Item No. | Classification: Open | Date: 22 January 2015 | Meeting Name: Cabinet Member for Housing
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Report title: | The use of the Housing Revenue Account to provide financial support to Southwark Council tenants

Ward(s) or groups affected: | All

Cabinet Member: | Councillor Livingstone Cabinet Member for Housing Councillor Colley Cabinet Member for Finance, Strategy & Performance

**RECOMMENDATIONS**

1. To agree the provision of support to Local Authority tenants affected by reductions in Housing Benefit as a result of the Social Sector Size Restrictions utilising funds from the Housing Revenue Account (HRA) in 2014/2015 to supplement the existing Discretionary Housing Payments (DHP) fund.

2. To agree that the Council should allow £200k to be used from the HRA to provide financial support to those tenants of Southwark whose entitlement to Housing Benefit has been reduced as a result of the Social Sector Size Criteria and other welfare reform initiatives in 2014/2015 financial year.

**BACKGROUND INFORMATION**

3. The Welfare Reform Act 2012 introduced the Social Sector Size Restriction. This reduces Housing Benefit for claimants in accommodation which is larger than their needs by 14% for 1 bedroom over accommodated and 25% for accommodation with 2 or more bedrooms over accommodated.

4. During the 2013/2014 financial year Southwark Council received an initial Discretionary Housing Payment budget from the Department for Works and Pensions totaling £1.1 million. However, this funding was fully committed by December 2013, due to Southwark having the second largest number of tenants impacted by the Spare Room Subsidy.

5. The Department for Works and Pensions awarded Southwark Council an additional Discretionary Housing Payment allocation totaling £750k in December 2013, and January 2014, due to the increase in demand.

6. Southwark Council also received approval from the Department for Communities and Local Government to use its Housing Revenue Account to supplement further funding for Discretionary Housing Payments to Southwark Council tenants and during the 2013/2014 financial year the Housing Revenue Account awarded £352k for Discretionary Housing Payments.

7. Therefore in total the available Discretionary Housing Payment budget for the 2013/2014 financial year was £2.2 million, compared to £1.2 million in the current financial year.
8. Southwark Council approached the Department for Works and Pensions on the 6 October 2014, to request additional Discretionary Housing Payment funding, as it was clear the available budget totaling £1.2 million for the 2014/2015 financial year would be spent by the 31 December 2014. Southwark Council was advised by the Department for Works and Pensions that no decision on the availability of additional funding had been made, and no decision would be made until the six month review of the financial year’s performance was completed by the Department. The Department for Works and Pensions published the six month performance data on the 19 December 2014, but no announcement regarding any additional funding has been forthcoming.

9. The Department for Works and Pensions were also been contacted in November and December 2014, but no additional information was provided to Southwark Council or to the locally elected Members of Parliament, who also made enquires on behalf of the Council.

10. Therefore, the delay in receiving information from the Department for Works and Pensions has resulted in this late request to use the Housing Revenue Account to supplement the Discretionary Housing Payment budget for the 2014/2015 financial year.

11. It has been indicated by central Government that the Discretionary Housing Payment budget will be reduced in future years as part of the austerity measures introduced by the coalition Government. These reductions will place greater pressure on the Housing Revenue Account in future years with the prospect of the Housing Revenue Account having to contribute additional funding to protect Southwark Council tenants from the impacts of the Welfare Reforms.

12. Although Southwark Council’s performance in reducing the numbers of customers impacted by the Spare Room Subsidy is one of the best in the country and has reduced households affected by the Spare Room Subsidy from 4,700 to 3,400 and the number of customers impacted by the Benefit Cap has also reduced from 500 households to 219 households, it will now take Southwark Council a considerably longer period of time to either rehouse customers to more appropriate accommodation, or obtain employment, etc. if the Discretionary Housing Payment budget is reduced further.

13. Although the Housing Revenue Account (HRA) has recently been reformed under legislation placing responsibility for its administration and decision making with the individual councils and communities who they serve. Councils are best placed to decide how to manage their housing portfolios and to apply for a Direction to the Department for Communities and Local Government if it fits within local priorities. However, central government also has a duty to provide adequate Discretionary Housing Payment budgets to comply with relevant legislation and case law.

14. The Department for Communities and Local Government wrote to Chief Executives of all 325 English Council’s on the 5 June 2014, to advise them that “Where a local housing authority wishes to make discretionary payments available to its own tenants through the HRA, the Department for Communities and Local Government (DCLG) is prepared, upon receipt of a written application, to issue a Direction under Item 9 Credit and Item 10 Debit, putting the matter beyond doubt for individual authorities”.

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15. An application to the Secretary of State of the Department for Communities and Local Government can be submitted during January 2015, to allow Southwark to formally utilise funds within the HRA for this purpose.

16. The release of funds from the HRA to support the DHP fund will provide financial assistance and support to those Southwark tenants experiencing a reduction in Housing Benefit and/or arrears as a result of the imposition of the Spare Room Subsidy and the Benefit Cap. This assistance will take the form of discretionary housing payments to enable such tenants to exchange properties, seek help to manage their finances better and protect those who need to remain in their home due to disabilities and special adaptations to their dwelling.

17. The addition of these funds to DHP will enable the council to protect the most vulnerable and help prevent inequality in the most deprived areas of Southwark widening further still.

18. The introduction of the Welfare Reforms has had a major financial impact on the HRA Self Financing Business Plan. The current tenants arrears as at the end of December 2014, shows that 52.1% of tenants who are under-occupying their home by one bedroom are in rent arrears and 48.8% of customers under-occupying there homes by 2 bedrooms or more are now in rent arrears compared to 25% of these customers being in arrears before the spare room subsidy was introduced on the 1 April 2013. The average rent arrears per tenant under-occupying there home by one bedroom has increased to £901.00 and tenant’s under-occupying there homes by 2 or more bedroom is now £1,025.00 in rent arrears compared to average tenant rent arrears who are not effected, is approx. £700.00. The total arrears of the 1281 tenants affected total £1.19m.

19. The provision of funding from HRA to support local authority tenants will reduce the strain on the government’s allocation of DHP which totals £1.2 million for Southwark this year.

20. It is proposed that a DHP of £200k is established in the HRA for a time limited period for 2014/15 financial year and this will be funded by redirecting existing resources in the approved HRA Revenue/Capital Budget for 2014/15. This will include vacancy controls, savings in operational costs but will avoid any adverse impact on the key capital investment programmes.

21. The financial position will be subject to continuous review through the existing corporate financial reporting framework to Cabinet.

22. The council has made use of its Discretionary Housing Payments (DHP) fund to assist all Social Sector tenants affected by this reform. The total allocation of DHP for Southwark is £1.2 million, and 100% of this available funding has now been spent.

23. To date in excess of 900 DHP awards have been made to Southwark tenants affected by the spare room subsidy. This has committed over £592k.

24. The Housing Revenue Account (HRA) is a landlord account managed by the council with the primary purpose to control and monitor income and expenditure of the management, maintenance and major repairs of its housing stock.

25. The successful application for a Direction from the Secretary of State, for £200k to be released from the HRA for the 2014/2015 financial year in order to
establish a fund specifically designed to award extra payments against Local Authority tenants Housing Benefit that has been reduced as a result of the spare room subsidy will help to reduce rent arrears, increase the financial well-being of households and promote financial inclusion locally.

26. It is expected that Local Authority tenants wishing to apply for DHP will also engage with the council to explore all options of payment support and/or the need to move to a more suitably sized property. The current DHP policy will be operated in light of this initiative and reflect that long term support for the shortfall will be provided for those who are most in need and who cannot move because of their adapted properties. It will also provide short term awards for those who do have the ability to move to alternative accommodation. The broad principles of the criteria for awards of DHP in respect of local authority tenants are as follows:

27. Tenants living in properties specifically adapted due to a disability will be awarded the full shortfall due to the spare room subsidy.

28. Tenants in arrears will be assisted through the fund in order to facilitate a move to more suitably sized accommodation.

29. Tenants will only receive short term support of approximately 13 weeks to enable tenants to move through the SMART moves initiative, and obtain Financial Inclusion advice from the Homelessness and Housing Options service. This advice will include employment advice and support from the Job Centre Plus.

30. The award of a Discretionary Housing Payment is a short term measure that allows the service to consider the following solutions in the 13 week period:

   - Moving to smaller accommodation via the SMART move framework
   - Mutual Exchange
   - Lodging scheme to occupy spare rooms
   - Employment and Training Opportunities
   - Money Advice
   - Affordable banking solutions via the Credit Union and moving away from Loan Sharks and payday money lending with high interest

31. This is not a prescriptive list and each application will be considered on a case by case basis.

32. The release of funds from HRA to supplement the DHP budget will enable Southwark Council to deliver a suitable scheme of financial assistance for council tenants affected by a reduction in their Housing Benefit that aligns with corporate requirements to alleviate crisis and financial hardship. This will support the most vulnerable such as those tenants with specifically adapted properties and at the same time assist those tenants who wish to relocate to more suitably sized accommodation and/or to meet the shortfall in their rent over a period of time.

Aims

33. The release of funds from the Housing Revenue Account (HRA) aims to support Southwark Council Housing tenants suffering hardship following the introduction of the spare room subsidy housing benefit reductions by supplementing the existing Discretionary Housing Payments (DHP) fund and process. The council
aims to develop a support package through the use of funds from the HRA account to assist tenants through the transition from previous levels of Housing Benefit to the revised levels as a result of the introduction of the size criteria restrictions (14% reduction for one room over accommodated and 25% reduction for 2 or more rooms over accommodated).

Policy Implications

34. Most of the recommendations are providing further definition and clarification to existing policy.

35. The recommendations are in line with the council’s “Fairer Future Principles” and in particular seek to ensure that we are open, honest and accountable.

36. The drivers for these changes are the Welfare Reform Act 2012.

Policy Changes

37. The recommendations will assist the council to manage the Discretionary Housing Payment scheme and prevent/reduce tenant evictions.

38. This also contributes to the implementation of the fourth strand of the council’s economic wellbeing strategy, which aims to make Southwark a place where our residents are financially resilient and independent.

39. There are no policy changes to the existing Discretionary Housing Payment policy.

Community Impact Statement

40. The introduction of the DHP for Southwark Council tenants from the HRA will assist the council to develop mixed balanced and sustainable communities, prevent or reduce evictions of tenants due to rent arrears caused by the social sector size criteria introduced through the Welfare Reforms.

Resources Implications

41. The council’s total DHP allocation for 2014/15 is £1,223m, which represents only 65% of the direct DWP funding available in 2013/14 and is insufficient to meet the increased demand experienced this year.

42. This report seeks approval to use HRA resources to supplement the DHP allocation for the current year, which has been fully spent as at the end of December 2014. Activity analysis for the first nine months shows 1,827 awards have been made, of which 967 are to council tenants (52.9%) at a cost of 592k and 860 awards to private/ non-HRA tenants (47.1%) at a cost of £631k.

43. Cabinet approved the 2014/15 HRA budget in January 2014 and resources can be re-directed to supplement DHP funds as proposed, subject to Secretary of State approval, which has been sought. However, it is important to stress that any additional HRA funding is a top-up to the existing grant funding received from DWP rather than a substitute for it and is restricted to council tenants only, whereas the direct DWP allocation held in the general fund is non-tenure specific. It should also be noted that central government support for DHP is almost certain to be further reduced, thus potentially transferring the financial
burden to the council and the HRA specifically, and this has not formed part of any budget considerations for 2015/16.

44. However, it is recognised that these reforms and the wider economic conditions are having a detrimental impact on people’s income and their ability to pay their rent and charges to the council. There is clearly a case to be considered for the wider application of DHP (funded through the HRA) as over 50% of claimants fall to the HRA. These measures help to mitigate the budget impact by reducing arrears, avoiding evictions and any subsequent re-housing liability under the council’s homeless duty.

Consultation

45. No consultation has taken place with tenants, residents, community groups, or stakeholders.

Implementation

46. The HRA contribution to the DHP budget will be implemented subject to the approval being granted by the Secretary of state for the Department for Communities and Local Government

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Finance and Corporate Services

47. The financial implications arising from this proposal are contained in the body of the report.

Director of Legal Services

48. The Discretionary Financial Assistance Regulations 2001, as amended, provide local authorities with the power and framework to make discretionary payments to benefit recipients that need further financial assistance.

49. The accounting framework applicable to the Housing Revenue Account (HRA) is set out in the Local Government and Housing Act 1989. The HRA implications arising from the recommendations are contained in the body of the report.
### BACKGROUND DOCUMENTS

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### APPENDICES

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### AUDIT TRAIL

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<td>Ian Swift, Service Group Manager Housing Options &amp; Homelessness</td>
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