

WELFARE BENEFIT REFORM ACT 2012

Report of the Director of Housing and Customer Service

1. SUMMARY

This report provides City Board members with detail on the key provisions within the Welfare Reform Act 2012 and outlines our proposals to manage the impact of the changes on housing benefit and income collection.

2. RECOMMENDATION

The City Board is asked to note the content of this report and approve the actions proposed to manage the impact of the changes.

3. MATTER FOR CONSIDERATION

- 3.1 The Welfare Reform Act received Royal Assent on 8 March 2012.
- 3.2 The Act introduces a new Universal Credit which will replace most existing benefits and limits the total amount of benefit a person can claim. The welfare reforms impact on the way tenants receive benefit, in many cases, removing the option of having benefits paid direct to landlords. There are also further increases to non-dependant deductions
- 3.3 The Act also introduces a new size criteria or 'bedroom tax' in the social rented sector. This will see working age households, who are under occupying accommodation have their Housing Benefit, or Universal Credit reduced by a given percentage of the rent.
- 3.4 An internal working party was established in October 2011. This working group has been following the progress of the welfare benefit reform proposals. An action plan has been produced and work is already underway to identify the impact of the changes. A copy of the current action plan is attached at Appendix 1.

Non-Dependant Deductions

- 3.5 These charges have the effect of reducing a tenants housing benefit where a non-dependant resides in the household. The extent of the reduction depends on the circumstances of the non-dependant.
- 3.6 Significant increases to non-dependant deductions were first applied in April 2012 and these will continue to increase by around 27% each year until 2014. Detail of the non-dependant charges for 2012/13 is attached at Appendix 2.

- 3.7 We are making direct contact to advise of the increases and more information is available on our website www.derbyhomes.org. We will continue to increase the availability of advice available to tenants through regular surgeries and by effective partnership working with Derby Advice's Money Advice Team.

Benefit Cap to Unemployed Working Age Households

- 3.8 This comes into effect from April 2013. The cap will be £350 a week for single adults with no children, and £500 a week for couples and lone parent households, any excess will be taken away from housing benefit first.
- 3.9 This may affect some larger households and potentially impact on rent arrears and re-housing. We will be carrying out profiling analysis and targeting those households likely to be affected later this year.
- 3.10 There are also implications for working households who rely on benefits to top up their income or pay for housing. These households will have to demonstrate that they are seeking to earn more or face a sliding scale of cuts to their income. This will be defined by an earning threshold, the equivalent of a 35 hour week on the national minimum wage (currently £212.80). Further information will be made available to tenants in due course on these requirements.

Under-Occupation (Bedroom Tax)

- 3.11 In the short term this is likely to be the most significant change for tenants.
- 3.12 It means that any working-age household deemed to be under-occupying their home will lose part of their housing benefit from April 2013.
- 3.13 The size criteria in the social rented sector will restrict housing benefit to allow for one bedroom for each person or couple living as part of the household, with the following exceptions:
- Children under 16 of same gender expected to share
 - Children under 10 expected to share regardless of gender
 - Disabled tenant or partner who needs non resident overnight carer will be allowed an extra room.
- 3.14 Any household deemed to have more bedrooms than they require, as defined by the criteria, will lose a proportion of their housing benefit. Examples of households who could be affected by the measure include:
- Separated parents who share the care of their children and who may have been allocated an extra bedroom to reflect this. Benefit rules mean that there must be a designated 'main carer' for children, who receives the extra benefit
 - Couples who use their 'spare' bedroom when recovering from an illness or operation
 - Foster carers because foster children are not counted as part of the household for benefit purposes
 - Parents whose children visit but are not part of the household
 - Families with disabled children

- Disabled people including people living in adapted or specially designed properties.
- 3.15 More guidance on the scheme will be issued in regulations which are expected in May 2012. However at the present time it is reasonable to assume that a household under occupying by one bedroom will see a 14% (average £14 a week) reduction in their housing benefit, increasing to 25% for two or more bedrooms under occupied.
 - 3.16 Initial profiling suggests that as many as 2300 working age households, claiming housing benefit are under occupying by one bedroom and over 400 under occupying by two or more rooms.
 - 3.17 We estimate that this could mean £1.7m reduction in housing benefit which tenants would be expected to pay, and Derby Homes to collect as rent. This is obviously a significant risk in terms of increased rent arrears but also a significant financial burden on the household's ability to maintain a reasonable standard of living.
 - 3.18 Two additional temporary positions have been created to work alongside the Income Management team to target tenants affected by the under occupation charges. We will be providing information on how households will be affected and seeking to identify suitable alternative accommodation wherever this is available.
 - 3.19 We will be actively promoting the mutual exchange service and exploring how we can help tenants to take in lodgers. Seeking to promote matches which would achieve better use of the housing stock available. Some incentives will be preserved to enable tenants to take positive action.
 - 3.20 Urgent review of the Housing Policy is also required, at the present time the eligibility criteria allows for under occupation in some circumstances which will not be permissible under the Welfare Reform Act. We are already advising Homefinder applicants of the potential of under occupation and the effect that this will have on their housing benefit entitlement from April 2013. We have asked the Council to allow increased use of management transfers to enable sensible transfers to be organised that make best use of the available properties. However we will not be able to help many of the 2,700 to move.

Universal Credit

- 3.21 A number of means tested benefits including Housing Benefit, Income Support and Job Seekers Allowance will be merged into a new single benefit - the Universal Credit.
- 3.22 Apart from a small number of exceptional cases, Universal Credit will be paid monthly in arrears as a single payment to the household.
- 3.23 Under these plans the Government wants to see many more social housing tenants receiving the money in their hand rather than opting to have their benefit paid direct to their landlord. The view is that this will help ease the transition into work by replicating a monthly salary.

- 3.24 Approximately 65% of our tenants currently receive housing benefit which is at present paid direct on a weekly basis. A change to monthly in arrears and a reliance on tenants making physical rent payments to the landlord will have a significant impact on rent cash flow and also arrears levels.
- 3.25 The Universal Credit will start from October 2013 for new claimants. Existing claimants will then be migrated across to the new benefit between 2013 and 2017, initially on the point of a change in circumstances such as moving house or the birth of a child.
- 3.26 There are a number of pilot projects currently evaluating the effects of changes. The pilots will be evaluated by a team at Sheffield Hallam University. Tenants who are part of the projects will receive their Housing Benefit in their hand as the default position. The projects will adopt the payment frequency envisaged under Universal Credit (monthly payments in arrears). The purpose of the demonstration projects will be to test:
- Trigger points for the rent to be paid direct to the landlord
 - The impact of direct payments on claimants
 - Mechanisms to protect vulnerable groups
 - Mechanisms needed to support people with financial management
 - Ways of communicating with tenants
 - Strategies adopted to minimise the loss of income.
- 3.27 The Department of Works and Pensions (DWP) has accepted that there will be circumstances where direct payments to the landlord remain appropriate. These circumstances will be around issues of vulnerability and triggers on persistent failures to pay. Both of these issues will be tested within the pilot projects.
- 3.28 The action plan attached at Appendix 1 shows more detail of actions proposed.

4. CONSULTATION IMPLICATIONS

- 4.1 We are continuing to make tenants aware of the implications of the Welfare Reform Act 2012, through publications and at consultative meetings such as the Housing Focus Groups and DACP meetings.

5 FINANCIAL & BUSINESS PLAN

- 5.1 The future funding of the Housing Revenue Account (HRA) is dependent on maintaining high levels of rent collection. An increase in arrears will have a significant effect on the future viability of the HRA and our ability to maintain future services and the scope for future redevelopment/new build. We can expect an increase in arrears and consequent evictions. We will be reviewing methods of income collection over the next 12 months to avoid arrears as far as possible.

6 PERSONNEL IMPLICATIONS

- 6.1 The need to create existing resources to manage the changes and provide adequate support, advice and assistance for tenants will be reviewed following further profiling analysis and feedback from the outcome of the pilot projects on Universal Credit.

7 EQUALITIES IMPACT ASSESSMENT

- 7.1 Equalities Impact Assessments were completed for all areas of the Welfare Reform Act during its passage. These assessments will be referred to, appropriate measures implemented and advice and assistance given to tenants affected.

8 RISK

- 8.1 Failure to manage the impact of the Welfare Benefit Reforms has been identified as a strategic risk. Our effectiveness to successfully manage the changes and mitigate the risks associated will be managed through this process.

The areas listed below have no implications directly arising from this report:

Legal & Confidential
Health & Safety
Policy Review

If Board members or others would like to discuss this report ahead of the meeting please contact the author, or Phil Davies, Chief Executive, phil.davies@derbyhomes.org – Phone: 01332 888528

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Background Information	None
Supporting Information	None

Welfare Reform Action plan					
Change	Impact	Action	Responsible	Progress	Due Date
Increasing Non Dependant Charges 2012 and 2013	<ul style="list-style-type: none"> Rent arrears Rehousing of non-dependents 	<ul style="list-style-type: none"> Marketing campaign Increase advice available to tenants 	Jas Sanghera	2011 campaign complete	February 2012 February 2013
Benefit cap effective April 2013	<ul style="list-style-type: none"> Reduced income for large Households Rehousing Rent arrears 	Profiling	Val Watson		April 2012
		Targeting Campaign	Jas Sanghera		September 2012
		Marketing campaign	Melanie Allen		September 2012
		Staff training	Sam Cholerton		September 2012
Bedroom Tax Effective no earlier than April 2013	<ul style="list-style-type: none"> Reduced income Rent Arrears Rehousing 	Profiling	Val Watson		April 2012
		Targeting Campaign	Jas Sanghera		September 2012
		Marketing campaign	Melanie Allen		September 2012
		Staff training	Sam Cholerton		September 2012

Universal Credit From October 2013 for new claimants and COC's	<ul style="list-style-type: none"> • Rent arrears • HRA - cashflow • Tenants budgeting • Staff time/resources • Evictions/abandoned properties • Other increased costs e.g. voids, court costs • Bad Publicity 	Education/ awareness at application stage for potential new tenants and for existing tenants	Paul Thompson/ HOC		Start January 2013
		Prioritise waiting list and target training at applicants most likely to be housed soon after April 2013	Paul Thompson/ Sam Cholerton		August and September 2013
		Profiling including identifying vulnerable existing and new tenants so we can switch them to direct payments	Val Watson		Start July 2013 but ongoing after that
		Targeting Campaign To include promotion of bank account for new and existing tenants	Sam Cholerton		Start April 2012
		Marketing campaign	Melanie Allen		Start March 2012*
		Staff training	Sam Cholerton		Start March 2012*
		Develop bank account solution	Murray Chapman		By April 2012
		Remodeling arrears and associated procedures including rent accounting	Jas Sanghera/ Barbara Peach		By September 2013

Universal Credit April 2014 for WTC claimants	<ul style="list-style-type: none"> • Rent arrears • HRA - cashflow • Tenants budgeting • Staff time/resources • Evictions/abandoned properties • Other increased costs e.g. voids, court costs • Bad Publicity 	Profiling	Val Watson		January 2014
		Targeting Campaign	Jas Sanghera		February 2014
		Marketing campaign	Melanie Allen		September 2013
		Staff training	Sam Cholerton		September 2013
Universal Credit 2015-2017	By Local Authority Boundary – precise implications as yet unclear				

* March 2012 is the earliest we believe we will be certain on the exact changes. We can of course start to promote understanding earlier than that, but arguably this could confuse tenants and be counterproductive

Non-Dependent Deductions 2012/13

Note – if benefit claimant receives care component of DLA or is registered blind no deductions apply to HB or CTB otherwise deductions relate to age and circumstances of non-dependant. Only one deduction is made for a non-dep couple – being the highest that would otherwise have been applied.

April 2011	HB £	April 2012	HB £
Under 18 years old	NIL	Under 18 years old	NIL
Full-time students (except during summer vacation if in remunerative work – then as below)	NIL	Full-time students (except during summer vacation if in remunerative work – then as below)	NIL
In receipt of pension credit (guarantee credit and/or savings credit – whether working or not)	NIL	In receipt of pension credit (guarantee credit and/or savings credit – whether working or not)	NIL
Aged 18 or over but under 25 and receiving IS or JSA (IB)	NIL	Aged 18 or over but under 25 and receiving IS or JSA (IB)	NIL
Aged 25 or over and receiving IS or JSA (IB)	9.40	Aged 25 or over and receiving IS or JSA (IB)	11.45
In receipt of main-phase income related ESA	9.40	In receipt of main-phase income related ESA	11.45
Aged 18 or over not receiving IS or JSA (IB) or pension credit and not in remunerative work	9.40	Aged 18 or over not receiving IS or JSA (IB) or pension credit and not in remunerative work	11.45
Aged 18 or over and in remunerative work (16 hours or more) with:		Aged 18 or over and in remunerative work (16 hours or more) with:	
- a gross income of £387 or more	60.60	- a gross income of £394 or more	73.85
- a gross income £310 to £386.99	55.20	- a gross income £316 to £394.00	67.25
- a gross income £234 to £309.99	48.45	- a gross income £238 to £316.00	59.05
- a gross income £180 to £233.99	29.60	- a gross income £183 to £238.00	36.10
- a gross income £122 to £179.99	21.55	- a gross income £124 to £183.00	26.25
- a gross income less than £122	9.40	- a gross income less than £124	11.45
April 2011	CTB £	April 2012	CTB £
Under 18 years old	NIL	Under 18 years old	NIL
Full-time students (even during summer vacation)	NIL	Full-time students (even during summer vacation)	NIL
Aged 18 or over and receiving IS, JSA (IB) or income based ESA	NIL	Aged 18 or over and receiving IS, JSA (IB) or income based ESA	NIL
In receipt of pension credit (whether or not in remunerative work)	NIL	In receipt of pension credit (whether or not in remunerative work)	NIL
Aged 18 or over not receiving IS or JSA (IB) or pension credit and not in remunerative work and not f/t student	2.85	Aged 18 or over not receiving IS or JSA (IB) or pension credit and not in remunerative work and not f/t student	3.30
Aged 18 or over and in remunerative work (16 hours or more) with:		Aged 18 or over and in remunerative work (16 hours or more) with:	
- gross income £382.00 or more	8.60	- gross income £394.00 or more	9.90
- gross income £306 - £381.99	7.20	- gross income £316 - £394.00	8.25
- gross income £178 - £305.99	5.70	- gross income £183 - £316.00	6.55
- gross income less than £178	2.85	- gross income less than £183	3.30

