REPORT OF THE PORTFOLIO HOLDER FOR HOUSING

THE IMPACT OF WELFARE BENEFIT REFORM ON TENANTS'

EXEMPT INFORMATION
N/A

PURPOSE

To set out the challenges and opportunities arising from the Welfare Reform Act 2012 following the receipt of Royal assent in March.

RECOMMENDATIONS

Members are recommended to:-

1. Acknowledge the impact arising from the key legislative changes, as set out at **Annex 1 as set out in the** Member Presentation delivered at the end of May 2012
2. Increase investment in the Third sector to £10,000 in order to facilitate the improvement of debt management services and sensible lending solutions.
3. Endorse the principles used to access funding available through the "homelessness prevention grant " as set out in the report, delegating authority to the Portfolio Holder to agree the final details of a scheme.
4. Support the increase in income management staff, subject to the usual Appointments and Staffing Committees arrangements
5. Endorse the investigation into the introduction of electronic means to pay rent using the rent app, mobile payment methods as part of the corporate change management programme
6. Support the development of a Social Enterprise Partnership with Mears to develop a skills academy, delegating authority to the Portfolio Holder of Housing to agree the detail
7. Agree the action plan **attached as Annex 3** which sets out the next steps in relation to the wider partnership opportunities around the LEP and the banking sector to help tackle financial exclusion and worklessness.
8. To receive a further report in the Summer of 2013 detailing the initial impact of the changes & to set out final preparations for Universal Credit in October 2013

EXECUTIVE SUMMARY

The Welfare Reform Act 2012 puts into law many of the proposals set out in the 2010 white paper *Universal Credit: Welfare that Works*. It aims to bring about a simplification of the benefit system in order to improve incentives to work. It also works towards the Governments aim of cutting the welfare bill by £18billion by the time of the comprehensive spending review in 2015.

Cabinet supported a range of recommendations in January 2011 as part of the preparation for this reform, including a move to a 48-wk rent year as well as introducing quarterly incentive payments of £250.

The proposals recommended directly contribute to Tamworth's strategic priorities as outlined in the Corporate Plan (2012/13):-

Raise the aspiration and attainment levels of young people	The development of a Social Enterprise Partnership with Mears will deliver a local skills academy providing a range of accredited construction and service related qualifications. Opportunities will also exist for apprenticeships and long-term employment
Create Opportunities for Business Growth through developing and using skills and talent	Continued investment in the third sector, using the council's commissioning framework to establish service level arrangements with local organisations will help facilitate and develop debt management solutions to people facing economic hardship
Promote private sector growth and create quality employment locally	The action plan is focused on maximising opportunities through the LEP and with the banking sector to establish clear partnerships that enable customers to access basic financial products, such as jam jar accounts
Create an integral approach to protecting those most vulnerable in our local communities	Landlord Services are working on the development of a cross-cutting corporate debt strategy that seeks to impact on economic well being and deal with debt prioritisation, tenancy and community sustainment and how partner services are integral to having a positive outcome on economic regeneration

Central to Welfare Reform is the introduction of Universal Credit in October 2013, which is a single benefit replacing a range of other benefits.[1] It will be payable to those in and out of work on a monthly basis. Alongside this the Government intend to introduce a benefit cap from April 2013 as well as implement reductions for those deemed to be under-occupying. It should be noted the changes affect those of workable age at this stage.

Over the last twelve months officers have held numerous briefings and information sessions. A copy of the presentation detailing the above changes was shared with councillors in May and has been used for wider stakeholder briefings since. The

[1] Universal Credit replaces Income Support, income-based job seekers allowance, income-related employment and support allowance, housing benefit, child tax credit and working tax credit.

impact assessment on tenants is detailed in the presentation but can be summarised as follows:-

Change	**Timing**	**Impact to Tenants**
Increase in Non-Dependant Charges	Increases started in 2011/12 and continue until 2012/13	120 tenants affected, with 80% of those experiencing rent arrears
Benefit Cap	April 2013	5 tenants affected with benefit reductions ranging from £1pw to £52pw
Reduction in Benefit for under-occupation "bedroom tax"	April 2013	521 tenants likely to be affected with over half likely to want to move
Universal Credit	October 2013	1771 (workable age) on either partial and/or full housing benefit so will be affected
Total		*2317 out of 4508 tenants affected (c53%)*

The Tenant Consultative Group (TCG) has debated the changes from the outset and support the proposals contained within the report. They have asked Cabinet to give consideration to incentivising direct debit payments, such as extra rent free weeks. But based on cabinet's decision last year to introduce incentives for a clear rent account, it seems a better approach to assess the impact and success of that scheme before investigating the business case behind extending incentive arrangements. The TCG are also keen that Cabinet recognise that the proposals are aimed at ensuring rental income is maximised in order to fully realise wider ambitions in the HRA business plan around regeneration and development of affordable housing, which is already accepted as part of the councils Local Plan.

RESOURCE IMPLICATIONS

There are significant financial implications arising from the Welfare Benefit Act 2012. Like many other organisations, officers' are predicting a rise in rent arrears as people struggle to cope with benefit reductions. From Tamworth's impact assessment it is likely that the Housing Revenue Account Business Plan will reflect an increase in the bad debt provision. From the presentation, attached at annex one, members will note that this could result in arrears trebling over the next three years from £335,807 (2011/12) to in excess of a £1m in 2015/16.

From benchmarking and peer assessment it is felt the following measures will seek to limit this increase. The financial impact of the recommendations are summarised as follows:-

Proposal	**Financial Implication**
Increase investment in the third sector from £5,000 currently to £10,000	The additional £5000 will need to be met from existing budgets
Access the Homelessness Prevention Fund 2013/14 onwards	Members are asked to endorse the principles set out in the report. Landlord Services will then work with the strategic commissioners to access the

	Homelessness Grant where possible
2 additional income management staff	Provision has already been made through the budget setting process as a policy change and is subject to further reports to Appointments & Staffing Committee
Costings for electronic equipment for rent payments	The Corporate Change Management Programme is already focused on improving the IT infrastructure to support agile working. It is anticipated that this will be funded through corresponding savings as this work-stream is progressed
Support the development of a Social Enterprise Partnership	Mears are prepared to meet the initial start up costs and further details will be reported to the Portfolio Holder as the business case is progressed

LEGAL/RISK IMPLICATIONS BACKGROUND

The Welfare Reform proposals have attracted widespread debate. Implementation is not without its challenges. The council will have to manage the reputational risk as people's benefits are reduced and/or capped from April 2013. The communication plan attached at annex **two** is about ensuring that customers are well informed and have access to clear and concise information, allowing them to prepare for the changes.

SUSTAINABILITY IMPLICATIONS

Sustainability of communities' is intrinsic to achieving the Council's vision of "one Tamworth – Perfectly placed". The measures contained within the report are aimed at preparing for significant government reform and ensuring the council as a landlord directs its resources to achieving corporate priorities.

MATTERS FOR CONSIDERATION

<u>Third Sector Commissioning</u>

Landlord Services already invest £5,000 per annum into the credit union. On the basis that nearly half of all council tenants' will be affected there is a need to ensure support continues to be available to support:-

- ✓ Debt management services
- ✓ Sensible borrowing solutions
- ✓ 'jam jar' and/or basic rent accounts
- ✓ Suitable payment methods such as direct debit

The service level agreement facilitated through the third sector commissioning framework has been a success with over 180 loans being provided to tenants and significant take up in relation to savings. Landlord services are currently reviewing this specification to extend the support required to customers and will look to invest this extra money using the commissioning framework as a vehicle to support the third sector and more widely its customers.

It is likely that investment and support will increase as the service specification is developed for partners.

Use of a Homelessness Prevention Grant

Members should be aware that the council currently offers financial support through its Discretionary Housing Payments (administered by the Benefits Team) and the Repossession Prevention Fund (administered by the Housing Advice Team).

In May 2012, Cabinet approved the use of Department of Communities and Local Government *Preventing Homelessness Grant* allocated to the Council to support homelessness prevention activity to 2015. Over the next three years there are funds available for best practice initiatives that target homelessness prevention. With Tamworth's strategic commissioners it is recognised that, subject to Cabinet, endorsing the principles below, an element of this funding could be used to sustain tenants' in their own home, that would otherwise face eviction. Officers' estimate that the costs to the Council, per household for an eviction equate to c£2,000, a property move c£2,500 and a homelessness case up to c£8,000. Where a short term solution offers value for money preventing these costs arising then a scheme could be targeted using this fund.

The principles include:-

- ✓ Allowing customers to remain in their own home, where for a short period of time (no longer than 12weeks), a financial buffer would avoid eviction and or move on
- ✓ Financial assistance where households are actively and positively working with us to secure alternative and smaller accommodation, but through limited supply, are unable to do so in the short term
- ✓ Where tenants would ordinarily fulfil the criteria for DHP but funding is unavailable.

Full details of the scheme will be agreed with the Portfolio Holder and Director of Housing & Health before implementation.

Staffing & Resources

There is no spare capacity across Landlord Services given the ambitions of the HRA Business Plan. The corporate change programme has provided the opportunity to review resources and the work around agile working ensures that landlord services are maximising the available capacity of staff and current systems. Even with the re-alignment of duties, automating processes and working in different and smarter ways, there is still a need for additional resource. Without this resource then there is insufficient capacity to progress actions.

During the 2012/13 budget setting process, additional funding was approved to support service improvements. A report is currently being prepared for Appointments and Staffing to consider in the Summer. Cabinet are reminded that there will be significant tasks ahead in relation to:-

- ✓ Rent collection as a result of universal credit being paid directly to the customer and not to the landlord
- ✓ Detailed process mapping to understand vulnerability and tailor made support opportunities
- ✓ Homelessness prevention and work with agencies, via TAMCAN, and partners

to ensure early intervention is successful and sustain tenancies
- ✓ Establishment of the Social Enterprise Partnership to contribute to the local employment offer
- ✓ Managing the impact of court closures and increased travelling and time spent at courts in Staffordshire
- ✓ Ensuring staff are equipped with the necessary skills, training and materials to respond to the reforms outlined.

Extending Payment Methods

There has been widespread publicity, through social media and in the professional press, of the inevitable challenges that will arise with universal credit being paid direct to the customer. Organisations have already started to develop smart solutions around rent apps, mobile phone payments (e.g. Barclay's pingit) and door stop payments to ensure income is maximised. The corporate change programme is focused on the IT infrastructure to support agile and improved ways of working and it is recommended that cabinet support this development of mobile payment devices as an extension to that work.

Social Enterprise Partnership (SEP)– Mears

Mears, as the council's new repairs contractor, are keen to develop a Social Enterprise Partnership aimed at investing in local skills and knowledge. As a contract promise they propose the development of an Academy within Tamworth that will see DIY, construction and service qualifications offered, leading to apprenticeship and/or promoting individual careers choices. Mears have agreed to meet all start up costs. It is therefore recommended that the detail of the SEP with Mears is delegated to the Portfolio Holder of Housing and the Director of Housing & Health to finalise. If the principle is supported then discussions will involve the Local Education Authority and other relevant partners, such as the local College.

Next Steps

The action plan set out at **annex three**, highlights the key milestones going forward in relation to communications and management planning. Given the significant impact of these proposals it is recommended that a further report is presented to Cabinet, during the Summer of 2013, that reports the initial impact and outlines further detailed plans as the final preparations for Universal Credit (October 2013), are made.

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LIST OF BACKGROUND PAPERS

APPENDICES
Annex one – Presentation 24/5/12 to Members
Annex two – Communication Headlines
Annex three – Action Plan with the wider Corporate Project Team

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