

Housing Benefit: under-occupancy reductions

Financial impact assessment



As at 1 April 2013 the effects of the Housing Benefit (HB) under-occupancy reductions on the levels of benefit and the numbers involved in Orkney are as follows:

Combined HB reduction on tenants of Orkney Islands Council (OIC) and Orkney Housing Association Limited (OHAL)

	OHAL	OIC	Total
Under-occupied by 1 bedroom (14% reduction)	£23463	£20484	£43947
Under-occupied by 2 bedrooms (25% reduction)	£5175	£10784	£15959
Total	£28638	£31268	£59906

Breakdown – Orkney Housing Association Limited

	Kirk'll	S'ness	Mainland	N Isles	S Isles & SRon	Total claims	Av wkly red'n	Total Red'n
Under-occupied by 1 bedroom	21	7	9	3	5	45	£10.03	£23463
Under-occupied by 2 bedrooms	3	0	2	0	0	5	£19.90	£5175

Breakdown – Orkney Islands Council

	Kirk'll	S'ness	Mainland	N Isles	S Isles & SRon	Total claims	Av wkly red'n	Total Reduction
Under-occupied by 1 bedroom	17	8	8	1	3	37	£10.94	£20484
Under-occupied by 2 bedrooms	5	0	1	3	4	13	£20.42	£10784

Impacts of under-occupancy reductions

It is expected that at any one time there will be 100 working age tenants in Orkney affected by the HB under-occupancy restrictions (split equally between OIC and OHAL). This indicates a significant issue for potential rent arrears, reductions in tenants' incomes and the problems associated with available housing for downsizing.

- Out of an approximate 1,500 combined social rented tenancies between OIC and OHAL, approximately 7% will be affected by the HB under-occupancy reductions at any one time.
- Of those tenancies around 80% are under-occupying by one bedroom and 20% by two or more bedrooms.
- Approximately 20% of under-occupying tenants are in disabled adapted property or have significant disabilities.

- Of those under-occupying by two or more bedrooms, around 40% are in the outer Isles and has the real potential for those tenants electing to move from the Isles, or potential tenants not to move there in the first instance.
- Approximately 80% of under-occupying tenants receive the maximum HB entitlement, with the remaining 20% receiving partial benefit. This would suggest a significant issue to ensure that they can pay the rent and continue to manage their finances.
- There is also thought to be a high turnover in the actual tenants affected by the changes and it is estimated that although many will be on long-term HB, around 20% or so of those under-occupying may only be on benefits for a short period of time.
- For tenants under-occupying by one bedroom there is a reduction in HB of approximately £10 to £11 per week, or approximately £500 per annum for 82 tenants. For tenants under-occupying by two or more bedrooms there is a reduction in HB of approximately £20 per week, or approximately, £1,000 per annum for 18 tenants. This will impact significantly on tenants' finances – particularly as 80% are in receipt of the maximum HB which indicates finances will already be tight.

The Discretionary Housing payment fund of £31k, if fully allocated will result in the overall effect of the under-occupancy reductions being reduced from £60k to £29k. If the remaining rent remains uncollected this would increase rent arrears by £29k between OHAL and OIC. It is unlikely that all of the £29k would remain unpaid but would equate to an increase in rent arrears from present levels by around just over 1% of net debit at the year-end.

However, as 80% of the tenants affected by the under-occupancy do not presently pay rent it will require a significant effort from staff to deal with the issues of payment, DHPs, financial budgeting, signposting etc for the relatively small number of tenants.

Discretionary Housing Payments Fund £31k

The Discretionary Housing Payment (DHP) Fund of £27k from the Department of Work and Pensions, plus the OIC contribution of £4k brings the total DHP fund to £31k.

This will help reduce some of the financial burden on tenants but the government has stated their intention to make benefit cuts and to encourage tenants to downsize or find employment. For most tenants DHP will be a very short-term award and the problems of having to budget or find alternative accommodation are real issues.

1 April 2013