

ELHA and the “Bedroom Tax”

The ELHA Assistance Scheme (EAS)

Introduction

The Under-occupancy Charge, commonly known as the “Bedroom Tax” came into effect on 1 April 2013. Housing benefit is reduced by 14% or 25% where tenants are deemed to have one or more “spare” bedrooms. It is the tenant’s responsibility to make up the shortfall and ensure that rent payments are made in full.

Using our average rents for 2013/14 the shortfall that tenants may be required to meet is as follows;

Bedrooms	Average Rent	14% Charge	25% Charge
2	£76.80	£10.75	n/a
3	£85.68	£11.99	£21.42
4	£95.16	£13.32	£21.96
5	£113.15	£15.84	£28.29

Where a tenant, joint tenant or one of a couple is over retirement age, the under-occupancy charge does not apply, however, retirement age is defined by the Department of Work and Pensions (DWP) and is set to increase over time. By 2017, when Universal Credit is due to be fully implemented, both members of a couple will have to be over retirement age for the household to be exempt from the Charge.

The introduction of this Charge clearly has implications for both landlord and tenant alike. Before forming a policy, we carried out some research into the likely implications for our tenants and our income streams.

Research Findings

We interviewed around 70% of the total number of our tenants thought to be affected on a one-to-one basis. In summary:

- 55% of those affected live alone
- 18% are families with children
- 38% have a spare room because their children have grown up and left home
- 80% have a weekly household income of over £75.00 left after paying Bedroom Tax

Collection Strategy

We treat any shortfall in payment to us caused by the Charge in the same way as any other rent due. However, there are certain circumstances where the imposition of the charge would be inconsistent with our allocations policy.

For example, the Department of Work and Pensions (DWP) calculations assume that children up to the age of 10 can share a room. For many years, in common with many other RSLs, we have used the age of 8 years old. This means that, for example, a family with a 3 bedroom home, with a daughter aged 9 and a son aged 5, would be subject to the Charge until the oldest child reached 10 years old. However, if that family approached us looking to move to a smaller house to avoid the Charge, we would refuse that request.

The Government recently announced that there would be exemptions from the Charge for Foster Carers and members of the Armed Forces where the property remains their principal home. This deals with two possible inconsistencies with our allocation policy (students who are living away from home but still use a bedroom will also be exempt from the Charge since their family home will remain their principal home during that period), however, some other inconsistencies remain. These include:

- Couples or children who, for reasons of illness and/or disability require separate bedrooms
- People who are regarded by us as making “best use” of the property for reasons other than simply use of all available bedrooms, such as the use of disabled adaptations
- People who are under-occupying properties that we specifically chose to under-occupy on housing management grounds

No such list can ever be exhaustive, but these are our “Standard” grounds where we will consider writing off arrears accrued because of non-payment of the Charge.

In addition, there may be some circumstances where the Charge calculation is inconsistent with our allocation policy that cannot be predicted that may warrant a similar approach. These can be considered under “Discretionary” grounds where write off of arrears otherwise due will also be considered.

The majority of tenants affected (around 80%) have a household income of over £75.00 per week, left after paying the Charge. Clearly this is still a very low income level, but it is the level where around 15% of household income or less would have to be spent on housing costs as a result of the introduction of the Charge. We believe that below this level, the collection of the Charge would both result in unacceptable hardship (against the principles of our Charitable Objects), and would also probably result in significant resources being used trying to collect the Charge when the chances of receiving the money are low.

We have therefore also agreed that any households who would be left with less than £75.00 per week after paying the charge should be included in the “Standard” grounds whereby the Charge due could be written off. Given the very small supply of one bedroom homes, it is unlikely that these tenants would be able to find a smaller property to move to, but in order for us to consider writing-off any such debts, those tenants would have to be registered for a move to a smaller property with our Homehunt East Lothian service, and be actively looking to move (i.e. be applying for suitable smaller properties).

Our Approach

In summary, our Management Committee has agreed the following definitions for our ELHA Assistance Scheme (EAS) which will consider the write off of rent arrears caused through the imposition of the Under-occupancy Charge:

“Standard Grounds”

1. Any circumstance where the collection of rent due would be inconsistent with our Allocations Policy, because if the tenant were to apply to us for smaller housing, that application would be refused, because that household would be considered by us to require the size of property they are currently living in; and
2. Any household where the total gross weekly income is below £75.00 per week after payment of the Charge (where the household is also registered with our Homehunt East Lothian service).

“Discretionary Grounds”

1. Any circumstance where we consider that the household is making “Best Use” of the property for reasons other than simply use of the bedrooms (for example through use of adaptations the property has), and where any request to move to smaller accommodation would either be refused, or simply impractical since there is no, or virtually no supply of suitable alternative properties within our stock.
2. Any situation where we consider that, because of the family circumstances for example factors such as future exemption from Under-occupancy Charge as children’s ages change, the household is as appropriately housed as it can be, and to try to move the family would not be in our best interests.

In all cases, before we will consider writing off any arrears, our tenant would have to have applied unsuccessfully for Discretionary Housing Payment. In no way does our approach create any entitlement to have the Charge written off, and write off is subject to review at any time, but our aim is to help those tenants who are affected by the introduction of the Charge and who fall into any of the definitions covered by our Standard and Discretionary Grounds as set out above.