

Meeting: Housing Sub Committee

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Title: Welfare Reform Update

Author: Ian Rice, Welfare Reform and Income Manager

Service: Housing

Directorate: Environment, Housing and Leisure

Wards affected: All

1. Purpose of Report

To update members on the Governments Welfare Reforms, the impact so far for North Tyneside Council Housing and to provide an overview of forthcoming reforms outlined in the Welfare Reform and Work Act 2016, and the Housing and Planning Act 2016.

2. Background

The first phase of the Governments Welfare Reforms and austerity measures as outlined in the Welfare Reform Act 2012 started to come into effect in April 2013. The first changes to impact on North Tyneside Housing tenants were:

April 2013

- The Removal of the Spare Room Subsidy (commonly referred to as the 'bedroom tax')
- Employment and Support Allowance work capability assessments introduced
- Council Tax benefit scheme abolished and replaced with local support
- Social Fund abolished and replaced by local support schemes
- Personal Independence Payments introduced – phased replacement of DLA
- First Benefit Cap (£20,000) introduced

The estimated annual impact of these changes on North Tyneside Council tenants is as follows:

Reform	Estimated / Average number affected	Average impact per case	Total estimated annual impact
Removal of the spare room subsidy	2100	£12 to £22 per week	£1,800,000
ESA work capability assessments	1000	£28 to £67 per week	£1,790,000
Local Council Tax support scheme	5500	£1 to £1.33 per week	£300,000
Social fund replaced with local support	Unknown	N/a	-
DLA replaced with PIP	1100	£20.83 per week	£1,150,000
Benefit Cap	20	£80.00 per week	£80,000
			£5,120,000

The first phase of Welfare reforms has had a significant impact on tenants and on housing providers. For North Tyneside Council the impact has been seen in a reduction in the proportion of the annual debit that is covered by housing benefit payments and in the subsequent associated increase in rent arrears.

Between 2012/13 and 2015/16 the annual Housing Revenue Account debit increased from around £60m to £66.3m, an increase of £6.3m. Over the same period the monetary value of housing benefit receipts increased by £700k. Therefore, tenants have had to find an additional £5.6m during 2015/16 to pay the rent.

The yearly change between 2012/13 and 2015/16 are shown in the table below:

Year	Debit	HB receipts	Collectable debit	Additional since 2012/13
2012-13	£60.0m	£33.8m	£26.2m	-
2013-14	£63.5m	£34.5m	£29.0m	£2.8m
2014-15	£65.4m	£34.9m	£30.5m	£4.3m
2015-16	£66.3m	£34.5m	£31.8m	£5.6m

Cumulatively, since the first welfare reforms came in during 2012/13 North Tyneside Council housing has been required to collect an additional £12.7m directly from our tenants. During this period the arrears have increased by £520k.

3. Universal Credit

3.1 Replaces the six main working age welfare benefits; Housing Benefit, Income based ESA, Income based JSA, Working Tax Credits, Child Tax Credits and Income Support. The main features of UC are:

- Paid monthly, in arrears, on the same day each month i.e. if first payment is received on the 6th December subsequent payments will be on the 6th of every month. New claimants have to wait between 5 and 7 weeks for the first Universal Credit payment.

Waiting period depends on whether or not they were working immediately prior to making a claim. If they were then they have to wait longer.

- Universal Credit is for people who are not in work but also for those in low paid work.
- Housing Cost Contribution replaces Housing Benefit and is paid directly to the claimant who is expected to pay their landlord.
- Claimants must comply with their Claimant Commitment – bespoke to each claimant
- Claimants are responsible for maintaining their claim.

3.2 North Tyneside went 'live' on November 23rd 2015. Only claimants who meet the gateway criteria are eligible for Universal Credit. The gateway criteria are:

- Single, aged 18 to 60 ½
- No children
- Fit for work
- Less than £6k capital
- Expected earnings less than £338 in the next month
- Not self employed
- Don't own their own home – or homeless
- Not in supported accommodation
- UK citizen
- Must have a bank, Building society, credit union or post office account
- Must not be entitled to 'old style' ESA, JSA or Income support

3.3 DWP estimated that North Tyneside Council housing would get between 6 and 8 new claimants for Universal Credit per week. We had anticipated that we would therefore have around 300 tenants claiming Universal Credit by this point. At the start of November we were aware of 141 North Tyneside Council tenants in receipt of Universal Credit. The shortfall in numbers compared to the anticipated figures is reflective of national trends. DWP believe that the relatively low take up of Universal Credit is as a result of the success of the work programme. North Tyneside Council are looking into the specific reasons within our Borough.

3.4 North Tyneside Council area is currently designated as a 'live' service area. This means that currently only single claimants that meet the gateway criteria are eligible for Universal Credit.

3.5 North Tyneside is due to transition to 'Full digital' service status in February 2018. At this time all new claims that meet the gateway criteria will be required to make a claim for Universal Credit; this will include families and those with vulnerabilities.

3.6 There are differences between 'full service' and 'live service' with regards to childcare costs, assessments periods, claim closure and re-claims procedures and the calculation of un-earned income. More details of this will be provided nearer February 2018.

3.7 Newcastle City Council is now a 'full service' area. We are working closely with colleagues in Newcastle to understand the impacts and to learn from their experiences. We need to be aware that applications from families currently living in Newcastle could already be on 'full service' Universal Credit.

4. Universal Credit – Impact on North Tyneside Housing so far

4.1 Currently 141 tenants that we know of have made a claim for Universal Credit. There are issues with DWP Universal Credit Service Centre informing landlords when a claim for Universal Credit has been made. We generally hear from the tenant before the DWP

inform us. We have also found that there are issues with the processing of Housing Costs Contributions elements of Universal Credit claims which has led to a number of claimants not being paid the HCC in their first Universal Credit Payment. This can cause issues with the provision of timely support to tenants and has led to arrears accruing.

- 4.2 Of the 141 tenants we know are on Universal Credit 130 of them are in arrears; the total amount of arrears for these tenants is £136,000, an average of £1,046 per tenant.
- 4.3 The average level of arrears when we find out that a tenant has made a claim for Universal Credit is £450; this is due to problems we found with DWP informing us of claims. North Tyneside Council and other housing providers have been feeding back concerns about the provision of timely information to the DWP. There have been improvements recently with the introduction of a dedicated email service which we hope will improve the flow of information. Officers are working closely with tenants to help them to better manage their rent payments and their budgets.

5. Projected Impact of Universal Credit on the HRA

- 5.1 Once North Tyneside moves to the full digital service it is anticipated that the majority of working age households currently claiming welfare benefits will transition to Universal Credit. This will mean that, apart from pensioners who will continue to be entitled to Housing Benefit, every household will effectively be responsible for paying the full amount of the gross rent, including service charges and water rates, to their landlord. Currently, this equates to around 6300 tenants likely to be in receipt of Universal Credit and a further 4900 not entitled to any welfare benefits. This leaves around 3200 pensioners who will be entitled to Housing Benefits.
- 5.2 The projected impact of this is that the monetary value of the debit that we will be collecting directly from tenants will increase to around £51.5m per annum, a 96% increase since 2012/13. We know that there are a proportion of tenants who do not pay for a variety of reasons. We know that the current arrears equates to 5.7% of the collectable debit now. If we are able to keep the proportional level around the same this would equate to arrears of £2.9m by 2018-19 (5.7% of £51.5m collectable debit).

6. What are we doing to respond?

- 6.1 We are working to improve our Direct Debit offer to increase the number of dates available. This will help those in receipt of Universal Credit to manage their rent payments and help with their budgeting.
- 6.2 We are reviewing the escalation process to ensure that we are responding in a timely manner at the earliest possible point when tenants fall into arrears, or when we are made aware that a tenant has made an application for Universal Credit.
- 6.3 Our rental debit is currently a weekly debit. We are currently collecting benchmarking information, good practice examples and data to inform a review of the debit frequency. It may be more efficient and cost effective to consider

moving those on 'full rent' (including UC claimants) to a monthly debit. This piece of work is in the very early stages at present.

- 6.4** A restructure of the Housing service has taken place last year. One of the aims of this was to realign resources to enable more staff to work with tenants to manage the rent accounts and prevent arrears escalating. This year the arrears target for the Neighbourhood Housing teams to ensure that the arrears do not increase. Given the cumulative impact of the welfare reforms, the economic climate, austerity measures and the unknown impact of Brexit, this is an ambitious target. At the end of quarter 2 arrears had increased by 8.1% since the start of the financial year, compared to an increase of 15% at the same time last year. We are confident that we will achieve our target by the end of the financial year.
- 6.5** Services from across the Council are working in partnership to mitigate the impact of Universal Credit. The Mayor chairs the Welfare Reform Task group that includes representatives from the DWP, CAB, Community and Voluntary Sector organisations, and representatives from Housing, Revenues and Benefits, Employment to Work, Adult Social Care and Children's services. The group oversee the strategic response to the challenges arising.
- 6.6** There is also a working group specifically responsible for developing the support framework around Universal Credit. Universal Support Delivered Locally is the framework that all local authorities are required to develop in partnership with the DWP. In North Tyneside we have developed an assessment and referral framework that ensure that when claimants are identified as needing help or support – either digital support or Personal budgeting support – by the DWP, the local authority or another partner, then they are referred to the Adult Learning Alliance for Digital support and the CAB for Personal Budgeting Support.
- 6.7** The Universal Credit Delivered Locally Board monitors and analyse the referrals for support.
- 6.8** The level of help and support provided by partners in North Tyneside, for both digital support and Personal Budgeting support is over and above the minimum level of support provision required as part of the regulatory requirements of the DWP.

7. Welfare Reform and Work Act 2016 & the Housing and Planning Act 2016

- 7.1** A number of new reforms have been brought in as a result of the above Acts. The main changes that impact on North Tyneside Housing tenants are covered below.
- 7.2** Freezing of state benefits and LHA levels for 4 years. Previously benefit levels were annually adjusted to take account of inflation.

- 7.3** Backdating of HB reduced from 6 months to 1 month.
- 7.4** Temporary absence rules for Pension Credit and Housing Benefit have changed – now pay 4 weeks for those that are out of the country for 4 weeks or more – reduced from 13 weeks.
- 7.5** Universal Credit working allowances (earnings disregards) are removed for non disabled and childless claimants and reduced to £192 per month for those with housing costs. For every £1 earned over the disregard claimants lose 65p of their UC entitlement.
- 7.6** Family Premium abolished in Housing Benefit from May 2016 – for new claims or where a claimant becomes responsible for a child for the first time after May 2016; these claimants will no longer get the additional family premium. This means that the maximum allowance will not increase but their outgoings will.
- 7.7** Benefit Cap further reduced to £20,000 outside London from November 2016.
- The benefit cap has been further reduced from £26,000 to £20,000 (£13,400 single people with no children) outside London from 7th November for those already affected by the previous cap. For claimants newly impacted by the revised cap it comes into affect from 28th November:
 - The DWP have written to around 200 claimants affected in North Tyneside (120,000 nationally) - 121 of these are NTC Tenants
 - Impact varies from 0.41p per week reduction up to £88.66 per week for 1 family
 - 24 families HB will be reduced to minimum amount of 50p per week
 - Total reduction in HB for NTC equal to £232,000 per year
 - Likely to lead to increase in arrears estimated at around £30,000
 - DWP have increased DHP funding (now £473,141) and additional burdens funding also provided.
 - **Package of support provided by the Education to Employment Team :**
 - Employment support and training, Personal development work
 - Better off calculations and income maximisation
 - Budgeting advice, prioritising and signposting to more specialist services
 - Preparation for UC, Digital support
 - Information, Advice and Guidance including supporting change of circumstances and housing advice
- 7.8** Social Housing Rents decreased by 1% every year starting this year (2016-17) and for the following 3 years.
- 7.9** Removal of the automatic right to Housing costs for 18 to 21 year olds – planned for April 2017 and will apply to new Universal Credit claims from that date. Some exemptions will apply for vulnerable people:
- Vulnerable young people, who may not be able to return home to live with their parents, and those who have been in work for 6 months prior to making a claim, will continue to be able to receive housing support for up to 6 months while they look for work.

- Youth Obligation - Young people will participate in an intensive regime of support from day 1 of their benefit claim, and after 6 months they will be expected to apply for an apprenticeship or traineeship, gain work-based skills, or go on a mandatory work placement to give them the skills they need to move into sustainable employment.

7.10 Sale of Higher Value Homes.

- It has been announced that from April 2017 the policy will require all Local Authorities with an HRA to make a payment in respect of the higher value council housing that is expected to become vacant each year. We will be issued with a determination which will set out the payment based on a formula the government are currently developing. We have been required to supply information on all our stock, and void data for the last 3 years, to help the government devise their database and formula.
- At this time the DCLG who are responsible for implementing this policy have not issued any further guidance or regulations and as such we are not in a position to provide any further details regarding this policy.

7.11 High Income Social Tenants (HIST) Policy – generally referred to as Pay to Stay.

- Local authorities will be required by law to charge a higher rental to “high income” social tenants. These have been defined as households, not in receipt of welfare benefits where the total household earnings are over £31k per annum (outside London). The rental charge will be based on the joint income of the two highest earners in the household. The definition of household for this policy does not include non-dependents. Income refers to ‘taxable income’.
- The actual rent charged will be linked to market rents but is likely to be a tapered charge based on combined household earnings. How the taper would work, and based on what income thresholds above £31k has yet to be published.
- How the earnings data will be collected and communicated to local authorities from tenants has again yet to be determined by Government. However, it is fair to say we do not currently collect this information and depending on the final regulations and timescales it has potential to have a significant impact on resources.
- The difference between the social rent and the actual rent charged will be paid to the Treasury, as part of the Government’s deficit reduction plan.
- Local Authorities will be allowed to recover administrative costs, which will be prescribed by Government.
- At this time the DCLG who are responsible for implementing this policy have not issued any further guidance or regulations and as such we are not in a position to provide any further details regarding this policy.

7.12 **Housing Benefit (and Housing Costs element of Universal Credit) capped at Local Housing Allowance (LHA) from April 2018** – only applicable to new tenancies started after 1st April 2016 (1st April 2017 in Sheltered Housing). This creates a level playing field across social and private rented sectors when calculating Housing Benefit entitlement.

- Housing Benefit and Housing Costs in Universal Credit for social sector tenancies will be based on the relevant Local Housing Allowance, which is the rate paid to private renters on Housing Benefit.
- LHA is currently £90.90 for a household entitled to 1 bedroom; £103.56 for 2 bedrooms and £115.07 for 3 bedrooms. Under 35s without dependent children are only eligible for the Shared Accommodation Rate (SAR) for single claimants which is £60.00
- The applicable rate is linked to household size NOT property size
- Within the Private Rented Sector (PRS) service charges and Furniture charges are included in the maximum amount that can be covered by the LHA. It is likely that this will be mirrored in the Social Rented Sector.
- Currently there are no exemptions for those of non working age in the PRS regarding the applicable LHA rate. This means that when this change comes into force new tenants who are not of working age will only be entitled to the applicable LHA rate for their household size regardless of the size of the property.
- New tenancies also apply where there is a change of tenancy, for example a transfer, succession, mutual exchange, joint to sole, sole to joint.
- This will apply to tenancies signed after 1 April 2016, with Housing Benefit entitlement changing from 1 April 2018 onwards.

Mitigating actions – currently being considered

- Lettings policy could reflect more the same rules as in HB when letting regarding housing makeup.
- We are introducing affordability into the criteria considered as part of the lettings policy.
- Tenants are being made aware that if they make an HB claim after April 2018 their entitlement would be based on LHA rates rather than net rent and there could be a shortfall.
- DHP could make up shortfall although there will not be sufficient funding to compensate all claimants impacted.
- This may have consequential impacts on the affordability of tenancies with furniture packs, and on those with other additional charges, and alternative solutions could be explored.
- There is a broader strategic issue linked to the need for more housing options, particularly for those under 35, we need to look at innovative policy responses to provide low cost housing options (for example house share arrangements). We may also need to re-evaluate our rent charging policy to ensure that our properties are affordable for those that need them.

8. Next Steps

8.1 The Autumn statement is due on the 23rd November.

8.2 We will keep members updated with any developments and changes, particularly regarding Pay to Stay, the Sale of Higher Value Homes.