

Removal of the Spare Room Subsidy

Good Practice Guide

2014

**Findings and lessons learned from the
Discretionary Housing Payments Reserve funding
bidding scheme**

July 2014

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Introduction

1. In July 2013 the government announced that £20 million of additional Discretionary Housing Payment (DHP) funding would be available for local authorities (LAs) to apply for through a bidding scheme. The scheme ran from October 2013 and closed in February 2014. As part of the bidding process LAs were required to complete an application form that set out the full details of their bid. This included providing details of local circumstances, as well as initiatives that were in place or planned that were intended to support claimants affected by the removal of the spare room subsidy (RSRS) directly, or to increase the local stock of smaller properties.
2. The exercise resulted in 86 LAs applying for additional funding. Applications were received from England, Scotland and Wales and a mix of urban and rural areas, and both large and small authorities, including some of the larger cities. The number and the diverse mix of areas that applied has provided a rich source of information about the local impacts of the RSRS policy and how LAs are starting to respond to the challenges that it has brought.
3. This document summarises the information that was provided by these LAs. It is intended to provide a useful source of ideas and good practice that all authorities can draw on.

Background to the policy

4. RSRS is one of a number of reforms to Housing Benefit (HB) that were announced in the June 2010 Budget. The other reforms included a series of changes to Local Housing Allowance (LHA) and the introduction of the Benefit Cap.
5. RSRS was implemented nationally in April 2013. The policy introduced HB reductions for working age tenants living in the social rented sector and under-occupying their homes. The policy applies the same size criteria test that underpins LHA which determines the level of HB paid to people living in the private rented sector.
6. The primary purpose of the 2010 reforms was to reduce the HB bill over the course of the Parliament. If left unreformed, expenditure on HB was projected to reach £24 billion by 2014.
7. The specific policy aims of RSRS are to:
 - save around £500 million a year for the last two years of the current Parliament
 - introduce parity of treatment between the private and social rented sectors, with claimants in the social sector having to make similar decisions to those in the private sector about affordability
 - ensure that HB in the social rented sector only meets the cost of accommodation appropriate to a household's needs
 - encourage more effective use of social housing stock

- strengthen work incentives for working age people living in social rented housing.
8. From the outset it was recognised that the effect of this policy would be to apply restrictions to HB entitlement for social sector claimants for the first time. It was clear that such a radical change would mean that LAs and other social landlords would need time to both adjust their operational practices in response to RSRS and to prepare those of their tenants who were likely to be affected by the policy.
 9. The Department responded to this by providing a range of support. In July 2012 the Department published [circular HB/CTB A4/2012](#) which included a range of draft communications products for LAs to use/adapt as they saw fit. Alongside this, together with the Department for Communities and Local Government, DWP worked with the Chartered Institute of Housing on an online guide for social sector landlords '[Making it Fit - a guide to preparing for the social sector size criteria](#)'. This was launched in June 2012 and was designed to help landlords to develop a strategic and operational approach to the size criteria, tailored to their local area.
 10. As well as the practical advice and communications material, the government has put in place a substantial additional package of financial and practical assistance through the DHP scheme, which is intended to support claimants affected by the HB reforms in adapting to the changes. In 2013/14 the central government DHP fund was £180 million, £20 million of which was bidding scheme funding. For 2014/15 £165 million has been made available nationally to LAs.

How the bidding scheme arose

11. Administration of the DHP fund was particularly challenging for LAs in 2013/14 as two of the major reforms to HB were introduced during that year. This made it particularly difficult for authorities to anticipate the level of demand that there would be for help from the fund. Immediately before and after RSRS was implemented representations were made by some councils that DHP funding was insufficient to effectively support claimants through the transition to HB reform and that RSRS in particular was putting pressure on DHP funding.
12. The government responded to these concerns by providing an additional £35 million of funding for the 2013/14 financial year. This consisted of:
 - **Flexible funding:** £10 million transitional funding which was distributed to LAs to use to provide targeted support to help meet the housing needs of claimants affected by HB reforms
 - **Support for rural areas:** £5 million additional DHP funding which was allocated to the 21 least densely populated LAs across Great Britain. This was to avoid a disproportionate effect on households affected by RSRS in remote and isolated communities where potential remedies are less readily available
 - **Bidding scheme:** £20 million of Reserve Funding was set aside which councils were invited to bid for. To receive a share of the Reserve Funding LAs had to demonstrate higher than anticipated local pressures on DHP funding and highlight positive actions being taken by the authority and social sector landlords to support claimants through the transition.

13. Bids were received from 86 of the 380 LAs in England, Scotland and Wales between October 2013 and 3 February 2014, when the scheme closed. This resulted in additional DHP funding totalling £12.89 million being allocated to 85 LAs:
 - 68 in England
 - 14 in Scotland
 - 3 in Wales.

Good Practice

Overview

14. Bids for DHP Reserve Funding highlighted a wide range of good practice being undertaken by LAs to support claimants through the transition to RSRS. This varied geographically and also according to whether bidding councils were stock owners. Local activity and initiatives fell into three broad areas:
 - activities to support claimants affected by RSRS
 - measures to reduce the numbers affected
 - activities to increase the stock of smaller homes.
15. This document shares some of the examples of good practice that were demonstrated by bidding LAs. It is not intended to reflect actions that the Department necessarily recommends and the examples given are not exhaustive. They are illustrative of what can and is being done in some areas and can be used as a reference to help LAs who are considering what further support they could offer and action they could take in their area.
16. Some of the good practice examples may not be relevant to all LAs, especially where the specific local impacts outlined below apply. It is for LAs to make a judgement about what would work well in their area, taking account of the range of local factors.
17. From the bids we have identified a number of generic issues that may be relevant to some LAs and which they may want to take into account when developing local plans. These are set out below.

Rural issues

18. Many rural areas, such as Derbyshire Dales, Highland and Northumberland experience:
 - an absence of reliable public transport links
 - limited employment opportunities
 - a lack of suitable alternative accommodation in both the private and public sectors.

These may limit the extent to which households are able to mitigate the impact of RSRS.

Seasonal nature of local employment opportunities

19. Employment opportunities in areas with a predominantly tourist based economy, such as Fylde and the Isle of Wight, are often mainly seasonal and/or part time. This may limit claimants' ability to find continuous employment and avoid dependency on benefits out of season.

High unemployment rates

20. In areas with a high level of unemployment, such as Hull and West Dunbartonshire, local factors may mean that:
 - claimants who are able to work may need more skills training/practical support and take longer to secure a job
 - it may be more difficult for those with a part time job to increase their working hours.
21. In these areas provision of intensive budget management/debt advice may be the key short term mitigation, alongside more intensive labour market support and a longer term drive to increase the number of smaller homes available.

Social sector housing balance

22. Mutual exchange is likely to be the most effective short term mitigation for tenants who wish to downsize where social housing supply and demand are fairly well balanced and there are households living in over-crowded accommodation with whom they can swap.

DHP policy

23. Each LA is responsible for setting its own local DHP policy. The Department publishes a guidance manual which is kept under review and regularly updated. This is intended to support authorities in setting the local policy and administering the scheme.
24. Receiving DHPs on a short to medium term basis can act as a key incentive for claimants to engage with LAs and landlords to explore how they can address their financial circumstances and meet the shortfall in their rent in the longer term. In this way robust DHP policies can complement an effective and tailored range of tenant support initiatives to help claimants through the transition.
25. When setting local policies a range of different approaches have been used to ensure that claimants are clear that they can have no long term expectation that the shortfall in their rent will be met through DHPs. Some examples are outlined below.

Time limiting DHP awards

26. Time limiting DHP awards is a useful mechanism for buying tenants time to consider the options available to them – whether that means finding a way to meet their rental liability, or moving to smaller accommodation – without facing the risk of falling into arrears. Time limits can either be fixed or flexible according to circumstances. For example where the claimant is expecting a baby which will increase the number of rooms needed the LA may decide to award a DHP to cover the period until the baby

is born.

Limiting the extent to which a DHP meets the rent shortfall

27. Some LAs limit the level of DHP awarded to provide a contribution to the rental shortfall, but not to meet the full liability. This approach is predominantly deployed when claimants have previously had their rental liability met in full through DHP on the understanding that they will take steps to address their situation. It reinforces the message that DHPs are not necessarily a substitute for HB. This approach also allows LAs to prioritise DHP expenditure.

Awarding long term DHP awards in certain circumstances in line with the local DHP policy

28. Many LAs have recognised that in some cases it may be appropriate to provide longer term DHP support, for example where:
- the claimant is disabled and living in a significantly adapted property
 - a disability experienced by either the claimant or their partner means that they are unable to share a bedroom.

Making DHP awards conditional upon claimants taking action to improve their financial circumstances

29. A number of authorities are making DHP awards conditional. This reinforces the message to claimants that DHPs are not necessarily a substitute for HB, helping to secure on-going engagement in tenant support initiatives. It gives LAs scope to terminate a DHP award early where the claimant is not taking the actions expected of them.

Tenant Support Initiatives

30. There are a number of ways in which LAs and social landlords are supporting tenants affected by RSRS and helping them to find a long-term response to the policy that works for them.
31. Examples of the type of tenant support initiatives that LAs have in place are outlined below. The range of initiatives which individual authorities adopt varies considerably according to local social sector housing stock, the range of mitigations available locally and claimants' individual circumstances.

Helping tenants to make better use of their money

32. Most LAs and social sector landlords provide in-house money management/debt advice and signpost tenants to external agencies for more specialist advice. Many LAs are forging links with local credit unions to support tenants in managing their money and paying their rent. Similarly tenants affected by RSRS may be signposted to sources of energy efficiency advice. Some LAs have established links with food banks and other similar local schemes.
33. Examples of specific local activities designed to support people in making better use of their money are outlined below.

- Colchester Borough Council is working in partnership with CAP Money, a charity offering bespoke money management solutions, promoting the service at mutual exchange fairs and referring tenants via a triage process.
- Central Bedfordshire Council has developed a one stop offer of support for tenants covering employment and skills, debt and benefits, local welfare provision, health and social care and welfare rights.
- North Tyneside Council has funded delivery of a community led money management project developed by Quaker Social Action, run by local community volunteers.
- Southwark Council has advised tenants on reducing expenditure on energy and water.
- Winchester City Council has set up training courses covering budgeting and cooking on a budget as well as setting up local estate based drop in centres in partnership with a credit union. The LA has committed to pay the set up and monthly charges for tenants who open a credit union account.
- The arms length management organisation (ALMO) that manages Stockport Council's housing stock has set up a food share scheme in which food worth £15 can be purchased for just £2 a week.
- Caerphilly County Borough Council promotes Welsh Water Assist which can reduce water bills.
- Derbyshire Dales District Council has funded a debt and money advice service that is delivered in partnership with the Citizens Advice Bureaux.
- Leeds City Council visited all affected tenants to discuss options and support them to make decisions about how they respond to RSRS. This included help to review and prioritise expenditure and the provision of debt advice, including referrals to specialist debt support agencies where appropriate.
- The LA is a key partner in Newcastle upon Tyne's Financial Inclusion Partnership (FIP) providing information, advice and assistance to people coping with reduced incomes and increased expenditure. Key successes include:
 - benefits maximisation and provision of debt advice
 - increasing credit union membership
 - running a Christmas and Summer Support scheme offering food to 650 families affected by Welfare Reform who may have gone hungry without free school meals during holiday periods.

The FIP won the regional Illegal Money Lending Team's award for reducing the risk of people using loan sharks.

- Highland Council has funded both an in house money advice team as well as money advice services in seven local Citizens Advice Bureaux. The in house team has developed a budgeting game as a fun and interactive approach to budgeting which has proved to be successful with a cross-section of participants.

- The ALMO that manages Lambeth Council's stock actively encourages tenants to take in a lodger.

Helping tenants into work

34. LAs and social sector landlords are working in partnership with other agencies, including Jobcentre Plus to provide a range of work focussed support. This includes providing employment and skills development events as well as more one to one support with a range of work related activities and training to enhance employment opportunities.
35. A number of LAs made the point that the prospects of finding sustainable employment in the local area are not good for some of those affected by RSRS. Despite this there remains a strong local commitment to supporting tenants into or towards work wherever possible.
36. Some examples of local activities designed to help people into or towards work are outlined below.

- In Aberdeen, where local employment opportunities are good, the LA works closely with other agencies to support those looking for work or seeking to improve their skills in order to obtain a better paid job.
- Southwark Council has provided computer access for HB claimants who are looking for work. Alongside this the LA has introduced 'Digital Friday' open sessions to encourage tenants with IT skills to provide peer support for others and offering volunteers a certificate for use on CVs and job applications.
- Winchester City Council has arranged local employment/training events in partnership with employment agencies. Tenants are informed about vacancies within Housing Services which they may wish to apply for.
- In Basingstoke social landlords have provided funding to remove barriers into employment and practical support to help tenants with job search activities, CV/application writing and interview skills.
- Milton Keynes Council and Milton Keynes College are working in partnership with Jobcentre Plus and other voluntary/community organisations to provide locally based job clubs in the heart of priority estates, to help people back into work.
- Warrington Borough Council undertakes "Better off in work" calculations for tenants.
- Employment teams within the Cheshire West and Chester Council's Benefits team work with claimants to motivate and support them into or towards employment, often drawing on local work-related projects and using the HELP scheme to assist with expenses related to starting work such as the cost of travel to work and clothes for work.
- West Dunbartonshire Council runs regular employability workshops for tenants covering CV writing, Application Form completion, interview skills training, mock job interviews as well as providing a Job Brokerage service.

- South Northamptonshire Council in partnership with other organisations have set up a Job Club to support people back to work. Unpaid work placement schemes are available with local employers
- Highland Council supports a number of work clubs across the vast geography of the Highlands, with the aim of increasing work opportunities for claimants and preparing them for the world of work. In particular, the LAs investment has resulted in increased digital access at work clubs, up-skilled participants' digital capabilities and better prepared them for the world of work.

Housing Stock

37. There is evidence that LAs and social landlords are adopting a range of good practice to help them to improve the balance of suitable small properties and family homes within the local housing stock, to address the needs of both those affected by RSRS and families living in over-crowded conditions.
38. For RSRS these activities fall into three broad areas:

Helping tenants to downsize

39. Most LAs actively promote mutual exchange, often in partnership with other social sector landlords. In larger metropolitan areas there are examples of LAs working in partnership on regional exchange schemes. These schemes increase downsizing opportunities for tenants and are particularly effective in areas where there is a significant overcrowding problem or where few one bedroom homes become available to let in the normal course of events.
40. Some LAs have taken the pragmatic decision to:
 - amend transfer policies to allow tenants with rent arrears to downsize
 - offer transfer incentive schemes by paying downsizing tenants a small lump sum amount to help with the costs of moving. These are often based on an amount for each bedroom freed up
 - provide practical support to downsizing tenants, such as access to a 'man with a van' service.

Making better use of existing housing stock

41. Some LAs have re-designated small parts of their housing stock, either to bring about a change of use by making some former sheltered housing available for general use, or to re-designate the number of bedrooms certain properties have. For example some three bedroom homes where the third bedroom was a box room have been re-designated as having two bedrooms, with the application of an appropriate reduction in the rent.
42. Most LAs have amended housing allocation policies to bring them in line with RSRS, ensuring that new tenants are allocated an appropriately sized home from the outset.

Increasing the stock of smaller homes

43. In many areas the supply of one and two bedroom homes is not sufficient to meet the demand generated by RSRS. Some LAs and social sector landlords have amended current and future development plans to include more small properties.
44. As well as changes to new build planning, a relatively small number of LAs and social sector landlords plan to convert existing properties into one and two bedroom units. Some plans involve sub-dividing larger dwellings to provide multiple smaller units. Other, more innovative schemes include the conversion of a wide range of council owned non-residential buildings which had fallen out of use, which are being brought back as residential properties. These include former shop units, offices and public libraries.
45. Some local examples of how landlords are making better use of housing stock are set out below.

- Central Bedfordshire Council is actively promoting mutual exchange and where possible is fast tracking transfer requests from tenants affected by RSRS.
- In Conwy some housing associations are considering re-designating some low demand one and two bedroom homes for general use.
- Winchester City Council has reviewed the mutual exchange policy to allow tenants with rent arrears who are downsizing to take part in the scheme. It has also designed new build schemes specifically for downsizers. For one scheme potential downsizers were invited to give their views on what they would look for in a smaller unit. On completion downsizers will be given priority for these homes.

In Barnsley there has been some small scale re-designation of properties where adaptations have reduced the size of a bedroom. In all such cases rents have been reduced accordingly.
- Aberdeen Council has set up a downsizing scheme and is supporting a 'speed dating' approach to mutual exchange.
- Canterbury City Council is encouraging social sector landlords to build one and two bedroom homes. This is the focus of almost the whole new build programme. The LA is supporting social landlords in this by making land available well below market value.
- Elmbridge Borough Council's planning policies state that up to 65% of affordable rented homes built should comprise smaller units (with one or two bedrooms).
- In Central Bedfordshire there are plans to build one and two bedroom homes on a redundant garage site. The LA is in the early stages of planning conversion of some three bedroom homes to meet single person housing needs, in partnership with other social landlords.
- Recently completed new homes in North Tyneside include one and two bedroom units, with more planned as part of an ambitious 10-15 year affordable homes

programme. The LA also plans to convert a range of redundant council buildings (houses, shops and other public buildings, such as libraries) to create smaller homes over the next two to three years.

- In St Helens the main social landlord has started a programme to convert some three and four bedroom properties into one and two bedroom flats. The first 10 were due for completion during 2014.
- Highland Council has invested in procuring and building council owned self-contained one bedroom flats across the Highland to provide temporary accommodation for homeless households. This commitment alone will provide 200 new one bedroom units by 2017 and is in addition to the agreed council house building scheme.
- In Hull 94 one bedroom flats previously scheduled for demolition are now being refurbished and a scheme of 100 one and two bedroom units is being developed on an estate that previously consisted of only three and four bedroom properties.
- Manchester City Council is encouraging partners to look at building new homes capable of being flexibly modified, e.g. a two bedroom house with shared facilities but individual and secure bedrooms which can be let to separate households.
- One housing association in Tameside has asked architects to look at options for creating spaces for guests in new designs for one bedroom properties. However this proved expensive and so they are re-looking at their plans.
- Sheffield City Council has put in place practical measures to address potential barriers to moving home. These include help with packing, provision of decorating vouchers and subsidised removal costs.
- Tameside Metropolitan Borough Council has supported social landlords in introducing a '2's company' scheme to encourage tenants to share accommodation.
- In Lambeth tenants who downsize receive a payment of £500 for each bedroom they have given up. Tenants can also bid for a further £500 to help with removal expenses or appliance connection charges.

Conclusion

46. The bidding scheme applications have provided a strong body of evidence that LAs and claimants are taking positive steps to adapt to the change. It is clear that many LAs and social sector landlords are pro-actively working to achieve a more balanced housing stock to meet local needs. At the same time claimants are engaging with the support mechanisms that LAs and landlords have put in place to help them and are considering how best they can mitigate the impact of the policy and starting to take the necessary steps to achieve that.
47. The Department will continue to monitor how LAs, other social landlords and claimants are responding to the policy.