

Impact of Welfare Benefit Reform on Tenants

Member Seminar

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Thursday 24th May 2012

Where shall we start?

- What's changing? A short Re-cap
- Why?
- So What?
- We have asked the Audience and phoned a friend?
- We do have a plan!
- We know we can't do this alone

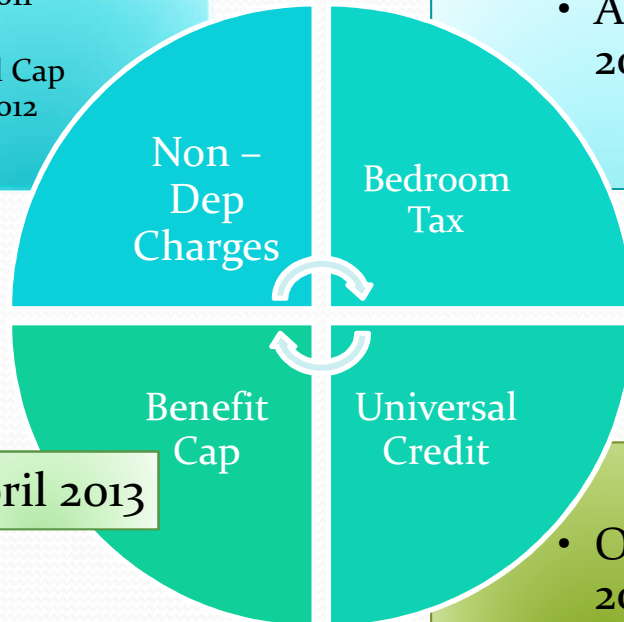
One Tamworth – Perfectly Placed to deliver!



Summary of Changes

Social Rented Sector

- April 2011-2013
- Overall Cap April 2012



- April 2013

April 2013

- October 2013

other welfare benefits

- LHA Reforms – caps
- Benefits by CPI not RPI
- DLA replaced with PIP
- Social Fund Replaced
- Localised Council Tax Benefit – abolition of national scheme; 10% cut in overall expenditure; protection to pensioners

Why?

**“Welfare Revolution”
Lord Freud, Minister for
Welfare Reform, 30.4.12**

**“Managing rising costs, delivering fairness,
increasing employment, this means
transforming what we do and will prevent UK
being dragged into further fiscal crisis”, Andrew
Parfitt, Head of Housing, DWP, 30.4.12**

**“subsidised housing is the choice for many,
particularly those who experience insecurity in
other aspects of their lives, but evidence does not
show that this helps tenants maintain
independence and self sufficiency”, Paul Downie,
City Director CLG**

**“our problem and our solution”, RT
HON Eric Pickles, 15.6.2011**

**“Works & Pensions is the largest budget, more than entire
NHS spending and twice education. HB bill is £18b. Em Budget
2010 / spending review meant trade off with education, health
to achieve savings to avoid fiscal crisis – welfare lost!” CIH
March 2012**

**“A Perfect
Storm!”, CEO
Peabody Trust**

Principal!

- Managing fiscal deficit
- Administration simpler and fairer
- Incentive to Work – ensuring work pays
- Protecting most vulnerable by targeting resources
- Promoting independence and creating a level playing field across tenure
- A safety net not a generational comfort blanket
- Fairness to the taxpayer

Reality!

- Devil in the Detail – still outstanding questions around what's a bedroom? What does vulnerable mean?
- Transitional Arrangements and timetable is challenging
- Getting digital !
- Affordability and real reductions for people
- Strategic Housing Impact on allocations
- Income will be threatened

Non – Dependant Increases

Income	>£124	£183	£238	£316	£394	>£394
2010/11	7.40	17.00	23.35	38.20	43.50	47.75
2011/12	9.40	21.55	29.60	48.45	55.20	60.60
2012/2013	11.45	26.25	36.10	59.05	67.25	73.85
Loss per week from 2011/12 to 2012/13	2.05	4.70	6.50	10.60	12.05	13.25
Over all loss from 2010	4.05	9.25	12.75	20.85	23.75	25.50



Impact – Non Dep Increases

- Non- dep charges increased by 27% 2011/12 with loss in benefit from c£2pw week to £13pw, 2012/13 losses will be between c£4pw - £25pw
- 120 tenants affected by the increase
- At end of 2011, 80% in arrears – 83 Notices & 6 court cases – costing around £20k in administrative costs
- Fraud implications? Have they gone?
- 10% out of H/B as a result of £73.85 highest charge
- Rent Arrears at year end up by £94k - c£40k attributable to non-dep charges not being paid
- Arrears up from 1.5% in 2010/11 to 2% in 2011/12

Impact – Benefit Cap

- £500 for families and £350 singles
- Cap includes JSA, IS, ESA, Housing Benefit, Child benefit and child tax credit. Excludes pensioners, war widows & those in receipt of disability benefits at the moment
- April 2013-Oct 2013 (or until migration) cap is HB only
- DWP, last few days, written to 42 Affected in Tamworth, 20 council tenants – payment reductions of £2 –£382 (£120 max) reduction to tenants
- Under-estimated @ Dec 2011?
- Until Universal Credit in 2013 Landlord will continue to get HB direct
- DWP advised customers to contact housing advice teams
- Home visits being organised to offer money management advise
- 20 council tenants – all with 3 or more children – direct impact on child poverty and healthy outcomes
- Exemptions – 0845 helpline
- If all 20 lose benefit – c£75k

Impact – ‘Bedroom Tax’

- Working age households only
 - When are you a pensioner? Current 60+ protected, from 2013 based on NI
 - Rent reduced if under- occupying - 14% for 1 bed and 25% for 2 beds
 - Profile indicates that 521 council tenants (15%) are under-occupying (81 in 4 beds; 280 in 3beds, 160 in 2 beds)
 - Assume 67% on Housing benefit – average loss of between £11pw & £20pw
 - Financial Impact 521 x £15 x 52 weeks - £406k! Arrears or collections costs or both!
 - Shelter – argue people will try and stay and pay, turning to other borrowing to fund shortfall
- Or
- Could take in lodgers – non dep impact
- Or
- Arrears Increase
- Or
- Statutory Housing Impact as people turn up requesting moves – we expect ½ to do this (around 200)
- Or
- Buy – RTB £75k maximum discount (26 applications since Jan 2012, 5 on average a month! NB 11 in HRA Business Plan predicted)

Impact - Universal Credit

- 4508 council tenants – 67% partial / full HB (3017 on housing benefit, 1491 working)
- Income £17m (dwelling rents) – currently collect £7m / £10m comes direct
- From October paid direct to those of workable age (3017 – 56% / 1771 working and 44% / 1402 pensionable). Will have to physically collect double of what we're used to – £14m
- Slow migration – areas unknown – 2013-2017
- Direct payments allowed for vulnerability / arrears – still to be defined and clarified – assumed around 10% based on 7 wks arrears (251 cases) and 250 on vulnerable data base
- Paid Monthly & in arrears - impact around educating on budgeting and money management
- Could tackle under-claiming as a single benefit – so automatic take up and real time adjustments
- Collection costs will increase – estimate over £50k per annum (based on 48p x 1771 x 52 wk allpay transaction costs plus £1 per card)
- HRA business plan predicts increase of bad debt provision of £120k for 2012/13, but then 20% year on year
- Administered by DWP, online and automated – face to face discouraged. Mosaic Data reporting – 25% tenants are on-line, profile to be developed

Arrears – Guess work based on no-one paying!

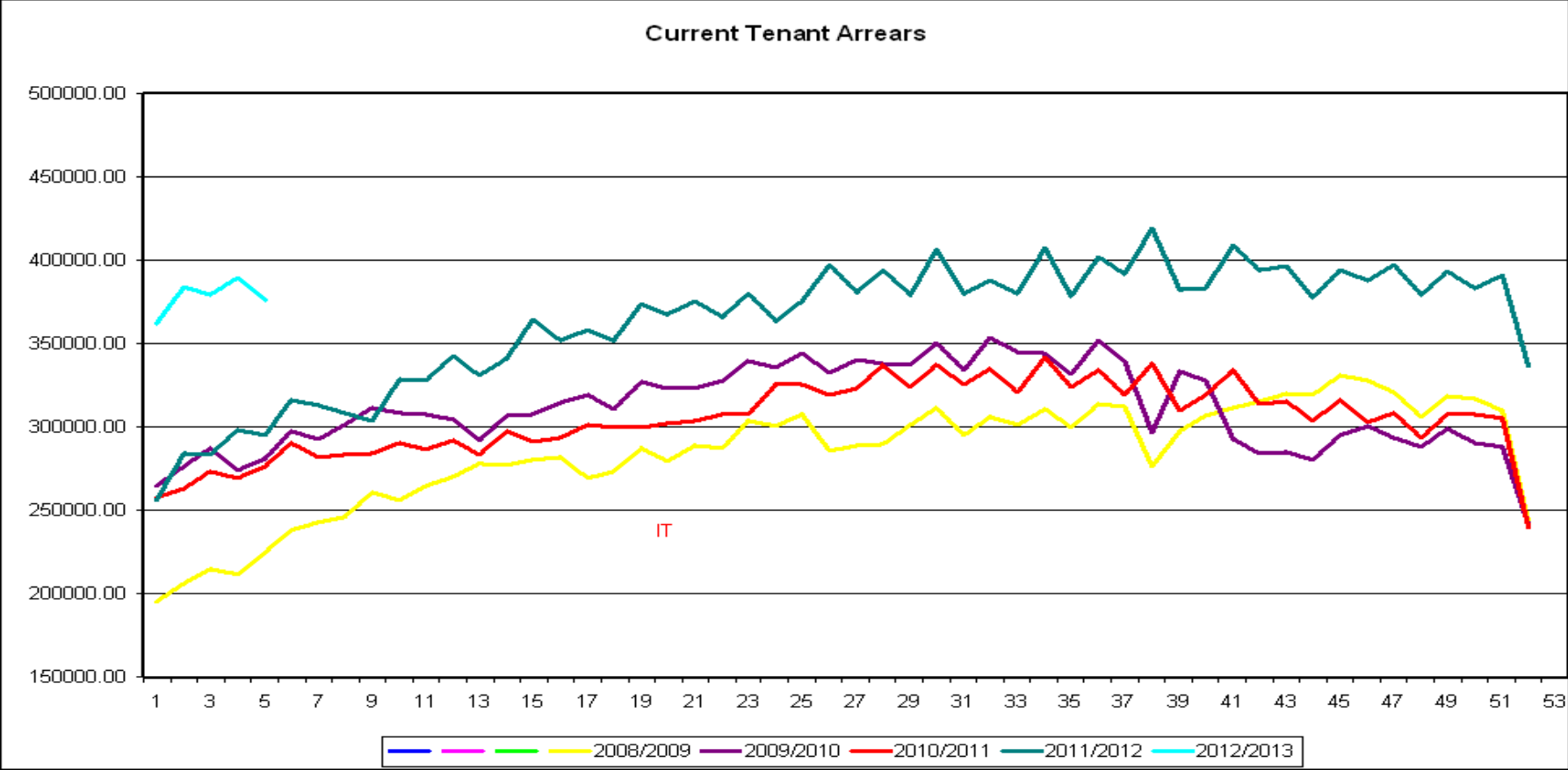
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20% Increase in arrears 2012-2015 as per the HRA Business Plan	Benefit lost due to Non dependant	Benefit lost Under occ and/or	Benefit lost Under occ and/or
2010/2011 £239,481			
2011/2012 £287k		-	Actual £335,807
2012/13 £402k Bad debt provision of £120,000 built in		£75,000 (assumes loss of H/B on all 20 cases affected)	c£ ½ m
2014 £482k	£48,000	£406,000	c£936k
2015 £578k	£48,000	£406,000	c£1m+

Universal Credit – Impact difficult to quantify

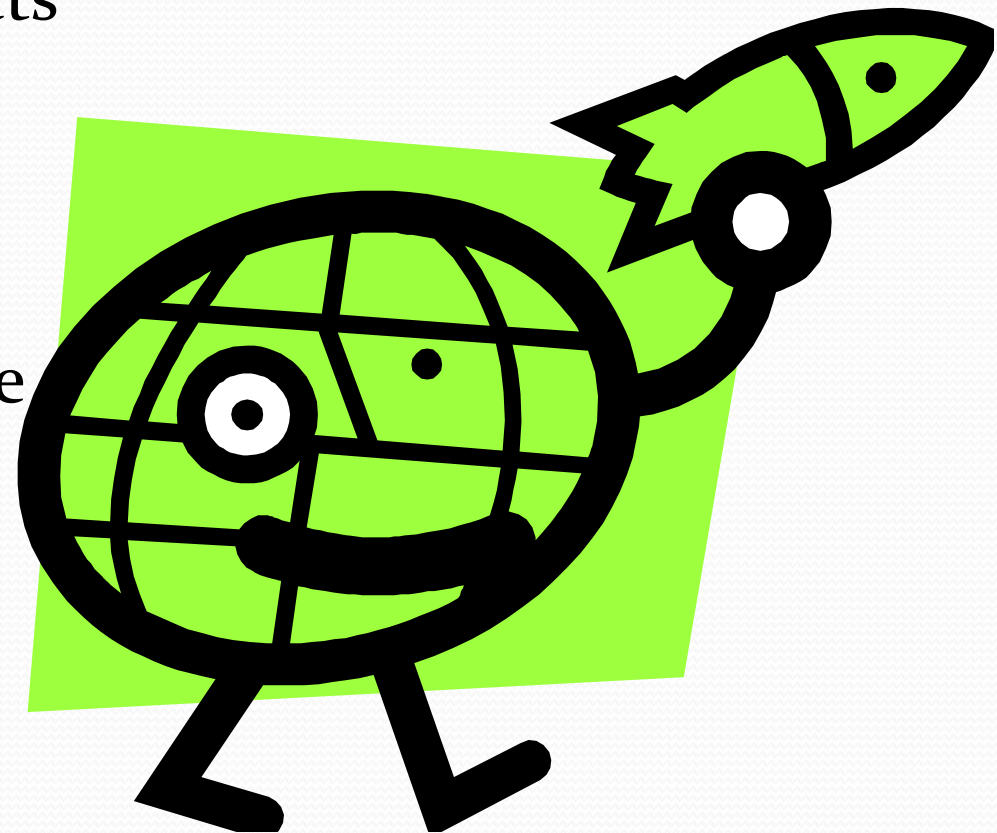
Right to Buys c£4k PA per property loss in revenue

Performance over the last 4 years!



Asking the Audience

- Demonstration Projects
- Front Facing Pilots
- Benchmarking Clubs
- Damage limitation rather than solving the problem



What we are already doing?

- Core Strategy & Healthier Housing Strategy – framework for maximising housing options across all sectors (targets based on demand)
- HRA business plan assumes an element of bad debt provision – this will have to increase year on year
- Landlord Organisational Change Proposals – stage 2 to build internal capacity
- Cabinet report last April 2011 – started to plan 48wk / rent incentive / investment in credit union. Further report planned July.
- Internal review of allocations policy ongoing
- Corporate project established to finalise cross tenure Impact Assessment – refocus on Corporate Debt Strategy – we need resources to support (1 of 25 projects)
- Training & Seminars started for all stakeholders
- Developing Communications Countdown
- Target resources – HRA investment (£30k) & Discretionary Housing Allowance (£28K) – Homeless Prevention Fund (£60k)
- Currently risk assessing vulnerable tenants
- Seeking Clarification on what's a bedroom? What is vulnerable?

Working Together - Opportunities

- Refreshed housing approach to Corporate Change Programme and lean reviews across all work streams – links to agile working (i.e. Income teams)
- Must build capacity & infrastructure in the 3rd sector – role of banks, credit union (jam jar accounts)
- Role of LEP in relation to public / private solutions to economic regeneration – job and skill creation
- Social Enterprise Opportunities to build on tackling worklessness'
- Promote digital inclusion and invest
- Consider radical door stop challenges – not cash but payments on door step, card readers, Barclays ping it, distraint, warrant, bailiffs / enforcement agents, etc (costs might outweigh debt)
- **Re-provision of affordable housing is key – Core Strategic requirements! 50% social rent; 25% affordable and 25% intermediate!**
- **HRA business plan ambitions around re-providing council homes, developing and funding affordable housing development and developing an acquisitions policy will mitigate the risk**

Next Steps

- Governance & Preparing Stakeholders - Member Seminar Thursday 24/5; Cabinet Report July 2012; Tenant Consultative Group & Stakeholder Events
- Wider Corporate Social Responsibility – fundamental to our strategic priorities
- Transformation and Change Management – IT infrastructure; digital inclusion and data mapping
- Third Sector Commissioning – Social Enterprise
- Economic Regeneration more important than ever – links to Corporate Debt Strategy