



Report Author: Jill Wildman

Tel: (0113) 2476004

**REPORT OF:** JILL WILDMAN, DIRECTOR OF HOUSING SERVICES

**REPORT TO** AREA COMMITTEE CHAIRS' FORUM

**DATE:** THURSDAY 3 NOVEMBER 2011

**SUBJECT:** WELFARE REFORM

This briefing note outlines to Members as to the potential implications/risks for the Leeds ALMO's / BITMO as a consequence of the Welfare Reform – particularly relating to the introduction of Universal Credit and Under Occupation.

### **Universal Credit**

- ALMO / BITMO Customers - Go live date October 2013 for all new claims. April 2014 thereon to 2017 migration of all other claims.
- ALMO / BITMO Customers Affected: £60 million HB is rebated and currently paid direct to ALMO / BITMO rent accounts for 22,300 working age ALMO / BITMO tenants:
  - 17,800 get full HB
  - 4,500 get partial HB

### **Potential Issues and Risks**

- Once implemented the HB will be paid direct to the tenant, therefore a substantial additional amount of income will need to be collected by the ALMOs/BITMO.
- Customers will have the responsibility to manage their own benefits i.e. paid directly to individuals and they are responsible for making their own rent payments to Landlords.
- Customers managing own finances – some do not have a bank account for the payments to be paid into.
- Customers may not view paying their rent as a priority.
- Many customers are financially excluded and do not have sound financial literacy skills which will enable them to budget effectively.
- Reduction in income collection.
- Impact on performance. (Benefits to be made per calendar month in arrears to claimants).
- Increased collection costs / recovery activity / transaction costs.
- Increased arrears / increased evictions / increased legal costs.
- Potential increase in legal high cost lenders/illegal money lending / loan sharks
- Increased number of terminations / void costs / rent loss.

- Increased number of homelessness cases.
- Impact of overpayments in direct payment cases.
- Increase amount of bad debt provision may be required – potential increase in number of FTA write offs.
- DWP considering that 5-10% of vulnerable customers rent may be paid direct to ALMO / BITMO rent account (no definition of vulnerable).
  
- Concerns re vulnerable customers i.e. drugs / alcohol dependencies (additional disposable income).
- Managing the migration for ALMO / BITMO customers to Universal Credit.
- Central administration – Universal Credit is to be managed by one single agency to reduce prospect of loss of fraud and error.
- Increased no of enquiries via Face to Face and Contact Centre to clarify issues. Additional support needed for customers hence increased staff resources may be required.
- The need to re-skill staff to deal with the new legislation / process.
  
- DWP will accept, process and decide all claims for UC but are aiming for all claims to be conducted on-line (no paper claims). Initial target is 50% to then reach 80%. Each claimant will have own unique login ID and password to access their own benefit account. Claimants have responsibility of notifying DWP via their own on line account re got a job or off work / sick etc.
  - High percentage of our customers do not have access to computers and have no skills to use a computer.
  - From April 2013 all employers will be required to notify HMRC of the earning of all their employees i.e. if claimant is in low paid employment and has a change in their earnings – this automatically notifies real time systems and account is amended.
  - Process required for Human Resources and an increase in workload.
  
- Disability Living Allowance – to be abolished in April 2013, replaced by PIP (Personal Independence Payment). (21k claimants in Leeds between 16 and 60 receive DLA). Point scoring system – DWP predict 20% reduction in claims. Claim assessment targeted at daily living (not care). Mobility (not walking) and what aids / adaptations considered when claims are made.
  - Customers may refuse, delay or even remove aids and adaptations whilst under assessment to qualify for a higher rate of PIP.
  - ALMOs/BITMO will have to notify DWP of every aid and adaptation delivered / installed.

## **Welfare Reform – Housing Benefit Under Occupation in Social Rented Sector**

### **Potential Implication for ALMOs / BITMO**

- April 2013 change to HB rules mean that “working age” social tenants will receive a reduction in their HB where they live in accommodation that is larger for their needs i.e. number of bedrooms.
- Percentage reduction depends on the degree to which the tenant is under-occupying i.e. less reduction for a one bed, more reduction for a 2 bed plus.
- May be some exemptions i.e. homes adapted for disability purposes.
- Estimate of 7,500 ALMO / BITMO tenants that may be affected.

### **Potential Issues and Risks:**

- Increased number of staff resources, realignment of duties to collect income / provide advice / support / collection teams.
- Reduction in income collection.
- Increased rent arrears (those tenants affected are in receipt of benefits and therefore will have less disposable income).
- Communication to both customers and staff as to the future changes.
- Impact on performance.
- Increase in legal costs / evictions.
- Possible impact on number of homeless cases.
- Support required for vulnerable customers – hence additional resources may be required.
- Increased transaction costs.
- Potential increased demand for smaller property types i.e. one bed flats and possible reduced demand for larger properties i.e. flats.
- Increased number of voids / rent loss / void budgets and expenditure.
- Implication on current Incentive Scheme (LCC).
- Lettings Policy (LCC) – will need to be reviewed to incorporate any changes.
- Tenancy conditions / agreement to be reviewed (LCC).
- LLP’s currently age restriction in blocks - consideration of future LLPs.
- Consideration where Landlords allowed an additional bedroom i.e. disabled children / medical, access to children, foster carers – impact.
- Potential changes in IT systems may be required.

Please note Appendix A the cross ALMO / BITMO Action Plan.

The ALMO’s / BITMO and LCC are currently gathering detailed data to be able to have a more detailed understanding as to how many customers are to be affected.