

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Head of Housing	Report Number: JSC/01/15
To: Joint Scrutiny Committee	Date of meeting: 28 January 2015

JOINT SCRUTINY REVIEW OF THE IMPACT OF WELFARE REFORM ON RENT COLLECTION AND VOIDS

1. Purpose of Report

- 1.1 The report sets out a review of the impact of welfare reform on rent collection and voids.
- 1.2 The report covers the following :
 - Welfare Reform – Background and detailed timetable of changes, SRP Stats (appendices)
 - Welfare Reform and the impact on rent collection
 - Welfare Reform and impact on voids

2. Recommendations

- 2.1 That the information provided in the report on the impact of welfare reform on rent collection and voids be noted.

3. Financial Implications

- 3.1 Detailed within the report.

4. Risk Management

- 4.1 This report is most closely linked with the Significant Business Risks:

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to act upon the requirements of the Welfare Reform Act 2012. Failure to maximise rental income collection to the Housing Revenue Account rents will lead to a reduction in HRA revenue and capital sums available.	Unlikely	Significant	Arrangements under Universal Credit proposals will see housing benefit paid directly to the individual rather than the Councils. The Financial Inclusion Project and dedicated income collection teams with a new team leader post (Dec 14) will seek to mitigate the impact of the changes on the Councils rental streams and HRA budgets.

5. Consultations

5.1 Discussions have been held with various officers to establish the current position.

6. Equality Analysis

6.1 The content of this report is such that there are no equality issues arising from this report.

7. Shared Service / Partnership Implications

7.1 This report in itself has no shared service / partnership implications. However, much of the work to deliver support to tenants affected by welfare reform has been carried out in partnership with others.

8. Key Information

8.1 The Welfare Reform Act became law on 8 March 2012. The Act provides for the introduction of a 'Universal Credit' to replace a range of existing means-tested benefits and tax credits for people of working age, starting from 2013. The Bill follows the November 2010 White Paper, 'Universal Credit: welfare that works', which set out the Coalition Government's proposals for reforming welfare to improve work incentives, simplify the benefits system and tackle administrative complexity.

8.2 Besides introducing Universal Credit and related measures, it made other significant changes to the benefits system.

Key areas

- introduces Personal Independence Payments to replace the current Disability Living Allowance
- restricts Housing Benefit entitlement for social housing tenants whose accommodation is larger than they need (Removal of the Spare Room Subsidy)
- up-rates Local Housing Allowance rates by the Consumer Price Index
- amends the forthcoming statutory child maintenance scheme
- limits the payment of contributory Employment and Support Allowance to a 12-month period
- caps the total amount of benefit that can be claimed (benefit cap)

Welfare Reform and the Impact on Rent Collection

8.3 The Introduction of the changes due to Welfare Reform has affected tenants to varying degrees. During the Councils organisational review, resources were focused on developing teams which would ensure appropriate support is provided to tenants who are affected by welfare reform and dedicated income collection teams to maximise the Councils income streams. This has been enhanced by the addition of a Team Leader post within the HRA Income Team from December 2014 until March 2016. The aim of the role is to provide support and guidance to the HRA Team during the impending Welfare Reform changes, introduce a revised Rent Collection Policy. Align procedures and policies that support the migration to one platform from the existing two separate IT systems.

- 8.4 Resources specifically aimed at supporting tenants have been through the creation of a financial inclusion project, this includes a Five Year Approved Strategy and action plan. This is being delivered via the Project Officer working with a variety of partners. The Project also funds a tenancy support officer (18.5 hours at each Council) to support tenants directly.
- 8.5 Work of the project to date has involved:
- Assisting tenants affected by welfare reform by providing a booklet and roadshows.
 - Three mutual exchange events to assist tenants to find a more suitable property.
 - A financial profiling survey.
 - Energy awareness training for frontline staff and tenants (ongoing).
 - Financial capability sessions, financial and officer support to the credit union and a project with 3 CAB's (ongoing) to deliver benefits and money sessions piloted in 4 areas – to date the benefit and money sessions have been attended by 38 tenants.
 - There have been regular articles in the tenants' magazine about benefit changes, financial products, advice about fuel, free money advice and the local credit union and regular liaison with the tenants forums.
 - Work that has just begun includes working with the employment enabler and the DWP to develop a course to make tenants more "work ready. Discussing with Age UK a project to reduce poverty by ensuring pension credit is claimed where there is entitlement. A food project "cooking on a budget" involving tenants. Working with the CAB to provide money advice appointments for tenants at Needham and Hadleigh and potentially other locations.
- 8.6 Since January 2014 the Tenancy Support Officers have received 150 referrals to support tenants, supported 74 successful claims for Discretionary Housing Payment totalling £30k (to Nov 14) which helped pay for shortfall of Housing Benefit, removal costs, deposits on more suitable properties and arrears cleared to allow a move to a more suitable property. Tenants have also been supported to claim Housing Benefit, other DWP benefits, food parcels, fuel vouchers and supported to make contact with various other agencies.
- 8.7 There is a "provisional planning assumption" that Universal Credit will be introduced in some areas of Suffolk from February 2015. The districts affected are covered by the following Jobcentre Plus offices:
- Forest Heath District (Jobcentre Plus offices in Bury St. Edmunds, Mildenhall and Newmarket)
 - Suffolk Coastal District (Jobcentre Plus offices in Felixstowe, Leiston and Woodbridge)
 - Waveney District (Jobcentre Plus offices in Beccles and Lowestoft)

- 8.8 In these areas, Universal Credit will only be available for new claims from some single jobseekers, if their personal circumstances are not too complicated. Existing claimants and people who make new claims to other benefits (including Income Support, income-based ESA, Child Tax Credit and Working Tax Credit) will not be affected by the introduction of Universal Credit in 2015.
- 8.9 Work is underway in the Councils Rents and Financial Inclusion teams to prepare for Universal Credit by increasing the number of tenants who pay by direct debit, raising awareness of the roll out and encouraging tenants to ensure they have useable bank accounts. Work will also be undertaken to establish how we can record the most vulnerable tenants to ensure that they have a smooth transition to Universal Credit and identify those we may have to seek alternative payment arrangements for. To target our messages in the most meaningful way we will be using our new market segmentation tool Mosaic.
- 8.10 A table of rent collection data is below for your information. The IT systems currently in use by both Councils are not able to divide the arrears into those caused by the impact of welfare reform. Members will be aware that many families, including working families, have been hit by unprecedented challenges and UK national figures show :
- 1 in 5 in UK below the poverty line (Those with less than 60 per cent of median income are classified as poor)
 - 500,000 rely on food parcels
 - 36% In UK are one fuel bill/broken appliance away from poverty
 - Overall the cost of a basket of essential items has risen by 28% over six years, while average wages have increased 9% and the minimum wage 14%.

<u>Year</u>	<u>BDC Total sum outstanding £</u>	<u>% arrears against the debt</u>	<u>% of rent collected including current arrears b/fwd</u>	<u>MSDC total sum of outstanding rent £</u>	<u>% arrears against the debt</u>	<u>% of rent collected including current arrears b/fwd</u>
<u>2014/15</u>	<u>164,990.09</u>	<u>1.62%</u>	<u>98.76%</u>	<u>404,962.76</u>	<u>4.32%</u>	<u>96.75%</u>
<u>2013/14</u>	<u>204598.27</u>	<u>1.27%</u>	<u>98.88%</u>	<u>316446.86</u>	<u>2.06%</u>	<u>98.20%</u>
<u>2012/13</u>	<u>119094.29</u>	<u>0.79%</u>	<u>99.42%</u>	<u>213823.96</u>	<u>1.46%</u>	<u>98.68%</u>
<u>2011/12</u>	<u>114020.96</u>	<u>0.81%</u>	<u>No data</u>	<u>127785.88</u>	<u>0.93%</u>	<u>99.17%</u>
<u>2010/11</u>	<u>No Data</u>	<u>No data</u>	<u>No Data</u>	<u>76008.42</u>	<u>0.58%</u>	<u>99.48%</u>

- 8.11 We are aware that table shows a significant increase in the total sum of rent outstanding within Mid Suffolk over the past four years. There have been many changes to the staffing resource over a long period of time. This is the main reason for the increases shown above. However there is a plan of action introduced since September 2014 to reduce the total amount of arrears over the coming months. Examples of these actions are changes to staffing, integration of policies and procedures i.e. Paperless Direct Debits.

8.12 Relocation of the team to one office, introduction of a revised rent collection policy from April 2016. Along with changes to the supervision and management and the introduction of a team leader post (fixed term until March 2016)

8.13 Change in demand for different sizes of property

- Demand for properties with 3 or more bedrooms has fallen.
- In Babergh the average number of bids for larger properties has fallen from 37 in 2010/11 to 21 so far in 2014/15. In Mid Suffolk the highest point was in 2011/12 when there was an average of 53 bids per property and the lowest is this year when the average is 18. Demand for one and two bedroom vacancies has fluctuated over the period but remained relatively stable.

The number of Council tenants transferring and impact on void numbers

8.14 It has been reported that transfers to smaller properties by existing tenants would cause a rise in properties becoming void and therefore increase costs. This has not been the case in either Mid Suffolk or Babergh. In Babergh the number of transfers was 67 in 2010/11 and 60 in 2013/14. In Mid Suffolk the numbers were 101 and 93.

8.15 This may be due to a change made to the Allocations Policy as a result of welfare benefit reform. Prior to April 2013 a family with children of the opposite sex sharing a bedroom were given priority to move to a larger property when the older child reached 5. Following Welfare Reform this was changed to 10 in order to reflect the bedroom entitlement for Housing Benefit calculations. This resulted in a reduction of existing tenants having sufficient priority on the housing register to move. At the same time people who were overcrowded and living in private rented accommodation were awarded the same priority band as social housing tenants

The number of existing social tenants transferring to a smaller property

8.16 The number of social housing tenants transferring to a smaller property has increased since Welfare Reform.

8.17 All down-sizing moves

Year	Babergh	Mid Suffolk
2010/11	35	32
2011/12	35	29
2012/13	29	37
2013/14	48	45
2014/15 (9 months)	31 (full year estimate 41)	26 (full year estimate 34)

8.18 The numbers moving from a 3 bedroom property

Year	Babergh	Mid Suffolk
2010/11	28	22
2011/12	27	14
2012/13	21	24
2013/14	34	25
2014/15 (9 months)	18 (full year estimate 24)	20 (full year estimate 26)

8.19 The numbers moving from a 2 bedroom property

Year	Babergh	Mid Suffolk
2010/11	7	10
2011/12	8	15
2012/13	8	13
2013/14	14	20
2014/15 (9 months)	13 (full year estimate17)	6 (full year estimate 8)

Effect on waiting times for homeless households

- 8.20 There has been an increase in the waiting times for a permanent home, particularly for 1 and 2 bedroom properties. Applicants who have been accepted for housing under the homelessness legislation are in the same band (Band B) as people downsizing from a 2 bedroom property and in a lower band than people downsizing from a 3 bedroom property who are in a Band A.
- 8.21 The average waiting time for homeless households who need a one bedroom property has increased in Mid Suffolk from 118 days in 2011/12 to 154 days in 2013/14 and in Babergh from 98 to 225 days
- 8.22 The average waiting time for a two bedroom property has increased in Mid Suffolk from 90 days to 120 days and in Babergh from 115 to 150 days in the same period.

9. Appendices

Title	Location
(1) Welfare Reform Timetable of changes document (FIAS SCC)	Attached
(2) SRP Stats Removal of Spare Room Subsidy including impact on the disabled	Attached
(3) SRP Stats Benefit Cap	Attached
(4) SRP Stats Local Housing Allowance to demonstrate impact of shortfall in HB in private sector.	Attached

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