

HOUSING MANAGEMENT ADVISORY BOARD – 21 MARCH 2018

Report of the Head of Landlord Services

ITEM 06 WELFARE REFORM (IMPACT OF) - UPDATE

1. Purpose of Report

To consider the impact of the welfare reforms on the Council's capacity to collect and recover income from rents and service charges.

2. Recommendation

The Board is asked to note the report.

3. Background

The Welfare Reform Act 2012 was the catalyst for a range of changes to welfare benefits.

2013 saw the introduction of:

- Benefit Cap, which limits the amount of benefits that households can receive.
- Removal of the spare room subsidy for working age households¹ resulting in deductions in Housing Benefit (HB) for 'spare bedrooms' (often referred to as the bedroom tax).
- Phased introduction of Universal Credit (UC) in pilot areas (including direct payment of the housing element to tenants) for working age claimants in pilot areas.
- Discretionary Housing Payments (DHP) for tenants who required further financial assistance.
- The roll out of Personal Independence Payments (PIP) to replace Disability Living Allowance (DLA).

In subsequent years, there has been a raft of changes to benefits, including:

- Increases for most working age benefits and tax credits capped at 1% a year for two years from 2014.
- Back-dating of HB for working age HB claimants reduced to one month (previously six months) from April 2016.
- Tax credits and most benefits paid to working age claimants frozen for four years from April 2016.
- Increase in non-dependant deductions for HB claimants from April 2016.
- Reduction in maximum period for temporary absence from home for HB and Pension Credit claimants from 52 weeks to 4 weeks in most situations from July 2016.
- Benefit Cap reduced to £20,000/£13,400 for all working age claimants from November 2016.

¹ Some exceptions

- Most welfare support limited to two children from April 2017 (affecting families that have additional children after this date).
- Universal Credit live service introduced in Charnwood for new single working age claimants.

Further changes to welfare benefits are planned in future years as set out in the Welfare Benefits Timeline in the Appendix.

4. The financial impact of the welfare reforms on the Council and its tenants

Many of the changes to welfare benefits serve to reduce the amount of available benefit for claimants, and limit the circumstances in which benefits can be claimed.

For the Council, there is a significant increased risk of non-payment of rent, with the potential for reduced rent collection rates and increased rent arrears.

Rent arrears for tenants already on UC and HB capped cases have increased over the course of this year as follows:

	2016/17 (End January 2017)	2017/18 (End January 2018)	% Increase/ Decrease
Number of tenants claiming UC	51	93	82%
Total UC debt	£26,316	£43,190	64%
Average UC debt	£516	£664	29%
HB-capped cases	12	33	175%
Total HB-capped debt	£2,295	£7,296	218%

5. Action taken to mitigate the risks associated with changes to welfare benefits

The Council has implemented a number of measures to prepare the organisation and tenants for changes to welfare benefits, including:

- In 2014, two new full-time posts were created dedicated to supporting tenants to maximise their income. These financial inclusion officers have been extremely successful in their roles and have played a significant part in maintaining rent collection at high levels and reducing rent arrears.
- Promotion of the welfare changes through regular features in the tenants' newsletter and other publications.
- Promotion of Clockwise credit union accounts.
- Offering a full range of payment methods for tenants to pay their rent.
- The use of incentives to encourage take up of direct debits.

- The existing tenancy support team, which comprises three full-time posts and a team leader, has provided much more intensive and wide-ranging support to tenants with complex needs and significant vulnerabilities. The tenancy support, financial inclusion and income teams work collaboratively to reduce the risk of non-payment.
- Greater use of different communication methods such as text messaging and social media.
- Provision has been made within the Housing Revenue Account Business Plan to accommodate financial implications.
- The location of IT equipment in the co-located Job Centre Plus at the Council offices to enable claimants to make applications online.

The overall workload of the financial inclusion and tenancy support teams has increased significantly over the past 18 months as follows:

Team	2016-17	2017-18 Up to end of February 2018
Financial Inclusion	349	466
Tenancy Support	330	298
Total	679	764

In the year 2016-17, a total of 679 tenants were referred to these teams.

In the year 2017-18 (up the end of February 2018), a total of 764 tenants were referred to these teams, and that extrapolates to 833 by the end of March 2018, representing a 22% increase on last year.

The main reasons for this increase are:

- The Financial Inclusion Team has developed and capacity has grown.
- Changes to Personal Independence Payment (PIP) criteria;
- Reduction in the Benefit Cap;
- Removal of housing costs help in UC for 18-21 year olds (new claims);
- Major reductions in tax credits for third or subsequent children born after 6 April 2017;
- Child tax credit changes for all children born after 6 April 2017;
- Increase in tenants claiming UC through the 'live' service;
- A general increase in those tenants presenting with complex needs and multiple debts.

6. Universal Credit (UC)

Of all the welfare changes, Universal Credit (UC) is likely to have the greatest impact on rental income.

In July 2018, the UC 'full service' will be implemented in the Charnwood Borough. UC replaces six working-age benefits including housing benefit.

The Council currently has around 1,850 working-age tenants whose annualised² receipt of either full or partial housing benefit totals just under £6.3 million, around 28.5% of the Council's annual receivable rent. Other social landlords in UC full service areas have seen rent collection levels reduce, and rent arrears levels increase.

For non-UC claimants, HB is currently paid directly and automatically to the landlord without it ever touching the tenant. UC is a completely different benefit in that the entire benefit, including the element that covers housing costs – i.e. rent – is paid directly to the claimant and monthly in arrears. This represents a fundamental change to the way in which the welfare benefits system for working-age people operates. The risk is that tenants will not pay the housing costs within their UC payment to the Council.

UC is currently only being paid to new, single, people claiming job seekers allowance. This is called '**Live Service**'. Apart from its limited scope, it is also a predominantly manual system.

UC '**Full Service**' will mean that all new working-age claimants and those on existing working-age benefit reporting a change in circumstances will have to claim UC. Moreover, this is a fully digital service and requires claimants to have an e-mail address and bank account. Many of the Council tenants have neither an e-mail address nor a bank account at the moment. When a tenant makes a UC claim they will have to wait for six weeks (reduced to five weeks from 1 February 2018) before being paid.

The Council currently has fewer than 100 tenants claiming UC through the 'live service'. The number of cases has increased by 82% this year compared to last year, and the total UC debt has increased by 64%.

7. Action taken to prepare for Universal Credit (UC) full service

To ensure that the Council's rental income stream is maintained, the Council has identified and delivered actions in order to prepare tenants for the change to their benefits through UC. These include:

- A UC Action Plan is in place and is being monitored through regular meetings to ensure that key actions are being delivered.
- A UC Communications Plan has been agreed to ensure that these changes are publicised through a range of communication methods.
- Working in partnership with the Department for Work and Pensions (DWP) to provide a more effective service for tenants claiming UC and in receipt of UC.
- Arrangements have been agreed for implementing "any day" direct debits (currently only available on three set dates per month or every week on a Tuesday) in Summer 2018 to encourage an increased take-up.

² at the end December 2017

- Articles continue to be included in relevant publications such as the tenant newsletter to raise awareness of UC and support tenants through the process.
- Developing the Council's performance management arrangements to enable identification and tracking of, and targeted support at tenants receiving UC.
- Engaging with other organisations that have been through the change to UC full service and learning from their experiences.
- Providing internet-enabled mobile working devices for the Income Management, Financial Inclusion and Tenancy Support Teams to enable them to assist tenants in making claims for UC while away from their desks.
- A 2018/19 service budget pressure has been approved through the budget process for the temporary recruitment of one new Universal Credit Officer in 2018/19 to help support the work of the existing financial inclusion and tenancy support staff, with the focus on:
 - minimising the impact of the five-week wait on rent collection and rent arrears by 'capturing' new tenants and new UC claimants at the point where the tenancy starts and/or the UC claim is made and guiding the tenant through the process of the UC claim;
 - identifying the possibilities of obtaining an alternative payment arrangement ('APA') which, for tenants eligible³, will enable the housing element of UC to be paid direct to the Council;
 - offering a level of support to tenants on UC to help them maintain their claim and avoid receiving a sanction (i.e. reduced UC payment for a set period);
 - creating more sustainable tenancies; maximising tenants' income; reducing evictions and re-let costs; maximising HRA rental income and reducing rent arrears;
 - attending sign-ups of new tenants to reinforce the need to treat rent as a priority expense, to identify those who need to claim UC and to try to encourage the tenant to enter into easy rent payment methods from the start such as Clockwise accounts or direct debits.

8. Conclusion

Given the relatively long lead in time since the Welfare Reform Act in 2012, the Council has already completed a range of appropriate actions to prepare tenants and the organisation for changes to welfare benefits.

³ Generally those with vulnerabilities or a history of being in significant rent arrears

However, there remains a significant risk of non-payment and this sensitivity has been modelled within the Housing Revenue Account Business Plan 2014-44.

It is expected that there will be a significant increased workload for officers working with tenants claiming Universal Credit.

Rent collection and rent arrears targets will be lowered for 2018/19 to reflect the realistic prospect of non-payment.

Performance information will be provided to members of the Housing Management Advisory Board for monitoring.

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Appendix

Welfare Benefits Timeline

January 2018

Maximum amount of Universal Credit (UC) advance increased from 50% to 100% of projected entitlement in claimant's first assessment period.

Repayment period for UC advance extended from 6 to 12 months.

1 February 2018

UC seven days 'waiting period' has been scrapped.

The 42 days period between applying for UC and receiving the first payment has been reduced to 35 days.

April 2018

Two week Housing Benefit (HB) (non-repayable) extension/run-on for new UC claimants who already receive HB as they 'transition to UC'.

Housing costs for temporary accommodation to be met through HB not UC.

UC surplus earnings rules introduced: past earnings taken into account, where the claimant returns to UC within six months of a previous award ending, and self-employed claimants allowed to carry forward a loss from one assessment period into the next, for up to eleven assessment periods..

Spring 2018

Introduction of online applications for UC advances.

2019

Managed migration of existing benefit claims to UC begins.

2020

Changes to funding arrangements for supported accommodation to be introduced.

State retirement pension 'triple lock' to continue until at least 2020.