



Leicester
City Council

WARDS AFFECTED
All Wards

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:
OSMB

15 April 2010

HomeCome - Response to the report of the Task Group

Joint report of Director of Housing Services and Director Housing Strategy and Options

1. Purpose of Report

On 11th February 2010 OSMB considered a report from Councillor Potter that gave the findings of the Adults and Housing Task Group's review of "HomeCome".

OSMB asked officers to respond to five areas of concern.

2. Summary

2.1 Some HomeCome tenants will face the 'poverty trap' if they come off full Housing Benefit, as will tenants on high rents in the private sector. The benefit tapers are set by Government.

2.2 Members may wish to consider the position of HomeCome tenants in the forthcoming review of the Housing Allocation Policy, but giving more priority to any one group of applicants will disadvantage another group at a time when supply cannot meet demand.

2.3 The Director of Housing Services has put arrangements in place to improve information for HomeCome tenants, involve them in consultation and ensure repair and maintenance services are the same as for Council tenants.

3. Recommendations

That OSMB considers the response to the five areas of concern and decides whether further action or information is required.

4. Report

The five issues are considered individually:

4.1 Issue 1

The possibility of HomeCome tenants facing financial difficulties ‘the poverty trap’, due to the rent levels being higher than Council tenants.

4.2 Tenants on Passported Benefits

The majority of HomeCome rents are within the maximum Housing Benefit level, which is known as the Local Housing Allowance. If the HomeCome tenant receives one of the following benefits, then they will get maximum Housing Benefit and Council Tax Benefit.

The benefits are:

- Income Support
- Jobseekers Allowance (Income Based)
- Employment and Support Allowance (Income Related)
- Pension Credit (Guarantee)

4.3 Many low-income families will get Income Support, but problems can arise when they are no longer eligible.

The ‘Poverty Trap’ can start once a low-income family is no longer in receipt of a passported benefit. This is because they will be expected to pay towards their housing costs (rent and council tax) as maximum Housing Benefit and Council Tax Benefit will be lost.

This is seen as a disadvantage in starting work as families will be unsure how much help will be given to them from the benefits system and will become responsible for meeting housing costs payments that become due.

4.4 Tenants not on Passported Benefits

Each household will have an identified “applicable amount”.

An “applicable amount” is the figure used in calculating Housing Benefit and Council Tax Benefit to reflect the basic living needs of the claimant and their family. Government sets these and they are the starting point of any means tested benefit.

An “applicable amount” is made up of two elements:

- Personal Allowances – based on the age and status of the customer; and
- Premiums – based on disabilities, caring responsibilities and family make up

An “applicable amount” is based on an individual families need.

Appendices 1 and 2 set out some examples of how the taper works.

4.5 Government sets the ‘Taper’ and for Housing Benefit this is set at 65% and for Council Tax Benefit it is 20%. This means that for every pound of income over their “applicable amount” the customer loses 65p of Housing Benefit and 20p of Council Tax Benefit.

At present there are 125 HomeCome tenants that are being paid Housing Benefit. 43 claims do not receive maximum Housing Benefit – this is 34.4% of this client group.

4.6 Issue 2

HomeCome tenants finding themselves locked into tenancy agreements and not fully understanding the procedures.

- 4.7 Tenants are not “locked” into tenancy agreements. They can give 4 weeks (28 days minimum) notice at any time.

Written information on what a HomeCome tenancy means is sent to prospective tenants when they are told of the vacancy. In future this information will be on the Leicester HomeChoice website. Applicants will need to decide if they want to express an interest in the HomeCome property. Applicants can discuss this with the Lettings Team or Housing Options if they wish. Once an applicant accepts an offer, further written information is given at sign up, which takes place face to face at the Neighbourhood Office.

- 4.8 OSMB expressed concern that once an applicant has accepted a HomeCome tenancy they will lose their points on the Housing Register.

All offers of HomeCome tenancies are made under the Council’s Allocation Policy. This means that a HomeCome property will only be offered if it *meets the applicant’s needs* eg right number of bedrooms, level access if required etc.

- 4.9 Points are awarded to households on the Register, based on their *existing and current housing need* eg overcrowding, temporary accommodation, need for ground floor accommodation. *Once that need has been met then the applicant is no longer in “housing need”* and therefore is given no points. If their housing circumstances change while they are a HomeCome tenant (eg need ground floor accommodation) they will be allocated points in accordance with policy.

- 4.10 HomeCome tenants do not have the right to buy and rents are higher than Council rents and for this reason some applicants would rather wait for an offer of a Council tenancy. On the other hand, the rents are often lower than the private sector, they will have much more security and a responsive repair service. Applicants will weigh up what is most important, depending on their needs at the time. Once they are a HomeCome tenant they can remain on or leave the Housing Register. Their points will change as their housing circumstances change. This is how all applicants on the register are treated whether in private rented sector, existing Council or Housing Association tenant or owner occupier. Officers will ensure this is made clear on the Leicester HomeChoice website.

- 4.11 The same situation applies if an applicant accepts an offer of a Housing Association property or arranges to rent a private house that meets their needs.

- 4.12 The Allocation Policy will be reviewed this summer in response to new Government guidance entitled ‘Fair and Flexible’. Council’s have some flexibility to have local policies, but overall should give priority to those in greatest housing need.

4.13 OSMB may wish to consider this issue as part of the review of Housing Allocation Policy later this year, noting that giving more priority to any one group of applicants will disadvantage another group at a time when supply cannot meet demand.

4.14 Issue 3

HomeCome tenants are confused about how to access Customer Services and repairs and maintenance services.

Housing Services have developed an Action Plan setting out the changes that are to be implemented to improve Housing Management services to Homecome tenants following the recommendations of this report. The key areas that this action plan focuses upon include:

- Improving communication with Homecome tenants
- Reviewing and improving information provided to Homecome tenants
- Developing staff to be able to provide improved customer service
- Monitoring Housing Services effectiveness of service delivery to Homecome tenants

Key areas that will be developed over the course of this year are set out below:

Communication

Provide clear information in Welcome Packs and in newsletters about the Complaints procedure or how to make comments or suggestions.

Develop clear information for tenants on the repairs service – including how to report a repair, repairs response times/priorities.

Develop dedicated Homecome section of the website, in consultation with tenants, and keep updated.

Information

Add Homecome tenants to the distribution list for City Housing News.

Undertake consultation with tenants to develop a checklist of the information they would like to receive.

Training

Develop training for front line staff on all issues relevant to Homecome to ensure staff are aware of their responsibilities towards tenants.

Estate Management Officers to lead on Homecome issues, to oversee communication and information, answer basis queries and signpost to more specialised advice and support.

Monitoring

Develop customer satisfaction survey for HomeCome tenants and undertake on an annual basis.

Develop a mystery shopping programme to identify areas of improvement for the services being provided.

Establish Tenants' Focus Group to help review the welcome pack and receive monitoring information.

4.15 Issue 4

The standard of works carried out and inspections to HomeCome properties being prepared for let.

The Void Officers based in the Property Lettings Team carry out the inspection when the property first becomes vacant. A specification identifying all repair work required to bring the property up to an agreed standard is produced. Once the repair work is complete the Void Officer inspects the property to check that all specified work has been carried out. The process for HomeCome owned properties is the same as for our own council properties.

4.16 Issue 5

Property in Mowmacre Hill where a former bathroom has been converted to a small bedroom

Officers have carried out further investigations into this property in relation to the 4th Bedroom.

Officers have spoken to Building Control who have confirmed that the 4th bedroom, does not contravene any building regulations. However, HomeCome have agreed to install a large window into the bedroom which the tenant has agreed to.

HomeCome have been asked if they would re-designate the property to a 3 bedroom, they have stated their position has not changed and therefore the property in their view is a 4-bedroom property.

5. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

5.1. Financial Implications

Improvement to service will be met from existing budget.

5.2 Legal Implications

Members should refer to the previous report to OSMB for general legal implications regarding the Council's legal arrangements with HomeCome.

This report discusses proposals to alter the allocation policies for Council housing. These are obviously subject in themselves to procedures (in particular as to consultation) under the Housing Act. Care needs to be taken in framing changes in housing allocation policy not to bring about unintended discrimination. Officers have therefore put in place arrangements to monitor the effect of changes, but in this case recommended that the need for an equalities impact assessment be strongly considered.

6. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph Within Supporting information	References
Equal Opportunities	No		
Policy	No		
Sustainable and Environmental	No		
Crime and Disorder	No		
Human Rights Act	No		
Elderly/People on Low Income	Yes		
Corporate Parenting	No		
Health Inequalities Impact	No		

7. Background Papers – Local Government Act 1972

Report of the Adults & Housing Scrutiny Task Group – Final Report
Review into “Homecome Ltd” – 11th February 2010

8. Consultations

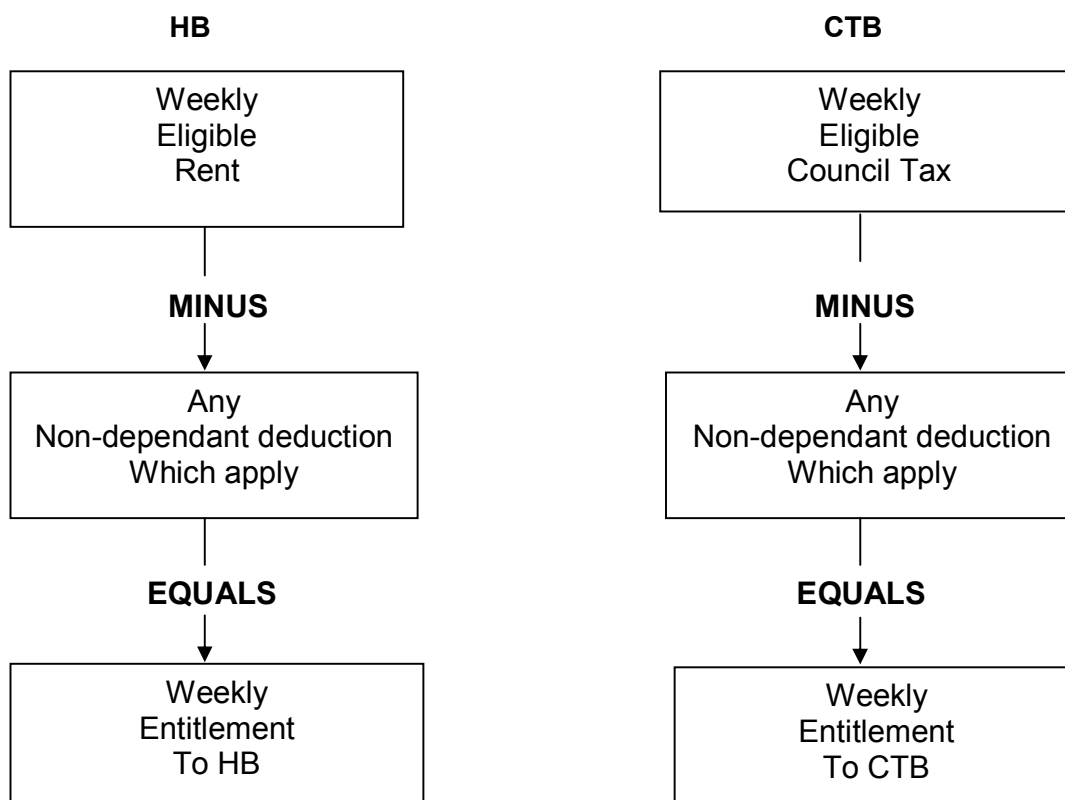
8.1 No consultations. Issues arose from consultation led by the Task Group.

9. Report Author

Ann Branson, Director Housing Strategy and Options

Calculation of Housing Benefit (HB) / Council Tax Benefit (CTB)

If a customer is in receipt of a passported benefit e.g. Income Support, Job Seekers Allowance (Income Based), Employment and Support Allowance (Income Related) or Pension Credit (Guarantee) then the award of HB/CTB will be the maximum amount of benefit that can be awarded.



If for example the customer was entitled to the LHA one bedroom rate then the maximum HB will be the LHA rate of £91.82.

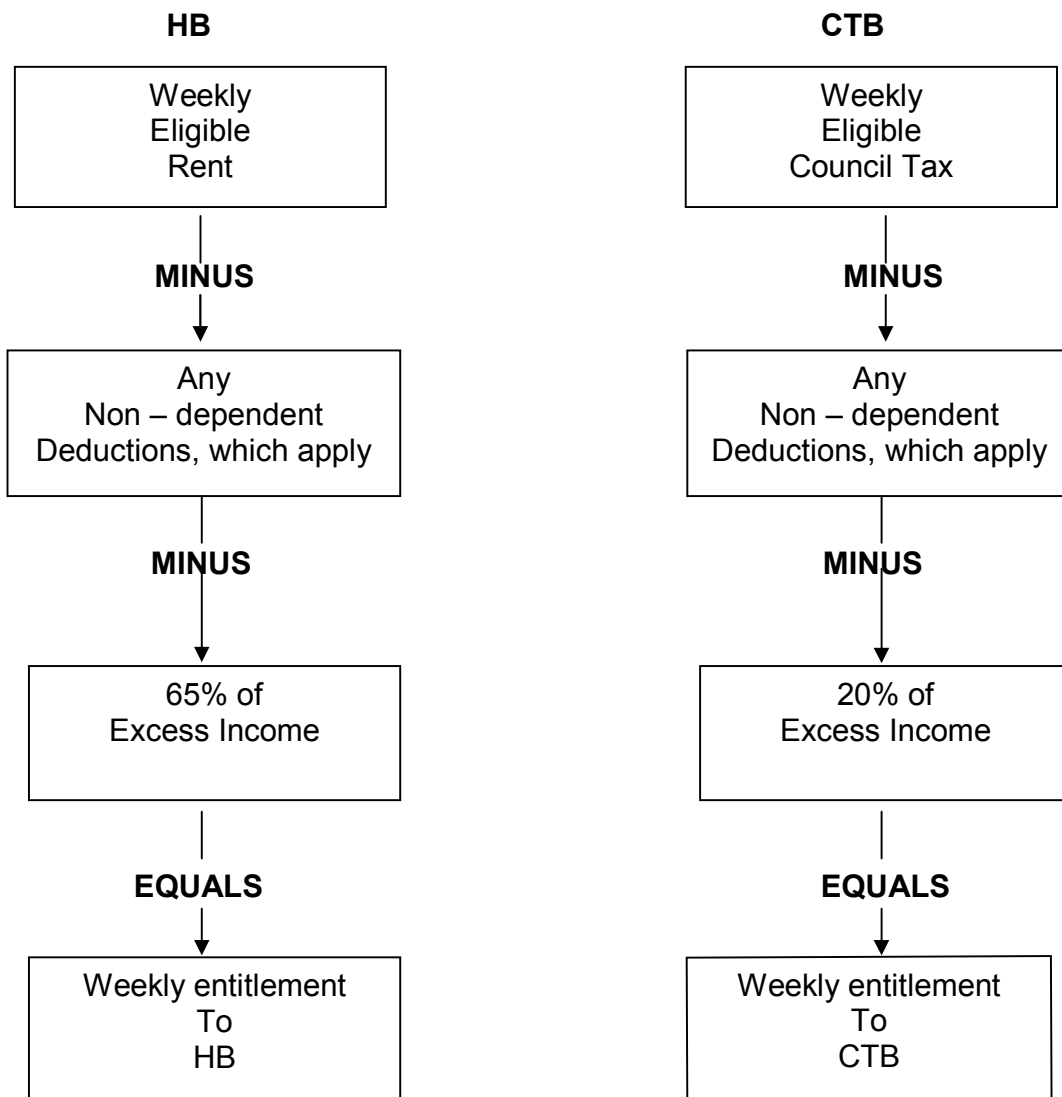
If that customer then has a change to their circumstances and begins work for arguments sake then their HB / CTB is reduced to reflect this.

A taper reduces the benefit; this is calculated as shown below:

For **HB** the taper is **65%** - this means that for every pound of income over the customer's applicable amount they will lose 65p in benefit.

For **CTB** the taper is **20%** - this means that for every pound of income over the customer's applicable amount they will lose 20p in benefit

The calculation of HB/ CTB therefore now looks like the following: -



For example if a customer was 26, living in a one room accommodation so the LHA rate is £91.82, his council tax charge is £13.12 after SPD awarded, his take home pay is £105.00 per week, his calculation for benefit would be as follows:

Wages	£105.00
Less earnings disregard	<u>£ 5.00</u>
Eligible income	£ 100.00
Less applicable amount	<u>£ 64.30</u>
Excess income	£ 35.70

The taper calculation is therefore applied to the excess income of £35.70

65% of £ 35.70 is	£ 23.21
20% of £ 35.70 is	£ 7.14

Therefore the HB award now becomes LHA rate £91.82 minus the tariff income calculation £23.21 means a **HB award of £ 68.61 per week.**

The CTB award now becomes CTAX liability of £ 13.12 minus the tariff income calculation £7.14 means a **CTB award of £ 5.98 per week.**

Impact of the Housing Benefit and Council Tax Taper and the £15 Allowance

Example 1 : Lone Parent

In the following scenario there is a Lone Parent living in a 2-bedroom property with her one child and working 21 hours per week and living in a HomeCome property with rent of £95.00 per week. (These details are taken from an existing Home Come tenant):

Applicable Amounts are the starting point for the assessment of Housing Benefit as these are determined by Government of the amount that a person in the same situation are expected to live on, they are made up of allowances and premiums and are based on the circumstances of the benefit household.

In this instance the Applicable Amount for a lone parent with one child would be as follows:

Personal Allowance for a lone parent	£ 65.45 per week
Allowance for dependant child	£ 57.57 per week
Family premium	<u>£ 17.40 per week</u>
Total Applicable Amount	£140.42 per week

This basically means that if customer's weekly income were below this figure they would be entitled to maximum housing benefit. Anything over this amount their maximum housing benefit is reduced by a taper of 65% of any excess income above the applicable amount.

The **weekly income** that this customer has is:

Earnings	£ 134.15 per week
Child Benefit	£ 20.00 per week
Child Tax Credit	£ 176.46 per week
Working Tax Credit	<u>£ 70.30 per week</u>
Total weekly income	£400.91 per week

The Regulations then allows certain disregards from this income

Income received **less** the disregards applied in this case:

Standard Earnings Disregard for Lone Parent	£ 25.00 per week
Additional Earnings Disregard as works more than 16 hours per week	£ 17.10 per week
Child Benefit	£ 20.00 per week
Child Care Costs (Up to a maximum of £175.00 pw) based on what the customer pays	<u>£ 137.50 per week</u>
Total disregards	£199.60 per week

Therefore the income taken into account in the calculation of Housing Benefit is:

Weekly income	£400.91
Less	
Disregards	<u>£199.60</u>
Total Income	£201.31

The next stage of the calculation is to carry out the means test; looking at the total weekly income to be used in the calculation of Housing Benefit against the customers' applicable amount, in this instance:

Income £201.31 minus applicable amount £140.42 gives an excess income of **£60.89 per week**

The Regulations then state that you apply the 65% taper to this excess income figure –

65% of £60.89 = **£39.58 per week** – this is the figure that is taken from the eligible rent on the property.

In this customers situation – living in a Home Come property the weekly rent is £95.00 per week, however the Local Housing Allowance (LHA) is £110.00 per week.

Regulations allow for the difference between the eligible weekly rent and the LHA rate to be used in the calculation of the housing benefit award up to a maximum of £15.00 per week. There was a proposal with central Government to remove this £15.00 per week top up from April 2010, however following a review of this proposal it has been **agreed in March 2010** that the **£15.00 top up payment will continue** to be applied in LHA cases where the LHA rate is more than the contractual rent up to a maximum of £15.00 per week.

Therefore in this situation the eligible rent used in this customers benefit assessment is £110.00 per week the LHA rate and not the contractual rent of £95.00 per week.

Therefore the benefit calculation is:

LHA rate	£ 110.00 per week
Less Taper income	<u>£ 39.58 per week</u>
Giving Housing Benefit of	£70.42 per week

The HomeCome tenant in this situation will have to pay the landlord **£ 24.58** per week. This is the difference between the rent charged of £95.00 per week and the housing benefit award of £70.42 per week.

If this same customer were to be living in a Leicester City Council property with a weekly eligible rent of £60.00 per week her weekly top up of rent would be:

Eligible rent	£ 60.00 per week
Less Taper income	<u>£ 39.58 per week</u>

Giving Housing Benefit of

£ 20.48 per week

Conclusion for Example 1

In this situation the Council tenant would be paying **£39.58** per week towards her rent, therefore she would be worse off than the customer living in the HomeCome property because of the £15.00 allowance.

Example 2 : Large Family

This is not based on an existing claim and the figures used are fictitious. This customer is part of a couple, has 4 dependant children living in the household and is living in a 4-bedroom HomeCome property with rent of £183.00 per week.

The weekly rent is charged for the Home Come property is £183.00 per week (this is a correct rent that is charged through this scheme) and the LHA rate, at the time of making the claim for Housing Benefit is £173.08 per week. This leaves the customer with a **£9.92 weekly top up** even if they were entitled to maximum housing benefit.

However they are not in receipt of a passported benefit.

Their applicable amount is made up as follows:

Personal Allowance for a couple (where 1 or more is over 18)	£ 102.75 per week
Child Allowance (4 children X £57.57 child allowance)	£ 230.28 per week
Family Premium	<u>£ 17.40 per week</u>
Total Applicable Amount	£ 350.43 per week

They have declared the following income:

Earnings (based on 37 hours at minimum wage £5.80)	£ 214.60 per week
Child benefit for eldest child	£ 20.00 per week
Child benefit for 3 subsequent children (3 X £13.20)	£ 39.60 per week
Child Tax Credit	£ 194.70 per week
Working Tax Credit	<u>£ 124.10 per week</u>

Weekly declared income **£ 593.00 per week**

Less weekly disregards as stated in the Regulations

Standard Earnings Disregard for a couple	£ 10.00 per week
Additional Earnings Disregard as work more than 16 hours	£ 17.10 per week
Child Benefit for eldest child	£ 20.00 per week
Child Benefit for subsequent children	<u>£ 39.60 per week</u>

Total weekly disregard **£ 86.70 per week**

Therefore the income taken into account for HB purposes is:

Income	£ 593.00 per week
Less	
Disregards	<u>£ 86.70</u> per week
Total Income	£506.30 per week

The next stage of the calculation is to carry out the means test; looking at the total weekly income to be used in the calculation of Housing Benefit against the customers' applicable amount, in this instance:

Income £506.30 minus applicable amount £350.43 gives an excess income of **£156.17 per week**

The Regulations then state that you apply the 65% taper to this excess income figure –

65% of £156.17 = **£101.51 per week** – this is the figure that is taken from the eligible rent on the property.

Therefore the calculation of Housing Benefit is the LHA rate of £173.08 per week less the taper income of £101.51 per week, giving an award of Housing Benefit of £71.57 per week.

The customer will then have to pay the landlord a weekly **top up of £111.43 per week**, this being the difference between the rent charged of £183.00 per week and the Housing Benefit award of £71.57 per week.

If this same customer were to be living in a Leicester City Council property with a weekly eligible rent of £75.00 per week their situation would be:

Eligible rent	£ 75.00 per week
Less Taper income	<u>£ 101.51</u> per week
Giving Housing Benefit of	£ 0.00 per week

Conclusion for Example 2

In this situation the Council tenant would be paying £75.00 per week towards her rent, while the HomeCome tenant would pay £111.43 per week.

In conclusion

Once a customer comes off a passported benefit, (Income Support, Job Seekers Allowance (income based), Employment and Support Allowance (income related) and Pension Credit Guarantee) they **will lose 65 pence for every £ earned above their applicable amount**, this can therefore be the start of the poverty trap as payments then need to be made towards their housing costs and council tax.

The more the wages or any other income received increases so the housing benefit will reduce in line with the taper income calculation, this in itself can be a barrier for customers to come off benefits and into work as they will be unsure how much housing costs they will need to pay.