

Subject:	Welfare reform changes		
Date of meeting:	13 January 2016		
Report of:	Executive Director – Environment, Development & Housing		
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Ward(s) affected:	All		

FOR GENERAL RELEASE**1. SUMMARY AND POLICY CONTEXT:**

This report summarises the upcoming national changes to welfare benefits and other government austerity measures that directly affect Housing. It has a particular focus on Universal Credit, which will be introduced to the Brighton & Hove area from December 2015. The changes laid out in this report will not affect pensioners.

2. RECOMMENDATIONS:

2.1 That the committee note and comment upon the contents of the report.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

3.1 The Welfare Reform Act 2012 introduced widespread changes to the welfare benefits system that have had a significant impact on residents and on the council's income stream. Examples of changes that were introduced from April 2013 include:-

- the Removal of Spare Room Subsidy, which reduced Housing Benefit (HB) for working age under-occupying households in the social housing sector
- The Benefit Cap, capping the welfare benefits a couple or family could claim to £26,000, and £18,200 for a single person
- The abolition of Council Tax Benefit, replacing it with localised schemes with less government funding
- Gradual national rollout of Universal Credit from October 2013.

3.2 The government's July 2015 Budget Announcement proposed further changes to their welfare reform agenda. Key changes include:-

- Reductions to Benefit Cap levels – explained in more detail in section 3.3 below
- Freezing the majority of working age benefits and tax credits for four years from 2016/17 (with protections for pensioners, and excluding some disability related and statutory schemes e.g. statutory sick pay and maternity pay)
- Child element of Tax Credits and Universal Credit will no longer apply to third or subsequent children born after April 2017 – there may be some exceptions
- Working age Housing Benefit rates and Local Housing Allowance rates frozen for four years from April 2016
- No housing element of Universal Credit payable for under 21s with exceptions
- Rent reduction of 1% across the social housing sector
- The introduction of a “Pay to Stay” scheme which may see tenants earning above £30k paying up to market level rents from April 2017

3.3 Benefit Cap

3.3.1 Changes to the Benefit Cap will be phased in during 2016/17. The policy objectives are to further improve work incentives; promote greater parity between those on out-of-work benefits and tax payers in employment; and further reduce expenditure on welfare benefits. Currently the same cap levels are applied across the country, but the changes will see a geographical differentiation. Table 1 below shows what the reduced cap levels will be.

Table 1: Annual Benefit Cap figures (weekly amount in brackets)

	Current cap levels	Proposed Greater London	Proposed all other areas
Couple, household with children	£26,000 (£500)	£23,000 (£442)	£20,000 (£385)
Single person	£18,200 (£350)	£15,410 (£296)	£13,400 (£258)

3.3.2 Claimants who will be exempt from the cap are those who are in receipt of Disability Living Allowance or Personal Independence Payments, Attendance Allowance, or have the ‘support’ component of Employment & Support Allowance. In addition, people who have been employed for 12 months and then lose their job through no fault of their own will only have the Benefit Cap applied after 9 months.

- 3.3.3 The government's impact assessment estimates that the number of households capped will increase from around 23,000 currently to around 126,000 in 2017/18, with a national average loss of benefit of around £63pw. It also calculates that female-headed single-parent households will be a significantly impacted group.
- 3.3.4 Locally, it is estimated that the number of people in the city impacted by this welfare change will increase from around 100 currently, to around 650 once the change has been introduced. Currently few council tenants receive the cap but the change will likely cause around 100 to be affected, with half of those losing 50% or more of their Housing Benefit entitlement.
- 3.3.5 Residents in temporary accommodation and the private rented sector will be affected in greater numbers, losing up to £120 per week in their benefits.

3.4 Universal Credit

- 3.4.1 This was the previous coalition government's flagship change to welfare benefits. It aims to simplify the welfare benefits system, reduce administration costs, and make work a more attractive proposition to dependency on state benefits. Universal Credit is a means tested benefit for working age people whether they are in work or out of work, and rolls six welfare benefits, listed here, into a single payment:-
- Income-based Job Seeker's Allowance (JSA)
 - Income-related Employment and Support Allowance (ESA)
 - Income Support
 - Child Tax Credit
 - Working Tax Credit
 - Housing Benefit.
- 3.4.2 The key changes Universal Credit introduces for claimants living in social housing are:-
1. Receipt of a single benefit
 2. Applications to be made online rather than on paper, with the ongoing claim (e.g. change of circumstances) being managed in a self-serve manner online rather than through mediated means
 3. One single payment to the household
 4. Benefit paid monthly in arrears into a bank account to resemble a monthly salary, and not in advance as benefits are currently paid
 5. Rent element paid to the claimant, and no longer directly to the landlord
 6. New claimant commitments regarding seeking work
 7. All paid by the Department for Work and Pensions (DWP), and not with the housing element paid by local authority Revenues and Benefits Teams as is currently the case with Housing Benefit payments.

3.4.3 The transition to Universal Credit, and monthly rather than weekly or fortnightly budgeting cycles, will be harder for some tenants than for others. Where it is likely that tenants will be unable to manage their own rent payments, the claimant or the landlord can apply to the DWP for 'Alternative Payment Arrangements'. In specific circumstances of vulnerability, and only for a limited time, these can either be payments made direct to the landlord, or to the applicant on a more frequent basis than monthly, or split between household members where there might be a risk of financial abuse. The vulnerability criteria include households where there is evidence of:-

- mental health issues, learning difficulties, physical or sensory disabilities
- some addictions – e.g. drugs, alcohol, gambling
- literacy, language and numeracy difficulties
- Care leavers, or claimants are 16 or 17 year olds
- Support provided via the Troubled Families programme
- Domestic violence
- Severe indebtedness

3.4.4 As reported by the Department for Work and Pensions (July 2014), in the six areas where Universal Credit was piloted, 31% of the 6,828 involved households were switched back to direct rent payments to their landlord. Furthermore, the 95% average rent collection rate meant landlords' arrears increased by an average across all areas of £270 per participating household, or £307,000 per area.

3.5 **Potential impacts of the changes, and challenges for Housing and the wider city.**

3.5.1 The introduction of the welfare benefit changes highlighted above in addition to those already in place, is likely to place some pressures on the finances and other resources within and outside of Housing. Some will be certain, and others will be in relation to residents' abilities to manage their own responsibilities and the additional demands placed upon them. They are taken together and are in no particular order, but include:-

1. Spiked increases in arrears as tenants are paid Universal Credit in arrears, and are likely to take time to develop sustainable budgeting patterns.
2. Impacts of the Benefit Cap particularly on residents in the private rented sector, and some other parts of social housing where rents are higher than council rents - leading to significant gaps between rents and 'Local Housing Allowance' levels (this is the maximum level locally at which Housing Benefit can be paid for certain size properties). This has a potential impact on homelessness services and the costs of providing temporary accommodation at the same time as the potential increase in rent arrears in temporary accommodation due to many households

already in temporary accommodation being affected by the reduced benefit cap.

3. Pressures on Discretionary Housing Payment funding, which is carefully managed and administered by Revenues and Benefits Team.
4. Fuel poverty and the health (physical and mental) and property (condensation and damp issues) impact of difficult choices residents are reportedly making around “heat or eat” or “fuel or food”.
5. Additional demands on staff time – particularly within Homelessness, Customer Services, Income Management and Neighbourhood teams.
6. Demands on other council services e.g. Children’s Services, Adult Services and Revenues and Benefits as a result of pressures on households.
7. Higher costs of income collection and arrears recovery.
8. Increased transaction costs of receiving rent payments individually from upwards of 90% of tenants, when compared to the current arrangements where 60% of rents are made in one single payment through the Housing Benefits payments system. Payment methods will also need to be reviewed as automated and telephone self-service payment options are about nine times less expensive than Paypoint payments.
9. Potentially higher provisions to be made for bad debts.
10. Potential higher council tax arrears resulting from reduced incomes and difficulties with monthly budgeting.
11. Impacts of increased rent arrears (as well as the 1% rent reduction) on the Housing Revenue Account income stream, and consequences for planned investment in current and new housing stock. This issue is also likely to have an impact for other social housing providers in the city where longer-term investment loans would have been predicated on annual rent increases of around 2 or 3%.

4. Actions being taken within Housing to prepare for the changes and support residents

4.1 Housing has used much of the learning from preparing for the 2013 welfare reform changes, and introduced some new ones in light of Universal Credit resulting in the following actions:-

1. Keeping targeted groups of tenants informed through letters, phone calls and personal face-to-face contacts by specially trained staff. This includes calling all tenants who are likely to be affected by Universal Credit.
2. Meetings with Housing staff groups to raise their awareness of the changes, along with an updated Frequently Asked Questions sheet that is accessible to all staff and will help them respond to customer enquiries.
3. Appointing a Welfare Reform Champion in every frontline Housing team.

4. Working very closely with the Corporate Welfare Reform Project Team, taking policy guidance from them, particularly on their effective work on supporting people affected by the Benefit Cap into work.
5. Developing close working relationships with local Jobcentre Plus and DWP staff. This has been through meetings, and the planned workshops and training events that will be taking place from November 2015.
6. Getting to know our tenants and their circumstances much better, and updating our tenant profile information in order either to apply for 'Alternative Payment Arrangements' and/or to support individual tenant's needs. This includes tenants who are in temporary accommodation.
7. Working on our action plan following a review of the process of debt management within the landlord services; looking at future possibilities for debt prevention, management and reduction. This includes looking at our professional responsibilities around support and enforcement; promoting a 'rent as priority' culture amongst tenants and colleagues; and encouraging tenants to keep in early contact with us when their circumstances change or they begin to face difficulties – seeing Housing as part of the solution to their concerns rather than as an organisation to be avoided.
8. Working with British Telecom (BT) to pilot free broadband provision, the development of tenants' internet skills, and the creation of tenant 'Get online' champions.
9. Working closely with The Food Partnership and residents – using local skills and resources to address food poverty issues as part of our inclusion activities.
10. 2016/17 HRA budget proposal to continue to specifically support council tenants if the council's reduced Discretionary Housing Payment budget is unable to meet local needs.
11. Continued tenant referrals to Money Advice Plus, Moneyworks and other local agencies for independent money, budgeting, work and internet advice and support.
12. Developing further joint working with Adult Social Care, Children's Services and Revenues & Benefits colleagues to try and help at much earlier stages and have a joined up approach to preventing homelessness where possible.

4.2 There are also plans to:-

- Increase direct debit or standing order payments, being mindful it may not be suitable for all tenants, but in the knowledge that automated payments will help many tenants with their monthly budgeting.
- Be part of a DWP pilot which would involve housing organisations themselves administering and deciding upon Alternative Payment Arrangements. If accepted for the pilot, this could result in a speedier service for tenants, less duplication of work for Housing staff, and the prevention of some rent arrears.

- Work with tenants who have trained in the money mentoring programme to consider enjoyable, interactive, group budgeting workshops that can be taken round the estates using our community buildings. This will be along the lines of successful group sessions run by some Citizens' Advice Bureaux.
- Involve residents living in temporary accommodation in planned budgeting and internet skills development workshops.
- Consider how more staff time than at present can be prioritised to support tenants with a range of issues. These include for example, getting online, establishing sustainable rent payment patterns, referrals to support for getting into work, chasing and reminding them on actions to take to meet their responsibilities and to avoid being sanctioned by the DWP.
- Increase the number of links on the Housing pages of our website to videos offering benefits, budgeting, banking and other information that will be useful to residents.
- Expand the work done with tenants before they take on their tenancy in order to improve the likelihood of them sustaining their tenancies.

5. COMMUNITY ENGAGEMENT AND CONSULTATION:

- 5.1 Tenants and tenants' groups have been informed about welfare reform changes through personal contacts, Homing In and a variety of meetings. Some tenants were involved, through a focus group and one-to-one interviews, in a research study into Housing's preparations for Universal Credit.
- 5.2 Learning from the experiences of the first group of tenants to transfer to Universal Credit, and those impacted by the reduced Benefit Cap, will be used to engage with tenants who will be the next groups to be touched by the changes.
- 5.3 There was a range of observations made during the discussion on this agenda item at Area Panels. They included concern that the housing element of payments made to tenants on Universal Credit would be spent on other things leading to arrears; concern the DWP's lack of payment for the first week of a Universal Credit claim coupled with the following five weeks payment not being made to the claimant until the sixth week will result in rent arrears; and concern that many tenants did not have internet access or could not afford broadband at home. Questions were raised, including support for people with learning difficulties, Housing's approach to dealing with rent arrears, and free internet provision in the city. Panels were assured that Housing will be working closely with a range of internal and external colleagues to ensure that people who might be exempt are identified and supported; that Housing will necessarily continue to take a fair but firm approach to rent arrears – reminding residents of their payment responsibilities; and that all libraries in the city, as well as some community buildings, provide free internet access to residents.

At one Area Panel, a tenant representative asked those present to be mindful that although people may need help, they are sometimes reticent to ask for it.

6. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 6.1 The draft HRA 2016/17 budget includes proposals to increase the budget for the contribution to bad debt provision, and to increase the HRA contribution to the Discretionary Housing Payment scheme. This is to allow for the uncertainties surrounding the impact of the on-going welfare reform changes. The budget proposals also takes account of the 1% reduction in rents as outlined in the welfare Reform and Work Bill reducing the rental income in 2016/17 by £0.510m.

The current level of council dwellings rent arrears is monitored monthly and included as part of the Performance Monitoring Report elsewhere on this agenda. Current arrears levels are still better than the benchmark from the Rent and Income Excellence Network. Given the data from the current pilots for Universal Credit which shows large increases in arrears, further increases in bad debt provisions may be needed in 2017/18 and beyond as arrears are likely to increase, at least in the initial months when changes are first implemented. This will be reviewed as part of the budget setting process for 2017/18. The HRA business plan is updated annually to take account of such changes and to ensure a sustainable HRA over the long term.

These Welfare Reform changes will also have an impact on the Housing General Fund budgets. Evidence suggests that the level of homelessness will increase as more tenants in private sector accommodation will be unable to sustain their tenancies as benefit levels reduce and rents increase. This is likely to have an adverse impact on the temporary accommodation budgets which are already overspending in 2015/16.

Committee will continue to be updated as and when these welfare changes are clarified and the effects become known.

Finance Officer Consulted: Monica Brooks Date: 23rd December 2015

Legal Implications:

- 6.2 The Government's proposed changes to the welfare agenda, referred to in paragraph 3.2 of the report, are currently before Parliament in the Welfare Reform and Work Bill and the Housing and Planning Bill. The former is nearer to becoming an Act, as it has already passed through all the House of Commons and is at the House of Lords Committee stage. Both Bills allow the Secretary of State to make Regulations. It is not possible to fully assess the impact of the welfare reform changes, until both Acts receive Royal Assent and any relevant subordinate regulations have been made.

Equalities Implications:

- 6.3 An Equalities Impact Assessment has been carried out by the council to ensure that we play a positive role in mitigating some of the impacts experienced by our tenants. The assessment identified that female-headed households were more likely to be affected by current and future welfare reforms, as well as those with disabilities and those living in the east of the city.

Sustainability Implications:

- 6.4 In the wider sense there are concerns around sustaining tenancies, particularly within the private rented sector.

Crime & Disorder Implications:

- 6.5 There are no direct crime and disorder implications arising from this report.

Risk and Opportunity Management Implications:

- 6.6 There are no direct risk and opportunity implications arising from this report other than the budgetary and service risks identified within the report.

Public Health Implications:

- 6.7 There are no direct public health implications arising from this report. However, there are known physical and mental health implications arising from the effects of poverty and hardship.

Corporate / Citywide Implications:

- 6.8 There are no direct corporate or citywide implications arising from this report.

SUPPORTING DOCUMENTATION

Appendices:

1. None

Documents in Members' Rooms:

1. None

Background Documents:

1. None

