

CITY BOARD
30 AUGUST 2012

ITEM A9

REVIEW OF HOME RELEASE SCHEME

Report of the Director of Housing and Customer Service

1. SUMMARY

This report examines the current Home Release Scheme in light of the forthcoming welfare reforms.

2. RECOMMENDATION

2.1 That the City Board approves Option 2 in respect of the Home Release Scheme as detailed in paragraph 3.11, and recommends to Derby City Council that £500,000 is allocated from the retained Housing Revenue Account to fund this initiative.

2.2 The major changes in this recommendation from the existing policy are :

- the £1,000 cash incentive is replaced with an upto £500 plus VAT contribution towards carpets, curtains and decoration
- eligibility is changed from any tenant who is under occupying, to working age tenants in receipt of benefit that are currently under occupying and the move to a smaller property eliminates the under occupation charge.

3. MATTER FOR CONSIDERATION

3.1 In January 2007 Derby Homes Board approved recommendations to introduce a new Home Release Scheme with an increased lump sum payment of £1,000 to encourage tenants to down-size and release three and four bedroom homes. A copy of this report is attached at Appendix 1.

3.2 The Council approved the recommendations and agreed a one-off payment of £200,000 from the retained Housing Revenue Account to provide additional funding for Home Release payments. The new scheme was started during the financial year 2008/09. At the time of introducing the new scheme the intention was to free up more family accommodation through good practise in allocations and the use of incentives.

3.3 A total of 152 properties have been 'freed' up through the process, these are shown in the table below:

5	4 Bedroom houses
105	3 Bedroom houses
1	3 Bedroom bungalow
25	2 Bedroom houses
16	2 Bedroom flats

- 3.4 Out of the original budget of £200,000 the balance remaining as at 31 July 2012 is £7,481. Hence, the average cost of each Home Release payment works out at £1,267. This is significantly lower than the previously estimated £1,700 per property as originally included in the Housing & Public Protection Cabinet Member Briefing paper dated 18 September 2008.
- 3.5 The welfare reforms introduce a new charge for under-occupation and this will present a challenge to benefit claiming households who are in this situation. It is estimated that a household under-occupying a home by one bedroom will have their weekly benefit reduced by approximately £11 and for a household under-occupying by two or more bedrooms this increases to approximately £20. This obviously puts pressure on rental arrears and the total amount of rent that could be collected.
- 3.6 From analysis of our current profiling and stock information we estimate that at the present time we have 1,265 tenancies under occupying by more than one room, of which 346 are of working age and are in receipt of benefit.
- 3.7 More significant is the estimation that we have over 5,000 tenancies – our current figure is 5,146 who are under occupying by one room, 2,097 are of working age and in receipt of benefit.
- 3.8 Overall, around 48% of Derby Homes managed properties are under occupied.
- 3.9 To attempt to minimise the impact on total rent collected and financial hardship for tenants, we are currently contacting tenants who we believe will be affected by the benefit reductions. We are discussing re-housing to smaller accommodation as an option. In order to make this a realistic option for many tenants we need to be able to offer financial assistance with the costs of moving home.
- 3.10 In preparing these proposals we have undertaken research to establish the current schemes to support home release and downsizing in the Midlands region, none of which offer a cash incentive, but offer alternative options. Detail is shown below of four schemes.
1. Leicester City Council has a scheme called Easy Move. Priority is given on the housing register with free removals, disconnection and re-connection and support throughout the removal process.
 2. Nottingham City Homes' scheme is called Pathfinder, priority is given on the housing register, free removals and carpets provided for up to 2 rooms.
 3. Wolverhampton Homes offers free removals, home decoration and carpets.
 4. Derwent Living has an under occupancy strategy, which states that assistance would be considered but no details are stated. There is no specific budget allocation for assistance for tenants wishing to downsize.
- 3.11 Based on consideration of local schemes, options to amend Derby's scheme are :
- Option1 – Target support to those tenants directly financially affected by under occupation.

- replace the current cash incentive offered on Home Release from £1,000 with provision of carpets, curtains and decoration upto £500 plus VAT.*
- maintain funding removal costs – estimated at £250 each property
- maintain funding for utility disconnection and reconnection - estimated at £45 to £90 each property, depending on the number of connections required.

* - The current practice of deducting any rent arrears from the contribution will remain and any resulting balance will be available towards carpets, curtains and decorations.

Assuming a cost to Derby Homes of £800 each home release, the benefit to the tenant, because of VAT is upto £960.

Eligibility to the scheme would be limited to :

- working age tenants in receipt of benefit, that are currently under occupying and the move to a smaller property eliminates the under occupation charge.

The advantages of replacing the cash incentive with home fixtures provision are:

- funding is guaranteed to be invested in the property
- better value is attained from the contribution because VAT can be claimed back by Derby Homes which would normally be payable by the tenant.
- contract rates for goods can be procured by Derby Homes that would be better than an individual tenant could receive

The disadvantages of the change are :

- increased officer time will be required to administer the scheme. The cost of this may outweigh the VAT benefits, if the work cannot be absorbed within existing staffing resources.
- reduced tenant “independence” on deciding how the financial assistance is used.

Option 2 – As option 1, but includes current tenants who are moving outside of a Derby Homes property, where the move will release a current under occupied property. A cash incentive of upto £500 would be made available rather than the support towards fixtures as the benefits in improving a Council property do not arise.

Option 3 – As option1, but extend the scheme to all tenants who are under-occupying as a means of managing the impact of the impending benefit reductions in 2013.

Option 4 – As option1, but replace the £1,000 cash incentive with a £500 cash incentive.

Option 5 – As option3, but maintains current cash option of £1,000.

- 3.12 By replacing the cash incentive of £1,000 with fixtures support upto £500, it is hoped that the scheme will be able to offer more tenants, who are in receipt of

benefit and affected by the under occupation charge, to move to more appropriately sized accommodation. This will eliminate future under occupation charges and at the same time free up larger family homes for allocation to families on the waiting list.

4. FINANCIAL & BUSINESS PLAN

- 4.1 Under occupation represents a challenge in maintaining existing rental collection levels. The cost of each of the Home Release options (with a £500 fixtures support) is approx £800. Assuming a one bedroom under occupancy, then the £800 would be paid back within 13 months assuming that the under occupied property is re-let and full rent is paid. On a two bedroom under occupancy, the pay back is within 10 months. This assumes that the tenant would not have contributed towards the under occupation charge.
- 4.2 For each £100,000 invested in Home Release, then approx 125 tenants could have their transfer costs funded. A £500,000 investment would enable around 50% of the potential tenants that could access the recommended option to receive assistance. Depending on take up, consideration for further support in the future will be made.
- 4.3 Potential costs for each of the options (if all eligible tenants apply and funding is available) are shown in Appendix 2 and are estimated at :
- Option 1 - £1.1m
 - Option 2 - £1.1m
 - Option 3 - £2.9m
 - Option 4 - £1.1m
 - Option 5 - £4.7m
- 4.4 For forecasting purposes we have estimated that 80% of tenants that are under occupying by more than one bedroom and 50% under occupying by one bedroom would indicate a preference to be re-housed and claim this support.

5. LEGAL & CONFIDENTIAL

- 5.1 Changes to housing benefit will be phased in from April 2013 under the Welfare Reform Act 2012. Working age tenants will incur a reduction in housing benefit for under occupation from April 2013.

The areas listed below have no implications directly arising from this report:

Consultation
Council
Personnel
Environmental

Equalities Impact Assessment
Health & Safety
Risk
Policy Review

If Board Members or others would like to discuss this report ahead of the meeting please contact the author.

Author: Maria Murphy. Director of Housing & Customer Service
maria.murphy@derbyhomes.org Tele Derby 01332 888522

Background Information: None

Supporting Information: None

**DERBY HOMES BOARD
25 JANUARY 2007****UNDER OCCUPATION**

Report of the Director of Housing & Customer Service

1. SUMMARY OF REPORT

This report makes recommendations for managing under occupation in council housing.

2. RECOMMENDATION

That the Board recommends the following actions, subject to agreement from the City Council:

- 2.1 to market the Home Release Scheme with an increased lump sum payment of £1,000.00 to encourage tenants to down-size and release three and four bedrooms family homes.
- 2.2 to recommend to the City Council that the current policy on succession to tenancies is suspended and reverts back to comply with statutory requirements within Section 91 of the Housing Act 1985.

3. MATTER FOR CONSIDERATION

- 3.1 During 2006 Derby Homes and Derby City Council jointly undertook research into the current extent and effects of under occupation of council housing within the City. The Board received a report on this research in March 2006, a copy is attached at Appendix 1.
- 3.2 The research was concluded in August 2006 and is attached at Appendix 2. The research showed that over 3,000 households were under occupying 3 or 4 bedrooms accommodation. We contacted this group of households and asked for their views on moving to smaller/more suitable accommodation.
- 3.3 In summary, from the analysis of the Joint Housing Register it is possible to see that there are significant numbers of households who are under occupying. Equally the register demonstrates high numbers of family households applying for 3 bedrooms family homes.
- 3.4 The feedback indicates that although households under occupying tend to be older residents they still tend to feel that their home is the right size for them. However, around 30% of the respondents said that they felt a lump sum payment to assist with the costs of moving would encourage them to down size.

- 3.5 The challenge is to release family homes, through good practice in allocations and the use of incentives.
- 3.6 The survey also looked at incentive schemes operated by other organisations. These ranged from payment of a £2,000 incentive payment to no incentive but high priority within the allocations policy.
- 3.7 At present, Derby Homes operates a modest incentive scheme, which pays £300.00 lump sum (to be increased to £400.00), removal costs and disconnection/reconnection of white goods.
- 3.8 It is proposed to discuss with the City Council an increase of the lump sum payment to £1,000.00 and offer appropriate support throughout the process. The scheme would operate on this basis during 2007/08 and be marketed at specific properties advertised through the choice based lettings scheme. It may be necessary to fix a ceiling target to contain expenditure and review the effectiveness of the scheme during the year.
- 3.9 As well as managing the current levels of under occupation it is important not to encourage further instances. The current policy relating to succession was approved by Housing Committee on 24 March 1998. The current policy allows for a flexible application of the law and enables a succession to take place even where there is resulting under occupation of the property by more than one bedroom.
- 3.10 The right of succession is to protect the rights of joint tenants, usually on the death of one party, and also the rights of adult children who have remained living within the family home. However, the Housing Act 1985 makes provision to protect against under occupation in return for providing the successor with a smaller suitable property.
- 3.11 I estimate that operating succession rights in this manner would result in around 20 cases a year whereby suitable alternative accommodation was offered.

4. CONSULTATION IMPLICATIONS

It is proposed to discuss these proposals at the HRA Strategic Working Party with a view to recommending a change to policy in relation to Succession and Assignment. Further consultation will also be carried out with Community Panels.

5. FINANCIAL AND BUSINESS PLAN IMPLICATIONS INCLUDING EFFICIENCY SAVINGS

Financial implications of increasing the Home Loss lump sum will be discussed with the City Council.

The areas listed below have no implications directly arising from this report

- Legal and Confidentiality
- Personnel
- Environmental
- Equalities Impact Assessment
- Health & Safety

If Board members or others would like to discuss this report ahead of the meeting please contact the author, or the Chief Executive, phil.davies@derbyhomes.org - Tel 01332 711010

Author: Maria Murphy, Director of Housing & Customer Service, Telephone 01332 711014, Email maria.murphy@derbyhomes.org

Background Information: None.

Supporting Information: None.

[illegible]