

Report to Housing Scrutiny Panel

Date of meeting: 28th January 2013

Portfolio: Housing – Cllr D. Stallan

**Subject: Welfare Reform Mitigation Action Plan
Quarterly Progress Report Key Action
Plan**



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Committee Secretary: Mark Jenkins (01992 56 4607)

Recommendations:

That the Quarterly Progress Report on the Welfare Reform Mitigation Action Plan as at 1st January 2013, attached as an Appendix, be considered and that any comments on progress be provided to the Housing Portfolio Holder and Director of Housing.

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. 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.

2. 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
- From October 2013, on a phased basis, paying housing benefit to Council and housing association tenants direct, for them to pay their rent themselves – instead of the Council or housing association 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”). Only those private rented properties that have the lowest 30% rents in the District now receive full housing benefit (instead of those with the lowest 50% rents previously). Any rents above the 30% threshold have had to be paid by tenants 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 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, on a phased basis by local authority area until September 2013, applying a Benefit Cap of £500 per week (£350 for single claimants)
- 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 at least 20% for working age claimants
- From October 2013, on a phased basis, introducing one “universal credit” payment to replace a range of different welfare benefits, including housing benefit

Effects and implications on the Council and tenants – CIH Study

3. 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 the Council and residents.

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

5. In summary, the CIH assessed the main implications *for the Council* as:

- Increased rent transaction charges of around £52,000 per year - due to the Council's tenants in receipt of housing benefit having to pay their rent themselves, on a phased basis, from October 2012, through Allpay, direct debit etc
- An increase in rent arrears of between £185,000 (40% increase) and £413,000 (95% increase) – 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 tenants 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

6. The CIH 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 was more recently 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

7. The CIH assessed the main implications *for private Council 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 Benefits Division show that many such tenants pro-actively changed their living arrangements, rather than have a deficit in the amount of housing benefit they required 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 from 1st January 2013, once all of the transitional protection ends.

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

9. 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.

10. 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.

Welfare Reform Mitigation Project Team and Mitigation Action Plan

11. In view of the significant effect that the welfare reforms will have on the Council and residents, a Welfare Reform Mitigation Project Team was formed in September 2012, 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.

12. The Project Team formulated a Welfare Reform Mitigation Action Plan, which was adopted by the Cabinet in October 2012. 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 Communication	To ensure that all relevant staff are aware of the welfare reforms, the effects on residents, the Council's response to the reforms and ways that residents can mitigate the effects on themselves

13. In addition to progress with the Action Plan being monitored at officer level by the Mitigation Project Team, the Cabinet also asked the Housing Scrutiny Panel to monitor progress with the delivery of the Action Plan at its quarterly meetings.

Progress to date

14. The first Quarterly Progress Report on the Welfare Reform Mitigation Action Plan, as at 1st January 2013, is attached as an Appendix. As can be seen, good progress has been made to date in delivering the 58 actions of the Action Plan, which can be summarised as follows:

Summary of Progress		
Progress	No.	%
Achieved	16	28 %
In progress – Almost complete	6	10 %
In progress – Good progress made	12	21 %
Limited progress	1	2 %
Actions not yet required	18	31 %
Actions no longer required	5	9 %
Total	58	

15. The Housing Scrutiny Panel is invited to consider the Quarterly Progress Report and provide any comments on progress to the Housing Portfolio Holder and Director of Housing.