

Report to the Cabinet

Report reference: C-026-2012/13
Date of meeting: 22 October 2012



Portfolio: Housing
Finance & Technology

Subject: Welfare Reform Mitigation Action Plan

Responsible Officer: Alan Hall, Director of Housing (01992 564004)

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations:

- (1) That the main provisions of the Welfare Reform Act 2012 affecting the Council and residents in the District be noted;**
- (2) That the Key Findings of the Study by the Chartered Institute of Housing (CIH) into the implications of the Welfare Reforms on the Council, Council tenants, private tenants and homelessness, attached as an extract of the CIH Report at Appendix 1, be noted;**
- (3) That the proposed Welfare Reform Mitigation Action Plan, attached as Appendix 2, be adopted;**
- (4) That The Housing Scrutiny Panel be requested to monitor progress with the Action Plan at its quarterly meetings;**
- (5) That two additional Housing Management Officers be appointed, with immediate effect, and approval given to recruit externally if necessary, in order to help minimise the anticipated increased level of rent arrears in 2013/14 and, initially, to help minimise the effect of the welfare reforms on Council tenants, funded from the Housing Revenue Account as follows:**
 - (a) 2012/13 - From HRA salary under-spends; and**
 - (b) 2013/14 onwards - From the HRA's Housing Improvements and Service Enhancements Fund;**
- (6) That Housing Management staffing levels be reviewed during 2013/14 in the light of the actual level of increased rent arrears;**
- (7) That approval be given to the appointment of two temporary members of staff for around 6 weeks in early 2013/14, and approval given to recruit externally if necessary, in order to input Council property household data obtained from the proposed Census of Tenants onto the Housing IT System, funded from the HRA's Housing Improvement and Service Enhancement Fund; and**
- (8) That the Housing Portfolio Holder reports to the next Cabinet meeting on how the recently-allocated funding from the CLG of £112,000 per annum for the next two years to**

prevent and mitigate homelessness should be spent, including a proposal that part of the funding be used to appoint 1FTE additional homelessness/ prevention officer, avoiding any increased cost to the General Fund.

Executive Summary:

The Welfare Reform Act 2012 will have a significant effect on Council tenants, private tenants and homelessness in the District. The Council commissioned the Chartered Institute of Housing (CIH) to undertake a major study into these effects – tailored to the situation in Epping Forest - and to propose ways of mitigating them. The study was fully funded by Improvement East, and the Key Findings from the CIH's detailed report are attached at Appendix 1.

The CIH estimates the total loss in housing benefit and other welfare benefits to Council and private tenants in Epping Forest at around £1.1million per annum. This is in addition to the loss in claimants' Council Tax Benefit as a result of the introduction of the new Local Council Tax Support Scheme in April 2013. Furthermore, the CIH estimates the direct financial impact of the welfare reforms on the Council itself at between £240,000 and £460,000 per annum.

A Welfare Reform Mitigation Project Team has been established, which has produced a Welfare Reform Mitigation Action Plan and is attached at Appendix 2 for adoption. Many of the actions will be undertaken by officers, but some of the proposals require Cabinet approval. Two of the recommended actions require the consideration and approval of the Cabinet at this meeting.

Reasons for Proposed Decision:

The Council needs a plan to mitigate the effects of the welfare reforms on the Council and its residents, and some aspects of the plan need approval from the Cabinet

Other Options for Action:

- (1) Not to have and adopt a Welfare Mitigation Action Plan;
- (2) To include different tasks with the Action Plan;
- (3) Not to appoint two additional Housing Management Officers, but to appoint more, less or no additional staff;
- (4) Not to review Housing Management Officer staffing levels further in 2013/14; or
- (5) Not to approve the appointment of two temporary members of staff to input Council property household data and therefore not undertake the required Census of Tenants.

Report:

Background to the Welfare Reforms

1. On 8 March 2012, the Welfare Reform Act 2012 received Royal Assent, legislating for the biggest change to the welfare system for over 60 years.
2. The Act has many implications for the Council and residents in the District. Some of the welfare reform changes have already been introduced, but the majority - and the most far-reaching - will be implemented from April 2013.
3. The main changes affecting the Council and residents include:

- Reducing the amount of housing benefit given to Council and housing association tenants (of working age – not pensioners) who under-occupy their property by one or more bedrooms (sometimes referred to as the “bedroom tax”). From April 2003, Council tenants under-occupying their home by one bedroom will have their housing benefit reduced by 14% of the rent, and tenants under-occupying by two or more bedrooms will have their housing benefit reduced by 25% of the rent.
- Paying housing benefit to Council and housing association tenants direct, for them to pay their rent to the Council themselves – instead of the Council automatically crediting their rent account with their housing benefit each fortnight.
- Reducing the maximum amount of rent for which private tenants can receive housing benefit (the “Local Housing Allowance”), and pegging it to the Consumer Price Index (CPI), which may have lower annual increases than actual rents. Only those private rented properties that have the lowest 30% rents in the District will receive full housing benefit (instead of those with the lowest 50% rents). Any rents above the 30% threshold will have to be paid by the tenant themselves.
- Increasing the age threshold for the “shared room rate” from 25 to 35 years - single private tenants below this age now only receive an amount of housing benefit equivalent to the rent they would pay if they lived in a private rented one bedroom property, shared with another person.
- Reducing the amount of housing benefit for tenants who have non-dependents living with them (e.g. older children).
- From April 2013, applying a benefit cap of £500 per week (£350 for single claimants).
- From October 2013 introducing, on a phased basis, one “universal credit” payment to replace a range of different welfare benefits, including housing benefit.
- From April 2013, introducing a new Local Council Tax Support Scheme to replace the current national Council Tax Benefit Scheme, with overall funding reduced by 10% from current levels, resulting in reduced Council Tax Support of around 20% for working age claimants.

Effects and implications on the Council and tenants – CIH Study

4. In order to understand the effects of the reforms, and to help the Council prepare for the changes, the Council commissioned the Chartered Institute of Housing (CIH) to undertake a major study into the impact and implications of the welfare reforms on the Council, Council and private tenants in the District and homelessness in Epping Forest, as well as to make recommendations on how the Council should respond to the changes, for the benefit of both itself and residents. This involved detailed discussions and research with Housing and Housing Benefits staff, in order to provide a detailed analysis of the effects - tailored to the situation in Epping Forest. Following a successful bid by the Director of Housing, the cost of the study has been funded – in full – by Improvement East, a regional organisation.

5. The CIH has now completed its Study and presented its detailed report to the Council. A copy of the full report has been published on the Council’s Committee Management System with the Cabinet Agenda as a Background Report. The Key Findings from the CIH’s Report is attached as an extract of the report at Appendix 1. It should be noted that, due to the significant and separate work being undertaken by Benefit Managers across Essex on their preparations for the introduction of the Local Council Tax Support Scheme from April 2013, this aspect of the welfare reforms was specifically excluded from the CIH’s Brief.

6. On 26 September 2012, representatives from the CIH gave a Presentation on the Key Findings and recommended response to the welfare reforms, to which all Members of Council and senior officers were invited.

7. In summary, the CIH has assessed the main implications for the Council as:

- Increased rent transaction charges of £52,000 per year - due to all the Council's tenants in receipt of housing benefit having to pay their rent themselves from October 2012, through Allpay, direct debit etc.
- An increase in rent arrears of between £185,000 (40% increase) and £413,000 (95% increase) – this is due to all Council tenants in receipt of housing benefit no longer having their rent accounts automatically credited with their housing benefit every fortnight, but having it paid to them direct and then the tenant paying their rent on to the Council. The minimum anticipated increase in rent arrears of 40% is based on applying the Council's current, very good, rent collection rate of 98.8% to the significantly increased total amount of rent to be collected direct from tenants currently in receipt of housing benefit. It is anticipated that, due to the cumulative effect of the welfare reforms, many of these tenants will experience greater difficulty paying their rent than those tenants currently not in receipt of housing benefit, already paying their rent direct themselves.
- Although not quantified by the CIH in their study, it is also anticipated that rent arrears will increase further as a result of under-occupying tenants having to pay the "bedroom tax" and experiencing financial difficulties as a result.

8. The CIH has assessed the main implications for Council tenants as:

- A loss of around £475,000 in housing benefit per annum for all working-age tenants who are currently under-occupying their Council home by one or more bedrooms (although this has more recently been re-assessed at around £300,000 per annum).
- A loss of around £175,000 housing benefit in 2012/13, increasing to £250,000 per annum from 2013/14, for all tenants who have non-dependents living with them - due to the increase in non-dependent charges.

9. The CIH has assessed the main implications for private tenants as:

- A loss of around £360,000 in housing benefit per annum due to the reduction in the maximum Local Housing Allowance to the 30th percentile of private rents.
- A loss of around £270,000 in housing benefit for single private tenants between 25 and 35 years of age who rent their own property and do not take the decision to share their property with someone else. It should be noted, though, that the latest assessments by the Council's Benefit Division show that many such tenants have pro-actively changed their living arrangements, rather than have a deficit in the amount of housing benefit they require to meet their rent payments. The actual housing benefit loss is currently around £25,000 per annum, which could increase to £50,000 per annum once all of the transitional protection ends in December 2012.

10. The total estimated loss in housing benefit and other welfare benefits to both Council and private tenants in Epping Forest, as a result of the welfare reforms, is estimated at around **£1.1million per annum**. In addition, the direct financial impact on the Council itself is estimated at between around £240,000 and £460,000 per annum.

11. Of course, these losses in residents' income are in addition to the anticipated £1.2m loss arising from the introduction of the new Local Council Tax Support Scheme from April 2013.

12. In addition, the CIH identified that as a result of these reduced welfare payments, there is likely to be a significantly increased amount of homelessness for the Council to cope with.

The Council's Proposed Response

13. In view of the significant effect that the welfare reforms will have on the Council and residents, a Welfare Reform Mitigation Project Team has been formed, chaired by the Director of Housing and comprising officers from across the Housing Directorate and the Benefits Division, to consider and implement ways that the effects of the welfare reforms can be minimised – or at least reduced.

Welfare Reform Mitigation Action Plan

14. In response, the Project Team has formulated a Welfare Reform Mitigation Action Plan, which is attached as Appendix 2. As can be seen, the Action Plan identifies around 60 separate actions, with lead officers and target dates provided for each action, under the following 7 themes and associated key objectives:

Theme	Key Objective
Strategic	To ensure that a strategic and corporate approach is taken to mitigate the effects of welfare reform, including good data management
Information to Residents and Advice Agencies	To ensure that residents are provided with accurate, useful and timely information, advice and support on the welfare reforms; how they may be personally affected; and action they can take to mitigate the effects
Reducing Under-occupation	To minimise the under-occupation of Council properties by working-age Council tenants in receipt of housing benefit, and to endeavour to assist under-occupying Council tenants to move to smaller accommodation if they wish
Reshaping Service Delivery	To change services, or introduce new services, to assist the Council and residents to mitigate the effects of the welfare reforms
Minimising Homelessness	To minimise the numbers of households who become homeless as a result of the welfare reforms and to assist such households to minimise the resultant effects
Council's Financial Management	To identify and minimise the financial cost and effects of the welfare reforms on the Council as an organisation, and to ensure that appropriate budget provision for the additional costs are made within the HRA Financial Plan
Staff Training and	To ensure that all relevant staff are aware of the welfare reforms, the effects on residents, the Council's response to

Communication	the reforms and ways that residents can mitigate the effects on themselves
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15. The Cabinet is asked to adopt the Action Plan attached as Appendix 2. It is further suggested that, in addition to progress with the Action Plan being monitored at officer level by the Mitigation Project Team, the Housing Scrutiny Panel be asked to monitor progress with the delivery of the Action Plan at its quarterly meetings.

Actions Requiring Cabinet Approval Now

16. Although involving a significant amount of work, most of the actions within the Action Plan can be undertaken by officers within existing staff and financial resources – although it should be acknowledged that other projects and activities will need to be re-prioritised and/or delayed to enable the Action Plan to be delivered.

17. Some actions requiring Cabinet approval will be the subject of reports to Cabinet over the coming months. However, there are two issues on which Cabinet approval is sought at this meeting.

18. It is clear from the CIH Report that there will be a significant increase in Council rent arrears, and the CIH has recommended in its report that staffing resources should be increased on a permanent basis in order to mitigate the financial loss to the Council. The CIH has also identified the need for additional staffing resources to be deployed in the shorter term to help minimise and prepare for the effect of the welfare reforms on the Council's tenants. However, it is difficult to assess in advance of the introduction of the welfare reforms the amount of additional staffing required.

19. It is therefore proposed that two additional Housing Management Officers be appointed at present, with immediate effect (with one officer located in each Area Housing Office), funded from the Housing Revenue Account salary under-spends in 2012/13 and from the HRA's Housing Improvements and Service Enhancements Fund from 2013/14, but that Housing Management staffing levels be reviewed during 2013/14 in the light of the actual level of rent arrears. There are currently 10.4FTE Housing Management Officers (including the three Assistant Area Housing Managers) who each spend around 50% of their time on rent arrears recovery – amounting to around 5FTE time spent on rent arrears recovery. Therefore an increase of two Housing Management Officers would increase the capacity to deal with rent arrears by around 40%.

20. It is difficult to assess the effect on rent arrears levels that the two additional posts will have. However, based on the CIH's assessment that rent arrears could increase by as much 95% (£413,000) as a result of the welfare reforms, the total annual salary cost of the two additional posts (£57,000, including on-costs) would be recovered in full if their appointment resulted in the level of increased rent arrears being reduced to an increase of 82% or less, which is considered likely.

21. The CIH Report also refers to the need to improve tenant household data, in order to enable the Council to identify more effectively those households likely to be affected by the welfare reforms. There is also a need to obtain more up to date tenant information relating to diversity and equalities issues, in order to meet the Council's statutory obligations under the Equality Act.

22. The Action Plan therefore proposes the undertaking of a Census of Tenants to capture this required updated information. However, with around 6,500 Council tenants, the process of inputting the household data obtained into the Housing IT System will require dedicated staff resources. Therefore, it is proposed that two temporary members of staff be appointed for

around 6 weeks in early 2013/14 to undertake this data input, again funded from the HRA's Housing Improvement and Service Enhancement Fund.

23. Cabinet's attention is also drawn to one of the CIH's Key Finding at Appendix 1 that it assesses between 170 and 340 households will be placed under "severe stress" as a result of the welfare reforms (i.e. they will "find it hard or impossible to keep out of arrears/debt"), which will undoubtedly result in increased levels of homelessness, which has already increased significantly over the past 12 months.

24. The Action Plan therefore proposes that part of the recently-allocated funding from the CLG (£112,000 per annum for the next two years) be used to appoint 1FTE additional homelessness/prevention officer, which would avoid any increased cost to the General Fund. Since this allocation has only just been announced, it is proposed that the Housing Portfolio Holder reports to the next Cabinet meeting recommending how the full allocation should be spent, including this proposal (in more detail).

Resource Implications:

The total additional resources required to the Council to meet the additional costs of the welfare reforms and to implement the Council's response (as set out in the Welfare Reform Mitigation Action Plan) are estimated as follows:

HRA:

One-off - £85,500
Ongoing - £129,000 p/a

General Fund:

One-off - £7,500
Ongoing - £5,000 p/a

Legal and Governance Implications:

Welfare Reform Act 2012.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

The Tenants and Leaseholders Federation will be consulted on a draft version of this report and their comments will be reported orally at the Cabinet meeting.

Background Papers:

Report of the Chartered Institute of Housing into the Impact of the Welfare Reforms on Epping Forest District Council – 10 September 2012.

Impact Assessments:

Risk Management

The financial risks to the Council of the welfare reforms are significant, as explained in the CIH Report and the Cabinet Report above.

However, the purpose of the Mitigation Action Plan is not only to mitigate the effects on Epping Forest residents, but also the financial costs to the Council.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

It should be noted that the Department of Work and Pensions has undertaken its own Equality Impact Assessment as part of the Welfare Reform Bill being passed by Parliament

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? N/A

What equality implications were identified through the Equality Impact Assessment process?
N/A

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A