

Meeting of:	Homes and Safe Communities Scrutiny Committee
Date of Meeting:	Wednesday, 12 February 2020
Relevant Scrutiny Committee:	Homes and Safe Communities
Report Title:	Welfare Reform - Impacts on Council Housing Tenants
Purpose of Report:	To note the impacts of welfare reform on Council housing tenants.
Report Owner:	Miles Punter – Director of Environment and Housing
Responsible Officer:	Nick Jones – Housing and Strategic Projects Team Leader
Elected Member and Officer Consultation:	This report will affect all Council tenants and therefore no individual ward member consultation has been undertaken. The report has been reviewed by Officers from the Legal and Finance teams
Policy Framework:	This report is within the Policy Framework and Budget.
Executive Summary:	<ul style="list-style-type: none"> The report sets out the impacts of welfare reform on Council tenants and details some of the work being undertaken to mitigate any negative impacts.

Recommendation

1. That Scrutiny note the report highlighting the impact of welfare reforms on Council housing tenants.

Reason for Recommendation

1. To ensure that local impacts of welfare reform are understood, and an appropriate range of responses are put in place to attempt to mitigate any adverse impacts on local people.

1. Background

- 1.1 The Welfare Reform Act introduced a wide-ranging programme of welfare reforms designed to reduce dependency on welfare benefits and support working families. In response a Scrutiny Task and Finish Group was established and drafted a report to Cabinet back in 2013. Subsequently, the Head of Finance has drafted regular detailed reports for Corporate Performance and Resources Scrutiny Committee, highlighting emerging themes and impacts for residents in the Vale of Glamorgan.
- 1.2 This report has been requested in order to consider impacts of welfare changes on Council tenants specifically, looking at how measures like the benefit cap, removal of spare room subsidy and the roll out of Universal Credit have affected households, arrears levels, eviction rates and homeless presentations.
- 1.3 To support the themes arising from the report, a presentation will be delivered to members at the Homes and Safe Communities Scrutiny Committee by staff from the Money Advice team, who will share some case studies of families they are working with, the challenges faced and the sort of assistance being provided by Housing staff.

2. Key Issues for Consideration

- 2.1 The Benefit Cap was first introduced in the Vale of Glamorgan in November 2016 and the threshold was initially, £26,000 but this was subsequently reduced to £20,000 at the end of July 2017. This is currently affecting 27 Council tenants, however 12 of those have not had their Housing Benefit reduced. The affected tenants have been contacted by Money Advisors and offered help with budgeting which has helped ensure the affected tenants are able to manage their rent payments and not fall into arrears. Whilst the cap is having an impact on a relatively small number of households it is not having an impact on overall arrears levels

- 2.2** The removal of Spare Room Subsidy also referred to as the 'Bedroom Tax' is currently affecting 312 Council tenants, with 242 households having their Housing benefit entitlement reduced by 14% and 70 households experiencing a 25% reduction (as they are under-occupying by more than 1 bedroom). The affected tenants have been offered assistance with budgeting, downsizing options and applications for Discretionary Housing Payments (DHP) which have proved effective in terms of mitigating the impact of the changes on households and arrears.
- 2.3** The introduction of Universal Credit (UC) is having a significant impact on Council tenants and rental income levels to the Council. UC claims are made on-line and paid monthly in arrears directly into tenants' bank accounts. This is a major change for a lot of tenants who did not use the internet or have email accounts previously and for people who used cash rather than a current account from a bank or building society - to manage their money. The other major change was the default position for the housing cost element of UC to be paid directly to the tenant rather than sent to their landlord.
- 2.4** To date 543 tenants are in receipt of UC and the combined rent arrears of those tenants is £203,295. This average arrear per tenant of £490 (tenants in arrears only) is significantly higher than tenants who are in receipt of HB, whose average arrears are £150.
- 2.5** The rent arrears for UC claimants is therefore driving up overall rent arrears. The table below shows the total rent arrears for current tenants over the last three years. As more tenants are migrated across to UC, it is anticipated that arrears will continue to increase. Forecasts prepared as part of the Housing business planning process have been tweaked to take account of this trend and it is anticipated that bad debt could eventually rise to 6% of income.

	Dec 17	Dec 18	Dec 19
Current arrears (£)	161,159	213,198	367,740
%	0.82	1.04	1.73

- 2.6** There is evidence from claimants who went onto UC previously that rent arrears plateau as tenants become more adept at managing their money and get used to making regular monthly payments to cover their rent. This is borne out by the results of studies of pilot organisations who were early adopters of Universal Credit - who report that overall arrears are now fairly static albeit at a higher level than prior to the changes.
- 2.7** The impacts of UC are being managed by the Council and whilst there are a range of interventions and actions being employed by the Housing Income team, it is not translating into an increased number of evictions. These remain steady with 11 evictions taking place in the last financial year.

Impacts on Council tenants

- 2.8** The changes have resulted in a considerable impact on tenants. The switch to online claims has required claimants to improve their 'digital' skills and ensure they are able to access the internet in order to complete their employment journal, update details, respond to emails from the DWP etc. A range of interventions have assisted, including digital drop in sessions run from Community buildings across the Vale, access to computers in public locations including Job Centres, Libraries etc. There has also been 1-1 support and assistance available via the Council initially and then by Citizens Advice Bureau (CAB), funded by the DWP in order to improve digital literacy. Coupled with the increased use of smart phones, tablets and digital devices - this may have mitigated some of the negative impact of the changes on individuals, however there are still instances when claimants are not able to maintain their claims due to lack of digital skills or access to ICT.
- 2.9** The waiting period for UC claims has now been discontinued and it is possible for all claimants to request 'advance' payments. These payments ensure individuals do not have to be left without any money at the start of their claim period, however the fact advances are recovered from subsequent payments over a twelve-month period means claimants receive lower payments thereafter (up to 30% less). There has also been an issue where some tenants do not realise their advance payment includes their housing costs which they have not paid towards their rent, leaving rent arrears to build up.
- 2.10** Direct payments to claimants are a significant change for many UC claimants who are expected to take more responsibility for managing their income and making appropriate payments. The promotion of greater financial responsibility prepares people for work and encourages claimants to take more ownership of their finances, however this has proved a big step for some people. Some tenants who are under severe financial pressure and often have existing debts, face tough choices about how to prioritise their money. In some instances, tenants fail to realise rent is a priority debt.
- 2.11** There is a requirement to have a bank account to receive UC payments. Initially there was concern that many people did not have current accounts and there could be difficulties opening accounts e.g. if they were not promoted properly by banks or if tenants did not have the required identification needed. There was also confusion regarding post office accounts, which many people believed to be current accounts, but are not. Feedback from front line Officers however has indicated that lack of a bank account is rarely an issue and assistance provided means that tenants are able to open an account relatively easily.
- 2.12** There has been a reduction in the volume of applications for the Council Tax Reduction Scheme and there appears to be an issue with UC claimants. This is likely to be because claimants do not realise, they are required to make a separate application to the Council for Council Tax Reduction. The Welsh

Government has recently commissioned research into the issue and a detailed report has just been published. The report's findings will now be considered in more detail by Welsh Government in order to inform the next stages of research and policy development.

- 2.13** Feedback received indicates that very few tenants are being sanctioned by the DWP (for non-engagement or failure to fulfil the claimant's commitments). This is positive and means that vulnerable people are not having their payments reduced or stopped and a range of interventions and support is being put in place.
- 2.14** The Money Advisors working within Housing Income team provide essential assistance and advice to Council tenants, helping households to maximise their income and budget carefully. Over the last year the Money Advisors made 824 home visits and helped tenants secure £223,433 in additional income. This came from a variety of sources including written off debt, additional benefits, backdates, grants/loans and preferential tariffs for utilities. All new tenants receive an appointment with a Money Advisor prior to moving in and referrals are offered when people fall behind with their rent. Assistance can also be provided at short notice, helping to address crisis situations and assisting households to sustain their tenancies.
- 2.15** In addition, if ongoing housing related support is required to assist a tenant to maintain their tenancy, this can be provided through the Council's Supporting People Team.

Impacts on the Council

- 2.16** The increase in rent arrears has an effect on the Council's ability to deliver services to Council tenants. Less than a quarter of tenants in receipt of benefits have already migrated onto Universal Credit but the rent arrears have almost doubled. The debt currently owed by the 543 UC claimants is roughly equal with the total rent arrears figure prior to UC being introduced. This financial impact is likely to worsen as more tenants migrate across to UC.
- 2.17** The Housing Business Plan assumptions take into account the likelihood of increased rent arrears and the impacts will be monitored closely, however it is likely that the increased bad debt provision necessary will have an impact on the range and type of housing services provided in future.
- 2.18** The introduction of UC has also had a significant impact on the workload of the Housing Income team. Rent arrears have increased but also the number of tenants in arrears. This means that Officer case load has grown significantly as individual rent accounts are monitored weekly. In response a number of measures have been adopted to increase automation and promote smarter working. An example of this is an automatic email send to tenants the day they receive their UC payment, which prompts them to pay the rent. Since all

claimants have different payment dates, emails are sent out most days and require no staff intervention. Team Managers will continue to review the functionality of the Rents Software to introduce more automation and cut down the need for manual actions required by staff.

- 2.19** Managed payments are requested for tenants who are vulnerable or at risk; this means the housing costs can be paid directly to the landlord. These are also referred to as alternative payments arrangements (APA's). APA's are in place for around 20% of tenants currently receiving UC and minimise the possibility for rent arrears to increase. There are some issues for the Council in dealing with APA's which relate to the way they are administered by the DWP. The monthly APA for each tenant is currently paid to the Council 4 weekly on one schedule which means there can be a delay in the Council receiving payments (even though claimants have already had the rent element deducted from their benefit) and also skipped payments (as the monthly payments are received 4 weekly). This makes it difficult to give accurate rent balances to tenants and makes the task of monitoring individual rent accounts more complex.
- 2.20** There are plans to change the way the managed payments are made so monthly payments are sent to the landlord at the same time as tenants receive their money. This will resolve both of the issues identified in the previous paragraph. Pilot testing is currently being undertaken by the DWP and a start date is expected shortly.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

Long term

- 3.1** The Council is continuing to support individuals and families to maintain their homes, to receive financial support that is due to them, and help people remain within their communities.

Prevention

- 3.2** The need to protect tenants and minimise tenancy failure is a key part of the Housing Service Plan. As a consequence, a significant amount of resources is put on early intervention and money advice - to ensure arrears do not build up and tenancies out at risk.

Integration

- 3.3** The support for residents impacted by Welfare Reform changes is being achieved by services across the Council working together to ensure that assistance is targeted to areas where it is most needed.

Collaboration

- 3.4** The Council's approach to supporting individuals is based about close working with a range of agencies, including Citizens Advice Bureau, Department of Work and Pensions, Support Providers and others.

Involvement

- 3.5** Feedback from individual tenants and Tenants Groups is used to inform services delivered by the Housing Income team.

4. Resources and Legal Considerations

Financial

- 4.1** The financial impact of Universal Credit to the Council is significant and has led to a remodelling of the Housing Business Plan. An increased bad debt provision potentially impacts on the range of services available to Council housing tenancies in future.
- 4.2** The Council has allocated a sum of £23,500 to top up the Discretionary Housing Payment (DHP) allocation for the Vale, bringing the total to £263,242. All of the money is forecast to be spent this financial year.

Employment

- 4.3** There will be staffing implications for staff employed within the Housing Benefit team in the Finance Directorate as more claimants migrate away from Housing Benefit. The effects to date have been minimal, however this may change when existing legacy claims are moved across to UC.

Legal (Including Equalities)

- 4.4** There are no direct legal implications arising from this report.

5. Background Papers

None.