

Corporate Policy and Strategy Committee

10.00 am, Tuesday, 1 October 2013

Under-Occupation – Re-designation of Bedrooms - referral from Health, Wellbeing and Housing Committee

Item number	7.2(a)
Report number	
Wards	City wide

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report

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Terms of Referral

Under-Occupation – Re-designation of Bedrooms

Terms of referral

On 16 April 2013, the Corporate Policy and Strategy Committee considered a report setting out the implications for tenants and the housing service of the Housing Benefit under occupancy reforms, “Managing Arrears Arising from Housing Benefit Under Occupancy Restrictions”. It outlined a series of possible solutions to the impact of these reforms, one of which was the re-modelling of stock.

In response to that report, Committee requested an update on decisions made by other councils in England and Scotland on the re-designation of bedrooms, including further information on the rationale and impact of these decisions.

The Health, Wellbeing and Housing Committee on 10 September 2013 considered a report in response to the request from the Corporate Policy and Strategy Committee, of 16 April 2013.

The Health, Wellbeing and Housing Committee agreed:

To refer the report to the Corporate, Policy and Strategy Committee without recommendation.

For decision/action

The Health, Wellbeing and Housing Committee has referred the attached report to the Corporate Policy and Strategy Committee for consideration.

Background reading / external references

Health, Wellbeing and Housing Committee 10 September 2013

Links

Coalition pledges See attached report.

Council outcomes See attached report.

Single Outcome Agreement See attached report.

Appendices [Report by the Director of Services for Communities](#)

Health, Wellbeing & Housing Committee

10.00am, Tuesday, 10 September 2013

Under-Occupation - Re-designation of Bedrooms

Item number	7.8
Report number	
Wards	All

Links

Coalition pledges	P8
Council outcomes	CO16
Single Outcome Agreement	SO2 and SO4

Mark Turley

Director of Services for Communities

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Executive summary

Under-Occupation - Re-Designation of Bedrooms

Summary

On 16 April 2013, the Corporate Policy and Strategy Committee requested a report on decisions made by other councils in England and Scotland on the re-designation of bedrooms, providing further information on the rationale and impact of these decisions.

This report responds to that request, outlining the proposals made by four landlords to re-designate stock and suggesting an approach for Edinburgh. The report seeks approval for the introduction of minimum criteria to designate bedrooms in Council properties for the purpose of letting.

The report also provides a summary of the member and stakeholder discussion on under occupation which took place at the Policy, Development and Review Sub-Committee of the Health, Wellbeing and Housing Committee on 23 April 2013.

Recommendations

It is recommended that the Health, Wellbeing and Housing Committee:

1. Agrees that this report discharges the remit from the Corporate Policy and Strategy Committee to provide an update on the landlord approaches to re-designation of bedrooms to reduce the impact of under occupancy regulations.
2. Agrees that rooms below a size of 50 sq feet or have no ventilation or no natural light will not be regarded as bedrooms for the purpose of letting.
3. Notes that a review of 257 pre 1919 tenement properties will be undertaken to identify which, if any, have rooms which do not meet this standard.
4. Notes that in addition tenants can apply for a review of their property size and that property inspections will be carried out to assess whether all rooms meet the standard.
5. Agrees that this report discharges the remit from the Policy, Development and Review Sub-Committee of the Health, Wellbeing and Housing Committee to submit a report based on the feedback received from members and stakeholders.

Financial impact

The impact of re-designation would depend on the number of properties re-designated and the reduction in rent. For instance, if all properties were to convert one bedroom to

a public room and the current rent charging policy remained in place, the HRA would lose an estimated £10 million per annum or 20% of its overall operating income.

The proposed guideline for classifying a room as a bedroom in this report would not result in this level of loss to the HRA. It is anticipated that this will impact on pre 1919 tenements where box rooms have historically been classified as bedrooms, and not on the rest of Council stock which would have been constructed to Housing Act standards at the time of construction.

Even if all pre 1919 properties were to be re-designated, this would result in a relatively modest reduction in HRA rental income (approximately £0.172 million per annum).

Equalities impact

Any approach to re-designation should be consistent and based on property criteria to ensure that there is not an unfair impact on tenants. Tenants could also challenge that the Council's rent policy would not be equitable if changes were not applied across all similar stock.

Sustainability impact

There are no sustainability issues arising from this report.

Consultation and engagement

Consultation was undertaken with ETF on the proposal to reclassify bedrooms based on size, ventilation and natural light criteria.

Background reading / external references

[Managing Arrears Arising from Housing Benefit Under-occupancy Restrictions, Corporate Policy and Strategy Committee, 16 April 2013](#)

Under-Occupation - Re-Designation of Bedrooms

1. Background

- 1.1 From 1 April 2013, local authority and housing association tenants who are below pensionable age (currently 61 years and five months), who are claiming Housing Benefit (HB) and who have more bedrooms than they are deemed to need, have had their HB reduced.
- 1.2 At the end of June 2013, 3,500 (18%) Council tenants were affected by the under occupation regulations. This breaks down as 3,103 tenants (89%) who have seen a 14% reduction in their HB and 397 tenants (11%) who have seen a 25% reduction.
- 1.3 On 16 April 2013, the Corporate Policy and Strategy Committee considered a report setting out the implications for tenants and the housing service of the HB under occupancy reforms, 'Managing Arrears Arising from Housing Benefit Under occupancy Restrictions'. It outlined a series of possible solutions to the impact of these reforms, one of which was the re-modelling of stock.
- 1.4 In response to that report, Committee requested an update on decisions made by other councils in England and Scotland on the re-designation of bedrooms, including further information on the rationale and impact of these decisions.

2. Main report

Landlords Considering the Re-designation of Bedrooms

- 2.1 Only four landlords in England and Scotland have confirmed proposals to reduce the number of bedrooms in some of their homes. These are North Ayrshire Council, Leeds City Council, Knowsley Housing Trust and Nottingham City Council. With the exception of North Ayrshire Council, the re-designation of bedrooms has been taken in response to problems of low demand. This led to a wholesale review of housing stock to identify whether or not properties were configured properly to meet the demand for housing.
- 2.2 A summary of the approaches is set out below:
 - **North Ayrshire Council** has introduced minimum size criteria of 50 sq feet for bedrooms in their stock. Where homes are identified that have bedrooms below this criteria they will no longer be treated as a bedrooms for the purpose of rent setting. North Ayrshire Council has not identified how many properties this would effect.

- **Leeds City Council** is proposing to re-designate 837 properties (approximately 1.5% of stock) based on design, layout and demand. These properties will have the number of bedrooms reduced by one or more for the purpose of rent setting. Leeds estimates that a third of tenants in the properties to be re-designated are currently affected by the under-occupation changes.
- **Knowsley Housing Trust** is proposing to re-designate 566 properties (approximately 4.2% of stock). The re-designation follows a stock review. Again, these properties will have the number of bedrooms reduced by one or more for the purpose of rent setting. Where tenants are under-occupying they will benefit from the number of bedrooms in their property being reduced.
- **Nottingham City Council** is proposing to re-designate 1,019 two bedroom flats in multi-storey blocks to one bedroom flats, to ensure future letting is not negatively affected by a reduction in demand. It is also re-classifying 112 properties based on minimum room size criteria. Together, this represents around 4.0% of housing stock.

2.3 No landlord is proposing to re-designate properties in order to move all households out of the under-occupation restrictions. In each case only a relatively small number of affected tenants will benefit from these changes. Each landlord is expecting a reduction in budgeted rental income as a result of reducing the number of bedrooms assigned to each property. However, where stock reviews have been driven by low demand, this will be offset by reductions in rent lost through empty homes.

2.4 The Welfare Reform Minister has written to all social landlords stating that any wide scale re-designation without reductions in rent levels would be deemed inappropriate and that the Department for Works and Pensions (DWP) would take action against authorities doing so. This includes the consideration of restricting or not paying the HB subsidy.

Options for Edinburgh Council

2.5 Edinburgh does not have a problem with low demand for social rented housing of any size so the approach taken to re-designation by the English social landlords would not be appropriate in Edinburgh. Currently, and like most other social landlords, the Council sets rents by the type of home and the number of bedrooms. The Council could reduce the overall number of bedrooms in all homes and re-designate all stock to have two public rooms, rather than one.

2.6 If one bedroom was re-designated as a public room in all properties with more than one bedroom, all tenants under-occupying by one bedroom would be removed from under-occupation restrictions and those under-occupying by two bedrooms would be charged the one bedroom restriction.

2.7 However, our current rent charging mechanism means that we would suffer an average loss of around £14 per week in rent or £672 per home per year in 15,000 properties. Overall rental income would reduce by around 20% (£10

million) per annum. This would have a significant impact on the long term viability of the Housing Revenue Account (HRA) Business Plan. It would also mean that many more households may be deemed to be over crowded and would reduce the number of homes available to families with children from 15,000 to 5,000. It is also possible that the DWP would continue to apply the under-occupation charge. This approach is not recommended.

- 2.8 Alternatively, the Council could undertake a wholesale review of its rent structure to examine other ways in which it could set rents that were not related to the number of bedrooms in the property. This could include setting rents based on location and encouraging those under-occupying to move to areas with cheaper rents. This would reduce the level of under-occupation charge they would have to pay. This approach is not recommended.
- 2.9 The DWP have advised that any attempts to re-classify properties without an overall reduction in rents would be put under scrutiny to ensure that overall housing benefit subsidy is reduced. Any approach that seeks to subvert the under occupation regulations and maintain benefit levels for tenants is likely to be subject to action by the DWP which may pose a significant financial risk to the Council.
- 2.10 Currently the Council does not have criteria defining the size of a bedroom for the purpose of letting. This is because most post war homes will have rooms of an acceptable size with adequate ventilation and natural light. However, the Council lets a number of pre 1919 tenements where traditionally box rooms may be used as bedrooms. It is proposed that, where these are deemed to be too small (below 50 sq feet) or have no ventilation or no natural light the rooms should no longer be treated as bedrooms for the purpose of letting.
- 2.11 The guideline for appropriate size is based on space standards set out within the Housing (Scotland) Act 1987 for assessing overcrowding. These standards discount rooms with a floor area of less than 50 sq feet.
- 2.12 There are currently 257 pre 1919 tenements which have two or more bedrooms. A review of all these properties will be undertaken to identify which, if any, have rooms that do not comply with the minimum guidelines. An inspection will be carried out to undertake an assessment against the agreed criteria.
- 2.13 The financial impact would be dependent on the number and size of the properties where a decision is taken to re-designate, but the potential maximum loss of income to the HRA would be around £0.172 million annually if all 257 properties were re-designated.
- 2.14 In addition, it is proposed that where tenants apply for a review of their property size, an inspection will be carried out on the same basis.
- 2.15 Any decision to re-designate property sizes will be authorised by the Neighbourhood Housing and Regeneration Manager. The future rent charge for the property would be amended as per the date of the initial request for review.

- 2.16 There should be no significant increase in the number of tenants who are overcrowded as the size criteria are based on the same bedroom size criteria used to assess overcrowding.

Policy, Development and Review Sub-Committee of the Health, Wellbeing and Housing Committee, 23 April 2013

- 2.17 The report, 'Managing Arrears Arising from Housing Benefit Under-occupancy Restrictions' was referred to the Policy, Development and Review Sub-Committee for discussion. A number of presentations were made by the Edinburgh Affordable Housing Partnership, Shelter, Edinburgh Tenants Federation (ETF) and Council officers.
- 2.18 Following the presentations, attendees split into groups to discuss these key themes and issues raised. The key issues raised are set out below:
- The need to break down any perceived barriers held by tenants in relation to seeking advice and assistance over concerns with rent payments.
 - Use of incentive schemes to help tenants move to smaller accommodation, although the shortage of one-bedroom flats was acknowledged.
 - Raising awareness when allocating properties of the risks involved in under occupation.
 - The need to look innovatively and identify a full range of measures that could be implemented to mitigate the impact of under occupancy.
 - The need to be mindful of potential future welfare reforms which could re-define what the housing service would be like in the future.
- 2.19 These issues will be taken forward through the re-design of the current rent service for which a project has been established involving ETF on the Board.

3. Recommendations

- 3.1 It is recommended that the Health, Wellbeing and Housing Committee:
1. Agrees that this report discharges the remit from the Corporate Policy and Strategy Committee to provide an update on the landlord approaches to re-designation of bedrooms to reduce the impact of under occupancy regulations.
 2. Agrees that rooms below a guideline of 50 sq feet that have no ventilation or no natural light will not be regarded as bedrooms for the purpose of letting.
 3. Notes that a review of 257 pre 1919 tenement properties will be undertaken to identify which, if any, have rooms which do not comply with the guideline.
 4. Notes that in addition tenants can apply for a review of their property size and that property inspections will be carried out to assess size on an individual basis.

5. Agrees that this report discharges the remit from the Policy, Development and Review Sub-Committee of the Health, Wellbeing and Housing Committee to submit a report based on the feedback received from members and stakeholders.

Mark Turley

Director of Services for Communities

Links

Coalition pledges	P8 Make sure the city's people are well-housed, including encouraging developers to build residential communities, starting with brownfield sites P10 Empty Homes pledge
Council outcomes	CO16 Well-housed – People live in a good quality home that is affordable and meets their needs in a well managed Neighbourhood
Single Outcome Agreement	SO2 Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health SO4 Edinburgh's communities are safer and have improved physical and social fabric
Appendices	None