

Briefing Report to the Decent and Affordable Homes Policy Development Group 22 March 2016

Welfare Reform

Welfare reform continues and there will be further changes effective from the beginning of April 2016. The Housing Service must plan to mitigate the impact of these changes on the revenue stream into the Housing Revenue Account (HRA). The HRA is a stand-alone budget which must balance. Money collected from tenants as rent makes up the majority of income into the HRA. The HRA funds the management and maintenance of the Housing stock. There are over 3000 units of accommodation.

The Welfare and Work Bill is currently being debated in Parliament. This will make provision for the 1% reduction in the level of social housing rents over the next 4 years; and for a reduction in the level of the benefit cap to £20,000 for couples with or without children in Mid Devon. The proposed capping level for single adults without children is £13,400 in the District. The Department of Work and Pensions (DWP) will confirm what will be happening, after the Bill has received Royal Assent, but it is likely that the new cap will be implemented across the country by 2017. This means that those on benefits in Mid Devon will not be able to receive any more than £20,000 or £13,400 each year including help with rent.

The changes due in April are as follows:

- There will be a freeze on working age benefits including Universal Credit (UC), tax credits and Personal Independence Payments (PIP). These benefits will be frozen for 4 years.
- Disability benefits will be uprated using the Consumer Price Index so there will be no increase for these claimants this year
- The new National Living Wage is introduced meaning that workers of 25 and over will earn £7.20 per hour, rising to £9.00 per hour by 2020
- The maximum backdating period for Housing Benefit will be reduced from 6 months to 1 month
- If someone is travelling abroad, their Housing Benefit and Pension Credit payments will only be payable for 4 weeks, not 13 weeks, as at present

From May 2016, the family premium will cease for new Housing Benefit claims made when the first child is born after 1 May 2016. This will also apply to Pension Age Housing Benefit claims. However, existing claims are protected.

The transition to UC continues.

This has been introduced to replace:

- Job Seeker's Allowance
- Housing Benefit
- Working Tax Credit
- Children's Tax Credit
- Employment and Support Allowance
- Income Support

A small number of our tenants are now in receipt of UC. The roll out of this new benefit has been staggered and, currently, only those single people making new claims are affected. However, the pace of change will speed up and eventually anyone of working age claiming any of the six benefits which UC is replacing will have to make an electronic claim for it.

All Jobcentres are introducing the "Work coach delivery model" to support the people claiming UC. Work coaches will support the same claimant and stay with them if they move from other benefits onto UC. They will also contact claimants who are working but not fully employed in order to help them to increase their hours of work and/ or income to become financially independent, where possible.

Payments of UC are made direct to claimants. This means that anyone claiming it is responsible for paying their rent themselves. It is paid in arrears, which means that there is a gap of 4 to 6 weeks before a payment or any help with rent is received. For this reason, we advise all tenants of working age to pay a small additional sum each week in respect of rent. This will result in a small pre-payment which can be used to cover any short-fall before UC goes into payment.

It should be noted that landlords can ask for alternative payment arrangements if a tenant in receipt of UC is having difficulty paying the rent themselves. In addition, if there are rent arrears, the landlord can make an application for Alternative Payment Arrangements (APAs). Up to 20% of a claimant's UC can be deducted from their standard allowance each month. The minimum deduction rate for rent arrears of an amount equal to 10% of the UC standard allowance also applies.

The Housing Service has identified a number of risks associated with the continuing roll-out of welfare reform.

It may become increasingly difficult to collect rent from those in receipt of benefits. In particular, tenants claiming UC may find it hard to manage their finances. Up until the introduction of this benefit, Council tenants have been able to claim Housing Benefit which is paid onto their rent account as a rebate. They will now receive their benefits on a monthly basis and be expected to budget with this; they will also have to pay their own rent. The Housing Service needs to review the way in which income is collected as more tenants go onto UC because it is likely that people will need more support with managing their finances.

It should be noted that the Housing Benefit Service has put in place support for landlords of customers who are claiming Universal Credit and have organised events for Private Landlords, stakeholders and Members to raise awareness.

There is a Delivery partnership agreement with the DWP and, in accordance with arrangements set up as part of this, the Housing Benefit Service has been assisting UC claimants with the following:

- Making online claims for UC
- The provision of personal budgeting support to help them manage their finances
- Providing information in response to queries from the UC Delivery Centre with enquiries regarding properties and rent liabilities

Officers in the Housing Service have been signposting tenants experiencing finance difficulties to the Local Welfare Assistance (LWA) scheme.

This scheme has been very effective at helping customers affected by welfare reform. Between April 2015 and February 2016, 768 requests for assistance were received from people living in Mid Devon. 547 of these people applied because they were experiencing financial crisis due to debt, benefit delays or sanctions (where benefits have been suspended because they failed to do something expected of them).

During the first 6 months of 2015 (January to June), residents using the scheme experienced a total financial gain of £75,095.93 which includes those who sought Debt Relief Orders, had debt written off, and were able to maximise their income by claiming more benefit.

47% of those enquiries/referrals received by the LWA scheme in 2014/15 related to Council tenants and the Housing Service is the biggest single referrer into the LWA/Money Advice scheme. 80% of referrals received from the Housing Service were for money advice.

Officers in the Housing Service are aware that a reduction in income would impact upon the ability of the Service to maintain service at existing levels. Officers are aware of the need to deliver performance at high levels, and to deliver continuous service improvement. There is a performance management framework in place which means that any issues are identified at an early stage. Policies, procedures and other processes need to be reviewed periodically to ensure that the service is as efficient and effective as it can be.

Changes to Government policy relating to housing and welfare will create additional risks. A drop in income may impact upon the ability of the Council to develop new

homes. The rent decrease which will apply for 4 years from the beginning of April will lead to a reduction of approximately £5 million in income into the HRA. Furthermore, the Government is keen to increase home ownership and for this reason there is going to be less funding available for new social housing.

We use the Orchard integrated housing management system to manage tenancies and we are hoping to implement a new tool within this for storage of data relating to UC. This will be important because we will need to understand when we can expect payments. The move away from rent rebates will affect cash-flow and we need the ability to report on this so that we can identify any problems. Officers in the Neighbourhood teams are aware of the need to document all contact with tenants. This is important because the Housing Service will not always be aware that someone has claimed UC until they advise an Officer.

The Housing and Planning Bill which is also being debated by Parliament introduces some other reforms which will affect Council tenants, and impact on the funding available to the Council. For example, in accordance with the provisions of the "Pay to Stay" scheme, Council tenants in Mid Devon with a household income of more than £30,000 will be charged market rents. Further regulations will set out how this scheme will work in practice. Lifetime tenancies in Council housing are to end and Councils will be compelled to sell high value properties or to make a cash alternative available to Central Government.

The long-term business plan has had to be adjusted and the Building Service has been working on an update to the Asset Management Strategy to take account of the new operating environment.

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