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TITLE MANAGING THE IMPACTS OF WELFARE REFORM UPON FCC TENANTS

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1.0 Introduction

1.01 This briefing note provides an update for Committee Members on the impact upon the Housing Revenue Account that is being created by the reform of the social security system. It also considers the financial cost to Flintshire County Council associated with managing the reforms.

2.0 Background

2.01 Social housing tenants, more than other sectors of society, are being negatively impacted by ongoing transformation of the social security system. Alongside, the current problems many are facing because of the introduction of the Housing Benefit spare room subsidy, the progressive rollout of Universal Credit and the reform of the sickness and disability benefit system will affect tenants throughout the coming four years.

3.0 Spare Room Subsidy – update

3.01 Since its introduction in April 2013, the spare room subsidy has been the subject of numerous reports. One of the latest reports, published in July 2014 by the Department for Work and Pensionsⁱ set out the findings of research carried out into the impacts of the spare room subsidy during the period 1 April 2013 – 30 November 2013. Key findings within the report included:

- 59% of tenants affected by the spare room subsidy have failed to make up the shortfall in rent;
- only 4.5% of affected claimants have downsized within the social sector;

ⁱ *Evaluation of Removal of the Spare Room Subsidy: Interim report – DWP: 15 July 2014*

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- a key concern amongst social landlords is that disabled people in adapted homes have not always been awarded discretionary housing payments because income from disability benefits caused them to fail the means test for an award;
- there was widespread concern that those who were paying were making cuts to other household essentials or incurring other debts in order to pay the rent – 57% of claimants reported cutting back on what they deemed household essentials;
- a quarter of claimants (26%) said they had borrowed money, mostly from family and friends; 3% percent had borrowed on a credit card and 3% taken payday loans; and
- landlords state that they will eventually evict tenants with arrears created by the spare room subsidy and many landlords expressed concern that collecting rent from people who can't afford to pay is damaging relations between landlords and tenants.

4.0 Impact upon the Housing Revenue Account

4.01 Since the implementation of the spare room subsidy in April 2013, the Council's Housing Revenue Account has seen a reduction in Housing Benefit payments of approximately £850,000. However, at the 31 August 2014, the total amount of rent arrears amongst tenants impacted by the spare room subsidy stands at £257,000. This figure is represents 32% of the total loss of Housing Benefit payments. Table 1, details the rent arrears of tenants impacted by the spare room subsidy during the first five months of the current financial year (April 2014 to August 2014).

Table 1: Rent arrears – tenants impacted by spare room subsidy

Month	April 14	May 14	June 14	July 14	August 14
Number of tenants in arrears	680	701	675	735	743
<i>Total Arrears</i>	<i>£243,938</i>	<i>£246,853</i>	<i>£238,330</i>	<i>£264,304</i>	<i>£257,173</i>

4.02 As noted in the interim report published by the Department for Work and Pensions, in November 2013, nationally, 59% of tenants impacted by the spare room subsidy were in rent arrears. However, in August 2014, seventeen months after the implementation of the spare room

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subsidy, 82% of Flintshire County Council's tenants impacted by the spare room subsidy are in arrears on their rent account. When the individual rent accounts of Council tenants impacted by the spare room subsidy are analysed (Table 2) it is found that 52% of tenants have accrued rent arrears of under £300, with a further 17% having accrued rent arrears between £300 to £600 and 9% having rent arrears between £600 - £1,000.

- 4.03 On average, a tenant impacted by the spare room subsidy, since its implementation in April 2013, will have lost Housing Benefit payments of £1,000. If we compare the individual tenants rent arrears with the average loss of Housing Benefit payments, we can establish that 78% of Flintshire County Council's tenants have, during the 17 months that the spare room subsidy has been in operation, accrued rent arrears less than the total reduction in their Housing Benefit payments.
- 4.04 The analysis demonstrates that whilst 82% of Council tenants are in rent arrears, eight out of ten tenants have been making some payments towards their rent shortfall themselves or obtained help through the Discretionary Housing Payment scheme. Given the findings in the report from the Department for Work and Pensions around households who are paying the rent shortfall themselves, the Neighbourhood Housing Service is keen to engage with those tenants who have paid all or, the majority of their rent shortfall to establish if they have been cutting back on other essential household expenditure.

Table 2: Tenants impacted by spare room subsidy - August 2014

Band £	Arrears £	Number of tenants in arrears
0-300	46,877.89	384
300-600	56,209.95	129
600-1000	49,476.7	64
1000-2000	66,389.23	51
2000-3000	25,147.64	110
3000-4000	13,072.22	5
<i>Total</i>	<i>257,173.63</i>	<i>743</i>

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- 4.05 The approach of the Neighbourhood Housing Service's Income Team is to take an appropriate and proportionate response to tenants in arrears and also affected by the spare room subsidy. This involves balancing the needs of the tenant and facilitating the right support, for example, due to vulnerability, debt problems or welfare benefit issues with the need of the Council to collect the rent that is due. This must be balanced however with the costs of taking a tenant to court, which has increased this year to £250 per case, in addition to the staff time to prepare and present the case, and the likelihood of a possession order not being obtained, or, being frequently suspended.
- 4.06 Furthermore, the vulnerability of many of the Council's tenants, mean that in the event of them being evicted, the Council, under its statutory homelessness duties, may still be legally obliged to house them either on a temporary or permanent basis. It is for this reason that every tenant's circumstances are judged on their own merits, and the expectation is that tenants will work with Neighbourhood Housing Service to resolve their debt or housing problems.
- 4.07 However, where there is resistance to work with Neighbourhood Housing Service, and tenants fall into the "won't pay" rather than "can't pay" category, then possession action becomes the ultimate sanction, particularly where a tenant's rent account has historically been conducted in an unsatisfactory manner.

5.0 Impact upon Housing Allocations

- 5.01 During the period April 2014 to September 2014, the Neighbourhood Housing Service made 273 housing allocations, of which 104 were transfers. From the tenants who transferred twenty were tenants impacted by the spare room subsidy. However, only twelve of the transfers removed the tenant completely from the impact of the spare room subsidy. The other eight transfers involved tenants who were under occupying by two or more bedrooms moving to a property that meant they were under occupying by one bedroom, and thus reducing the loss of their Housing Benefit award from 25% to 14%.
- 5.02 In January 2013, Housing Overview and Scrutiny Committee Members recommended that the allocation of Flintshire County Council properties should continue to be based upon an applicants' housing need, even when allocating a property to the applicant in most need would conflict with the Department for Work and Pensions size criteria and the applicant would be under occupying the property. In line with

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this recommendation, during April 2014 to September 2014, from the 169 new allocations, forty-two allocations have been made to tenants who are under occupying their property and who rely upon Housing Benefit or Universal Credit to pay their rent.

- 5.03 A brief analysis of the rent accounts of twenty-one of the tenants allocated a property that they are under occupying has demonstrated that seventeen have accrued rent arrears with only four managing to pay their rent shortfall in full and have clear rent accounts. The Neighbourhood Housing Service is continuing to support the tenants who have accrued rent arrears.
- 5.04 However, given that 81% of the tenants reviewed have accrued rent arrears, the Neighbourhood Housing Service is undertaking a more detailed analysis of all tenants, since April 2013, who have been allocated a property that they are under occupying. This analysis will help determine if the policy is creating unreasonable financial pressures upon the tenants concerned and if it may need revision.

6.0 The cost of mitigating the impacts of the Welfare Reform Act 2012

- 6.01 Flintshire County Council has taken a proactive approach to protecting vulnerable households from the experiencing the full force of the negative impacts inherent within the welfare reforms. As noted in the main body of the scrutiny report, several initiatives are obtaining successful outcomes, which are helping residents to cope with reductions in their household budgets and helping the Council to control the budgetary costs associated with the fulfilment of its statutory homelessness duties.
- 6.02 To deliver the initiatives there has been a need for additional staffing resources. The cost of these resources has been directly funded by Flintshire County Council or through grants that the Council successfully obtained from the Welsh Government. The budgetary cost of these posts and their funding stream is detailed in Table 3 below.

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Table 3: Additional Staff Resources

Additional Staff Resources	Budget	Funding Source	Comments
<u>Welfare Reform Response Team</u> 3 posts	£80,000 £90,000	FCC (CF) Welsh Govt (Funded until March 2015)	Introduced in May 2012, & targets support at vulnerable households.
<u>Neighbourhood Housing Service</u> Housing Officer – Welfare Reform	£30,000	FCC (HRA) (Funded until March 2015)	Post introduced in April 2014 to help FCC tenants to move to smaller properties.
<u>Gateway Development Officer</u> (Flintshire CAB)	£30,000	Welsh Govt (Funded until March 2015)	Post introduced in May 2014 to develop an Advice Gateway ensuring residents have ease of access to appropriate providers.
<i>Total</i>	<i>£230,000</i>		

6.03 Whilst not claiming to be an exact figure it can be estimated that, alongside the creation of additional positions, £120,000 worth of existing staff resources has also been required to managing the impacts of the welfare reforms. For example, since 2011, the Advice and Homelessness Manager has led the Council's response to the welfare reforms and since 2013, the Neighbourhood Housing and the Housing Benefit Services have had to focus their front line staffing resources upon households impacted by the welfare reforms and administering an increased number of Discretionary Housing Payment applications, etc.

6.04 The Council also uses its own funds to top-up the Discretionary Housing Payment budget provided by the Department for Work and Pensions. In the last financial year, the Council provided an additional £28,000 to the Discretionary Housing Payment budget.

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- 6.05 In summary, since 2011, to plan, develop, deliver and manage the various initiatives that the Council has implemented to mitigate, as far as practical, the impact of the welfare reforms has required additional public expenditure of an estimated £378,000. Obviously, this figure is a simplistic calculation of Flintshire County Council expenditure and takes no account of additional expenditure that has been necessary within Third or voluntary sector organisations.
- 6.06 The expenditure incurred so far is in relation to managing the reforms already implemented. However, the largest area of work for the Neighbourhood Housing Service is perhaps yet to be faced, i.e., preparing its working-age tenants for Universal Credit.
- 6.07 An idea of potential costs associated with preparing and supporting Flintshire County Council tenants who will be claiming Universal Credit, may be drawn from the findings within a pilot undertaken by City West Housing Trust in Salford. The results from their nine-month pilot project (June 2013 – March 2014) under which 52 tenants with varied economic status, received their housing benefit payment themselves, showed an average rent collection rate of 99.18%. However, City West Housing Trust found that their housing management costs, calculated using an estimation of staff time, increased during this period from £178.94 per tenant for a normal case to £754.88 per tenant for a direct-payment project case. The increase was due to the intensive resources that working with tenants who were receiving their Housing Benefit payments required.
- 6.08 To manage the costs the Housing Trust recommends landlords prepare, in advance, their working-age tenants for the challenges that the Universal Credit will generate, including identifying and moving prompt-paying tenants onto direct payment of Housing Benefit early (if possible) to free up resources for those tenants who will have the greatest need when they migrate to Universal Credit.
- 6.09 The Welsh Government has established a Task and Finish Group examining how social landlords can manage the anticipated increase in the costs of supporting tenants claiming Universal Credit. The Group has not completed its work, however, it is recommending that social landlords commence engagement now with their tenants, undertaking a triage process to identify those tenants who would be capable of managing their Universal Credit payment with or without support.

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7.0 Conclusion

7.01 Throughout the previous two-years, the Neighbourhood Housing Service has demonstrated the positive outcomes that can be attained by proactively engaging with and supporting tenants. This level of engagement and support will now need to be developed and offered to a wider group of tenants in order to ensure the impact upon the Housing Revenue Account, created by the ongoing reform of the social security system, continues to be successfully mitigated in the years ahead.

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