

CITY COUNCIL - 11 FEBRUARY 2013

REPORT OF THE PORTFOLIO HOLDER FOR ADULTS, HOUSING, AND THE COMMUNITY SECTOR

INTRODUCTION OF SIZE CRITERIA IN THE SOCIAL RENTED SECTOR- 'THE BEDROOM TAX'

1 SUMMARY

- 1.1 This report requests that Council formally supports the amendment of the Welfare Reform Act 2012 in order to repeal and/or amend the changes to Housing Benefit commonly known as the 'bedroom tax', due to take effect from 1 April 2013.
- 1.2 Due to a change in legislation and because of the application of new criteria on under occupancy, from 1 April 2013 Housing Benefit will be reduced for some people renting in the Social Rented Sector. Where there is one empty bedroom in a property, 14% less housing benefit will be paid per week. This will increase to 25% where there are two or more empty bedrooms.
- 1.3 These changes will have significant impact on approximately 6,000 low income households in Nottingham, many of whom are in work or disabled, presenting them with bills that they will have difficulty paying. This could lead to problems such as rent arrears and debt and would take spending power out of the local economy.

2 RECOMMENDATION

That Nottingham City Council resolves to support the amendment of the Welfare Reform Act 2012 in order to repeal changes to Housing Benefit, commonly known as the 'bedroom tax', and to lobby the Government to rethink its plans to cut housing benefit for thousands of its citizens.

3 REASONS FOR RECOMMENDATIONS (INCLUDING OUTCOMES OF CONSULTATION)

- 3.1 The 'bedroom tax' will increase the financial burden of approximately 6,000 households in Nottingham, many of which include working or disabled occupants.
- 3.2 The Government offers options to tenants who are under

occupying, such as moving to another property, asking relatives to contribute to the rent and taking in a lodger. These options may not, however, be equally applicable to all tenants, one obvious issue being a lack of availability of suitable properties to which to move. Accordingly, many tenants will have no choice but to pay, on average, £14 a week more for their housing.

- 3.3 The provisions of the 'bedroom tax' are inconsistent and fail to consider the additional needs of many households with regards to disabilities, adaptations made to homes, foster carers and parents who share the custody of their children.

4 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 4.1 Not opposing the introduction of size criteria on housing benefit would mean accepting the loss of thousands of pounds to low income families in Nottingham.

5 BACKGROUND

- 5.1 The Department for Work and Pensions (DWP) has decided to introduce restrictions to Housing Benefit for working age claimants living in the social rented sector who are occupying a larger property than their household requires. The change will only apply to working age Housing Benefit claimants. Until April 2010, working age included cases where both the claimant (and any partner) was under the age of 60. By 2020, legislation currently provides that the relevant age threshold will be 66 (in line with changes in the State Pension age for women, and entitlement to the guarantee element of State Pension Credit). The Autumn Statement on 29 November 2011 announced the intention to increase this to 67 by 2028. New and existing Housing Benefit claims from those claimants who have reached the qualifying age for state pension credit will be unaffected by this measure at the point that the size criteria changes are introduced. This means that housing benefit will be reduced according to the number of empty bedrooms. On 1 April 2013 it is intended to introduce size criteria for new and existing working age Housing Benefit claimants living in the social rented sector. The applicable maximum rent will be reduced by a national percentage rate depending on the number of spare bedrooms in the household. Legislation to allow this is contained within the Welfare Reform Act 2012.

- 5.2 The use of percentage reductions will take into account the different rent levels in different parts of the country. The reduction rates will be:
- where under occupying by one bedroom - 14%;
 - where under occupying by two or more bedrooms - 25%.
- 5.3 From 2013-14 an extra £30 million per year has been added to the Discretionary Housing Payment Fund. In 2012/13 Nottingham received £211,880 for its Discretionary Housing Payment Fund, as well as the additional £62,741 carried forward from the previous year. This gave a total of £274,621. For 2013/14 we will receive £696,031 with no funds carried forward. This funding may help alleviate the burden of households in certain circumstances; however, it is not sufficient to help all of the 6,000 households that will be affected. The funding for further years is unknown.
- 5.4 The DWP writes that the rationale for this legislation is to encourage tenants to occupy appropriately sized housing. This does not however take account of the availability of such housing.
- 5.5 The size criteria in the social rented sector will restrict housing benefit to allow for one bedroom for each person or couple living as part of the household with the following exceptions:
- children under 16 of same gender expected to share;
 - children under 10 expected to share regardless of gender;
 - disabled tenant or partner who needs non resident overnight carer will be allowed an extra bedroom.

According to these criteria, a family of four with two teenage girls under the age of 16 would be considered to be under occupying a three bedroom house.

- 5.6 In Nottingham, as at 8 February 2013, there are 4,491 properties under occupied by 1 bedroom, 1,555 properties under occupied by 2 bedrooms, and 54 properties under occupied by 3 bedrooms.
- 5.7 The new legislation will cost households receiving Housing Benefit, on average, £14 per week across the country.
- 5.8 Of the 6,000 households affected in Nottingham, the average financial implication for one spare bedroom will be £11 per week and for two or more spare bedrooms will be £22 per household per week.

6 FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY)

- 6.1 The changes will reduce the income available to the Housing Revenue Account (HRA) due to the potential for increased void levels and the negative impact on the ability of some tenants to pay their rent.
- 6.2 The HRA working balance has already been increased by £1 million to manage the risks being faced by the HRA. Budget assumptions for future rent collection are being reviewed in the light of the implications of welfare reform. Any increase in bad debts or increased void rates reduces the amount of funding available to invest in the housing stock.
- 6.3 The Discretionary Housing Benefit allowed to Nottingham City Council for 2013/14 will be £696,031. This funding has to provide additional financial support to citizens for such issues as the 'bedroom tax', the introduction of the benefit cap and the reduction in the Local Housing Allowance and other issues. This funding is not sufficient to alleviate the burden for the majority of the 6,000 households affected by the introduction of the 'bedroom tax'. Furthermore, the funding is only guaranteed for one year so provision cannot be made for future years.

7 RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS, CRIME AND DISORDER ACT IMPLICATIONS)

- 7.1 Increase in homelessness as individuals find themselves unable to pay their rent.
- 7.2 Decreased community cohesion and impact on schools as many families may be forced to move away from areas they have long lived in.
- 7.3 Impact on mental health as instability and financial concerns could cause some individuals to enter depression.
- 7.4 Legal implications:
- (a) an increase in Homelessness due to rent arrears may drive up the numbers of households applying to the Local Authority (Housing Aid) under Part VII of the Housing Act 1996. The Local Authority have a duty to take an application and, in certain circumstances, to provide interim accommodation

while enquiries are made to establish if the applicant is eligible, homeless, in priority need and whether they are intentionally homeless or not. The Local Authority only owes a full duty to accommodate those who are not intentionally homeless and in priority need. It is the case that currently those made homeless due to arrears of rent are intentionally homeless. It is likely that decisions that find those who become 'bedroom tax homeless' intentionally homeless may be legally challenged. This will have an impact on the resources of the Local Authority;

- (b) Local Authorities can now accommodate the Homeless in Private Rented Accommodation following changes brought in by the Localism Act 2011. It is anticipated that households may be forced into a 'Revolving Door' following Bedroom Tax homelessness whereby they are again made homeless when housing benefit will not cover the cost of private rented accommodation (generally higher in any event than social housing). The Local Authority has to take into account the affordability of the accommodation it offers the homeless. It may be that there will be insufficient affordable housing available in the City, resulting in increased legal challenges to the suitability of housing offered to those who request homeless assistance;
- (c) however, the Council should also note that changes to the eligibility criteria for Legal Aid also come into force in early April. This may lessen the ability of those in financial need to access legal representation to challenge the situation in which they find themselves.

The effects of simultaneous changes to Homelessness Legislation, Housing Benefit Eligibility, and Housing Allocation Legislation (not dealt with here) is predicted to result in a surge in Judicial Review challenges against Local Authorities with accompanying impact on financial and other resources.

8 EQUALITY IMPACT ASSESSMENT (EIA)

- 8.1 The DWP has completed an EIA assessment which is attached as Appendix 1.
- 8.2 This EIA assessment notes that women and disabled people will be disproportionately affected by the changes - with 63% of those affected disabled.

9 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

9.1 None

10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

10.1 DWP Report: Housing Benefit: Size Criteria for People Renting in the Social Rented Sector.

10.2 Councillor Briefing Report: under occupancy and changes to Housing Benefits from April 2013.

10.3 Nottingham City Council: Welfare Changes - What you need to know.

**COUNCILLOR LIVERSIDGE
PORTFOLIO HOLDER FOR ADULTS, HOUSING, AND THE
COMMUNITY SECTOR**