

DECENT & AFFORDABLE HOMES PDG
1 December 2015

ABOLITION OF CASH INCENTIVE SCHEME

Cabinet Member Cllr Ray Stanley
Responsible Officer Housing Services Manager

Reason for Report: To seek permission to end the payment of incentives to encourage tenants to downsize.

RECOMMENDATION(S): To recommend to the Cabinet that the cash incentive scheme whereby downsizing tenants are given payments for giving up larger homes is discontinued.

Relationship to Corporate Plan: Relates to the pledge entitled: "Better Homes", where the long term vision is: "To ensure that the housing needs of our residents are met through the provision of affordable homes and good quality housing in both the public and private sector".

Financial Implications: Key reforms to the social housing sector announced by the government will have a big impact upon the level of finance available to the Housing Service going forward. Funding will be much reduced and we need to start planning savings now in order to ensure that there is enough finance available to develop new homes and to maintain our stock.

Legal Implications: Landlords are able to provide incentives to tenants to influence behaviour. The Housing Service offers several different types of incentive including, currently, one to encourage tenants downsize to smaller accommodation.

Risk Assessment: Contained within the report.

1.0 Introduction

1.1 The Council has been offering incentives to tenants to encourage them to downsize for some time.

1.2 The scheme was reviewed last year and the amount payable in each downsizing case was reduced to a maximum of £500 to those giving up one bedroom and £1,000 for those giving up two or more bedrooms.

1.3 During 2014/15, £6,809 was paid out to 8 applicants. During 2015/16, £1,000 has been paid out to date.

2.0 National Housing Policy

2.1 The downsizing scheme has been in operation for many years and since it was introduced, national policy relating to housing has changed. As a result of these changes, it can be argued that there is no longer the need for the Council to offer a financial inducement to tenants who may be considering moving to smaller accommodation and thereby freeing up larger homes.

- 2.2 The previous government made it clear that registered providers (RPs) of social housing were expected to make best use of the housing stock.
- 2.3 In order to achieve this, the Council has been using flexible tenancies since April 2013 and offers them to new tenants moving into general needs accommodation.
- 2.4 Most of the flexible tenancies offered are of five years duration but in some cases, where there are exceptional circumstances, a period of two years is offered.
- 2.5 Flexible tenancies can be ended by the Council at the end of the fixed term if the circumstances of the tenant and their household have changed, or if there are issues in terms of compliance with the tenancy agreement. In accordance with our tenancy strategy and our tenancy policy, tenancies can be ended if the property no longer meets the needs of the household on the basis of size. Therefore, the need to offer an incentive is diminishing given that the number of flexible tenancies is increasing.

3.0 Funding Pressures

- 3.1 In the budget shortly after the last general election, the Chancellor announced a 1% rent reduction for tenants of RPs. The Council will therefore be expected to reduce rent for our tenants by 1% each year for 4 years. This policy will reduce the amount of funding available to the Housing Service and the asset management plan has been amended accordingly.
- 3.2 On 2 November 2015, MPs voted in favour of the Housing & Planning Bill at its second reading. More debate relating to the Bill is expected but there are a number of other provisions which are likely to affect the Council as an RP.
- 3.3 There will be a Duty on Councils to consider selling vacant high-value housing. This will fund the Right to Buy scheme for housing association tenants. The Council awaits more information on how the scheme will work in practice and upon the overall impact upon finances relating to the Housing Service. .
- 3.4 However, it would appear that councils will have to make a fixed payment to government each year, based on an estimate for the income from selling high-value homes. We may be able to enter into an agreement with the Secretary of State to reduce the amount of the payment we are required to make on condition that the money is spent on the provision of housing. The scheme is likely to reduce our housing stock and therefore the amount of income available for management and maintenance.

4.0 Welfare Reform

- 4.1 The last government removed the spare bedroom subsidy for working age claimants of Housing Benefit. As at 4 November 2015, 199 of our tenants were affected by the removal of the subsidy:

- 173 were under-occupying by 1 bedroom
- 26 were under-occupying by 2 bedrooms or more

4.2 The Housing Benefit team has made Discretionary Housing Payments to 13 tenants so far during 2015/16. These payments cover some, or all, of the shortfall arising from the reduction in Housing Benefit implemented as a result of under-occupation.

4.3 Universal Credit is a new single benefit for people on a low income, paid to those in and out of work. It has been designed to replace a number of other benefits and will be paid directly to the claimant on a monthly basis in arrears. The aim is to help people to move into work by giving them experience of managing their money in the same way that they would if they were in receipt of a salary paid on a monthly basis.

4.4 Currently, those in receipt of assistance with Housing costs receive Housing Benefit which is rebated to their rent accounts on a weekly basis.

4.5 We have identified a risk to the revenue stream into the Housing Revenue Account (HRA) now that Universal Credit is being rolled out in the District. Landlords located in areas where the new benefit was initially implemented with tenants in receipt of it have reported a significant reduction in rent recovery rates. Tenants have struggled to manage their finances and to maintain payments.

5.0 **Another Option for Downsizers**

5.1 The Council and other RPs which work in Mid Devon use the Devon Home Choice (DHC) scheme to allocate available homes. This is a choice-based lettings scheme. Applicants for housing are given priority based on need and are able to bid for homes. They are placed into bands labelled A to E, according to their needs. Those people in Band A have the greatest need for rehousing. Suitable properties are allocated to those applicants, who bid for them, who have the greatest need.

5.2 Housing applicants wishing to downsize are placed into Band B. As at 4 November 2015, there were 73 applicants registered for downsizing in Mid Devon. 39 of these are registered as being disabled. 47 have never logged on and 54 have never placed a bid for a new home.

5.3 In 2014/15, 13 people in Band B on the DHC scheme moved because they needed to downsize. In 2015/16, 3 housing applicants have been able to move so far.

6.0 **Recommendation**

6.1 The abolition of the cash incentive scheme for downsizing is recommended on the basis that income into the HRA is likely to reduce in coming months. National housing policy and welfare reform will have a negative impact upon income, as explained, and all areas of work must be reviewed to ensure that value for money is being achieved.

- 6.2 The use of flexible tenancies means that less people are likely to be under-occupying larger homes going forward.
- 6.3 With regard to downsizing, the removal of the spare bedroom subsidy is now a “push” factor which is likely to influence people who are under-occupying. The award of high priority for such people who apply to join the DHC scheme is also an incentive and enables them to resolve their housing needs.

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