

Report of Liz Cook Chief Officer Housing Management

Report to Housing Advisory Board

Date: 7th September 2015

Subject: Key Welfare Changes and Preparations for Universal Credit.

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

This briefing has been produced to provide the Housing Advisory Board with an overview of the main Welfare Changes which impact on the tenants of Housing Leeds. It provides information on actions taken by Housing Leeds to minimise the impact of Welfare Change and details preparations for the implementation of Universal Credit which will be introduced on the 1st February 2016 in Leeds.

Recommendations

That the Housing Advisory Board:

Note the contents of the report and the support provided tenants to respond to the challenges of Welfare Reform and the preparations for the introduction of Universal Credit.

1 Purpose of this report

1.1 The purpose of the report is to advise the Board on the Key Welfare Changes, implications from the recent Budget and sets out the preparations for Universal Credit.

2 Background information

2.1 In April 2013 the Government commenced a series of Welfare Reforms. These include Under Occupation, the Benefit Cap and Universal Credit. These reforms have a significant impact on some of our tenants and the ability to pay their rent. Welfare Reform is a high risk to the Council's Housing Revenue Account (HRA). The risk is regularly monitored and reviewed in the Corporate Risk Register.

2.2 Housing Leeds has provided a high level of support to tenants to help them both prepare for and support them through the Welfare Reform process. Universal Credit is the most significant of all the reforms and it is essential that robust preparations are in place to minimise the potential impact on rent collection.

3 Main issues

3.1 Under Occupation

3.2 Under Occupation was introduced in Leeds in April 2013. Initially in excess of 7000 council tenants were affected who had to pay an Under Occupation Charge if they were residing in a property deemed larger than their household needs. Tenants who were under occupying saw a reduction in their Housing Benefit of 14% if they were under occupying by one bedroom and 25% if they have 2 or more bedrooms than they require.

3.3 There are currently around 5000 tenants still affected by Under Occupation (UO) and the weekly loss in Housing Benefit for this group is approx. £62,000. The total rent arrears due to under Occupancy are £840,000.

3.4 There continue to be around 300 new cases of Under Occupancy each month. A similar number are no longer affected due to changes in their household make up. Therefore the total number of cases remains fairly static.

3.5 Support Activity

3.6 The arrears process was revised to ensure that tenants affected by UO were provided with a high level of support to enable them to resolve their situation and reduce the need for Court Action to be taken against this group.

3.7 Housing Officers carry out a home visit and offer a range of support measures including budgeting, assistance with downsizing, undertaking a Mutual Exchange etc. This high level of support has meant minimal numbers of UO cases have been taken through the Court Process.

3.8 The new Enhanced Income Management Service Offer will be provided to tenants affected by UO who are struggling to pay their rent and are approaching the level of arrears where Court Action would be taken.

The new service will focus on delivering a number of outcomes including:

- Improve tenants budgeting skills
- Reduce levels of personal debt and increase disposable income.
- Assist customers in accessing affordable credit, thereby avoiding high cost and illegal money lenders.
- Increase activity by tenants to improve their employment prospects.
- Reduce the number of tenancy terminations by tenants affected by Welfare Change.

3.9 Benefit Cap

3.10 The Benefit Cap was introduced in Leeds in September 2013 and restricted the amount of benefit a family could receive to £26K per year. There are currently 86 council tenants affected by the Benefit Cap in Leeds.

3.11 The majority of these cases have seen a reduction in their Housing Benefit. The average weekly reduction in Housing Benefit awards for this group amounts to £42.00 per household.

3.12 **Support Activity**

3.13 All tenants affected by the Benefit Cap have been visited by a Housing Officer (Benefits) to support them with budgeting and applying for Discretionary Housing Payment (DHP) where applicable.

3.14 To date minimal cases have been taken to Court for rent arrears and prior to any Benefit Cap cases being taken to Court they are referred to Housing Options for further intervention and support.

3.15 The new Enhanced Income Management Service will be provided to tenants affected by the Benefit Cap. The team will be arranging to visit this group of tenants to review their circumstances and see what additional support may be offered to them.

3.16 **Universal Credit**

3.17 Universal Credit (UC) is the new Department for Work and Pensions (DWP) benefit which replaces a range of existing benefits for those of working age:

- Income based Jobseekers Allowance
- Income based Employment and Support Allowance
- Income Support
- Working Tax Credit
- Child Tax Credit
- Housing Benefit

3.18 The key features of Universal Credit are:

- All claims are made on-line. The current Universal Credit system requires customers to complete an online claim in one sitting as there is no option to save a claim and come back to it. This will change when the fully functional Digital Service is rolled out – this is expected later in 2016;
- There is an in-built delay of 5-6 weeks for the first payment of Universal Credit. All first-time claimants for Universal Credit, including customers migrating from another benefit to Universal Credit, will have to wait 5-6 weeks before receiving their first payment. DWP will provide, on request and where appropriate, short-term benefit advances to help customers during this time but these have to be repaid from future UC payments.
- Payments are normally made monthly in arrears and to only one person in the household. This is a change from the current benefit system which will often see child-related benefits paid to the mother even if other payments go to partner. Under Universal Credit, the whole payment will normally go to just one person in the household.
- The housing costs element of Universal Credit is normally paid directly to the tenant. Landlords can apply for 'alternative payment arrangements' (APAs) where there are rent

arrears and APAs will be considered where there are issues relating to drug and alcohol issues and other instances.

3.19 It is estimated that approximately 24000 tenants will be affected and Housing Leeds will have to collect an additional £73.5M in rent which is currently paid direct through Housing Benefit. A detailed potential impact on arrears is being worked up in conjunction with colleagues at the DWP and the Welfare and Benefits Service.

3.20 **Universal Credit Action Plan**

3.21 Welfare Reform and in particular UC is a high risk to the Council's Housing Revenue Account (HRA). The risk is regularly monitored and reviewed in the Corporate Risk Register and actions are taken to minimise the impact of Welfare Change.

3.22 Housing Leeds must ensure that it makes adequate provision to prepare itself and our tenants for the introduction of UC. The significant change for the Council is that tenants will receive their Housing Allowance (currently Housing Benefit) themselves and have to pay this to the council. Currently Housing Benefit is paid direct to the tenants rent account.

3.23 It has just been confirmed that UC will be introduced in Leeds on the 1st of February 2016. This will only be for new single jobseekers initially and it is expected to affect around 50 to 80 tenants per month. There are no more details yet available about how and when the transition and migration process will start.

3.24 Housing Leeds in partnership with other Council departments and external partners are making preparations for the introduction of UC. The Welfare Reform Strategy Board is the strategic corporate group that coordinates the plans for Universal Credit. Housing Leeds is a key partner in this group.

3.25 Within Housing Leeds the Welfare Reform Operational Group is planning and coordinating the preparations for the organisation and our tenants.

3.26 A detailed UC action plan has been produced and is attached for information.

3.27 **Key Actions**

3.28 Completed Actions

- A UC action plan has been developed to organise the preparations for Housing Leeds and its tenants.
- The Annual Home Visit Form has been updated to include key questions relating to preparations for Universal Credit.
- Financial Inclusion Awareness briefings have been delivered to all Housing Officers during May and June 2015.
- In conjunction with the Welfare and Benefits Service one Communication Strategy is being produced for staff and customers across Leeds City Council to ensure consistent and timely messages are sent out.
- The Housing Leeds Autumn Tenants newsletter will include an article on Universal Credit.

- Universal Credit training has been delivered in June to key officers leading on the preparations.
- Improvements to the Direct Debit system have been requested so staff will be able to set them up on line for any day of the month.
- The Leeds City Credit Union Money Advice and Budgeting Service has been agreed up to 2018 to provide support to tenants requiring banking and budgeting advice.

3.29 **Future Actions**

- A team of Housing Officers will be recruited to provide additional support via an Enhanced Income Management Service Offer to tenants affected by Welfare Change. The recruitment will be undertaken during August/September 2015.
- The Universal Credit action plan will be reviewed and updated on a monthly basis as further learning outcomes from the pilots emerge and regulations are revised.
- Visits are to be undertaken to authorities who have gone live on UC to seek out best practice.
- SMT briefing on UC arranged for 24th August and front line staff briefings to commence September 2015.
- Undertake further promotions on the take up of Direct Debit with a focus on payments in advance.

3.30 **Budget 2015**

3.31 A number of changes were announced in the July Budget which will impact on our tenant's incomes and their ability to be able to pay their rent. The key changes are detailed below and at the Appendix 2 to this report.

3.32 **Benefit Cap**

3.33 It was announced that the Benefit Cap will be further reduced to £20K per year for families living outside London. No details of when this is to be implemented have yet been announced but it is expected to be phased in during 2016. The new cap will mean that households with 3 children or more will see a reduction in their Housing Benefit.

3.34 **Young People aged 18 – 21**

3.35 Young People aged 18 - 21 years old will no longer automatically be able to qualify for Housing Benefit. No implementation date for this has been announced, further details will be provided when available. It is envisaged some young people will be able to claim i.e. if they have children, are vulnerable or live in supported accommodation.

3.36 If Housing Benefit for all under 22s in Leeds was stopped, 807 tenants would have to start paying full rent. Based on an average rent of £75 this equates to a reduction in Housing Benefits of approx. £60,000 per week. Annually this means an extra £3.1M would need to be collected.

3.37 When the implementation date of this is known and the revised benefit guidelines have been produced contact will be made with tenants who will be affected and visited/interviewed to establish whether they are still able to claim within the new rules.

3.38 The Enhanced Income Management Service Offer with the additional levels of support will be offered to this group.

3.39 **Freeze working age benefits.**

3.40 From April 2016 the government is proposing to freeze the majority of working age benefits, Tax Credits and Local Housing Allowance rates for 4 years. In other words many claimants of these benefits will not see an increase in the amount of benefits they receive due to the cost of living until April 2020. This will further increase financial hardship for tenants and impact on their ability to pay their rent.

4 Corporate Considerations

4.1 Consultation and Engagement

4.2 Housing is actively participating and engaged in the Welfare Reform Board for the City and the preparations for dealing with the Welfare Reforms are fully supported by the Welfare Reform Board and the Citizens@ Leeds Programme Board.

4.3 Partner agencies have been engaged throughout the delivery of Welfare Reform project work and regular engagement has taken place to review the activity including Welfare Reform Board, Citizens@ Leeds Programme Board, Employment and Skills Board and Local Debt Forums.

5 Equality and Diversity / Cohesion and Integration

5.1 Delivery of responses to Welfare Reform has provided personal support to tenants to meet individual needs.

5.2 An EIA impact assessment has not been included as this report is for information purposes only.

6 Council Policies and City Priorities

6.1 The Welfare Reform project work contributes to the Council's strategic objectives of supporting communities and tackling poverty.

6.2 It supports delivery of the Housing Priority Strategic Indicator Rent and Benefits by maximising tenants' income and increasing rent collection.

6.3 The work supports the Council and its tenants in preparing for the introduction of Universal Credit which is the most significant change in Welfare Reform to date.

6.4 Housing will continue to foster excellent relationships that have been developed with Leeds City Councils Welfare and Benefits, Employment and Skills, Public Health and external partners such as Ebor Gardens Advice Centre, GIPSIL, Voluntary Advice Leeds, Pinnacle People, Money Buddies, Leeds City Credit Union and StepChange.

7 Resources and Value for Money

7.5 The Enhanced Income Management Service to tenants will be a flexible resource where recruitment will take place in line with demand, and will include the new monthly Under Occupation caseload of approx. 300 cases, 100 affected by the Benefit cap and initially 513 tenants under occupying owing over £500. This is a critical group whose arrears are increasing and will be approaching possession proceedings over the next 12 months.

- 7.6 The number of cases taken to court for rent arrears should reduce, avoiding the court costs associated with each claim which is currently £250 and a reinvestment of staff time and associated resources. Any evictions the team can prevent will result in approx. savings to the council of £6.5K per eviction.
- 7.1 Due to the significant amount of additional rent to be collected it is vital that adequate resources are put in place to support tenants with the transition to Universal Credit. This will help to support tenants to increase their ability to meet rental obligations and maximise rent collection.

8 Legal Implications, Access to Information and Call In

- 8.1 This report does not contain any exempt or confidential information.
- 8.2 This report is not eligible for call in.

9 Risk Management

- 9.1 Welfare Reform may have an adverse impact on the Council's financial position, undermining services and investment as well as creating financial hardship. As such it has been deemed a High Risk to the council and this risk is regularly monitored and reviewed in the Corporate Risk Register.
- 9.2 The recommendations within this report seeks to minimise the risk by supporting tenants to move to a better financial position and therefore more able to pay their rental charge.

10 Conclusions

- 10.1 This document provides an overview of the key Welfare Changes affecting the tenants of Housing Leeds. It is evident that Welfare Reform is having a direct impact on tenants and their ability to pay their rent. The changes announced in the recent Budget will further affect tenants, in particular those affected by the Benefit Cap.
- 10.2 Universal Credit represents the biggest change of all the reforms and goes live in Leeds in February 2016. It is critical that Housing Leeds prepares itself and tenants for this major change. Preparations are underway to ensure this happens and further updates on progress can be provided as required.
- 10.3 Housing Management has been working successfully in partnership with other directorates, third sector organisations and will continue to do so.
- 10.4 Housing Management is developing a 5 year strategy to work through the implementation of UC to evaluate and track the impacts.
- 10.5 The new Enhanced Income Service Offer would continue to utilise those effective partnerships to support tenants and maximise rent collection.

11 Recommendations

- 11.1 That the Housing Advisory Board note the contents of the report and support the additional resources allocated to support tenants respond to the challenges of welfare reform and Universal Credit.

12 Appendix

- 12.1 Chancellor of the Exchequer's 2015 Budget Statement – implications for Housing Leeds