

Committee:	Date:
Housing Management & Almshouses Sub Committee	12 January 2015
Subject: Welfare Benefits Update & Financial Inclusion Programme	Public
Report of: Director of Community & Children's Services	For information

Summary

This report is an update on the paper brought to the Sub-Committee in February 2014. It gives Members the latest information about the impact of reforms to date, and also outlines the work now taking place to help residents cope with the introduction of Universal Credit, which will start in March 2015.

Housing Benefit and the Council Tax Reduction Scheme for City of London residents, and Housing Benefit for tenants of CoL estates in other boroughs, are administered by the Benefits Team within the Housing Service. Since proposals for benefit reform were first raised, the Benefits Team has worked closely with the Housing Management Team and other colleagues, to ensure that the implications, both for residents and for the City's Housing Revenue Account (HRA) have been identified and addressed.

As a result, we have developed a Financial Inclusion Programme which groups together a number of projects designed to assist residents. The projects include:

- Intensive money management support for households where rent arrears are a continuing problem;
- Money management training for people on the waiting list for housing, so that they are able to budget before being allocated a home;
- Local Welfare Assistance and small grants for households in crisis;
- Collaboration with external organisation like the London Capital Credit Union and the National Illegal Moneylending Team.

Recommendations

Members are asked to note the report.

Main Report

Background

1. In 2010, the government announced a programme of changes to reform the welfare benefits system. Chief amongst these were:
 - Reductions in housing benefit to households considered to be occupying accommodation with more bedrooms than needed – known as the Bedroom Cap;
 - An overall cap on total benefits payable to a household, limiting these to £500 per week for couples and lone parents and £350 per week for single adults – known as the Benefits Cap;
 - The introduction of a new benefit, Universal Credit, designed to replace housing benefit, income support and other types of payment.
2. Extensive work has taken place to support residents affected by the Bedroom Cap and Benefits Cap. A summary of this work was presented to the Housing Management Sub-Committee in February 2014 and an update on the impact so far can be found below. Support for households affected continues.
3. Our focus now is preparation for the introduction of Universal Credit. It was announced at the Conservative Party Conference that the implementation is to be accelerated and that from early 2015, single people seeking work, who would previously have applied for Jobseeker's Allowance, will be directed to apply for Universal Credit.
4. A letter from the Department of Work & Pensions (DWP) sent to all local authorities in November 2014 set out the first tranche of authorities where Universal Credit will be implemented in March 2015. After discussions with DWP, the City has now been included in this first tranche.

Bedroom Cap and Benefits Cap Updates

5. As at October 2014, a total of 103 households had been affected by the Bedroom Cap. Of these, 44 are no longer affected. We are continuing to support the remaining 59 households (52 City of London tenants, 9 Guinness Trust tenants).
6. Of the 52 City of London tenants who are currently affected, 23 are in rent arrears, averaging £511 per household. This is an increase since February.
7. We currently have 8 households affected by the Benefits Cap (6 City of London tenants, 2 renting from private landlords).
8. All the 6 City of London households affected are now in rent arrears, averaging £253 per household.
9. Evictions for rent arrears are increasing nationally – an *Inside Housing* survey of 167 households in June 2014 showed an increase of 12.9%, which is an extra

814 households. Our protocol currently is that we only move to serve a notice to quit on a tenant whose arrears are due to benefit changes, if they have been offered a smaller property and have refused to accept it or to engage with us. We use Discretionary Housing Payments (DHP) in many cases to cover the shortfall while we work with households to help them decide on a long-term solution. To date, there have been no evictions as a result of benefit reform.

Universal Credit

10. The next challenge facing us will be the introduction of Universal Credit. Universal Credit will be a single monthly payment to each household which will replace:
 - Jobseekers Allowance
 - Employment Support Allowance
 - Income Support
 - Child Tax Credit
 - Working Tax Credit
 - Housing Benefit
11. It will be personalised according to every household's circumstances and is designed to make sure that households are better off in work than unemployed. It will not affect people of pension age. The implementation will be phased in for different categories of claimant, starting with new claims from single jobseekers in March 2015. The City is included in the first tranche of this implementation, so single jobseekers will be receiving Universal Credit from then.
12. Unlike Housing Benefit, which, for social tenants goes direct to the landlord to pay rent, Universal Credit will be paid direct to the claimant, who will be responsible for managing all their household costs, including rent, themselves.
13. Whilst many households will be capable of dealing with this, there will be others who struggle and, in the face of competing demands for their money, may prioritise the most immediate pressures and not their rent. Pilots running in six local authority areas have found a significant increase in rent arrears. A 'Dispatches' documentary shown on Monday 27 October 2014 revealed that 90% of the households currently on Universal Credit are in rent arrears. This will have a serious impact on the business plans of social landlords.
14. The government has now changed its policy so that if a tenant has the equivalent of one month's rent arrears, the decision to pay Universal Credit directly to them will be reviewed, and if the arrears reach the equivalent of two months' rent, the payment of housing related support will automatically revert to the landlord. This is welcome news, but direct payments will still pose many challenges for landlords.
15. A further change, announced in November 2013, is that plans to deliver rent support to people of pension age through Pension Credit Plus have been

abandoned. Housing Benefit will, therefore, remain in place for pensioners for some years.

16. To prepare for the introduction of Universal Credit, the Housing & Neighbourhoods Service is in the process of implementing a Financial Inclusion Programme of measures which are designed to support residents, help them to manage their money effectively, and ensure that rent arrears remain low.

17. We will also be entering into a Delivery Partnership Agreement with the DWP. This commits us to a number of measures to support residents. Most are already covered by our Financial Inclusion Programme and day to day work, but we will work with the DWP to ensure that we provide all the assistance they recommend.

Financial Inclusion Programme

18. The Financial Inclusion Programme has a number of different measures, some of which are aimed at all households and some targeted to meet specific needs. All these measures are in addition to the work already carried out by our estate staff and by the City Advice service. Some have already been implemented, whilst others are planned.

Financial Inclusion Programme		
Project	Outline	Aimed at
Staff training & support	<p>All estate staff have attended basic training on money management to help them to provide a support and signposting service to residents. The Tenancy Support Team, working with the most vulnerable residents, have also attended debt counselling training.</p> <p>We are now increasing this training, in partnership with Toynbee Hall. One and two-day courses are being run for staff so that they can be Money Management Champions and can give practical support to residents.</p> <p>We are also changing the way in which our Income Recovery Officers and Tenancy Support Officers work, equipping them with mobile technology so that they can carry out benefit assessments and help people submit claims online during home visits.</p>	All residents
Benefits Surgeries	<p>Benefits staff hold regular surgeries on our estates. Residents can make an appointment to see an advisor or can drop in and get help to make sure they are claiming all appropriate benefits.</p>	All residents

	<p>We also provide IT facilities and internet access in our estate offices so that residents can be helped to make benefits applications on-line, and have referred residents to Digital Inclusion training run by the Library Service.</p>	
<p>Local Welfare Assistance (LWA) Funding</p>	<p>LWA comes to local authorities in the form of a grant and allows crisis loans and payments to be made to low income families in an emergency. This is entitled the Emergency Support Scheme. Our grant (£24k in 2014/15), is too small for it to be worth us managing the administration, so it is administered on our behalf by the London Borough of Lambeth.</p> <p>Take up of the scheme has been low, so the scope has been widened to make more people eligible. Despite the low take up, this funding can be critical to recipients. The funding from government will cease in 2015. We have identified savings which will allow us to maintain the scheme at the current take-up rate for the next 2 years and will then need to review.</p>	<p>Individuals and families experiencing a crisis or emergency</p>
<p>Pre-tenancy Training</p>	<p>For first-time tenants, moving into a City of London home is their first experience of paying rent and household bills and needing to budget accordingly. We are about to start a project with Broadway St Mungo where we will require first-time tenants to attend a two day money management training course before they are offered a property.</p>	<p>Prospective tenants on the waiting list for a first tenancy</p>
<p>Community Money Mentors</p>	<p>We have just started this project in partnership with Toynbee Hall. A total of 60 hours training is being delivered over 12 weeks to groups of 10-15 residents and leads to a qualification. Residents completing the course not only improve their own money management skills (in Tower Hamlets, 85% of the 290 people who have undergone the training reported that their money management skills had improved and 56% reported that they have begun to save) but are equipped to give basic advice to family, friends and neighbours. Our first courses started this month and we will evaluate these and, if they prove successful, run further courses throughout the year.</p>	<p>All residents</p>
<p>Rental Exchange</p>	<p>We have joined a programme led by Experian, the credit-rating agency, and the investment arm of the Big Issue, to allow all our tenants to have a credit rating. A tenant who has no previous borrowing</p>	<p>All tenants</p>

	<p>history has no credit rating, regardless of their rent payments. This affects their ability to sign up to contracts for services such as mobile phones and utilities. Without a credit rating, they cannot take advantage of cheaper rates offered through contracts and have to use more expensive, pay-as-you-go options. The Rental Exchange project allows rent accounts to be taken into account so that tenants with a good rent payment history can get a credit rating. We are currently piloting the exchange of data and, if that demonstrates significant benefits to our tenants, will be informing them of the scheme, to ensure compliance with data protection legislation.</p>	
Care Leavers Support	<p>A particular problem was identified with looked after children, when they left care and moved into independent living. Within a short time, most of these care-leavers were in rent arrears. We have worked with Children's Services to produce a new policy and procedure, whereby money management support starts to be given to look-after children from the age of 16 onwards. By the time they are 18 and able to leave care, they will have received sufficient support and training to enable them to sustain their tenancy – but we also provide a package of support for a further six months and longer if needed. We have already seen a reduction in rent arrears amongst this group of tenants, and we now monitor the position of each care-leaver carefully, in liaison with their social worker.</p>	Looked-after children and care-leavers
Kineara Rent Support Programme	<p>This project provides intensive support and training over a 10 week programme to households with serious and long term rent arrears. In a pilot, we have identified five households, four of which have engaged with the process and are receiving training.</p>	Tenants at risk of eviction for rent arrears
Illegal Moneylending support	<p>One issue of concern is that illegal moneylenders, or 'loan sharks' will be quick to take advantage of the fact that benefits will be paid direct to recipients. We have been working with the National Illegal Moneylending Team for the past year, to raise awareness of how to spot and deal with illegal moneylending activity. All estate staff have received training and presentations given to residents on every estate at their estate meetings, as well as promotional materials being widely displayed.</p>	All residents

Credit unions	<p>We have worked closely with the London Capital Credit Union (LCCU) for several years. Our original promotion of their services resulted in little take up but, in the last year, there has been much greater interest from residents. LCCU officers have attended estate meetings and held surgeries on our estates, talking to both residents and staff to encourage them to make use of the low-cost loans provided by them and to encourage them to develop a savings habit.</p> <p>LCCU membership forms will be sent to all tenants in January 2015.</p>	All residents
Essential items support	<p>We have earmarked a budget to help residents in financial difficulties to purchase essential items, in particular carpets and curtains. These are often items which are not a high priority for people on low incomes, but they are crucial, not only for comfort, warmth and privacy, but in avoiding prejudice and isolation. Residents often complain to estate staff that neighbours are covering windows with sheets, or that hard floors are noisy. These issues indicate that a household is in poverty. By providing grants to assist households in these circumstances, we can not only help them to avoid being singled out, but by offering this support, we can get access to the household to provide further support.</p>	Residents identified by estate staff as being in need of support
Ongoing information	<p>We provide a range of information for residents to use at any time. We also have a subscription to 'Quids In' magazine, a publication which aims to provide financial information in a chatty, easy to read format, alongside celebrity news and other popular items. We make 'Quids In' available to residents free on a quarterly basis.</p>	

Risks for the City

19. Welfare benefit reform poses a range of risks to all local authorities and housing providers, including the City.
20. The principal risk from a financial perspective is that rent arrears will rise, impacting on the 30 year Housing Revenue Account Business Plan and restricting our ability to carry out repairs and improvements to our homes. An allowance has been made within the current Business Plan for increased rent

arrears and we will continue to monitor this closely and make amendments to reflect changes.

- 21.** Increased rental arrears will result in more evictions – not just from City housing but from privately rented homes and from other housing providers such as the Guinness Trust. This will impact on the City’s Homelessness Service. People evicted due to rent arrears are considered to be ‘intentionally homeless’, which means there is no duty to rehouse them. However, we **do** have a statutory duty to rehome and of those households which contain children and vulnerable adults. At present, we have low numbers of people in temporary accommodation and the budget available reflects this. When the impact of Universal Credit begins to be felt, it is likely that we will see a surge in the demands on the Temporary Accommodation budget and on the staffing resource. We propose a piece of work to profile the risks and likely impacts of the changes and will use this to inform strategy as we move forward.
- 22.** Government funding to support local authorities through the impact of welfare benefit reform is reducing. Our Discretionary Housing Payments budget was reduced by 31% in 2014-15, giving us a budget of just £25,216. In October 2014, this was 86% spent on supporting households with a shortfall between their benefit and their rent, whilst we help them find a long-term solution. DWP have announced that there will be a further cut in 2015/16, which will severely limit our ability to support vulnerable households and may well lead to an increase in evictions.
- 23.** This, in turn, could have an impact on crime and anti-social behaviour. We are already seeing an increase in chaotic lifestyles, as households and individuals are affected by benefits sanctions and struggle to find secure employment, severely limiting their ability to manage their finances. Proposals to reduce and even discontinue support for single males of working age may well increase this problem further, and make them more vulnerable to illegal moneylending activity and drug and alcohol abuse.

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