupation on Wirral's Choice Based Lettings Scheme. A copy of the questionnaire is attached to this report as Appendix 1.
- 2.12 Alongside the development of this pilot scheme, Registered Providers are also working to address both over crowding and under occupation. In particular, the Localism Act 2011 will make it easier for Registered Providers to transfer existing tenants outside the current allocation process, especially in cases of overcrowding or under occupation by removing the requirement to assess transfer applications in the same way as applications from households seeking social housing and the new allocations policy to be implemented in June 2012 takes account of this. Tenants vacating under-occupied properties are seen as a way of creating chain moves to assist a number of households at once access more suitable accommodation to meet their needs. However the profile of the social housing stock in Wirral indicates that it may not be possible to rehouse all those tenants who are under occupying into smaller property.

3.0 RELEVANT RISKS

- 3.1 The Localism Act and Welfare Reform Bill has the potential to increase financial hardship for many households in Wirral. This will be mitigated to some extent through homeless prevention measures, careful application of the allocations policy, optimum use of Discretionary Housing Payments and other initiatives.
- 3.2 If under occupation in social housing is not tackled successfully, there is a risk that with a reduction in benefit as a result of the impending Welfare Reform Bill, some tenants who receive the housing element of Universal Credit may fall into rent arrears, resulting in more evictions and an increase in homelessness. This would lead to an increased pressure on the Housing Options service and their ability to help prevent homelessness.

3.3 There is a risk that Registered Providers will see an increase in the number of rent arrears cases, which will impact on their ability to provide services to local people, fund repairs to existing stock and invest in new affordable housing in the borough.

4.0 OTHER OPTIONS CONSIDERED

4.1 Other initiatives such as the introduction of shared tenancies for under 35s, a social lettings agency and a rent a room scheme are also in the early stages of consideration.

5.0 CONSULTATION

5.1 The Housing Strategy Team is currently carrying out a consultation exercise with all those residents registered on the Wirralhomes waiting list and awarded an Urgent Need Status for Under-occupation, which means that they have two or more spare bedrooms.

5.2 There are currently 127 people on this list, ranging in age between 35 and 95 years. A letter was sent to each individual explaining that a member of the Housing Strategy Team would be contacting them to ask some questions about their current housing situation.

5.3 Registered Providers who have tenants registered with Wirral's Choice Based Lettings Scheme wishing to move, were also informed that the Housing Strategy Team would be contacting their tenants. This was well received and supported by Registered Providers, recognising the need to address this matter.

5.4 Out of the 127 residents on the list, the team have so far been unable to contact 43 residents. In the majority of these cases at least three attempts to contact has been made and messages left on voice mails where possible. Of the 84 residents spoken to to date, seven residents had already moved on into smaller accommodation, and two did not want to take part in the pilot consultation.

5.5 The headline findings identified through this consultation process to date are summarised below:

- The majority of those residents contacted would prefer to move into a bungalow, particularly for health and mobility reasons.
- When considering moving to a smaller property, the main factors residents consider to be important are location, the number of bedrooms (mainly two) and modern kitchens and bathrooms.
- The majority of those contacted would prefer to remain renting from Registered Providers.
- The main reasons why those contacted didn't want to move are 'moving being too stressful' and 'too much of an upheaval'.
- Generally those contacted felt that help with the actual move itself including the costs associated with moving, help with changing mail addresses and transferring bills would encourage them to move home.

5.6 A final summary report once this consultation process has been completed will be undertaken, detailing the full findings and will assist in moving forward with helping households who are under-occupying in the social sector. .

6.0 WAY FORWARD / NEXT STEPS

6.1 The impact the changes currently being debated as part of the Welfare Reform Bill, will significantly influence the approach the Council and Registered Providers take in terms of under occupation. The House of Lords on 14th February 2012, voted against Government plans as part of the Welfare Reform Bill, to cut housing benefit for people who live in social housing where at least one bedroom is standing empty. The bill will now go back before the House of Commons where changes made by the House of Lords will be considered further. Until this bill is finalised it is difficult to fully take account of its implications.

6.2 Whilst this debate continues to take place, we are however continuing to work to respond to the issue of under occupation through a variety of ways including:

- Working with our partners to develop new build schemes which incorporate smaller units within the scheme.
- Continuing to encourage those Registered Providers who have not yet conducted a tenancy audit of their tenants, particularly in terms of under occupation and overcrowding, to collect this data and work closely with the Council and other Registered providers to respond to this issue.
- Registered Providers using the opportunities provided through the Localism Act 2011. .
- The Council proceeding with offering a support service through a pilot approach in conjunction with Registered Providers, which will aim to tackle and reduce under occupation in Wirral. The pilot will target those residents registered on the Wirralhomes waiting list and awarded an Urgent Need Status for Under-occupation. The pilot will be informed by the outcome of the consultation exercise currently underway and will be reviewed after a six month period with regards to outcomes and also the impact on both staffing and financial resources.
- Working with Registered Providers to raise awareness of Welfare Reform and the impact this will have. This could include a range of options such as developing joint leaflets detailing the changes taking place to welfare benefits, targeting information at those residents specifically affected by the changes and providing information on the Council's web site to raise awareness of the changes taking place and directing residents to the appropriate advice agencies.
- The Council has been awarded Homeless Prevention Fund, Discretionary Housing Payment and Repossession Prevention Fund, all of which can be used to mitigate the effects of Welfare Reform.
- Other initiatives such as the introduction of shared tenancies for under 35s, a social lettings agency and a rent a room scheme are also in the early stages of consideration.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are no implications arising from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 8.1 Funding of £40,000 has been secured through the Governments Homelessness Grant allocation, which has been approved and allocated for tackling under occupation. This funding will be used to help support people, for example with removal costs and incentives to move.
- 8.2 The Housing Strategy Team will lead and coordinate the pilot initiative with direct tenant support being offered by existing resources placed within the Housing Division. Any new applicants wishing to participate in the pilot initiative will be offered a Housing Options review, which will take into account affordability and provide a range of re-housing options. It is expected that the pilot will be operated in conjunction with partner officers from Registered Providers. The impact on Council resources in delivering the scheme will be monitored and reviewed as part of the pilot initiative.
- 8.3 The Council has been awarded Homeless Prevention Fund, Discretionary Housing Payment and Repossession Prevention Fund, all of which can be used to mitigate the effects of Welfare Reform.

9.0 LEGAL IMPLICATIONS

- 9.1 The Localism Act requires local authorities to publish a Tenancy Strategy, by the end of 2012, setting out how they will respond to the flexibility that the Act introduces. The Strategy will cover the Council's own approach and the issues that it expects Registered Providers to take account of as they implement their own policies. An important theme of the changes is the principle of localism, giving local authorities considerable freedom of action rather than requiring them to operate in a particular way.

10.0 EQUALITIES IMPLICATIONS

- 10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(a) Yes and impact review can be found on:

<http://www.wirral.gov.uk/my-services/community-and-living/equality-diversity-cohesion/equality-impact-assessments/eias-2010/regeneration>

The link above is where the existing Housing Strategy Equality Impact Assessment appears on the Council's website, but a refreshed Housing Strategy Equality Impact Assessment is currently under development.

11.1 CARBON REDUCTION IMPLICATIONS

- 11.1 There are no direct carbon reduction implications resulting from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 12.1 No planning or community safety implications have arisen out of this report.

13.0 RECOMMENDATION/S

- 13.1 That Members note the current situation with regards to the potential impact of Welfare Reforms and under occupation in the social sector and the work being undertaken to mitigate this.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Welfare Reform will have a significant impact on residents in Wirral in particular in relation to under occupation and therefore the Council and its partners are working to address this issue.

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APPENDICES

Appendix 1 Telephone consultation questionnaire for residents identified as under occupying their home.

REFERENCE MATERIAL

Wirral Council's Corporate Plan

Wirralhomes Policy

SUBJECT HISTORY (last 3 years)

Council Meeting	Date