

Item No.	Classification: Open	Date: 17 May 2013	Meeting Name: Deputy Leader of the Council and Cabinet Member for Housing
Report title:		Review of Underoccupation Scheme	
Ward(s) or groups affected:		All	
From:		Strategic Director of Housing and Community Services	

RECOMMENDATIONS

1. That the Cabinet Member agrees the recommendations for changes to Southwark's under-occupation initiative currently named Smart Move for 2013/14 as set out in paragraphs 20-24.
2. That the Cabinet Member notes the proposed changes to the Cash Incentive Grant Scheme administered by Specialist Housing Services detailed in points 30-35. Detailed proposals are being developed for a decision to be taken at a later date.

BACKGROUND INFORMATION

3. The Smart Move scheme provides an opportunity for under-occupying tenants to move to a smaller and more manageable home, freeing up much needed family sized accommodation for households in need. The scheme has achieved a total of 450 moves over the last 3 years, with 148 successful rehousing taking place during 2011/12.
4. The Smart Move scheme grants Band 1 priority to Southwark Council tenants who are under-occupying their present home. Housing association tenants are also eligible where their landlord grants Southwark nomination rights to the resulting void. The scheme offers incentives as follows:
 - £250 payments for each bedroom release
 - £300 one-off payment towards moving costs
 - Redecoration allowance on a sliding scale from £150 to £300 (subject to financial availability);
 - Extra bedroom surplus to needs where tenant releases 3 bed homes or larger

KEY ISSUES FOR CONSIDERATION

Welfare Reforms

5. From 1 April 2013 new and existing working-age Housing Benefit (HB) claimants currently under-occupying their home will see an immediate reduction in their HB. There will be no transitional protection for existing claimants. This will result in a 14% reduction for a household under-occupying by 1 bedroom and 25% for those under-occupying by 2 bedrooms or more.

6. Tenants will have to pay their landlord the shortfall between HB and the rent. For those tenants affected by the changes in London, the government estimates indicate an average weekly HB reduction of about £21. The change will only apply to working-age HB claimants.
7. Where a carer stays overnight to provide necessary care for the claimant or their partner, Housing Benefit will still be paid for this extra bedroom.

Impact on Southwark due to Welfare Reforms

8. Data compiled in February 2013 shows:
 - Total number of council tenants receiving Housing Benefit and under occupying their properties - 3,514
 - Under occupying by one bedroom (these claimants will lose 14% of eligible rent in calculation for HB) - 2,533
 - Under occupying by two bedrooms or more (these claimants will lose 25% of eligible rent in calculation for HB) 981.

Reasons for extending the under-occupation scheme

9. Better stock utilisation.
10. While promoting under-occupiers to Band 1 will improve the transfer prospects of those of them who are actively seeking a transfer to smaller accommodation, there are not many tenants actively seeking such a move.
11. Research carried out by the London Research Centre and Heriot-Watt University (*Under occupation in Social Housing, 2001*) confirmed that for most tenants, having a larger property than they need is not perceived as a problem by them. In many cases, the “spare” bedroom is actually slept in on a regular basis, for example by grandchildren coming to stay.
12. Nor is there any inherent financial advantage in moving to a smaller property. The rent on a 2 or 3 bedroom property is only marginally higher than on a 1-bedroom flat. Many under-occupying tenants are retired and on full Housing benefit in any case. Those over the age of 62 are not affected by the “bedroom tax”). Finally, moving home is costly and stressful, and this is a further deterrent. It is clear that where you live and the prospect of moving is often driven by matters other than money.
13. It is therefore unlikely that simply by increasing the priority of under-occupiers, this would result in large numbers of tenants actually transferring. If the number of under-occupiers moving is to be increased significantly, the Council will need to adopt a more pro-active approach.
14. The other serious barrier to tackling under occupation identified by the research is the shortage of smaller properties likely to appeal to would-be tenants. Under occupiers are usually very choosy about where they will move to.
15. The cash incentive offered, while unlikely to change the mind of an under-

occupying tenant who does not want to move, is helpful for tenants who want to move but cannot afford to do so, and may encourage them to move earlier than they would otherwise have done.

16. While important, cash incentives are not the only factor critical for success. The 2001 research concluded that: "A combination of positive inducements and the personal approach is the most useful for encouraging moves". The report recommends a more intensive approach to under occupying tenants, using specialist staff to win their trust, provide encouragement and "hold their hands" through the process.
17. This approach allows tenants to get a better understanding of what kind of property is available, how the system works, and what the Council can do to help. It also enables the specialist staff to understand individual tenants' motivations. When under occupying tenants do move factors other than the size of their home are often important. These include difficulty in tackling stairs, and the desire to move away from neighbour nuisance or a problem estate.
18. The larger properties released, if let to homeless families, will help the turnaround of temporary accommodation.
19. High priority transfer and decant cases needing larger properties will also be assisted to move (unless ring-fencing to homeless families is pursued)

Proposed improvements to the scheme 2013/14

20. It is proposed to increase the cash incentive payment to £1,000 per bedroom given up (after any outstanding rent arrears are deducted)
21. It is proposed to keep Band 1 priority
22. It is proposed to keep the current scheme's one off payment of £300 towards removals costs but also include an additional payment of the cost of disconnecting and reconnecting utility services.
23. It is proposed to keep the extra entitlement for an extra bedroom above calculated housing need as per current scheme. Unfortunately tenants affected by welfare reform (size criteria) will not be eligible due to the practicalities of the welfare reform criteria.
24. It is also proposed to keep the redecoration allowance as per current scheme. (See para 4).
25. It is estimated that there is a mix of under-occupying households:

Under-occupying by 1 bedroom	2,401
Under-occupying by 2 bedrooms	819
Under-occupying by 3 bedrooms	139
Under-occupying by 4 bedrooms	15
Under-occupying by 5 bedrooms	2
Total	3,376
This list includes 36 x 6 beds	

26. Current estimates are that around a third of the above 3,376 households may

approach the council to downsize/or to avoid getting into arrears due to the welfare reform changes. This is based on the assumption that the other affected tenants will make their own arrangements.

27. In view of the above it is proposed to direct resources to those properties for which Southwark have the most demand by setting a target against each bedroom size, primarily four bedroom + properties as well as two bedroom properties.
28. It is important that any targets set for this scheme are realistic, bearing in mind the limited supply of attractive one bedroom properties. This factor will set a "ceiling" on the number of under occupier moves (see resource considerations below).
29. It is proposed to recruit an additional officer bringing the total to two. In order to increase the amount of support, advice and assistance provided to under-occupiers. The role of these officers will include identifying potentially suitable properties and providing assistance with bidding for these. This would ensure the more personalised service that under-occupiers are looking for from the council. The officer would also market the scheme to non-registered under-occupiers to assist in increasing take-up. In the event that DCLG funding for this post ceases in April, it is proposed that the cost of this staff member be underwritten until March 2014.

Cash Incentive grants to assist tenants with owner-occupation

30. Since 2007, Specialist Housing Services (SHS) has operated a Cash Incentive scheme (Home Purchase Grant) to assist secure tenants purchase a property on the open market, suitable to accommodate their household. Affordability is means-tested and the grants awards are based on the number of bedrooms being 'given up'. The current minimum grant is £20k and the maximum is £36k. The current average grant is in the region of £24k.
31. The scheme is funded with capital receipts from disposals under the Social Home buy scheme, as well as receipts from the sale of forfeited leasehold properties. Currently, the budget for the scheme stands at approximately £400k, although approximately half this figure is allocated to provisional offers of a grant. A further allocation in the region of £400k is anticipated in 2013/14 the result of two forfeitures in 2012/13.
32. The scheme was initially only open to secure tenants in three bedroom properties; it was changed in January 2012 to include secure tenants in two bedroom properties who were registered as overcrowded. It is being proposed that the scheme is now extended to all secure tenants of two bedroom properties. However, given the number of such tenants in the borough, SHS will be required to develop a strategy for prioritising applications as it is anticipated that there will be more applicants than grants available.

Cash incentive grants to assist tenants with a move in private renting

33. SHS also propose a scheme to assist secure tenants who want to move to private rented accommodation elsewhere in the country by way of an incentive payment to help with rent deposits, removal costs, furnishings etc.

34. Such schemes are sometimes referred to as “winkling schemes” and are primarily aimed at tenants who are originally from other parts of the UK and who wish to return home.
35. The proposal is to offer the same level of financial incentive as proposed under the revised Smart Move scheme detailed in paragraph 20 of this report and that a budget of £50k be allocated from the Capital Social Home Buy funding in the first year to pilot the scheme. Being a new scheme, careful consideration will be given with regards to prioritisation and verification of applicant circumstances.

Other considerations

There are two options worthy of consideration

36. Ring fence all voids created by under-occupation transfers for allocation to homeless families in temporary accommodation.
37. On average, each household in Bed & Breakfast costs an approximately £58 per night. This is across the board with costs for larger households even higher.
38. Based on this (under-estimated) figure, once rent is collected there is a net cost to Southwark of £35.50 per night per household which equates to £13k per household per annum. There are currently 34 applicants alone on the direct offer list that requires three or more bedrooms.
39. If this proposal is accepted, should we find that there are no suitable applicants in TA within 24 hours to offer the property to; the property could then be advertised.
40. Based on Homeless Direct Offer Demand

Bed Size	% Demand
1	10%
2	50%
3	9%
4	20%
5	11%

Tenant Qualification

41. Tenants must be living in properties where they have a need to move to a property with fewer bedrooms.
42. Tenants must have a clear rent account, or agree to the council using the incentive payment to clear any arrears.
43. Tenants must be willing to let prospective tenants view the property.

Property Qualification

44. The council excludes the following properties for the scheme.
45. Any property which would cost more than £5,000 to repair.

Community impact statement

46. The proposals in this report will increase the supply of larger homes which will assist in addressing overcrowding and other issues such as serious health problems among both children and adults and poor educational attainment.
47. With the expectation that tenants are likely to experience difficulty meeting their rent payments due to the reduction in housing benefit from April 2013, the proposals will assist a greater number of tenants to move to a more affordable home and ultimately avoid the risk of homelessness.
48. Under-occupying tenants who wish to move to a smaller home will benefit from the proposals in this report. Smaller properties are more likely to be more cost effective to heat, run and maintain. It will also assist those tenants with health problems as it offers the opportunity to select a more suitable property – such as one on a lower floor level or with fewer internal stairs, or closer to family and support networks.
49. The proposals address the council's public sector equality duty and gives consideration to the impact on those likely to be affected. The duty set out in section 149 of the Equality Act 2010 requires the council to consider all individuals when carrying out its functions. Specifically it has due regard to the need to eliminate discrimination, harassment, victimisation or other prohibited conduct; advance equality of opportunity and foster good relations between people with protected characteristics and those who do not. The relevant characteristics being age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.
50. According to the most recent Southwark Housing Requirements Study of 2008, the findings of which are still valid, 22% of all Black African households and 28% of Latin American households were overcrowded and all black and minority ethnic groups were more likely to be occupying overcrowded accommodation than the White British households. The Housing Requirements Study also found that nearly 30,000 households in Southwark had at least one member with health problems. The main reported problems were mobility and age-related problems. While some of these problems could be addressed within the household's existing home (adaptations etc), not all could be resolved in this way and would therefore require a move to a more suitable home.

Resource implications

51. The present budget for the under occupation scheme within this service area is £150k and funded through the HRA. The existing scheme has proven very popular, with the number of moves this year reaching expectations. At February 2013, 134 moves at an average cost of £950 have been made. This will result in expected full spend on this incentive for the HRA in the current financial year. This report puts forward a proposal to develop the scheme in the future and for next financial year at £380k where resources will be met. The scheme is expected to continue to be popular and one additional member of staff will be needed to assist this. Regular monitoring will be undertaken and reported quarterly.
52. Revenue investment to increase the number of target moves from 150 in the current year to 200 in the new financial year 2013-14. The average cost on the

proposed scheme per move will be increased to £1,900. This is inclusive of incentives, removals and service disconnections and connections.

53. The table below outlines an estimated profile based on current households and moves expected over the next 3 years.

Under occupancy by bed size	Households	Moves	Year	Year two	Year Three	Year four	Year
1 bedroom	2,401	800	130	131	140	140	110
2 bedrooms	819	272	52	52	50	50	83
3 bedrooms	139	46	15	15	15	15	15
4 bedrooms	15	5	2	2	2	2	2
5 bedrooms	2	1	1	0	0	0	0
Total	3,376	1,124	200	200	207	207	210

54. This addresses properties in the different demand groups and is flexible to allow for any high demand of 2 and 4 beds homeless tenants.

55. Detailed in table two below is a sample of 910 tenants at January 2013 on the present waiting list of 6000 with active housing registration applications. This identifies that 33.63% of the sample tenants are currently in two bed properties requiring a one bed property under the new rules and new funding planned for in 2013-14 will facilitate this need.

56. % of each current bed size needing to downsize:

% of each current bed size needing to downsize			
Current Bed size	Bed size allowed	Total	%
2	1	306	33.63%
3	1	130	14.29%
	2	286	31.43%
4	1	29	
	2	75	
	3	50	16.92%
5	1	4	
	2	4	
	3	11	
6	4	5	2.64%
	2	2	
7	5	2	0.44%
	1	1	
various	4	1	0.22%
	1	1	
	2	2	
Tenant sample	4	1	0.44%
		910	

57. New resources of £250k are earmarked to assist the new scheme. By targeting

this client group accommodation for homelessness becomes available and assists in reducing continuous pressure on expensive bed and breakfast accommodation.

58. The proposal above increases the level of incentive allowances paid to tenant's payable at £1,000 per move. The proposal also allows for a removal service to assist tenants. Tenants will have the option of either move themselves or use the Council service and have the option to choose.
59. Given existing volumes, it is considered necessary to increase the level of staffing from one to two posts to provide a more bespoke service to tenants and ensure the smooth introduction and operation of the new scheme. This cost is c. £40k and made available from current resources reviewable in 2014.
60. Beyond 2015, a further assessment will be made to address the need or to curtailment activity and to stay within the agreed base budget setting should household numbers increase. Growth will need to be identified early on and will be subject to competing demands for funding as part of the annual HRA budget setting process.
61. The cash incentive scheme administered by the sales and acquisitions team within SHS and identified at points 30 to 35 above is resourced by a single Cash Incentive Officer (Hay 8). There is a need to review this in the future as the scheme develops and will be addressed separately.
62. Then considering the ring fencing of void properties for homeless households this will be delegated through policy and assist the ongoing pressure for demand of expensive bed and breakfast accommodation. This in turn reduces going pressure on general fund resources.

Consultation

63. Consultation was previously undertaken with all tenants registered in the under-occupation scheme as at February 2010 and 71% of those who responded said that they would still move even if financial incentives were reduced.
64. Bearing in mind that many tenants may now find that they have to move as they are unable to meet their rent payments due to the reduction in HB, the council is mindful of the possible consequences facing tenants unable to pay their rent. The Lettings Policy Review group comprising of cross-party members, tenant representatives and registered provider representation has considered these proposals and is supportive of them.
65. The Housing Options and Homelessness Services have written to all under-occupying tenants throughout the borough to notify them of the welfare reform changes in relation to the size criteria.
66. In November 2012 a letter went out to all tenants registered on the Smart Move scheme (490). At that time, due to the changes, the proposal was to reduce the amount of incentive paid to tenants. All tenants were invited to comment on this proposal. Only five responses were received, these responses were received from tenants over the age of 65 who would not have been affected by the reduction in payment, each of the five responses made no reference to money but were in fact asking if they would still be entitled to an extra bedroom.

67. In view of the above, a decision was made not to re-write to all tenants informing them of the proposals to extend the scheme because:
- It could be confusing having already received a reduction letter.
 - As already pointed out incentive money does not seem to be a deciding factor in joining the scheme.
68. Should the scheme changes be agreed, as outlined in this report, all under-occupying tenants will be advised.

COMMENTS FROM OTHER OFFICERS

Director of Legal Services

69. The recommended changes in paragraph 1 to the council's under-occupation incentive scheme are likely to affect those tenants who are currently eligible to benefit from the scheme however the report notes in paragraph 68 that officers do not consider the effect on them will be substantial. The report proposes the scheme remain in place substantially as it is currently but with an increase to the payment made in respect of bedroom release and additional payment of utility disconnection/reconnection costs. Given this, officers have taken a view that consultation on the specific proposals is not necessary; statutory consultation requirements are only engaged where in the opinion of the housing authority a matter of housing management is likely to substantially affect secure tenants as a whole or as an identifiable group. Officers are aware however, in the event the recommendations are approved those potentially affected must be informed; it is confirmed in paragraph 69 that all under-occupying tenants will be advised of the changes should the recommendations be approved.
70. The cabinet member is not asked to make a decision on the proposed changes referred to in recommendation 2 at this time.
71. The cabinet member, when making a decision on the recommendations in paragraph 1 of this report is required to have due regard to the public sector equality duty (PSED) in section 149 of the Equality Act 2010. This duty requires the council to consider all individuals when carrying out its functions. Specifically, to have due regard to the need to eliminate discrimination, harassment, victimisation or other prohibited conduct; advance equality of opportunity and foster good relations between people with protected characteristics and those who do not. The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. The PSED also applies to marriage and civil partnership, but only in relation to the need to eliminate discrimination, harassment, victimisation or other prohibited conduct. The community impact statement at paragraphs 46-50 sets out consideration that has been given to the public sector equality duty.
72. The proposals set out in paragraph 1 of this report represent ancillary enhancements and adjustments to the provision of incentives, support and assistance provided to qualifying tenants in connection with the 'under-occupation' scheme set out in the council's lettings policy. If agreed, there will be no change to the limbs of the scheme; that include band 1 priority, additional bedroom above need in certain circumstances, reasonable removal expenses and redecoration allowance, and no significant change to the lettings policy will

be required. Minor consequential amendments to wording in the policy document may however be required and officers will need to keep this in mind during the current review of the lettings policy.

Strategic Director of Finance and Corporate Services

73. This report considers the development of the under occupation scheme known as smart move. Consideration is also given to other incentive schemes to assist tenants moving to the most appropriate sized properties. As well as progress on the general movement of the housing stock.
74. This progress is noted and full financial implications are outlined in paragraphs 18-29. Continued monitoring will need to take place to ensure the scheme remains within budget in the future.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Smart Move	25 Bournemouth Road Peckham SE15 4UJ	Carol Smith, Housing Initiatives and Advice Manager, Tel: 027 525 1339

APPENDICES

No.	Title
N/A	

AUDIT TRAIL

Lead Officer	Geri Strategic Director Of Housing and Community Services	
Report Author	Fidelis Linehan, Interim Service Group Manager	
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Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
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