

Report of Assistant Chief Executive (Citizens and Communities)

Report to Housing Advisory Board

Date: 26th April 2016

Subject: Update on welfare reforms

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 checked="" type="checkbox"/> Yes	<input 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 the main issues

1. The Government's welfare reform programme has created long-term issues for housing providers and tenants that will continue to challenge the way tenants are supported to access and maintain tenancies.
2. Under-occupancy and the Benefit Cap were implemented 3 years ago and much work has been done to reduce the numbers affected by these changes. Nevertheless there are significant numbers of tenants where a move to a smaller property is not realistic. Some of these tenants are supported through the Discretionary Housing Payment scheme; others are not and may struggle to meet rent liabilities.
3. Further changes to the Benefit Cap and the roll out of Universal Credit create further challenges for housing providers and will continue to need a co-ordinated response across the council as well as with external agencies in order to effectively support tenants to manage the changes.

Recommendations

1. That Housing Advisory Board notes the contents of the report.

1 Purpose of this report

1.1 The report provides information on the Government's continuing programme of welfare reforms and how the Council is preparing for these. The report also provides an update on the housing-related reforms that have been introduced since 2011.

2 Background information

2.1 Following the election of the coalition Government in 2010, a number of significant changes were made to reduce spend on Housing Benefit. Initially, the changes were restricted to the private rented sector and included:

- Extension of the Shared Accommodation Room Rate in the private rented sector to cover single people until they reach the age of 35. Previously the Shared Accommodation Rate applied to single people up to the age of 25;
- Removal of the '£15 excess' that private sector tenants were able to keep where they had secured tenancies at less than the Local Housing Allowance;
- Reductions in the value of Local Housing Allowances (LHAs) with LHAs being limited to the bottom 30% of the market where previously LHAs had been set at the bottom 50% of the market. Increases in LHA levels were also restricted to 1% at this time.

2.2 There were also large increases in non-dependant deductions starting in 2011. These had a bigger impact in the social rented sector simply because there were more families with non-dependents in this sector.

2.3 Further reforms were introduced from April 2013 which had a particular impact on the social rented sector.

- Social sector size criteria rules were introduced which reduce Housing Benefit by 14% where tenants are deemed to have 1-bedroom too many and by 25% where there are 2-bedrooms or more too many;
- A Benefit cap was also announced from April 2013 which reduces the amount of Housing Benefit paid where overall benefit entitlement is greater than £500 for a couple (or £350 for a single person). The DWP decided to introduce the Benefit Cap into large councils later in the year; this meant that the Benefit Cap was only implemented in September 2013

2.4 Other significant reforms included:

- Replacement of Council Tax Benefit with local Council Tax Support schemes with Government funding reduced by 10% nationally;
- The abolition of large elements of Crisis Loans and Community Care Grants with local councils encouraged to provide Local Welfare Support schemes. Government provided funding for 2 years for local schemes but then withdrew much of this funding after that;
- The gradual replacement of Disability Living Allowance with Personal Independence Payments;

- The launch of Universal Credit in the North West of England for single jobseekers.

3 Main Issues

3.1 This section of the report provides information on how the Council has responded to the challenges created by the welfare reforms.

Under-occupancy

3.2 Table 1 below shows a snapshot, taken at 3-monthly intervals, of the number of tenants affected by under-occupancy (sometimes called the Bedroom Tax or the Spare Room Subsidy).

Table 1: Number of tenants affected by under-occupancy

	Apr13	Jul13	Oct13	Jan14	Apr14	Jul14	Oct14	Jan15	Apr15	Jul15	Oct15	Jan16
Council tenants	7037	6296	5935	5571	5640	5566	5441	5345	5235	5128	5053	5137
HA tenants	1743	1538	1466	1388	1413	1415	1378	1339	1309	1274	1279	1284
Total	8780	7834	7401	6959	7053	6981	6822	6684	6544	6402	6332	6421
Monthly Change	--	-946	-433	-442	94	-72	-159	-138	-140	-142	-70	89

3.3 The general trend is one of a reducing number of tenants affected although this is slowing down now. The larger reductions in the first year reflect specific actions that were taken which had a positive impact on the number of tenants affected by the under-occupancy changes. The two main activities were:

- A review of households to ensure that the Benefits Service were aware of any changes to the household size. This identified households where additional children had not been reported – a number of families were taken out of under-occupancy through this;
- Home visits to all affected tenant by Housing Leeds staff to ensure tenants were aware of the changes and to discuss options to deal with the changes;
- There was also a review of the classification of certain types and design of property. A number of these were reclassified as having fewer bedrooms and this also meant that some tenants were taken out of under-occupancy.

3.4 The fluctuations in the following years largely reflect the fact that tenants circumstances change: household sizes change, tenants move, tenants move into and out of work etc. Every effort is made to ensure that new tenancies and tenancy moves take account of the under-occupancy rules.

3.5 However, there is a significant core of tenants affected by under-occupancy where a move to smaller accommodation is not realistic. This includes 3,440 Council tenants (67% of those affected) who need 1-bed accommodation in order to be taken out of under-occupancy and 695 HA tenants (54% of those affected) who also need 1-bed accommodation. Other factors include tenants living in adapted accommodation, estranged parents who need an extra room to maintain contact with their children, pregnant women who will need an extra bedroom once the child is born, foster-carers and tenants who are

close to pension-age where the under-occupancy rules will not apply. These situations are reflected in the Council’s policy on Discretionary Housing Payments (see para. 3.22)

3.6 There is little doubt that the under-occupancy changes are causing difficulty for tenants. Indicative measures of rent arrears, for instance, suggest that 27% of affected tenant were in rent arrears at the start of the changes; the indicative figure now is 52%. Rent arrears levels of Housing Leeds tenants affected by the under-occupancy changes have fluctuated throughout the year, but generally have reduced from £833k in April 2015 to £813.5k in January 2016.

Benefit Cap

3.7 The Benefit Cap at £26k per annum currently affects 242 families who, between them, have 1145 children. 41% are social sector tenants and 59% are tenants renting in the private-sector. The average weekly reduction is £44 for Council tenants, £48 for HA tenants and £67 for private-sector tenants. These averages, however, mask significant variations in how tenants are affected.

- 39% have a reduction of less than £25 a week;
- 9% have a reduction of more than £150 a week.

3.8 The numbers affected by the Benefit Cap has reduced from a high of 312 families down to 242. It is likely that some families may have found cheaper accommodation or moved into work – families in work are exempt from the Benefit Cap. This is evidenced by the fact that, even though the overall numbers affected by the Cap has reduced, there are now more families in the category losing up to £25 a week than there were when Benefit Cap was affecting 312 families.

3.9 The number of Housing Leeds tenants affected by the Benefit Cap continues to reduce, reducing from 88 cases in April 2015 to 70 cases in March 2016. Rent arrears have also reduced, from £38k in April 2015 (average of £441 per tenant) to £29k in March 2016 (average of £416 per tenant).

3.10 In its Summer Budget the Government announced that it was reducing the Benefit Cap further to £20k outside London. DWP’s rough estimates suggest that between 1000 and 2000 additional families in Leeds will fall within the new Cap level. Internal analysis suggests that the figure is likely to be between 1600 families and over 2000 families.

3.11 The reduction to £20k is likely to mean that many families with 2 children living in the private sector and some families with 3 children in the social rented sector will be affected by the cap in Leeds.

Table 2 – analysis of potential Benefit Cap cases

	Income type	2 children families	3+ children families	Total
Housing Leeds	ESA	-	304	304
	IS	-	265	265
	JSA	-	234	234
				803
Housing Assoc	ESA	6	55	61
	IS	17	65	82
	JSA	7	46	53
				196
Private rented	ESA	84	221	305

	IS	50	640	690
	JSA	83	228	311
				1306
Total		247	2058	2305

3.12 It is expected that the new lower Benefit Cap levels will come into effect from around October 2016. It will have the following implications:

- The lower Cap will see families already capped faced with a further reduction in income of up to £115 a week or the loss of their full HB whichever is the lower;
- Families who have already lost all their Housing Benefit (21 families in Leeds) will see no further reduction as there is more HB to take. However, these families will face a further reduction of £115 a week when they move onto Universal Credit; and as has already been seen;
- Bring 2-children families and 3-children families into the Cap.

3.13 The Council will receive information from DWP about who is likely to be affected and this information is allowed to be shared with social sector housing providers so that support and information can be provided to potentially affected tenants.

Universal Credit

3.14 Universal Credit is the Government's flagship welfare reform which merges 6 benefits into one (Jobseekers Allowance, Income Support, ESA, HB, Working Tax Credit and Child Tax Credit) and is delivered by a single agency. Universal Credit went live in Leeds on 1st February 2016 and is focused only on single jobseekers at this time. This group is considered by DWP to be the simplest cohort for Universal Credit purposes and enables the Government to continue to test the delivery of Universal Credit while expanding its reach nationally. It is estimated that around 10,000 Universal Credit claims will be made in Leeds over the first 14 months and that, in line with experience elsewhere, only around 20% of these will be from tenants.

3.15 There are many differences between Universal Credit and the legacy benefits it is replacing. These include:

- Claims must be made online
- Payment is normally paid monthly to a single person in a household
- The rent element is paid directly to the tenant
- There is normally no entitlement to Universal Credit (including the housing costs element) for the first 7-days following a claim
- First time claimants must wait for 5-6 weeks before an initial payment is made

3.16 DWP and the Council have agreed a Delivery Partnership which sees the Council take responsibility for providing support to people to make and maintain an online claim. For the initial roll out it is envisaged that the majority of claimants will be newly unemployed people who are already used to the online claiming regime. This support service will, in the main, be delivered through Community Hubs and One Stop Centres. The Delivery Partnership will also see the Council providing Personal Budgeting Support to people who need help with managing the monthly payment that UC brings. The emphasis is on helping people to deal with a monthly payment of UC made directly to themselves monthly in arrears and ensuring they are able to meet the demands of having Housing Costs in with this payment instead of being paid to the landlord. This support includes managing a basic household

budget, managing a bank account, and making payments. Experience elsewhere indicates a very low take up of Personal Budgeting Support.

3.17 There are clear challenges arising from Universal Credit, particularly around rent payment and collection. DWP has agreed to notify social sector landlords when their tenants make a claim for Universal Credit although this aspect is not entirely reliable just yet. In response to these challenges, the following steps have been taken:

- Universal Credit briefings have been provided to all relevant frontline staff;
- Leaflets have been made available for the public and staff on Universal Credit;
- Information will be collected monthly on how Universal Credit is progressing in Leeds;

3.18 As of 13/04/16 169 Housing Leeds tenants are known to be in receipt of or in the process of applying for Universal Credit. The further roll out of Universal Credit to families and more vulnerable claimants is not expected to happen in Leeds until late 2017 or early 2018. This further roll out is expected to create more challenges for the Council and for landlords. This further roll out has been the subject of a Scrutiny Board review and from this a series of recommendations have been made which will help to ensure that appropriate preparations are made.

Further changes to come

3.19 The 2015 Summer Budget also announced other significant welfare reforms. This included an intention to cap Housing Benefit payments in the social rented sector at Local Housing Allowance rates used in the private rented sector. For the majority of general needs housing tenants this is unlikely to be an issue but there are two groups who will be affected by this change:

- The first are single tenants under 35 who pay a rent that is higher than the Shared Room Rate used for u35s in the private rented sector. The Shared Room Rate is £64 a week in Leeds. Analysis shows that there are around 1600 single tenants in Housing Leeds properties getting HB with a rent higher than the Shared Room Rent and a further 1,000 single tenants in Housing Association property with a rent higher than the Shared Room Rent. The cap will apply from April 2018 and will only apply to new tenancies created from April 2016. In reality the majority of tenants likely to be affected by the LHA cap are also likely to be affected by the under-occupancy rules where the reduction is likely to be greater or similar to the reduction required to meet the LHA cap.
- The second group that may be affected by the change are tenants living in specified accommodation, this includes supported housing and hostels. Rents in this type of accommodation routinely exceed LHA levels and often by considerable margins. DWP is set to carry out a consultation exercise on supported accommodation but this will not be started until later in the year. DWP's response to the consultation outcomes will determine their approach to this sector and whether there will be any exemptions from the LHA cap rule. In recognition of this timetable, DWP has announced that the LHA caps will be put back a year to 2019 for supported accommodation.

3.20 The Government also announced that it would be removing automatic entitlement to housing costs support for 18-21 year olds. This is intended to happen from April 2017 and would be delivered through the Universal Credit system rather than the Housing Benefit system. Recent discussions with DWP have indicated that there will be exemptions for vulnerable young people who are deemed unable to return to their parents' home. Until

there is more information about the exemptions and how they will be identified and applied, it is difficult to make appropriate preparations for this change.

3.21 One thing that has become clear is that young people who are not entitled to housing costs support because of this change, will also not be entitled to Discretionary Housing Payments.

Discretionary Housing Payments

3.22 A key element in supporting tenants affected by the welfare changes, has been the use of Discretionary Housing Payments.

3.23 Discretionary Housing Payment funding from Government has seen Leeds receive varying amounts over the 4 years from 13/14 through to 16/17.

- In 13/14 the council received an initial £2.25m in Government funding and spent £2.3m on supporting tenants;
- In 14/15 funding Government funding reduced to £2m but an additional £250k contribution from the HRA meant that around £2.3m in DHP support was provided to tenants;
- In 15/16 funding from Government reduced further to £1.5m. Again there was a contribution from HRA of £500k and this enabled a spend of £2m to support tenants affected by the reforms;
- The funding for 16/17 has been announced at £1.9m. While this represents an increase on the 15/16 contribution, it is less than the contribution in 14/15 and it is intended to also help with the additional 1000 to 2000 tenants affected by the revised Benefit Cap.

3.24 Discretionary Housing Payments enable us to provide longer-term support for those who are simply unable to move to smaller accommodation. This includes tenants living in homes that have been specially adapted for their needs, tenants who need an extra room to help maintain contact with children when parents separate and tenants who are foster carers. It is also intended to provide shorter-term support for those tenants who need extra help but who do not fit into the priority groups. Often these tenants have debt issues or are going through some other difficulty. The expectation is that these tenants will be able to adjust after a period of time or make changes to their outgoings that will help them meet the extra rent they have to pay. Additional support is provided around debt advice and money management but the reality for many of these tenants is that it is proving very difficult to withdraw the DHP support. There is little doubt that the Council's contribution through the HRA is proving critical in enabling us to support tenants.

3.25 There remains a concern that the full roll out of the Benefit Cap from October 2016 will really challenge our ability to continue to support tenants to the same degree.

Update on Housing Leeds' Response to Welfare Changes

3.26 Housing Leeds has given significant priority to making robust preparations for the implementation of the Welfare Reforms, commencing with the introduction of the Under-occupation Charge in 2013. The service has worked closely with the Welfare and Benefits Service to develop co-ordinated plans to support the implementation of benefit changes, with a focus on working closely to minimise the impact on the service, and Housing Leeds tenants.

- 3.27 Prior to the introduction of the Under-occupation charge , the former ALMOs visited all tenants who were to be affected, and discussed rehousing options and income maximisation. Housing Leeds has continued to provide ongoing support to these tenants as part of ongoing tenancy management.
- 3.28 Between 2014 and 2015 Housing Leeds ran the Multi Storey Flat Project which offered Discretionary Housing Payment and additional support to tenants affected by the Under-occupation charge living in high rise flats. This support included areas such as budgeting, income maximisation, energy saving, IT skills, confidence / life skills, accessing training and employment and voluntary work. The project was very successful – it supported over 500 tenants over 1 year, with 100 tenants moving into work during the life of the project.
- 3.29 Housing Leeds has used the learning from the Multi Storey Flat Project to establish a team of 16 specialist Housing Officers in December 2015 to co-ordinate support to tenants affected by Welfare reform. The team is offering additional support to affected tenants to review rehousing options, income maximisation, budget management, including management of debt, application for Discretionary Housing Payment, utility accounts, and accessing training and employment. Priority is being given to tenants affected by Universal Credit, the Benefit Cap and Under-occupation.
- 3.30 The service developed a Universal Credit Action Plan during 2015 to co-ordinate preparations for the implementation of Universal Credit which is reviewed on a regular basis. A number of preparations have been made including the following:
- Training / briefings have been provided to all front line staff on Universal Credit.
 - A tenant communication plan is in place with general promotions of benefit changes in the Tenants Newsletter, on the website, Facebook and Twitter, leaflets etc.
 - Regular updates to key Tenant Groups on changes, including Voice of Involved Tenants At Leeds (VITAL), Leeds Tenants Federation and Housing Advisory Panels.
 - A review of the Annual Home Visit proforma to collect information linked to budgeting and internet access during 2015/16. This information is now being used to help us to target support accordingly.
 - Improvements to the direct debit system, to allow tenants to set up direct debits over the phone.
- 3.31 The Citizens and Communities Scrutiny Board has recently undertaken an enquiry into the preparations for the implementation of Universal Credit in Leeds. Housing Leeds has been actively involved in this enquiry, and is working closely with the Welfare and Benefits Service to implement key recommendations from the enquiry. The key recommendations which Housing Leeds are supporting are as follows:
- To work with Department of Work and Pensions to explore opportunities for improving the verification process linked to proofs of social housing tenancies and associated rent changes through alignment of automated systems.
 - To write to all tenants in receipt of Universal Credit to reiterate their responsibility for using Universal Credit payments to pay their rent to the Council.
 - That the financial implications of Universal Credit are factored into the Council's future financial models.
- 3.32 Housing Leeds is working closely with other local authorities to learn good practice from others where Universal Credit has already gone live. The service has been members of a Northern Rent Benchmarking Group for a number of years, where discussions around Welfare Reform preparations regularly take place. More recently, connections have been developed with the Northern Housing Consortium (NHC) on Welfare Reform, to connect more effectively into the NHC's relationship with Whitehall and Department of Work and

Pensions on the particular impacts on northern landlords. Leeds also visited Wigan and Oldham local authorities where Universal Credit has already been implemented.

3.33 These visits and networking opportunities have helped to identify key priorities for Housing Leeds in preparing for the introduction of Welfare Reform changes. There are 2 key themes to the approaches being undertaken by other landlords:

- *Tenant Responsibilities* - Greater emphasis on tenant responsibilities to pay their rent, where possible in advance, mandatory direct debits, streamlined arrears procedures.
- *Additional Support* - Greater support offered to tenants who need additional support, including pre-tenancy training, training and additional support to vulnerable tenants.

3.34 Housing Leeds is currently reviewing its processes to strengthen a 'social contract' culture with tenants based on Restorative Practice principles. This includes the following:

- *Tenant Responsibilities* – new Tenants Handbook and strengthened New Tenancy Visit process which reinforces tenant responsibilities, strongly encouraging rent payments in advance and direct debit as the preferred payment method at sign up.
- *Additional Support* – development of an 'Enhanced Support Offer' to tenants, with an increased focus on providing support at an earlier stage, particularly prior to rehousing, to ensure that tenants are supported to move effectively into suitable accommodation. Also the development of pre-tenancy training is underway.

4. Corporate Considerations

4.1 Consultation and engagement

4.1.1 Housing Leeds is actively involved in the development of the Council wide response to Welfare Reform, via the Council's Welfare Reform Strategy Board, which is a multi-agency board led by Citizens and Communities. This group is responsible for co-ordinating a joint Leeds response to Welfare Reforms.

4.1.2 Housing Leeds is also engaged with a number of regional local authorities and landlords to learn good practice from others in relation to Welfare Reforms, and has used this learning to support preparations for change. The service has developed close working relationships with local Department of Work and Pensions offices in relation to the management of individual cases.

4.1.3 The service is working closely with tenant groups to ensure that tenants are aware of and as prepared as possible for Welfare Reforms. This has included consultation on VITAL on the development of its Tenant Communication Plan, and ongoing consultation with other tenant groups, e.g. Housing Advisory Panels.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 Housing Leeds has an important role in minimising the negative impact of Welfare Reforms on tenants, and in doing so promoting community cohesion and integration. Through the Enhanced Income Team, additional support will be provided to tenants when required in managing changes to welfare benefits, and to minimise the impact of the changes on particular tenant groups who might be disadvantaged by the changes, e.g. young people.

4.2.2 The service will closely monitor the impacts of Welfare Reform on tenants in order to identify whether there are particular tenant groups that are disadvantaged by specific changes. Housing Leeds will review and amend the support provided by the Enhanced

Income Team as required to ensure appropriate support is then provided to those tenants.

4.3 Council Policies and City Priorities

4.3.1 The work that Housing Leeds is undertaking contributes towards the Best Council Objectives of supporting communities and tackling poverty and becoming a more efficient and enterprising Council.

4.3.2 It also supports the delivery of the Housing Strategic Priority of maximising tenants' incomes and rent collection.

4.4 Resources and Value for Money

4.4.1 The Enhanced Income Team will be a resource of 16 specialist Housing Officers that will be able to work flexibly across the service and change focus in response to changing needs, as different Welfare Reforms are implemented. The business case was developed on the basis of spend to save, with the intention that the team will result in increased income to tenants, but also a lower number of arrears cases, court applications and evictions linked to rent arrears. Any evictions that the team can prevent will result in estimated savings of £6.5k per eviction prevented.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The report does not contain any exempt or confidential information.

4.6 Risk Management

4.6.1 Welfare Reform has an adverse impact on the Council's financial position and creates 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.

4.6.2 The content of this report will help to minimise the risk by supporting tenants to move to a better financial position and therefore more able to pay their rental charge.

6. Recommendations

1. That Housing Advisory Board notes the contents of the report.

Background documents¹

Background documents

7 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.