

**Agenda Item No. 6a**

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**DACHS Scrutiny Committee – 12<sup>th</sup> August, 2013**

**Bedroom Tax/Under-occupation Subsidy**

1. **Purpose of Report**

To outline for Members of the DACHS Scrutiny Committee what the bedroom tax/under occupation subsidy is and its consequences.

2. **What is 'bedroom tax/under-occupation subsidy'?**

Since 1<sup>st</sup> April 2013, new housing benefit rules mean you won't be able to get housing benefit to pay for all of your rent if your home has 'spare bedrooms'. This is being called the 'bedroom tax', but other references may be to 'size limit rules', 'under-occupancy' or under-occupancy rules'.

If you're a Council or Housing Association tenant of working age receiving housing benefit and renting a home that has more bedrooms than you need, it's likely that your housing benefit will be reduced. Pensioners claiming housing benefit won't be affected.

The new limit on the number of rooms you can claim for is based on the number of people living in your home. If you have more bedrooms than the new Central Government rules say you need, you will be treated as 'under-occupying' your home. You'll get less of your rent paid for by housing benefit.

If housing benefit no longer covers the full cost of your rent, you will have to pay the rest of the rent yourself. This must be paid directly to your landlord.

3. **Who is affected by 'bedroom tax/under occupation subsidy' from April 2013?**

'Bedroom tax' will affect Council and Housing Association tenants of working age (below state pension age) who claim housing benefit to pay some or all of their rent.

You will only be affected if you are assessed as having 'spare' rooms. There will be a limit on the number of rooms that housing benefit will pay for. Any rooms you have above the limit will be treated as spare rooms. You will be expected to pay the rent on these extra rooms yourself.

The 'bedroom tax' will affect housing benefit claims for both new and existing claims from April 2013. However, if you have not claimed housing benefit in the 52 weeks before making a new claim, the 'bedroom tax' reduction won't apply for the first 13 weeks of your claim.

4. **Who won't be affected by 'bedroom tax'/under occupation subsidy?**

The 'bedroom tax' won't affect you if you (or your partner) have reached state pension credit age. On 1<sup>st</sup> April 2013, when the bedroom tax starts, you will have reached state pension credit age if you are a man or woman aged 61 years and 5 months.

You can check if you are of pension credit age by using the Gov.uk [state pension age calculator](#).

The reduction to housing benefit for households with extra bedrooms also won't apply to:

- People living in shared ownership properties,
- People living in caravans, mobile homes and houseboats,
- People living in some types of supported accommodation,
- Homeless people housed in temporary accommodation provided by the Council (unless it is owned by the Council).

5. **How much will the housing benefit be reduced by?**

Before the 'bedroom tax' changes, housing benefit calculations counted 100% of your 'eligible rent' as a starting point for assessing how much housing benefit you would be paid. 'Eligible rent' covers rent charges but not other charges such as heating that you may also pay to your Council or Housing Association landlord.

From 1<sup>st</sup> April 2013, if you have more bedrooms than the new 'bedroom tax' rules say you need, your 'eligible rent' will be reduced:

- 14% will be taken off if you have one extra bedroom.
- 25% will be taken off if you have two (or more) extra bedrooms.

You may have to pay more – this will depend on your circumstances, income, savings and contributions from adults who live with you.

6. **How many bedrooms can you claim housing benefit for?**

From April 2013, new rules on 'under occupancy' mean that you can only claim housing benefit for:

- One bedroom for a couple.
- One bedroom for a person aged 16 or over.
- One bedroom for two children aged under 16 of the same sex.
- One bedroom for two children aged under 10 (boys and girls are expected to share a room).
- One bedroom for any other child.
- One extra bedroom if you or your partner needs an overnight carer to stay.

Children who don't normally live with you are not included in the calculation of the number of bedrooms. If you share the care of a child, the child is counted as living in the home of the person who gets child benefit for them.

A severely disabled child who needs a room of their own won't be required to share a room. The Council will make a decision on if an extra room is needed. The Council should take into account the severity of a child's disability (including medical evidence and if an award of disability living allowance has been made) and how regularly another child's sleep would be disturbed if they shared a room.

One extra room is allowed for approved foster carers who are fostering a child or children. You can keep the room allowance for an empty room set aside for a foster child if you became an approved foster carer or have fostered a child in the last 12 months.

If you are adopting a child or children, they are counted for the room allowance once an adoption order is made. If children are placed with you before adoption, you are allowed one room only for them.

A room is counted for a member of the armed forces who is serving away, providing they intend to return to your home.

For students away from home, a room will be counted providing they are only away temporarily (less than 52 weeks) and intend to return home.

7. **How you could be affected by 'bedroom tax'/under occupation subsidy**

You won't be allowed to claim housing benefit for 'extra' rooms that are used for:

- Children visiting a divorced or separated parent.
- Couples who use separate bedrooms because of illness or disability.
- Rooms used by disabled adults to store medical equipment.

8. **How you will pay rent under the new rules?**

If the housing benefit you receive at the moment doesn't cover all your rent and other charges, you may already be paying your landlord the difference between the housing benefit and the rent. If you are affected by the new 'bedroom tax' rules, the amount you pay may go up, but you will pay your landlord in the same way.

Until now, housing benefit may have covered the full cost of your rent. But from April 2013, being classed as 'under-occupying your home' will mean that you will receive a reduced amount of housing benefit. You will have to start paying some of your rent yourself.

9. **Current position in Dudley**

As in common with most changes in legislation/regulation, it did not happen over night and the far reaching implications for the changes in Welfare reform (and the bedroom tax in particular) meant that it was both promoted and debated in the media. It was clear that in addition to the bedroom tax having the potential to impact on an individual or family's income, it could also have financial implications for housing organisations through loss of rental income. It should be noted that the financial risk will become significantly greater with the introduction of Universal Credit, although this is outside of current scrutiny remit.

The two elements are clearly linked and Dudley took the approach that it we could alert customers in advance of the change that could prepare for the loss of income and takes steps to make financial provision to ensure that their homes were not placed at risk through non payment of rent. Although recognising the hardship that people may have to face, we had to advise people that rent must be a priority and that non payment could place their home at risk. It was recognised that people would have to make choices about their life styles.

Recognising that customers may have a number of issues, the decision was taken to work in partnership with the Citizen's Advice Bureau and to supplement their general service with the provision of a hotline which was operational from March '12 to March '13.

Although the number of people subject to bedroom tax will vary, we took a point in time and tried to contact every individual on this list.

Help was offered in a number of different ways to include referrals to Citizen's Advice Bureau for welfare benefit and budgeting help, referrals to housing options to consider rehousing possibilities. A full analysis of this will be available for scrutiny.

A fact sheet was also sent out to each tenant, which was and is updated regularly to reflect any changes.

As at 1<sup>st</sup> April 2013 there were 3,333 households that were subject to the under occupation subsidy and as at the 30<sup>th</sup> June 2013 this has reduced to 2785 (16.44% reduction). It was understood that the figure was never going to be static and were aware of around 200 people attaining pension age shortly after the 1<sup>st</sup> April 2013 but it is more difficult to accurately account for the balance. We are aware, for example, that there has been an increase in the number of households that downsized their property. The figures show that from April 2013 - June 2013 (quarter 1), 81 households moved to smaller accommodation this is compared with the total for the financial year April 2012 to March 2013 of 181 households.

Recognising the need to understand reasons/trends the data collected has been refined and is being recorded as from 1<sup>st</sup> July 2013. This will initially be assessed in Q2.

The impact of bedroom tax on rent accounts (numbers)

	31-Mar	30-Jun
Total bedroom tax	3333	2785
Clear	1988	887
Bedroom Tax Arrears	1345	1898

The impact of bedroom tax (£)

Rent arrears of those impacted by the bedroom tax

1 <sup>st</sup> April '13	30 <sup>th</sup> June '13
£198,125	£302, 936

An increase of **£104,811**

Members will recall that prior to implementation a worse case scenario had been calculated, that being the potential of losing £46,000 per week (£555,000 per quarter). This did not materialise and 81% of the potential lost income was in fact collected. This must include households that are maintaining rent payments by using their savings to pay, or where discretionary housing payments are making up the shortfall.

From the total of accounts subject to the under occupation subsidy that are in arrears there are 39 that have reached Court stage. The arrears on these 39 cases are solely attributable to the under occupation subsidy. These cases are now at the stage of being entered into Court for possession proceedings.

For all households that are in arrears we have applied our rent arrears procedure which includes referrals to the Citizens Advice Bureau, referrals for Discretionary Housing Payments and signposting for any assistance on the housing options that are available to them.

This report has centred on bedroom tax and a greater analysis of statistics and emerging trends will be given on the night.

10. **Implications of Welfare Reform**

Members of the Scrutiny Committee requested baseline data to be provided. Attached is a list of performance indicators complete with end of year data. It is being populated with Q1 data which will be available to members at the scrutiny committee.