

20th June 2013**REPORT OF THE PORTFOLIO HOLDER FOR PUBLIC HOUSING & VULNERABLE PEOPLE**

Council Landlord Services - Welfare Reform and Preparations for Universal Credit

EXEMPT INFORMATION**PURPOSE**

To update cabinet on the impact of key reforms contained within the Welfare Reform Act 2012 on the Council's Landlord Service and to agree actions and changes to policy in response to the reforms.

RECOMMENDATIONS

That Cabinet approve:-

1. A waiver to financial regulations to use Consult CIH to undertake work necessary to update the HRA business plan up to the value of £5000.
2. An amendment to the rent policy to allow tenanted transfers with rent arrears where this will alleviate financial hardship and seek to improve people's living conditions, subject to the wider links to the allocations policy.
3. The action plan resulting from the risk assessment

EXECUTIVE SUMMARY

On the 25th July 2012 Cabinet received a report detailing the impact of Welfare Benefit Reform. Members have also had the opportunity to attend several seminars on the subject. On the 30th May 2013, Cabinet also approved a range of hardship funds aimed at providing transitional relief for those tenants facing exceptional hardship. Directions are still awaited from the DCLG on the proposals around the landlord hardship fund; any material feedback will be reported to members.

It was agreed last July, that a further report would be presented to Cabinet in the summer of 2013 to reflect on the initial impact of the changes and report preparations on Universal Credit (UC). The date for national implementation of UC, originally October 2013, remains unknown and details are pending the outcome of several pilots, as referenced in the report. Further announcements are expected in the Comprehensive Spending Review in June.

As implementation of Universal Credit remains unclear this presents a further uncertainty when preparing budgets. Clearly the impact on income streams continues to be robustly monitored at both a service and corporate level and will inform the HRA medium term financial strategy and budget setting processes. There are uncommitted surpluses within the HRA of c£5m and future investment decisions will be alive to the potential threat to future income streams before funds are committed. It is anticipated that the update to the HRA

business plan will prepare for this more accurately, although it is still early days. Notwithstanding that, the above recommendations are continued evidence of the preparations underway to ensure that high quality services continue to be provided to customers.

It is recommended that Consult CIH are engaged to support the development of the HRA business Plan. A financial waiver represents value for money as the same consultant, who undertook detailed work on the HRA business plan following self – financing, will undertake this work and it therefore will be more cost effective and timelier.

The government published its social justice strategy “Transforming Lives” in 2012 with the stated intention to focus on tackling the root causes of poverty rather than its symptoms. The subsequent Welfare Reform Act 2012 aimed to create a system of fairness and support for those who needed it most, but with an emphasis on employment as the key aspiration. As the councils landlord there are opportunities to use HRA investment to stimulate third sector growth and work with contractors to tackle worklessness by using apprenticeships’ and local small business labour.

A detailed risk and rent impact assessment has also been prepared and is attached at annex one. This along with the risk assessment has informed the action plan at annex three, and represents the range of preparations and work being undertaken. In support of corporate objectives around aspire and prosper the opportunity to invest in the third sector and in wider regeneration, to extend and develop affordable housing choices, will mitigate the overall impact of economic hardship in the medium to long term.

The development of a Corporate Debt Policy (sometimes referred to as an Economic Well-being Framework) will also present an opportunity to work with partners and across services to prioritise debts due to the council as well as offer practical and sensible signposting debt and income maximisation solutions within a commissioning and partnership framework.

In the short term changes to the rent policy, as detailed within the report, will allow people to move who would otherwise be prevented from improving their financial circumstances, where there is a sound business case. It is recommended that this is developed as part of the equality impact assessment for the allocations policy and procedures established once the principle is agreed.

RESOURCE IMPLICATIONS

There are significant financial implications arising from welfare reform, most of which are difficult to predict with any real accuracy as it is too early to assess the full impact of the bedroom subsidy and benefit cap. The rent impact assessment at annex 1 highlights the wider social, economic and health impact this will have on some families.

From an income recovery perspective, and assuming the worst case position, bad debt is forecast to rise to over £1.5m by 2016/17, this includes the current bad debt forecast of around £1m in addition to assuming non-collection of income. The situation is being monitored robustly at a service and corporate level. Ongoing monitoring through 2013/14 will inform the budget setting process for 2014/15 and be reflected in the medium term financial forecast. Current bad debt provision is c£1m and it is expected that the planned update to the HRA business plan will set this in the context of wider ambitions before longer-term investment decisions are made.

The HRA outturn for 2012/13, reported through the budget review processes, confirms accumulated and uncommitted surplus, as at 31/3/13, of c£5m. Under the HRA ring-fence, these balances are protected for HRA spend and any future investment will be alive to the uncertainty around future bad debt and the potential threat this has on income streams.

Anticipated costs of up to £5k arising from proposals to employ consultants to update the

HRA business plan can be met from within existing budgets.

LEGAL/RISK IMPLICATIONS BACKGROUND

A detailed risk assessment is attached at annex three. Headline risks and controls are captured below

Risk	Control
Increase in bad debt as people struggle with rent payments in relation to Non dependant charges, spare bedroom subsidy, direct payments/universal credit, council tax scheme	HRA Business Plan under review to go back to Cabinet concerning bad debt Impact Assessment on bad debt, capacity within budgets to divert revenue, extra staffing, two income maximisation officers
Confusion to customers	Communications Plan in place, Count down leaflet, updated web site, individual letters, briefing sessions
Increase in evictions	Making best use of the Homeless Prevention Fund. Advising tenants at an earlier stage of risks and consequences, development of the hardship fund.
An increase in irresponsible or illegal lending	£10,000 in investment in third sector – joint Working in housing commissioning on strategic money advice Discussions with banking sector on jam jar accounts. SP to continue Partnership with investigation unit for illegal lending
Downsizing into more suitable accommodation not necessarily best use of stock i.e. 4 bedroom property to 2 bedroom property(couple with no children)	Better use of mutual exchange policy-greater flexibility proposed on mutual exchanges to maximise income. Prioritised use of incentive to move on mutual exchanges and/or transfers.

SUSTAINABILITY IMPLICATIONS

A financially sustainable HRA business plan directly contributes to the Council's strategic priorities, in particular around ensuring value for money.

MATTERS FOR CONSIDERATION

HRA Business Plan Update

Officers plan to report an update to the HRA business plan by the end of 2013. This will coincide with updated stock condition data that will inform an investment plan for the Council's stock as well as decisions around the future funding of regeneration, development and wider social housing growth.

The medium term financial strategy and financial forecasting includes a provision for bad debt. For 2013/14 the budgeted figure for the increase in bad debt provision is c£170k.

The current impact to tenants is:-

Change	Timing	Impact to Council Tenants
Increase in Non-dep charges	Increases started in 2011/12 when the highest non	Some tenants are now out of benefit due to non

	dependent charge was £60.60 the current highest non dependent charge is now £87.75 per week	dependant charges and have to pay full rent. Tenants who have non dependent charges have rent to pay and if the rent is not paid this will lead to enforcement action which could ultimately end in eviction
Benefit Cap	15 th July 2013	There are no tenants affected by the cap as at 6/6/13
Spare Bedroom Subsidy	1 st April 2013	519 tenants affected as at 6/6/13
Universal Credit	To be confirmed	1961 (workable age) on either partial and/or full Housing Benefit so will be affected
Total		Around 54% tenants affected

Non-Dep Deductions – the non dependant deductions for 2013/2014 are as follows

Income	<£124	£183	£238	£316	£394	<£394
Charge	£13.60	£31.25	£42.90	£70.20	£79.95	£87.75

Spare Bedroom Subsidy - At this stage 72% of tenants liable for the spare bedroom subsidy, which came into force on 1st April 2013, are paying the charge. Of those affected over 70 have a valid notice seeking possession and 28 already have valid suspended court orders for possession.

Benefit Cap – The benefit cap pilot started in the London Boroughs on the 15th April. The Secretary of State for Work and Pensions, have confirmed that it will be implemented nationally from the 15th July 2013, effectively setting a cap at £26,000 per annum per household.

The DWP's benefit cap Frequently Asked Questions have been updated and can be found at: <http://www.dwp.gov.uk/docs/benefit-cap-la-faqs.pdf>

Due to the delay in reform it has been difficult to assess the overall impact with accuracy. However the latest information from the Department for Work and Pensions has confirmed that no Tamworth council tenants will be affected by the benefit cap.

The combined effect of the above changes will need to be factored into bad debt calculations going forward. Members have received seminars on these matters and predictions have been made around arrears levels, increasing from c£400k in 2013 to over £1m by 2015/16. Detailed financial modelling around this and other commercial investments is prudent so that ambitions match capacity and balances exist to protect core front line housing management services.

To prepare for the HRA business plan update a financial waiver is recommended to use Consult CIH, to update the HRA Business Plan. Work has already been undertaken in the past and there is familiarity with the HRA business planning model used when self financing was adopted and there is a wider understanding around the financial ambitions for regeneration, acquisition and development. Costs are not likely to exceed £5,000 for this work. Given the timescales and work involved it is better value to engage professionals a) with prior knowledge to limit further costs on this b) capacity to undertake this work over the Autumn c) applied understanding of this relates to commercial opportunities vis medium term

financial planning.

Rent Policy

An amendment to the rent policy allowing housing transfers to tenants with rent arrears is now considered prudent. Recognising that preventing people moving who are already experiencing financial hardship inhibits their ability to improve their financial position. However it is recommended that transfers/exchanges' with rent arrears will only be considered where there is

- ✓ evidence of financial hardship by continuing in the property
- ✓ best endeavours to pay to avoid the situation deteriorating
- ✓ formal agreements on outstanding debts.

These amendments will be subject to the wider equality impact assessment being undertaken for the allocations policy in preparation for cabinet in September 2013.

Next Steps & Action Plan

An impact assessment for rent is attached at annex one. The summary of findings and health outcomes are evidence of the overall impact welfare reform has on people's quality of life.

The key findings, in conjunction with the risk assessment, have been used to inform the action plan.

Action	Anticipated outcome
Post the Communications Plan on the Councils dedicated web site around welfare reform, including referencing the links used in this report	Well informed tenants and customers
Update the HRA Business Plan to mitigate impact of bad debt	Prudent financial planning around the HRA
Extend Housing Options <ol style="list-style-type: none"> 1. Growth in affordable housing 2. Invest in Council housing building pilot 3. Business case assessment of acquisitions 	Wider links to the Councils approach to regeneration
Promote Housing Mobility <ol style="list-style-type: none"> 1. amend rent policy and link to allocations policy to mitigate against financial hardship and allow moves with arrears subject to the business case 2. extend home swapper to provide housing options online 3. Speed dating on mutual exchange event as piloted by home swapper 	Making best use of stock
Review Court action protocol and inform court user group discussion <ol style="list-style-type: none"> 1. evidential statement prepared on housing options as part of court papers 2. link to homeless prevention protocol 3. review impact of the landlord 	Promote tenancy sustainment

hardship fund and identify and resources / transitional relief where possible	
Review local lettings plan for the high rise	Making best use of stock
Seek clarification from the DWP on the Universal credit implementation plan	Proportionate response to policy impact
Produce a Corporate Debt / Economic Well-being Framework that prioritises council debts and identifies all support across the sectors and with partners	Promotion of economic well-being and linked to wider financial regeneration

Universal Credit

A pilot of the scheme commenced in Ashton Under Lyne on 29th April 2013, for single jobseekers only. Officers are awaiting confirmation of the national implementation timetable for new and existing claims, currently scheduled for October 2013.

In the last Cabinet update, July 2012, central to the Welfare Reform Act 2012 was the introduction of universal Credit. This will see the introduction of a single benefit¹ paid directly to the claimant, 4 weeks in arrears. Currently 76% of council tenants are on partial or full Housing Benefit. This means c£10m of the rental income comes direct from internal transfer of Housing Benefit to rent accounts. Under the new system, rent will have to be collected direct from the tenant, where exemptions do not apply. The social housing regulator is warning that this could have an adverse impact on business plans and preparations will continue in relation to preparing for this as the HRA business plan is updated.

Proposal	Current Position	Further Development
Investment in the Third Sector of £10,000	Additional £5,000 agreed by July 2012 Cabinet	Third sector commissioning of jam jar accounts and wider debt management services
Adopting a Landlord Hardship Fund	Approved March 2013	Impact assess take up
Additional Income Management Staff	Landlord Organisational Change approved 24/5/13	Assess impact of universal credit on collection options
Exploration of mobile devices to aid door stop electronic collection and management	Being investigated as part of the commitment to agile and corporate change	Ongoing
Development of a Social Enterprise Partnership with Mears	Social Enterprise being explored on a wider corporate level in relation to the links to the LEP	Publicise apprenticeship opportunities with contractors

The Universal Credit pilot began on the 29th April 2013 in one of the pathfinder areas (Ashton under Lyne) with the remaining three (Oldham, Warrington, Wigan) due to start in the summer. The DWP has confirmed that this will test the rent element. Very few claimants will move onto Universal Credit in the pathfinder areas as eligibility conditions are limited, specifically

- ✓ making a new claim
- ✓ be single
- ✓ not have any children
- ✓ not have mortgage

¹ UC replaces Income Support, Income based JSA, Income related ESA, HB, child tax credits and working tax credits

- ✓ not have savings over £6000
- ✓ be fit for work

The results of these pilots are therefore likely to provide only partial learning. The DWP has confirmed that all claimants will be offered help with managing their money; this will include interviews to determine vulnerability, budgeting support and whether an alternative payment arrangement is appropriate. This commonly referred to “switching BACK” to direct landlord payments. It is suggested that only people with more than 2 months rent arrears will be considered for this switch back.

The DWP has provided a Universal Credit Partners toolkit which can be found at <https://www.gov.uk/universal-credit-toolkit-for-partner-organisations>

This site includes a new online personal planner, intended to help claimants prepare for universal credit.

Information about universal credit including a link to the online claim form can be viewed at <https://www.gov.uk/universal-credit/what-you-need-to-do>

The House of Commons Public Accounts Committee has also published a report into the changes of HB:-

www.publications.parliament.uk/pa/cm201213/cmselect/cmpublicacc/814/814.pdf

Headline conclusions from that report are that the DWP should:-

- ✓ monitor changes at a regional and local level and be ready to act rapidly by identifying in advance what action increases in homelessness or rents will trigger and report back to the select committee
- ✓ monitor the impact of lodgers and boarders and they are treated in HB and Universal credit
- ✓ Should work with LAs to measure the demand for funding at a local level to target the way resources (DHP) are allocated

REPORT AUTHOR

Head of Landlord Service – Tina Mustafa
Tenancy Sustainment Manager – Sue Philp

LIST OF BACKGROUND PAPERS

APPENDICES

Annex One - Rent Impact Assessment 2012/13

Annex two – Risk Map

Annex Three – Action Plan

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