CABINET

THURSDAY, 19TH January 2017

REPORT OF THE PORFOLIO HOLDER FOR HOUSING

WELFARE REFORM – IMPACT ON COUNCIL TENANTS'

EXEMPT INFORMATION
N/A

PURPOSE

- The scope of this report is to update members on welfare reform, specifically changes contained within the Welfare Reform & Work Act 2016. Details around commencement are still emerging and therefore it is intended to continue to update members as key actions and recommendations on the detail are known.

- Further reports will also be necessary on the wider strategic implications of the above and it is therefore it is intended to report routinely throughout 2017/18.

RECOMMENDATIONS

Cabinet are asked to

- **Accept & note key changes impacting on council tenants because of the latest welfare reform and legislative changes**

- **Accept & note findings from the Independent Accreditation around the Landlord Income Collection Service in 2016, report provided shown at Annex one**

- **Approve the action plan attached at Annex two to mitigate impact of welfare changes and support claimants during the changes**

- **Delegate authority to the Director Communities, Partnerships & Housing in consultation with the Portfolio of Housing on updating the Rent & Income Policy to take account of legislative changes in line with the principles contained within the report**

EXECUTIVE SUMMARY

In what was the last Autumn statement in November 2016, the sector has commented that this speech represented an apparent '*fiscal reset'* with regard to social reform; no doubt due to the post Brexit climate - seeming to shift the focus from individual taxation and spending changes to one of broad themes and policy direction. Notwithstanding that, the government remains committed to the delivery of its welfare savings already identified. Confirmed, in the autumn statement however, there are no plans to introduce further or new welfare measures beyond those already announced.

Welfare reform remains unprecedented. Government intentions around implementing universal credit; applying bedroom sanctions; introducing a range of benefit caps and promoting measures for tackling worklessness were introduced as part of the original Welfare Reform Act 2012. Since that time, Tamworth has led a multi-disciplinary welfare reform project team responding to & developing services in this area.

Work has continued and the Council has kept pace with relentless and continued legislative & regulatory update – the most recent changes set out in the Welfare Reform & Work Act 2016, which received royal assent in March 2016.

This report seeks to set out the key challenges, although until specific detail is known the report simply aims to chart the direction of travel in terms of policy principles. The remit of the Welfare Reform & Work Act 2016 extends beyond welfare reform and members will know that reductions in social housing rents (1% for 4 years) were part of the Councils MTFS reported in 2016 – this represented a significant part of the Act and remains in place. Whilst outside the scope of this report provisions around tackling child poverty, supporting troubled families and reporting on apprenticeships are being considered elsewhere.

The Summary table & detail overleaf sets out latest welfare changes to tenants and claimants. The detail is inherently complex and timetables have already been subject to change and government policy amendment. Therefore, the detail is based on what is known at this stage and as there remains some uncertainty around the timetable for change, the actions are indicative and reflect the principles underpinning the Councils strategic priority around growing stronger and living a quality life in Tamworth.

As specific regulations and commencement dates are not fully known it will be necessary to report back to members as key recommendations for service delivery become clear. But in Summary: -

- Further phasing and roll out of Universal Credit is now scheduled for November 2017 (see annex three) and includes new claims &/or change of circumstances judged to be new claims. It should be noted that dates for full migration have been subject to change and are now considered to be beyond 2020. The roll out in November 2017 will extend to families aswell as single claimants.

  Currently there are only 29 council tenants currently in receipt of UC & the impact has been minimal; but planning over the next 12 months will be critical if UC is indeed rolled out further in November 2017. Especially if we expect to enjoy current income collection levels beyond that as tenants receive direct payments.

- The benefit cap reduced from £26,000 to £20,000 on 7th November 2016. Council households affected has doubled from 14 to 28. The overall impact of this is mitigated by the strong employment position that Tamworth enjoys with council tenants on full housing benefit falling from c63% to below 50%

- Rent (including Service charges) to be capped at Local Housing Allowance(LHA) rates by April 2019. The Government is currently consulting on its future funding proposals for supported housing (to be reported separately) & the outcome to this will be key to assessing the overall impact as LHA rates will not extend to housing benefit cover for enhanced housing management service charges, currently in payment for sheltered housing tenants'. Consultation is available at https://www.gov.uk/government/consultations/funding-for-supported-housing

- For singles under 35 years old, LHA rates will be capped at shared room rates, also from April 2019, leaving a potential shortfall in housing benefit of around £20pw

The Council is well placed to respond to the challenges. In 2016 the Councils Landlord Income Service was assessed independently (report shown at annex one) and received national accreditation for its rental and income management service. Specifically, for welfare reform the assessors highlighted: -

1. *The Councils Landlord Service careful, co-ordinated planning and joint working between teams, local advice agencies and DWP have mitigated impact and potential for bad debt and is commendable*

2. *Rent Collection and arrears performance is comparatively strong, particularly in the context of welfare reform and especially following introduction of HB under occupation charge*

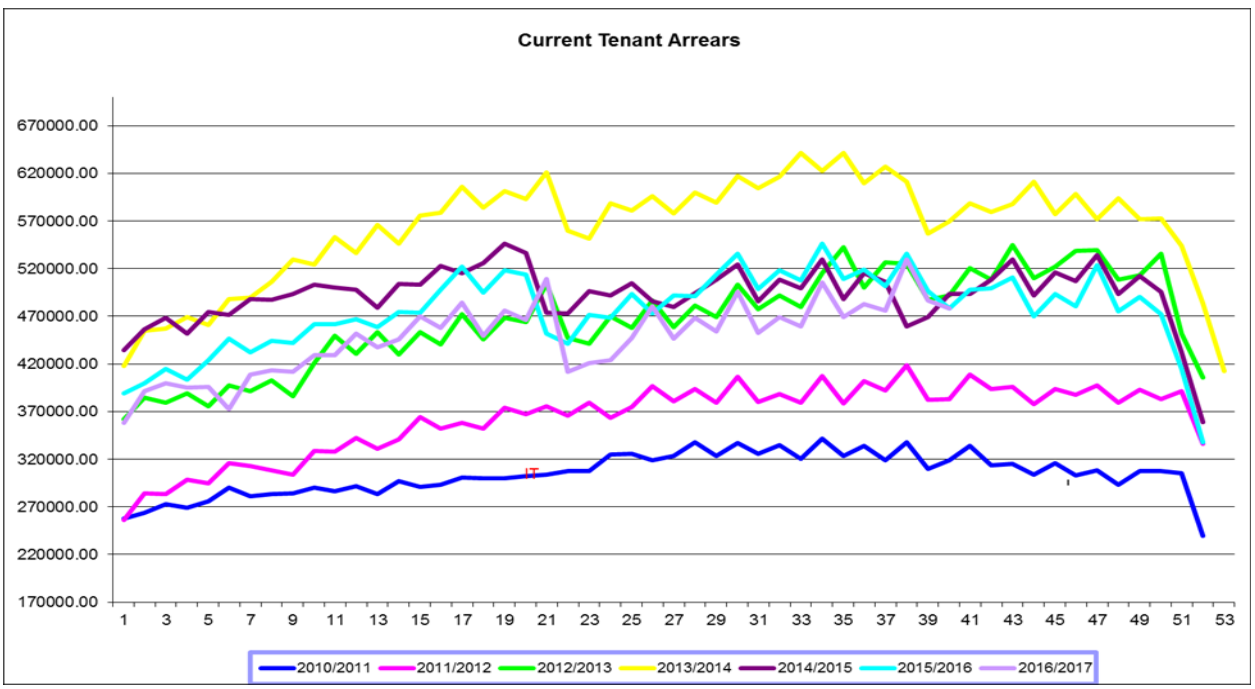

Figure 1: Tamworth Current Arrears Performance up to December 2016

The assessors were particularly complimentary of the cross–service Welfare Reform Working group supporting and overseeing wider action planning to map and manage demand to promote and build customer resilience around income and debt management. They identified the work with partners and communities around up-skilling as best practice and accepted this was moving customers from a position of dependence to one of independence and self-resilience, less likely to be reliant on state aid.

A combination of comprehensive work streams – such as work going on to transform and deliver the quality services project; being able to take the opportunity to reset the housing and well-being strategy along-side re-purposing the HRA business plan will ensure a clear focus on people as well as place. In particular for welfare reform to be able to achieve & ensure the following: -

1. Understand and profile demand so services are customer centric and agile and the re-alignment of highly transactional tasks allows structures to be re-aligned and capacity focused on prevention and early intervention work

2. Business re-engineering is focused and purposeful so that the impact around welfare reform on supported, sheltered and temporary accommodation can be reassessed following government consultation and more detailed proposals

3. The allocation policy drives best use of stock so that housing solutions for those client groups facing the LHA cap are planned at the earliest opportunity

4. The income and rent policy is updated to integrate recommendations made by the external assessors around tenancy sustainment,

MATTERS FOR CONSIDERATION

In Summary, the following welfare changes have taken affect across communities: -

Welfare Reform	National Picture	Impact on Council Tenants'
The benefit cap introduced in 2012 is reduced from £26,000 to £20,000 (£23,000 in Greater London) from 7th November 2016 for existing tenants' and14th November for new claimants.	The DWPs impact assessment indicates that around 88,000 households will be affected with an average loss of £60perweek.	As at the end of 2016, 28 council tenants were affected by the cap – prior to the cap being reduced there were 14 households affected. Under the new cap 3 tenants have gone from receiving full housing benefit to receiving the notional 50p per week
Local Housing Allowance (LHA) cap from 2019 – Supported Accommodation	The Government is currently consulting on its proposals around financing	The Council is still currently awaiting legal advice in relation to what is

	supported housing – this will be reported to Cabinet separately. Essentially the LHA cap (for rent and service charges) will be imposed impacting on HB levels currently sustaining delivery models for supported and sheltered housing.	included within the cap – but without alternative funding it is likely the LHA cap will not cover all the sheltered housing management charges.
Local housing Cap (LHA) from 2019 – General needs, Singles under 35years old	There remains some uncertainty as the government initially proposed this should be capped at the shared room rate, although there remains lobbying for this to be set at the 1 bedroom room rate (for Tamworth the shared room rate is currently £66.70pw). LHA rates are to be frozen until 2020/2021	Should the shared room rate apply for new tenants from April 2016 (to take affect from April 2019) it is estimated that there will be over 100 affected, with many seeing a shortfall in benefit from around £20pw.
Further phasing & roll out of Universal Credit – a single & direct payment to the claimant including housing benefit replacing range of other benefits	Universal Credit continues to be rolled out with learning and update from pilot and other organisations already further along with UC implementation. The roll out schedule was released late November 2016 and is attached at annex three showing that this will include new claimants for families as well as singles	As at end of 2016, 29 council tenants were on universal credit of which 5 were working and in receipt of a UC top up. Of the 29 claimants, 8 council tenants are on alternative payment arrangements (APA) due to a combination of either historic non-payment &/or assessed vulnerability
Single Claimants aged 18-21year olds will have no automatic entitlement to HB	The Social Security Advisory Committee has published details of the Governments policy to cover housing costs for 18-21year olds (2/12/16) Subject to exemptions, any 18-21yearold who makes a new claim for Universal Credit from 1st April 2017 will not have any housing	Tamworth currently has 21 tenants in this client group and further clarification is awaited from DWP on likely exemptions as it is not possible for all 18-21years olds to be either in education, employment or training.

	costs included in their assessment. The fact that this limited to those on universal credit will limit the impact – but will gradually increase as all claimants migrate to Universal credit. This is linked to NEET principles (If not in education, employment &/or training) then there may be restrictions to benefit	

Benefit Cap

DWP- In addition to the summary information above; for any new cap being applied there should be an automatic notification process from DWP. The DWP have said that they have written to inform all potentially affected claimants but there is anecdotal information to suggest not all letters have been sent. Tamworth, in conjunction with its benefit team, have been in constant touch with the DWP to update information and verify case details. Whilst this could mean some claimants may not be aware that their benefit has been capped, this is mitigated by the Councils robust approach to management and includes: -

- Close liaison with our own benefit teams to ensure benefit cap has been correctly applied and where possible claimants exempted
- Targeted money advise and debt management support
- Detail on the Council's website - http://www.tamworth.gov.uk/benefits to
- Face-to-face discussions with officers and tenants to ensure income is maximised and DHP support is considered as soon as possible

Exemptions - There are new exemptions to the cap and DWP are committed to contacting benefit services to let them know which claims are affected as well as informing claimants by letter. For example, all carers entitled to carers allowance or the carer element in Universal credit will be exempt from the benefit cap, regardless of whether they live with the person for whom they are caring.

Discretionary Housing Payments (DHP) - Claimants whose HB has been capped still receive at least the minimum weekly HB payment (50p). They are therefore eligible for a DHP, as are universal credit claimants who award incudes the housing element towards rental liability. Tamworth remain committed to supporting claimants where they meet eligibility criteria for DHP.

LHA cap – Supported & General Needs Accommodation

Supported

On 21st November 2016, the government announced the LHA cap will apply to all tenants who receive universal credit. Having initially intended that this would take effect from April 2018, the minister in November – Lord Freud – announced this was being deferred until April 2019.

The Government has announced its plans for Supported Housing and the Council intends to respond to the consultation, ending 13th February 2017. The details of which will be reported separately. Whilst the Government is proposing a funding model there remains uncertainty and questions around longer term funding – as it is still not clear who or how this funding will be administered and devolved.

So far, the government have said: -

- From 2019/20 the LHA cap will apply to Universal credit & HB claims from people living in supported accommodation. The model recommended to Cabinet in 2015/16 for its own sheltered housing following County wide cessation of supporting people was self-financing. However, the impact of the wider LHA cap potentially means that the Enhanced Housing management charge will be above the LHA cap and therefore not covered by housing benefit. This will drive further review of that service if current government proposals remain the same.
- Core rent (and service charges) will be funded from Universal credit and HB to the level of the LHA. Although not clear how it is suggested Local Authorities will receive a ring-fenced top up funding for support
- Short term accommodation such as hostels and refuges, may have a different funding mechanism
- The deferred rent reduction (1%) for supported housing will remain under review

IImplications for Landlord & tenants

1. As HB for pension age claimants in supported housing is to be capped at LHA rates it may discourage people from moving out of larger homes, effectively freeing them up for larger families – as they are not subject to the spare bedroom subsidy (aka bedroom tax).
2. The history of supporting people funding does not give the sector confidence in how this will work. In practice HQN and other leading benchmarking groups have suggested these are not statutory services and therefore less of a priority if not administered at source.

General needs

Initially the LHA cap for general needs tenants, with a tenancy commencement of 1 April 2016, was envisaged for April 2018. However, in a government announcement on 21st November 2016, this has been postponed until April 2019/20. The shared accommodation rate of LHA will apply to most single claimants under 35years without dependent children. So far Tamworth has let properties to over 30 tenants in this client group and expects to let to over 100 by April 2019.

Research by the National Housing Federation based on governments letting data from 2012/13 suggests 18.2% of new housing association and council tenants in a year could be affected by the introduction of LHA for new tenants in general needs housing. Average shortfalls are expected to be around £18-£30 per week.

To mitigate against this, impact the Council are already committed to: -

- Advising all new tenants in this client group at sign up so they can make informed choices about taking properties
- Reviewing its allocation policy
- Exploring best use of its stock as part of its wider housing strategic and HRA business planning to explore different housing solutions such as HMOs.

RESOURCE IMPLICATIONS

There are no direct financial implications arising from this report, recognising that financial implications will arise as specific proposals are presented.

LEGAL / RISK IMPLICATIONS

Risk	Mitigation
Insufficient resource & capacity to manage welfare reform changes	Demand led approach around delivering quality services will allow for re-alignment of high volume transactional activity so capacity can be maximised and focused on prevention and wider earlier interventions
Confusion to Customers as welfare reform changes take effect and noting that government dates have changed	Robust communications plan in place with dedicated area on the web site for benefit and welfare reform changes. Assessors for landlord accreditation identified best practice in terms of customer engagement and involvement
Welfare reform proposals are changed by government	Officers are in touch with partners and government agencies so that changes are communicated as quickly as possible to members and customers
Universal Credit results in increased arrears as tenants are paid directly	There is lots of learning from pilot UC schemes and the rental and income management policy will be updated to reflect arrangements for alternative payment arrangements. Additionally, bad debt forecasts are prudent and included in MTFS as it is expected there will be an increase in

	arrears
Increase in homelessness as HB entitlement is restricted for 18-21year olds and under 35-year olds	There is sector agreement that is likely. To mitigate and in view of plans being deferred until April 2019 – plans and proposals will be built into the housing strategy and HRA Business plan that seeks to consider and re-purpose accommodation, for example consideration of HMOs
LHA cap and future funding for supported housing does not materialise for sheltered and other supported housing	Consultation closes on the 13th February 2017 and the Council will be responding. This is likely to result in significant business re-engineering around provision of supported housing and will be reported separately

SUSTAINABILITY IMPLICATIONS

Living a quality life and growing Strong are key corporate and strategic priorities for Tamworth to achieve its vision of "***one Tamworth perfectly placed, open for business since 7th century".*** The ability to respond to welfare reform and facilitate people into education, employment and training is part of the Councils commitment to financial inclusion. Its operating model around demand management and approach to quality services contributes to achieving this overall aim.

REPORT AUTHOR

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LIST OF BACKGROUND PAPERS

APPENDICES

1. Annex One – Independent Accreditation Housing Quality Network 2016
2. Annex Two – Action Plan – Income Management
3. Annex Three – Schedule for roll-out Universal credit

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