

DACHS Scrutiny Committee 11th November 2013

Impact of Welfare Reform on Dudley Housing Stock

Purpose of Report

1. To provide further information to Committee in respect of questions raised at the previous meeting.

Background

2. There is a mismatch between the accommodation that we have available and the accommodation that customers need.

Simply in terms of number of bedrooms, our current stock consists of

No of beds	1 (incl bedsit)	2	3	4+	Total
Stock	6290	6751	9220	598	22859
%	27.52%	29.53%	40.33%	2.62%	100%

Our current waiting list (excluding transfers) by the number of bedrooms needed is

No of beds	1	2	3	4+	Total
Waiting list	2091	1420	441	143	4095
%	51.06%	34.68%	10.77%	3.49%	100%

3. There is more of a mismatch than the figures suggest as a result of:
 - Households deemed to need two bedrooms are predominantly small families with one child/two children who can share, whereas of our 6751 two bedroom homes, just over half are houses (3932) are houses, whilst 1075 are family flats, and 1542 are flats reserved for single people and couples (the remainder being bungalows, sheltered housing and temporary accommodation etc).
 - Households deemed to need three bedrooms almost invariably want houses, but our stock of 9220 three bedroom homes includes 566 maisonettes and 56 family flats.
4. This is a basic analysis which does not include vacancy rates of different property sizes or the potential (that is already being exploited) to make better use of stock through our transfer policy, but it does highlight the immediate issues of:
 - High & competing demands for one bed stock
 - Excessive demand for two bed houses
 - Low demand for two bed flats (particularly high rise)
 - Low demand for three bed maisonettes.

5. A more detailed analysis is available in the Housing Needs Survey & Balancing Housing Markets Report 2012, which is currently being updated.
6. At the previous meeting in August, Members were interested to know how our stock profile compared with our Black Country neighbours, and the comparison is as follows:

No of beds	1 (incl bedsit)	2	3	4+	Total
Stock (%)					
Dudley	6290 (27.52%)	6751 (29.53%)	9220 (40.33%)	598 (2.62%)	22859 (100%)
Sandwell	7317 (25.52%)	8045 (28.06%)	12708 (44.33%)	600 (2.09%)	28670 (100%)
Walsall	Awaited				
Wolverhampton	5802 (25.00%)	7331 (31.59%)	9391 (40.47%)	682 (2.94%)	23206 (100%)

7. In previous years, we have made the best overall use of our stock by allowing families to be allocated larger houses than they immediately need. Families with two children of any age and sex are allowed three bed houses, and those with two children of opposite sexes are regarded as overcrowded in a two bed as soon as one child is eight and the other five. The bedroom standard, however, says they do not need three bedrooms until one child is ten, (or 16 if they are of the same sex) and if they are in receipt of maximum housing benefit they will have a shortfall of 14% on a third bedroom until then.
8. Some landlords (especially Housing Associations) have altered their allocation policies to fit the bedroom standard, whereas we have been allowing informed choice, where the implications of the shortfall are explained and our customers make their own choices. Our reasoning is that if we adopt the bedroom standard for allocations
 - Pressure on our one and two bed stock will be even higher
 - Working families will be unfairly excluded from three bedroom homes
 - There will be more churn in our stock as children grow (more transfers & voids)
 - Communities will consequently be less settled.
9. Housing association tenants were also included in the Social Housing Size Criteria implemented from 1st April, and around 700 in Dudley were affected. Some associations responded by amending their eligibility for new lettings to match the bedroom standard, whilst others have recognised the local supply and demand issues and have continued to offer informed choice. Most lately, some who adopted the bedroom standard are softening their position because they have seen it affect demand, and also increase their proportion of benefit dependent tenants. We have been working with each association to align their policies as closely as possible to our own, and it has been agreed that the Nominations Agreement will be reviewed by the Dudley Housing Partnership in 2013/14.
10. However, it is very noticeable now that families are thinking seriously about their housing options and the financial implications, and since April 2013 when the Housing Benefit regulations changed, two bedroom houses advertised on Dudley at

Home have begun to attract two or three times as many bids as three bed houses in the same areas.

11. We are finding more council tenants downsizing - 166 between April and September 2013, compared to 74 in the corresponding months of 2012. However, 70 of these (42%) released flats and maisonettes rather than family houses, and of the 95 houses and one bungalow that were released, at least 51 were vacated by older people downsizing for example to bungalows and sheltered housing. Our rate of transfers is relatively high, and this has been a deliberate strategy for several years in order to meet the changing needs of our tenants and make the best use of our stock. It should be noted that a need or desire for larger or smaller accommodation may not have been the reason for moving; for example, a single person may move from a two bedroom home to a one bedroom home because it is in an area they like, or on a different floor level, or because it is within a sheltered housing scheme.
12. This policy of mobility within our stock is assisting us in responding to Welfare Reform, as evidenced by the fact that 115 tenants whose spare room subsidy was removed on 1st April have since moved. Of these, 100 were already on the transfer list at 1st April, and 15 had joined since April. We currently (24th October 2013) have 405 tenants on the transfer list whose housing benefit has been reduced, and of these 290 had already joined the list by 1st April and 115 have joined it since. It should be noted that we had been informing tenants of the changes since July 2012, so transfers were already taking place prior to April, and contributed to the number of tenants we expected to be affected being reduced from 4071 in August 2012 to 3333 in April 2013.
13. Members had expressed specific concerns about small families (ie those with one child or two children who would be expected to share a bedroom) in our three bed maisonettes. Of the 115 tenants mentioned above, 26 moved from maisonettes, of which two moved to bungalows, five to smaller flats, one to another three bed maisonette, and 18 to houses. Providing their tenancy has been well maintained, and if they did not move in after being made aware of the housing benefit changes, families in flats and maisonettes will be in at least band 4. The average waiting time in band 4 is 17 months, but can be considerably less with flexible bidding, and families who applied for transfer as soon as we advised them of the changes will generally have had opportunities to move by now.
14. In addition to the 115 tenants affected by the housing benefit change who have transferred since April, a further 23 have exchanged their tenancy, and 14 have moved to housing association tenancies. We are currently recruiting to two new temporary posts, one to work proactively with tenants seeking mutual exchange, and one to increase our capacity to deal with transfer applications and give housing options advice. Flexibility has been introduced to deal with situations where rent arrears may have started to accrue, and we are about to introduce new contracts to secure the repayment of any former tenancy arrears against the new tenancy.
15. In addition to working age households wishing to downsize because of the Housing Benefit changes, we have council tenants on the transfer list who are of pension age and also wish to downsize to more manageable accommodation. As at 1st October, there were 399 single people and 146 couples on our transfer list with a head of household aged over 60. However, not all of these 545 households are looking to move to downsize – 232 of them are already in one bed accommodation and wish to move for other reasons. The 545 are prioritised on the housing register as follows:

Band	Reason for band	Number of households
1	Disability & present home cannot be adapted, or downsizing from a family house to a flat or one bed bungalow	209
2	Urgent medical needs or other urgent exceptional need	21
3	More than one need eg living in a flat designated for a different age group, plus moderate medical need	28
4	One need eg living in a flat designated for a different age group, or moderate medical need	69
5	With a need but having less preference eg due to rent arrears	2
6	No identified need nb this includes anyone who only applies for sheltered housing, as these are individually assessed by OPPD	209
7	No need and less preference	7

16. Whilst the removal of the under occupation subsidy may have been intended to help us make full use of our stock, the nature of our stock here in Dudley has led to some unintended consequences in terms of the properties that are actually being released and our ability to let them. There has been an impact on voids, and a report elsewhere on this agenda will consider the possibility of reclassifying and/or remodelling some of our stock. We are also encouraging housing associations to build 1, 2 and 4+ bedroom homes and few or no 3 beds (unless an area has a particular shortage).
17. Hard to let/no wait properties are an increasing area of concern. We currently have 135 No Wait voids (predominantly high rise flats and maisonettes) of which 129 voids are immediately available, where no bids have been received or the property has been refused on multiple occasions. Of these 129, 35 have been void for more than 6 months. The remaining 24 are 'under offer', with most of these having a void date after April 2013. Although the number of 'no wait' properties has recently levelled, processing these properties through repeated advertising and viewings are a significant draw on staffing resources and lost revenue. In order to increase demand for these hard to let properties, a marketing plan is being developed and a leaflet has been produced for distribution to targeted locations to attract mature customers who may not have previously considered social housing as an option. A show flat open day is planned for the end of November.
18. The question has been posed whether we should open our high rise blocks to families with (teenage) children. We have 25 blocks, all designated for particular age groups but all reserved for couples and singles (although the restriction does not extend to mutual exchanges or private lettings of Right To Buy flats). The number of high rise flats of each size overall is

No of bedrooms	One	Two	Three	Total
No of flats	458	1025	2	1485
%	30.84%	69.02%	0.14%	100%

19. As part of the recent review of allocation policies, there has been consultation on the designations of our flatted stock for particular age groups and household types, and

discussion with the High Rise Living Forum as to how we can maintain and improve demand for high rise accommodation. Presently, vacancies are only open to singles and couples, and at the very least we need to open them to sharers and to people with adult sons and daughters. Existing tenants are opposed to letting these properties to families with children, and we do not know whether there would be any demand.

20. It is easy to assume that the current void levels amongst (in particular) two bed high rise and three bed maisonettes are due to Housing Benefit changes, and we have therefore commissioned independent market research to understand the reasons for the low demand and to provide an insight into how this could be addressed, including:
 - Why residents who have left in the last 6 months have given up their tenancies in these blocks
 - Why applicants who are eligible for these properties are not bidding for them
 - Whether there is a market that would create demand for these properties outside of our current waiting list and if so the reasons those who would create this demand cannot or do not access our services
 - Whether there is sufficient potential demand to support high rise Extra Care living.
21. In order to inform future planning, we have also started to routinely collect more detailed information from outgoing tenants as to why they are leaving and where they will be going. Since 1st April, 236 tenants affected by the removal of the spare room subsidy have left their tenancies, including the 115 who have transferred within our stock. Of the remaining 121, 12 have been evicted (due to arrears accrued prior to Welfare Reform) or have abandoned, 18 have moved to lodgings and 21 to private sector tenancies. The reason for the decision to move was recorded in 10 of these latter 39 cases, and in five of the ten was affordability.
22. Committee has asked to be informed of the availability and affordability of private sector and housing association stock to meet the shortfalls in our own smaller stock. The last Housing Needs Survey (2011/12) reported the following stock profile for housing associations and private landlords, from which it is clear that our stock is balanced to some extent by the housing association stock (although it amounted to only around 14% of the total social stock), whilst the private sector stock also exhibits a larger number of larger homes and is significantly less affordable:

No of beds	1 (incl bedsit)	2	3	4+
Council (22972)	27.52%	29.53%	40.33%	2.62%
Housing Association (3873)	33.9%	41.0%	24.0%	1.1%
Private sector (7976)	16.8%	35.8%	40.3%	7.1%

23. In terms of affordability, the average council rent this year is £81.27 over 50 weeks. In May, an exercise was conducted to compare our rents with those charged in the private sector and by housing associations. The methodology was to take housing association rents from a survey that had been carried out in 2010/11 and uprate them using the housing association rent formula, and to analyse private rents from a

snapshot of 228 available on a lettings website. The outcomes (on a 52 week basis) were

No of beds	1 (incl bedsit)	2	3	4+
Council	£67.69	£76.07	£86.00	£93.94
Housing Association	£74.03	£86.67	£98.26	£111.13
Private sector	£90.91	£116.38	£136.87	£162.25
LHA allowed	£86.54	£106.13	£117.92	£150.00

24. It follows that the average rent for a council property is 67% of the wider market average, noting that the differential increases with the size of the property, and that Council and Housing Association rent differentials have been reduced by the policy of social sector rent convergence.

No of beds	1 (incl bedsit)	2	3	4+
Council	£67.69	£76.07	£86.00	£93.94
Housing Association	£74.03	£86.67	£98.26	£111.13
Council as a % of Housing Association	91%	87%	87%	84%
Private Sector	£90.91	£116.38	£136.87	£162.25
Council as a % of Private Sector	74%	65%	63%	58%

25. Currently, there is insufficient supply of housing association and private sector stock to address our shortfall of smaller units, and there is an affordability issue with the private sector stock. This is particularly the case for younger people because Local Housing Allowance is now capped at £60.00 per week for anyone under 35, and there are rarely properties available at this price.

Finance

26. This report is for information and has no direct financial implications.

Law

27. The powers and duties of housing authorities in relation to the allocation and management of Council housing are set out in the Housing Acts 1985 and 1996 and the Homelessness Act 2002.

Equality Impact

28. The HRA operates in line with the Council's Equality Policies, and any major changes to allocation policies are subject to Equality Impact Assessment.

Recommendation

29. It is recommended that Members note the contents of this report.



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