

30 January 2014		ITEM: 7
Housing Overview and Scrutiny Committee		
Impact of Welfare Reform		
Report of: Councillor Val Morris-Cook, Portfolio Holder for Housing		
Wards and communities affected: All	Key Decision: Non-Key	
Accountable Head of Service: Richard Parkin, Head of Housing		
Accountable Director: Barbara Brownlee, Director of Housing		
This report is Public		
Purpose of Report: to give the committee an update on Welfare Reform and the impact of the changes on Thurrock Housing Tenants.		

EXECUTIVE SUMMARY

This report is a brief update on how Welfare Reform has affected Thurrock Housing Tenants, the interventions that the Thurrock Housing Team have taken to mitigate the effect of the reforms and a look ahead into continuing changes.

1. RECOMMENDATIONS:

1.1 That the contents of the report be noted.

2. INTRODUCTION AND BACKGROUND:

- 2.1 Changes from the Welfare Reform Act came in to force in April 2013 with the Social Sector Size Criteria (SSSC) removing either 14% or 25% of Housing Benefits for those who were deemed to be “under occupying” their property by 1, or 2+ bedrooms. These changes were followed later in the year by the Benefits Cap which only allowed for a maximum benefit claim of £350 for a single person or £500 for a couple or family, over a range of benefits.
- 2.2 When the scope of the change was understood pre-April 2013 the Thurrock Housing Team completed very in-depth communication exercise with all affected tenants to educate, offer support and hope to ensure continues income to the Housing Revenue Account.
- 2.3 In April 2013 the expected effect of the SCCC was that 874 tenants, 187 losing 25% of Housing Benefit and 687 losing 14% of Housing Benefit. This is a “moving feast” however with circumstances changing at all time and tenants moving in and out of the criteria for the reduction in benefits.

3. ISSUES, OPTIONS AND ANALYSIS OF OPTIONS:

Current Situation

- 3.1 Currently, as per end of December 2013, there are 902 tenants affected by the SSSC, slightly more than in April 2013. 189 are deemed to have 2 “spare bedrooms” or more and 713 deemed to have 1 “spare room”.
- 3.2 The effect of this 902 tenants is £14,076 per week extra that tenants have to fund and that the Housing Rents Team need to collect, this equates to £563,040 per year, around 1% of the HRA.
- 3.3 Of the 902 however only 555 tenants are in arrears and 425 of these tenants were in arrears before the changes to Welfare Reform, the aggregate of this being 130 tenants.
- 3.4 Arrears for the 902 overall have only risen by £33k to end of December 2013.
- 3.5 The Benefits Cap came into force on 15th July 2013 and the DWP indicated that we had 27 tenants or families affected by the change. All of the tenants have been contacted had the changes explained. Of the 27, 15 have reduced their arrears or stayed with a clear rent account, 12 have fallen into arrears or further into arrears with an average of £274.
- 3.6 Legal action with regards to rent arrears has increased this year with 680 Notice of Seeking Possessions being served has been served between April and December 2013 as opposed to 580 for the previous year. There has also been an increase in the number of Court Hearings from 153 from the previous year to 180 for this current year.
- 3.7 However the number of evictions for rent arrears has been 20 for the same time period which is 1 less for the same period the previous year. Showing that Housing is looking to sustain tenancies and make arrangements with tenants so they can reduce arrears.

Housing Intervention

- 3.8 The Welfare Reform Act was and still is a major concern for its effects on tenants and the HRA. It has the ability to seriously affect the disposable income and quality of life for tenants in Thurrock and the Housing Departments ability to continue to provide services if it takes a substantial reduction of income.
- 3.9 To mitigate these potential effects Housing has taken an approach of mass and tailored communications and individual case management for those affected by Welfare Reform.

- 3.10 The Housing Rents and Welfare Officers completed 1200 visits prior April 2013 to explain to those affected the impact upon them and what they may do to be able to meet their weekly rent. Since April 2013 a further 2915 visits were completed to end of December 2013.
- 3.11 The Housing Rents and Welfare Team created a Financial Inclusion Officer (FIO) post to help tenants with the effects of Welfare Reform. To date the FIO has spoken or met with 555 tenants affected by Welfare Reform. This has also included outreach work attending external site such as the South Ockendon Centre and Children's Centres within the borough, these have been exceptionally well received. The FIO helps tenants by ensuring they have applied for the correct benefits such as Child Benefits or PIP, help with Discretionary Housing Payment claims and help with budgeting.
- 3.12 In addition to the FIO, Housing entered into a contract with Family Mosaic to help tenants as a third party who have entered into a crisis situation with regards to their finances. This is generally triggered at the Notice of Seeking Possession Stage; however referrals can happen before this. This is a more in-depth intervention looking at the full finances of the tenant, setting targets, having numerous meetings and helping people stick to agreements for payments, they may also negotiate with lenders on behalf of the tenant. They have also helped tenants claim fuel allowances and food packages from the various offers across the borough.
- 3.13 The Family Mosaic contract started in summer 2013 and to date 103 referrals have been made from the rents team. Family Mosaic will be producing a report by the end of February for a cost benefit analysis with regards to their service and if it is found to be cost effective, it will continue for 2014/15.
- 3.14 As a way to tackle the effects of Welfare Reform the Housing department launched an incentive and support for tenants looking to downsize to a smaller property so they would not be impacted by the SSSC. Tenants were offered £1000 per bedroom downsized with any current arrears taken from this figure. The department set a target to downsize 65 tenants for 2013/14. To date 93 tenants have downsized their properties. So far the incentive has paid £111,081 to tenants, however £23,968 has been used to pay off arrears, this equates to 21%. Currently 202 tenants are on the Housing Transfer List looking to downsize by 1 bedroom and 71 tenants looking to downsize by 2 or more bedrooms.
- 3.15 To help mitigate the effect of Welfare Reform Central Government awarded Council's a greater fund to dispense Discretionary Housing Payments to help resident transition through the changes. Thurrock were awarded £375,000 in total and have committed £266,164 so far. £132,000 of this has been to Council Tenants with an average award of £290.00.
- 3.16 The culminating effect of the interventions by Housing means that the current Rent Collection for the HRA is 97.45% at the end of December 2013, on a profiled target of 97%. This compares with 97.81% for the previous year.

Future Concerns

- 3.17 The Housing Department are now turning their attention, as part of the corporate focus, to Universal Credit. Universal Credit will involve the process of Direct Payments, whereby all benefits will be paid directly to the claimant, as opposed to the current process where the Housing Benefit is paid directly to the landlord.
- 3.18 The effect of Universal Credit could mean that a guaranteed income to the HRA of up to £20 million will now need collection from tenants.
- 3.19 As part of the corporate changes for Universal Credit Housing will be putting together an action plan to continue to secure income to the HR. This action plan will include communication, education, signing tenants up for direct debit and the option to move to monthly rent collection rather than weekly, in line with how benefits will be paid. Universal Credit will be phased in from 2014 with new claimants going first, however it has a chance to seriously effect HRA income for 2015/16.

Case Studies

- 3.20 Below are some of the outcomes of the changes of Welfare Reform:

Marine Court: Tenant was £264.29 in credit for March 2013 and at the end of December 2013 was £807.66 in arrears. Tenant has received 5 letters and 2 visits, does not want to downsize and will not increase payment, or work with the service offers. A Notice of Seeking Possession has been served.

Wellington Road: Tenant £378 in credit in March 2013. Now £874 in arrears for December 2013. Tenant was not under-occupying and had not updated their family situation fully adding a grandchild to the claim. Many agencies involved including Oasis and Catch 22 but only 1 payment made so far this year. Also payment owed to Housing Benefits of £3000. An instalment agreement is in place and is being tracked.

Crusader Close: Tenant at the Notice of Seeking Possession stage had intervention from Family Mosaic. FM managed to help them claim £2700 in backdated Tax Credits and an extra £180 per week. Rent account now clear and keeping up to date.

Norton Close: Tenant at Notice of Seeking Possession stage had intervention from Family Mosaic. FM Managed to help them claim £600 in backdated Child Tax Credit and an extra £214 per week income. Rent account now clear and keeping up to date.

4. REASONS FOR RECOMMENDATION:

- 4.1 To ensure the Committee are aware of the current challenges for Tenants and the Housing Department with regards to Welfare Reform.

5. CONSULTATION (including Overview and Scrutiny, if applicable)

5.1 Not applicable.

6. IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT

6.1 Welfare Reform has the possibility to seriously impact the performance of the Housing Team due to a potential lack of income and is having a real impact to the community within Thurrock.

7. IMPLICATIONS

7.1 Financial

Implications verified by: **Sean Clark**
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sclark@thurrock.gov.uk

As above, Welfare Reform has the potential to seriously impact income for the HRA and their ability to provide services. Currently however this is being well mitigated with the HRA still having a healthy income.

7.2 Legal

Implications verified by: **Alison Stuart- Principal Housing and Regeneration Solicitor**
Telephone and email: **01375 652 040**
alison.stuart@bdtlegal.org.uk

Welfare reform has impacts for tenants with a potential increase in rent possession actions and legal costs which should be kept under review and legislative requirements adhered to.

7.3 Diversity and Equality

Implications verified by: **Samson DeAlyn**
Telephone and email: **01375652472**
Sdealyn@thurrock.gov.uk

Welfare Reform disproportionately effects low earners or poor families within the borough, Housing and the Council as a whole have taken a comprehensive approach to mitigating these risks and supporting people affected by the reforms.

7.4 **Other implications (where significant) – i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental**

None

BACKGROUND PAPERS USED IN PREPARING THIS REPORT (include their location and identify whether any are exempt or protected by copyright):

- None

APPENDICES TO THIS REPORT:

- None

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