

## Item

# Changes to the Under Occupation Scheme

**To:**

Councillor Mike Todd-Jones Executive Councillor for Housing  
Housing Scrutiny Committee

**Report by:**

David Greening, Head of Housing Services  
Tel: 01223 - 457997

Email: david.greening@cambridge.gov.uk

**Wards affected:**

All

## 1. Executive Summary

1.1 This report presents the revised Under Occupation Scheme Policy. The proposed changes reflect the Council's intention to provide help to more tenants who wish to move but lack the financial resources to do so. This will be achieved by:

- Making grant payments available to more people but with a lower maximum amount per grant.
- Introducing a Financial Statement to the assessment process so that those who may be experiencing financial hardship are prioritised

1.2 This change in emphasis represents a move away from 'incentive to move' to one of 'assistance to move'. This is in response to 3 key factors:

- The increase in the number of scheme applicants who have housing related debt and are experiencing financial hardship<sup>1</sup>

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<sup>1</sup> 36%<sup>1</sup> increase in tenants with housing related debt (HRD) between 18/19 and 19/20

- Recognition that under the Council's Anti-Poverty Strategy (2020/23) the Council has a responsibility to address poverty particularly where it is linked to housing
- The need to do more with less considering the reduced Under Occupation Budget since 2015/16

## **2. Recommendations**

- 2.1 To approve the revised Under Occupation Scheme Policy as set out in appendix 2 of this report.
- 2.2 To approve implementation of the revised Under Occupation Scheme Policy from 1<sup>st</sup> April 2022.

## **3. Background**

- 3.1 Since its inception in 2008, the Under Occupation Scheme has been aimed at encouraging tenants who under-occupy existing homes to move to smaller, more manageable homes. This includes tenants who wish to undertake a mutual exchange. Historically, the Scheme's primary objective has been to make better use of housing stock and increase the number of larger properties available to families as well as to assist tenants who were affected by welfare reforms making larger homes unaffordable to them. The generosity of the budget meant many eligible tenants who were under occupying a property received a payment regardless of their financial circumstances.
- 3.2 The policy position set out in this report seeks to move away from this approach as the pattern of housing need has changed, and our greatest demand is now one and two bedroomed homes. Under the new scheme tenants who may be experiencing financial hardship will be prioritised. Specifically, those who:
  - a) can demonstrate that they are experiencing financial hardship as an outcome of under-occupation
  - b) are subject to the spare room subsidy and are finding their accommodation unaffordable
  - c) are in arrears with their rent but are unable to afford a move to a smaller property because of the arrears

d) are currently receiving a DHP (Discretionary Housing Payment) to cover the shortfall in their rent due to the bedroom tax /unaffordability

3.3 The rationale for this change in eligibility is in response to a reduced budget since 2015/16. Figure 1 shows that in 2015/16 the total available Under Occupation Budget was £97,240. Since then, this amount has gradually been reduced year-on-year resulting in an overall reduction of £75,520 between 2015/16 and 20/21. This reduction has been in response to various austerity measures, most significantly the implications of the Welfare Reform and Work Act (2016) which generated an income loss to the Council's Housing Revenue Account (HRA) of £15 million over 4 years<sup>2</sup>.

Financial Year	Total Budget	Actual Spend
2013/14	55,020.00	64,380.00
2014/15	96,120.00	110,390.00
2015/16	97,240.00	94,300.00
2016/17	59,180.00	46,097.00
2017/18	60,300.00	35,200.00
2018/19	61,870.00	39,600.00
2019/20	21,330.00	42,514.00
2020/21	21,710.00	20,900.00

Fig 1.

3.4 Alongside this reduction in budget there has been a significant rise in the number of applicants who have Housing Related Debt (HRD). Figure 2 shows that between 2018/19 and 19/20 the number of scheme applicants with HRD who received an Under Occupation payment increased by 36%.

Financial Year	Number of Applicants receiving payment	Number of Applicants with HRD	% increase as a proportion of Applicants
2018/19	18	6	33%
2019/20	23*	16	70%
2020/21	13**	9	69% <sup>i</sup>

Fig 2.

\*scheme closed early in January 2020

<sup>2</sup> Cut in rents of 1% a year for 4 years

\*\*scheme closed early in mid-October 2020

- 3.5 In addition to the reduction in budget and the increase in applicants with HRD, there has been a significant (£30,000) increase in DHP payments to council tenants since 2018/19 (See Figure 3). While this cannot all be attributed to tenants who are under-occupying their property, it does indicate that more tenants are unable to cover their rent and need financial help to meet any shortfall.

<b>Year</b>	<b>Amount of DHP paid to CCC Council Tenants</b>
2018/19	£4,175.43
2019/20	£31,571.55
2020/21	£34,102.72

Fig. 3<sup>3</sup>

- 3.6 The economic impact of the pandemic is also predicted to increase the number of tenants who are struggling to pay their rent. A recent Housemark study indicates a 30% increase in outstanding rent arrears since March 2020, with forecasts suggesting that arrears levels may not return to pre-pandemic levels until March 2022<sup>4</sup>.
- 3.7 To address the issues outlined, the council seeks to introduce the following:
- Reduce the under-occupation payment so that more tenants can benefit from the scheme
  - Introduce a Financial Statement assessment so that those who may be experiencing financial hardship are prioritised and the burden of debt is minimised or avoided.

## **4. Reduction in Under Occupation Scheme Payment**

- 4.1 In 2018/19 there were 28 eligible applications received from tenants for the scheme, with 18 successfully receiving Under Occupation payments totalling £39,600 and moving within that financial year. The budget for 2018-19 was underspent partly due to a number of moves not taking place, or tenants' circumstances changing. As a special request, the

<sup>3</sup> Orchard and HB combined Rec (2018-2021)

<sup>4</sup> [Inside Housing - News - Social housing rent arrears hit record £1bn](#)

remaining budget of £21,710 was carried forward into 2019/20 when it became clear that the reduced budget would not be sufficient to meet the demand.

4.2 In 2019/20 there were 40 eligible applications received until the scheme was closed for new applicants in January 2020 due to the budget already being spent. There were 23 applicants that received a payment to assist with their move, and the remaining 16 applications were carried forward to the next financial year. Of those applicants receiving money from the scheme:

- 8 people moved from a 3 bed to a 1 bed
- 7 moved from a 3 bed to a 2 bed
- 7 moved from a 2 bed to a 1 bed
- 1 has received a removals payment only

4.3 With so much of the budget already committed in principle, and the budget being cut by half to £21,720 for 2020/21 the scheme has been unable to sustain assisting many new applicants and was closed in mid-October 2020. This resulted in:

- **Fewer people being able to downsize**  
Six tenants who applied to the scheme in 20/21 did not receive a payment due to the budget already being spent.
- **More people falling into arrears and living on the poverty line**  
Since 2018/19, Current Tenant Arrears (CTA) has increased by £597,206 (CTA at year end 18/19 was £776,961, at year end 19/20 it was £1,055,394, in 20/21 it was £1,374,167). This figure is not solely attributable to tenants who are under occupying properties but gives a good indication that more tenants are falling into arrears generally and may be interested in financial assistance if it were available.
- **More Discretionary Housing Payments (DHP) money being spent**  
See Figure 3.
- **Potentially more people being evicted from their homes**  
If there are more tenants in arrears then, despite the Council's best efforts to provide debt support, enforcement action may increase as a result.

4.4 To help manage demand alongside a diminishing budget it is proposed that the amount offered to applicants is reduced from £1000 per bedroom to £500 per bedroom. Under this new proposal there would be a small change to the amount offered in removal costs as we recognise that this cost is unlikely to reduce. Figure 4 shows the amounts offered currently and the new proposed amounts. By reducing the amount offered, the Council will be able to maximise use of the budget and assist more people to downsize.

<b>Moving from</b>	<b>Moving to</b>	<b>Current amounts payable</b>	<b>Current total amount payable</b>	<b>New amounts payable</b>	<b>New total amount payable</b>
2 bedroom property	1 bedroom property	£1000 (paym't) £450 (removal)	£1450	£500 (paym't) £400 (removal)	£900
3 bedroom property	2 bedroom property	£1000 (paym't) £650 (removal)	£1650	£500 (paym't) £600 (removal)	£1100
3 bedroom property	1 bedroom property	£2000 (paym't) £650 (removal)	£2650	£1000 (paym't) £600 (removal)	£1600
4 bedroom property	3 bedroom property	£1000 (paym't) £800 (removal)	£1800	£500 (paym't) £700 (removal)	£1200
4 bedroom property	2 bedroom property	£2000 (paym't) £800 (removal)	£2800	£1000 (paym't) £700 (removal)	£1700
4 bedroom property	1 bedroom property	£3000 (paym't) £800 (removal)	£3800	£1500 (paym't) £700 (removal)	£2200
5 bedroom property	4 bedroom property	£1000 (paym't) £800 (removal)	£1800	£500 (paym't) £750 (removal)	£1250
5 bedroom property	3 bedroom property	£2000 (paym't) £800 (removal)	£2800	£1000 (paym't) £750 (removal)	£1750
5 bedroom property	2 bedroom property	£3000 (paym't) £800 (removal)	£3800	£1500 (paym't) £750 (removal)	£2250
5 bedroom property	1 bedroom property	£4000 (paym't) £800 (removal)	£4800	£2000 (paym't) £750 (removal)	£2750

Fig 4.

4.5 Despite the decreased payment it is believed that this will continue to be a popular scheme with tenants wishing to move to smaller accommodation. Particularly where the move is driven by continued financial hardship linked to under-occupation.

4.6 It is also important to note that despite the reduction in payment the tenant will still benefit from improved banding status. The Council prioritises under occupying households as follows:

- Those who are under-occupying by either 2 bedrooms, or are looking to give up an adapted property they no longer need are awarded a **Band A status**
- Those who are under-occupying by 1-bedroom are awarded a **Band B status**

Therefore, there is still plenty of incentive, despite the reduced payment and the prioritisation of those in financial hardship, for tenants to seek to downsize.

## 5. Financial Assessment

5.1 In addition to the decreased payment amount, we are also proposing that applicants submit a financial statement. The financial statement should detail the incomings and expenditure of the household. The purpose of the financial statement is two-fold:

- To gain a better understanding of financial constraints impacting tenants to help inform the under-occupation assessment process
- To ensure that we are able to refer those in need for further help, eg from the Council's Financial Inclusion Officer.

Tenants who have already submitted a financial statement in support of their application for a DHP will not be required to submit a financial statement.

5.2 Financial hardship can come in many forms. For the purposes of this report, housing related debt (HRD) is used as a measure to identify the percentage of tenants experiencing financial hardship. Research has shown that debt rarely exists in isolation, with those in HRD also likely to be experiencing other types of poverty<sup>5</sup>. For example, fuel and food poverty is estimated to impact 16% of all households nationally. It is projected that there will be an additional 200,000 more households in fuel

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<sup>5</sup> Joseph Rowntree Foundation [social-housing-tenants-debt-summary.pdf](#)

poverty as a result of the pandemic<sup>6</sup>. By introducing a Financial Statement element to the assessment process, the Council can develop a better understanding of tenant's individual circumstances. It will inform decision-making and ensure that the Council can prioritise those who are most in need, as well as offering the tenant more specialised debt advice where required.

5.3 Alongside the reduced payment, we also anticipate that further savings will be released as an outcome of tenants in receipt of a DHP receiving their removal costs payment from the DHP fund, thus allowing the scheme to help more applicants.

5.4 The intention is that the financial statement will be assessed by the Debt Panel, alongside the under-occupation scheme application form. The Debt Panel is responsible for reviewing tenants' cases to ensure that the terms of the Housing Related Debt (HRD) Policy are applied, particularly where tenants wish to move and are making payments to reduce their debt. By including the financial statement element in the process, it will give the panel a full picture of the tenant's circumstances and ensure that officers can make informed choices.

## **6. Implications**

### **a) Financial Implications**

The budget of £21,900 for 2021/22 will remain unchanged and a mid-year review will take place in September 2021. To help inform the mid-year review, additional performance monitoring will be implemented to assess if the aims set out in this report have been achieved.

### **b) Staffing Implication**

None.

### **c) Equality and Poverty Implications**

By reducing the amounts payable to each tenant as detailed in Figure 4, the scheme will seek to benefit more people. Tenants with substantial arrears, or other debts owed to the council, who wish to move may fall significantly short of clearing the debt. In order to mitigate this, all

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<sup>6</sup> Fuel Bank Foundation Survey 2021 [Fuel-Bank-Whitepaper-FINAL.pdf](https://fuelbankfoundation.org/Fuel-Bank-Whitepaper-FINAL.pdf) ([fuelbankfoundation.org](https://fuelbankfoundation.org))

applications will be considered by the Debt Panel where the tenant is making payments towards the debt in line with the HRD policy.

The Council has a responsibility to address poverty under the Council's Anti-Poverty Strategy (2020/23) particularly where it is linked to housing. By downsizing property, the tenants running costs will be reduced and rent arrears decreased or paid off.

**d) Net Zero Carbon, Climate Change and Environmental Implications**

Allowing tenants to downsize promotes more efficient energy usage.

**e) Procurement Implications**

None.

**f) Community Safety Implications**

None.

**7. Consultation and communication considerations**

7.1 HSC Residents' Representatives have been consulted prior to report coming to committee.

**8. Background papers**

Equality Impact Assessment

**9. Appendices**

Appendix 1: Under Occupation Policy and Eligibility criteria – October 2020

Appendix 2: Revised Under Occupation Policy and Eligibility criteria – June 2021.

## 10. Inspection of papers

There are no further background papers to view. If you have a query on the report, please contact:

Anna Hill (Housing Services Manager) tel: 01223 458312

email: [anna.hill@cambridge.gov.uk](mailto:anna.hill@cambridge.gov.uk)

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<sup>i</sup> The percentage of tenants with HRD reduced by 1% in 20/21, however it is important to note that this reduction is as an outcome of the reduced number of applicants in 20/21 overall (43% less than 19/20), so the percentage as a proportion of applicants is less. The reduction in the number of applicants in 20/21 was an outcome of the scheme closing early due to the budget being spent.