

Report of Director of Environment and Housing

Report to Executive Board

Date: 4th September 2013

Subject: Response to a Deputation from Hands off our Homes about the impact of the Social Sector Size Criteria

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. This report is submitted in response to a Deputation from Hands off our Homes about the impact of the Social Sector Size Criteria sometimes referred to as a Bedroom Tax on council tenants.
2. In April 2013 the government implemented a number of changes to the welfare system. Most notable was the Social Sector Size Criteria which reduces Housing Benefit (HB) entitlement for working age tenants deemed to have more bedrooms than they need. Pension age tenants, foster carers and members of the armed forces are not affected by this change. Those tenants that are under-occupying by 1-bedroom will have their HB worked out using a rent that is reduced by 14% for HB purposes only. Tenants under-occupying by 2-bedrooms or more will have their HB worked out using a rent that is reduced by 25% for HB purposes only
3. At the end of June, there were 6,407 tenancies with an under occupation charge on their rent accounts. This represents a weekly loss in HB of £74,690.63 (almost £4m per annum).

Recommendations

4. Executive Board is asked to acknowledge the concerns raised in the Deputation from Hand off our Homes.
5. Executive Board is requested to note:

- the extensive work that was put into preparing staff and affected customers for the changes;
- the work currently being undertaken by the Council and its Arms Length Management Organisations (ALMOs) and Belle Isle Tenant Management Organisation (BITMO) to minimise the impact on tenants; and
- the early findings on the impacts of the welfare changes.

Purpose of this report

- 1.1 The purpose of this report is to provide a response to the Hands off our Homes Deputation about the impact of the reduction in HB due to the number of bedrooms on council tenants.
- 1.2 The report also sets out the measures the Council and its ALMOs/BITMO are undertaking to minimise the impact of the changes and some early findings on the impacts.

2 Background information

- 2.1 The government has embarked on a range of changes to the welfare system which includes reducing the amount of Housing Benefit that council tenants can receive if they are of working age and are not fully occupying their home, a cap on the total amount of weekly benefits and the introduction of Universal Credit.
- 2.2 Leeds City Council has lobbied government on the impact the welfare changes will have on some of the most vulnerable members of the community as well as the Council's ability to maintain and invest in its stock and build new affordable homes if its rental income is reduced. A letter to this effect was sent to government signed by the leaders of the three main political parties in Leeds. The Council will have to collect almost £4m of income this financial year which will not be covered by housing benefit due to changes to entitlements.
- 2.3 Leeds City Council, in its response to the Communities and Local Government inquiry on the implementation of welfare changes by local authorities, outlined a number of concerns:
 - Limitations to the guidance provided to local authorities from central government on implementing welfare changes;
 - The financial risks from increased arrears impacting the council's ability to invest in and maintain its stock;
 - The likely effects on homelessness and housing demand; and
 - The social impact on tenants; some of the poorest and most vulnerable in our communities.
- 2.4 In November 2011, the Council established a cross sector Welfare Reform Strategy Board to oversee the preparations for welfare change. There is representation on the Board from all Council directorates, the ALMOs/BITMO,

Housing Associations, Advice Leeds Network, Leeds City Credit Union and Jobcentre Plus. The Board oversees the following activities :

- Developing a detailed awareness of the impact of the changes across Leeds;
- Preparing customers and stakeholders for the changes;
- Ensuring support arrangements are available for vulnerable customers; and
- Working in partnership with external agencies.

2.5 A Welfare Reform Operational Group was established in December 2011 to support the work of the Strategy Board. The group has an operational focus with representation from Housing Services, the ALMOs/BITMO, Welfare and Benefits, Customer Access, Finance and Communications as well as the Leeds Tenants Federation. The key aim of the group is to ensure frontline staff and affected customers are fully informed of the changes. This includes:

- Ensuring staff are fully trained and briefed on developments;
- Identifying and addressing policy implications; and
- Exploring support needs of affected tenants such as digital and financial inclusion.

2.6 The reduction in HB entitlement relating to bedroom occupancy came into effect in April 2013. During the course of 2012/13 the Council identified all of those tenants likely to be affected and initial forecasts suggested as many as 7,200 tenants could be affected by this change.

2.7 The biggest challenge the Council faces in this respect is the shortage of available 1 bed homes for affected tenants to move into. Over 4,500 of the tenants affected by under-occupation have a 1 bedroom housing need. In comparison, the Council let just over 1,500 non-sheltered 1 bedroom properties last year. Based on these statistics, it would take three years to re-house all tenants affected by reductions in HB due to the number of bedrooms with a 1 bedroom housing need, notwithstanding the need to re-house other applicants.

3 Main issues

3.1 Communications Plan

3.2 Through the Welfare Reform Strategy Board, a comprehensive communication plan was developed to deliver a co-ordinated approach for all communication activity. It seeks to ensure all stakeholders impacted and customers affected are informed through appropriate communications. Some of the key activities of the communications plan are outlined below:

- Production of 4,000 Under Occupancy leaflets - *Do you have too many bedrooms*;
- Production and distribution of 70,000 welfare changes information booklets - *Your benefit changes* (distributed to all libraries, One Stop Centres, housing offices, GP surgeries, nurseries, children's centres);

- Frequently Asked Questions (FAQs) on Under Occupancy for staff, stakeholders and customers;
- 1,500 general welfare changes posters for One Stop Centres, libraries, job centres and housing offices;
- 25 road shows across the city between October 2012 and March 2013 to inform customers of the changes;
- An information video for use in One Stop Centres and housing offices;
- A welfare change Sharepoint site accessible for all staff;
- Meetings with community groups to explain the changes; and
- A 15 page comprehensive advice guide for all frontline staff.

3.2.1 Copies of all leaflets and FAQ's were made available on www.leeds.gov.uk and ALMO / BITMO sites

3.3 **Preparing tenants for the introduction of welfare changes**

3.4 The Welfare Reform Strategy Board and Operational Group agreed that all affected tenants would receive an initial letter explaining the changes which would be followed up with visits. Between July 2012 and March 2013, the ALMOs and BITMO contacted and visited all affected tenants to explain the changes and the options available to them. The main focus of these visits was to ensure tenants had access to information, understood how the changes would affect them and received sound advice and on-going support to make decisions about their future. Additional resources were provided to the ALMOs and BITMO for six extra posts to undertake these visits.

3.5 Through these visits, over 6,900 of affected tenants have been contacted. Over 3,600 households expressed a preference to, if possible, stay in their existing home and meet the shortfall. The ALMOs and BITMO are working with these households to:

- ensure they are claiming all eligible benefits;
- review and prioritise expenditure;
- provide budget and debt advice including referrals to specialist debt support agencies;
- assist with establishing bank accounts and setting up direct debits; and
- identify potential eligibility for Discretionary Housing Payments and where appropriate making a supported referral; and
- identify any specialist support needs and making referrals to Independent Living Teams.

3.6 For many tenants, finding suitable alternative accommodation is the most viable option. The vast majority of tenants considering a transfer to smaller

accommodation (approximately 1,200 based on the visits) are seeking to move to another council property rather than the private sector. The Council is committed to facilitating such moves in a sensitive, supportive and effective way. All tenants who express a desire to move are contacted to ensure they understand the Choice Based Letting system. They are provided with assistance to register a housing application and are supported in bidding for properties to maximise their chances of securing suitable alternative accommodation.

- 3.7 The Council is looking to maximise moves through the mutual exchange process whereby properties are swapped by a tenant who is overcrowded and another who is under-occupying. Mutual exchanges offer a quick and simple way to resolve overcrowding and under-occupation and allow for moves to take place between Council and housing association tenants. The ALMOs and BITMO are promoting mutual exchange and swap shop events are underway and planned throughout the year. This year there has been a swap shop event in Seacroft and another in Gipton and 80 tenants in total attended these events. There is a further swap shop scheduled for Middleton in July and 600 tenants have been contacted about the event. The ALMOs and BITMO are working together to arrange a citywide event to facilitate moves between organisations.
- 3.8 An option for some tenants will be a Discretionary Housing Payment (DHP). The DHP fund for 2013-14 is £1.9m. £800K of this is to support social housing tenants affected by the HB reductions relating to bedroom occupancy and all tenants, including those in the private rented sector, affected by the benefit cap. The fund is a fraction of the total rent shortfall resulting from these benefit changes. Under the Council's DHP Policy, specific groups of tenants will be prioritised for payments including disabled tenants living in significantly adapted properties. Other applications will be considered on a case by case basis for exceptional circumstances where a DHP award is appropriate. This will include applications from parents who need an extra bedroom to support child access arrangements, tenants approaching the state pension age, where work is not a realistic option, and families expecting a first child where a housing allocation has been made on this basis. Applications and awards of DHP, as well as the reason for awards, will be closely monitored by Welfare and Benefits to ensure that the policy remains effective and affordable.
- 3.9 **Preparing staff for the introduction of welfare changes**
- 3.10 A significant programme of training has been undertaken by all front line staff to ensure that they are adequately prepared for the Welfare changes and can offer tenants the most appropriate advice.
- 3.11 In May 2012, all frontline staff completed initial training in the welfare benefit changes to equip them with the necessary knowledge to provide advice and guidance to customers.
- 3.12 Since then, there has been an on-going training programme for all relevant staff on the full range of the welfare benefit changes and associated policies:
- Under-occupation;

- Housing Benefit Cap;
- Universal Credit;
- Transfer of Disability Allowance to Personal Independence Payments;
- Local Council Tax Support Scheme;
- Discretionary Housing Payment (DHP) Policy; and
- Local Welfare Support Scheme.

3.13 Training has been delivered on a regular basis over the last year to ensure staff at all levels are fully briefed and prepared for the range of welfare changes as they are introduced. Officers have also attended regional and national events and workshops to share knowledge and best practise with other local authorities and housing providers. A summary of the key training activities for frontline housing staff are summarised below:

- May 2012 – initial training for all frontline staff on the range of welfare changes;
- July 2012 – briefings to frontline staff on welfare changes including under occupation and the benefit cap;
- August 2012 – training to front line staff on under occupation prior to commencing home visits to customers;
- September 2012 – arrears training delivered to key staff including good practice in debt recovery; staff briefed on the Council Tax Support Scheme consultation;
- November 2012 - – briefings to frontline staff on welfare changes including under occupation and the benefit cap;
- January 2013 – training to relevant staff on the DHP Policy;
- February - March 2013 – refresher training to frontline staff on under occupation in preparation for launch in April;
- April 2013 – training on the revised rent arrears recovery procedures and the Local Welfare Support Scheme and refresher training on DHP;
- May 2013 – Personal Independence Payment training to front line staff;
- June 2013 – refresher training on Local Welfare Support Scheme
- July 2013 – awareness training for staff on energy efficiency / fuel poverty, debt advice and loan sharks; and
- August 2013 - further arrears training planned for new staff.

3.14 In addition to the above, briefings have taken place on a regular basis across all directorates detailing the changes and how staff can advise and support affected

customers. The Council has also undertaken training sessions and briefings for advice agencies and NHS staff to raise awareness.

3.15 In preparation for April 2013, relevant directorates reviewed capacity to ensure sufficient resources were in place to deal with increased contacts and the impacts of the welfare changes. The Council made available to the ALMOs and BITMO additional resources for the financial year 2013-14 for 19 extra posts to provide targeted support for customers affected by the changes with a view to minimising the impact on performance and rent collection rates. The Council also made an additional 16 staff available to the contact centre from April to ensure adequate resources were in place across council tax, benefits and housing teams for as long as required. Welfare and Benefits provided for an additional 10 staff. The Council has therefore provided resources for an extra 45 staff this financial year to support customers to deal with the changes. Whilst it is difficult to calculate the precise impact, it is reasonable to assume that the staff will also improve the Council's collection rate, thereby offsetting the costs. There is some evidence to show that this is the case and this can be seen in the table at 3.37.

3.16 **Review of the rent arrears recovery procedures**

3.17 In April 2013, the Executive Board approved a report setting out changes to the rent arrears procedures that ensure there is sufficient opportunity to advise and support tenants affected by changes without impeding the Council's ability to take decisive recovery action, where tenants will not engage and fail to make any payments towards the arrears. The changes are summarised below:

- Debt Information Pack - this will include additional information including copies of the Council's 'Welfare Reform Under Occupation FAQs' and 'Overcoming financial difficulty' booklet. It will also include an information leaflet on mutual exchange and alternatives to loan sharks.
- Referral to Specialist Welfare Changes Officer – if, at the outset of any arrears recovery action a tenant is identified as being affected by under-occupation, a referral will be made to the specialist welfare reform officers within the ALMOs. Recovery action will be suspended to allow officers to provide the tenant with advice and support based on their individual circumstances. This will include:
 - Ensuring all eligible benefits are being claimed;
 - Ascertaining income details and prioritising expenditure;
 - Identifying eligibility for DHP and supporting referral;
 - Supporting tenants to register a housing application;
 - Promoting mutual exchange;
 - Supporting tenants to set up a bank account or direct debit;
 - Budgeting and debt advice; and
 - Referring vulnerable tenants for specialist support through the Independent Living Teams, Adult Social Care or Children's Services.
- Guidance on serving Notice of Intent to Seek Possession (NISP): - officers have developed guidance on when it would not be appropriate to serve a NISP.

- 3.18 The ALMOs and BITMO were briefed and provided with guidance notes on the new rent arrears recovery procedures.
- 3.19 In addition to the above, officers have developed a checklist to be completed for all possession cases and warrants where the household is affected by under-occupation. This outlines when the household was first contacted, what options they were considering at the initial visits and what additional support and advice they have been given. This has been designed to ensure officers have as much information as possible on the level of advice and support given to families before taking any further action.
- 3.20 The purpose of the review of the rent arrears policy is to strengthen the arrangements for giving support and advice to tenants affected by the Welfare changes. Whilst the Council still has to collect rent due, it is not the intention to harass tenants and any tenant that feels that they have been treated unreasonably by Council staff should make use of the Council's complaints process. Any report of harassment will be treated seriously by the Council and investigated under the complaints policy.
- 3.21 **Re-Designation of properties**
- 3.22 Through the under-occupation visits, the Council became aware of some tenants' concerns about the size, layout and design of a number of our property types. This prompted a review of council properties across the portfolio to ensure that properties are correctly designated with the right number of bedrooms ascribed.
- 3.23 The Council will not be considering the wholesale re designation of its council houses – this would not be legal. 837 properties have been properly identified that due to design and lay-out should be re-designated. The Council is currently finalising proposals to re-designate the following property types:
- five bedroom houses to a four bedroom house in which a downstairs sitting room has previously been designated as a bedroom;
 - some three-bedroom low rise flats to a two bedroom flat which due to design and layout are unsuitable for large families; and
 - some two bedroom multi storey flats to a one bedroom flat due to specific features in their design and layout.
- 3.24 **New Build**
- 3.25 The Council does agree with Hands off our Homes that there is a chronic housing crisis and in particular a shortage of social housing.
- 3.26 This Council has brought forward proposals, in September 2012 and July 2013 to spend £42.6 million on the development of 437 new council houses which will be the biggest new build programme in Leeds for decades.
- 3.27 The new programme will be delivered through a range of options including new build, off the shelf acquisitions, repurchase of Right to Buy properties and the

purchase of empty homes. Each option will be assessed against criteria which include value for money, the ability to deliver and the ability to attract match funding.

3.28 Early findings on the impacts of the welfare changes

- 3.29 The additional staff employed in the ALMOs/BITMO are working with affected tenants to maximise support to those impacted by the changes. The contact centre anticipated and prepared for peak periods during April and May. Call volumes were increased compared to the same period last year but staff felt well prepared and coped with call volumes. In April, there were in excess of 31,000 calls for housing related issues, an increase of 33% from the same period last year. Whilst footfall reduced in May, frontline staff have reported increased levels of tension from customers who are in debt. The number of contacts is reducing but continues to be higher than the same period last year. Furthermore, enquiries are often complex and therefore take longer to deal with. It is expected that the additional staff in the contact centre will be retained until the end of July but this is being reviewed on a regular basis.
- 3.30 On-going training and briefing sessions are planned to ensure frontline staff have the requisite knowledge to provide accurate and current advice and guidance to customers affected by the welfare changes. These will be scheduled in advance of new benefit changes coming live. In the coming weeks, all relevant staff will be briefed on the housing benefit cap which will go live in Leeds in August.
- 3.31 To date there have been 1,714 applications for DHP from households affected by under-occupation resulting in 813 awards. Of the 813 DHP awards, a total of £465,098 has been committed. Most awards are for a 53 week period but there are some for shorter periods depending on the circumstances. The majority of DHP awards have supported disabled tenants living in significantly adapted properties and parents who need an extra bedroom to support child access arrangements.
- 3.32 There has been a notable change in demand for council housing in 2013 in part caused by the welfare changes. Demand has increased for 1 bedroom properties by 7%. Whilst demand for 3 bed and 5 bed homes has decreased by 28% and 69% respectively.
- 3.33 There have been successes across all organisations in terms of mutual exchanges – there have been 171 in total this financial year, of which 47 are related to the welfare changes. By way of comparison, there were a total of 523 mutual exchanges for the financial year 2012-13.
- 3.34 Officers in Environment and Housing and Welfare and Benefits are monitoring the impacts of the welfare changes closely. Environment and Housing is producing performance reports on a regular basis outlining the impacts of the reductions in HB on council tenant rent accounts.
- 3.35 Before April 2013, there were 16,033 tenancies with arrears and in June 2013, this had increased to 19,147 (an increase of 3,114). There were 6,407 tenancies with an under occupation charge on their account based on June data. 4,531 of

these tenancies had no debt at the end of 2012/13 and 2,354 (52%) of these had arrears at the end of June owing a total of £170,797.

- 3.36 Of the 2,354 cases, 691 (29%) owe more than £100.
- 3.37 Based on recent figures, citywide rent collection performance has improved by 0.39% compared to the same period last year. This may indicate that the additional resources allocated to support and advise tenants is having a positive impact on collection. However, it would be wise to view this improvement with caution as at week 8, there was a reduction in rent collection of 0.34% across the city. Furthermore, up to this financial year, rent charges were calculated over a 52 week year but collected over 48 weeks; the remaining four weeks were non-collection weeks. Since April 2013, rent is collected over 52 weeks and this change is likely to have a bearing on performance. Officers are carrying out further analysis to understand the overall impact of this change on the statistics.
- 3.38 Given the movement in collection rates in the first 12 weeks of the year, it is dangerous to make any predictions about yearly collection rates until a definite trend can be ascertained from the collection rates. That said what is clear is that 2,354 tenants have moved into arrears because of the impact of the reductions in HB and that as the year goes on their situation will get worse unless they can be alternatively accommodated.
- 3.39 The Council now has a self-financing Housing Revenue Account which no longer relies on subsidy from the government. This means that the only income available to provide services to tenants and investment in council houses is the rent due. Given this position, it is not possible for the Council to consider writing off arrears arising as a result of the deductions relating to bedroom occupancy. However, and as has already been set out in this report, the Council will do everything reasonably possible to support and advise tenants who find themselves in arrears because of the welfare changes.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 All tenants affected by the reductions in HB due to bedroom occupancy received an initial letter in the summer of 2012. Between July and March 2013 the ALMOs and BITMO have been contacting and visiting all affected tenants to explain the changes and the options available to them. Through these visits over 6,900 affected tenants have been contacted and provided with advice and on-going support to help them make decisions about their future.
- 4.1.2 ALMO, BITMO and Council staff continue to work closely with all tenants affected by the changes. In particular, if, at the outset of any arrears recovery action a tenant is identified as being affected by under-occupation, a referral will be made to the specialist welfare reform officers. Recovery action will be suspended to allow officers to provide the tenant with advice and support including:
- Ensuring all eligible benefits are being claimed;
 - Ascertaining income details and prioritising expenditure;
 - Identifying eligibility for DHP and supporting referral;

- Supporting tenants to register a housing application;
- Promoting mutual exchange;
- Supporting tenants to set up a bank account or direct debit;
- Budgeting and debt advice; and
- Referring vulnerable tenants for specialist support through the Independent Living Teams, Adult Social Care or Children's Services.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 The reduction in HB entitlement for tenants deemed to have more bedrooms than they need affects working age tenants. It therefore targets some of the poorest and most vulnerable in society.
- 4.2.2 The Council's response has been to visit those affected, to offer advice and to provide support.
- 4.2.3 This report is in response to the deputation from Hands off our Homes. It is presented as an information report outlining how the Council has prepared tenants and staff for the welfare changes. Executive Board is asked to acknowledge the concerns raised in the deputation and note on-going work to minimise the impacts of the changes on tenants. As Executive Board is not asked to take a decision, an Equality, Diversity, Cohesion and Integration Screening has not been completed at this time.

4.3 Council policies and City Priorities

- 4.3.1 The Council has revised its rent arrears recovery procedures so that it takes into account those that can't pay and those that won't pay.

4.4 Resources and value for money

- 4.4.1 In total, the council has allocated resources for an additional 45 staff this financial year to deal with additional requests for advice and help and support tenants to understand the changes.
- 4.4.2 Given the movement in collection rates in the first 12 weeks of the year, it is dangerous to make any predictions about yearly collection rates until a definite trend can be ascertained from the collection rates. Any reduction in rental will have an impact on budgets for 2014/15.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 This report is eligible for call in.

4.6 Risk Management

- 4.6.1 The risks of welfare change are being managed at a strategic level by the cross sector Welfare Reform Strategy Board and at an operational level within Environment and Housing by the Operational Group.

5 Conclusions

- 5.1 The Council notes the concerns set out in the deputation from Hands off our Homes.
- 5.2 The Council with the ALMOs and BITMO has made significant efforts to prepare staff and tenants for the reduction in HB due to bedroom occupancy and other welfare changes. Staff have been provided with regular briefings and updates to ensure they have the necessary knowledge to provide accurate and current advice and guidance to customers affected by the welfare changes. All tenants have been visited; the rents arrears recovery procedures have been amended to support those who can't pay.
- 5.3 The Council has reviewed its arrears recovery procedures to ensure there is sufficient opportunity to advise and support tenants affected by changes without impeding the Council's ability to take decisive recovery action, where tenants will not engage and fail to make any payments towards the arrears.
- 5.4 The Council is finalising proposals to re-designate 837 properties which are currently incorrectly classified.
- 5.5 Despite these efforts 2,354 tenants have moved into arrears for the first time as a result of the HB deductions relating to bedroom occupancy.

6 Recommendations

- 6.1 The Executive Board is asked to acknowledge the concerns raised in the Deputation from Hand off our Homes.
- 6.2 Executive Board is also requested to note:
- the extensive work that was put into preparing staff and affected customers for the changes;
 - the work currently being undertaken by the Council and its ALMOs and BITMO to minimise the impact on tenants; and
 - the early findings on the impacts of the welfare changes.

7 Background documents¹

- 7.1 None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.