

Committee:	Date:
Housing Management & Almshouses Sub Committee	14 September 2015
Subject: Welfare Benefits Update & Financial Inclusion Programme	Public
Report of: Director of Community & Children's Services	For information

Summary

This report gives an update on the paper brought to the Sub-Committee in January 2015. It gives Members the latest information about:

- the impact of reforms to date,
- future changes announced in the Summer budget 2015
- outlines the work taking place to help residents cope with the introduction of Universal Credit

Housing Benefit and 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. An update on this programme is included in this report.

Recommendations

Members are asked to note the report.

Main Report

Background

1. The Welfare Reform Act 2012 introduced a number of changes aimed at reforming 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 £26,000 per annum for couples and lone parents and £23,000 per annum 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. Further significant changes were announced in the 2015 summer budget which will be introduced over the next three years:
 - Further reduction in the household benefit cap in London to £23,000 per annum for couples and lone parents and £15,410 per annum for single adults.
 - Backdating of Housing Benefit claims limited to a maximum of four weeks from April 2017
 - The annual uprating of working age benefits frozen for 4 years
 - Various changes to tax credits and benefit premiums which will impact on housing benefit calculation rules
 - From April 2017, 18-21 year olds will not be entitled to claim the housing element of Universal Credit (may apply to Housing Benefit too)
 - For tenants of social housing a mandatory upper income limit will be set, above which a 'market rent' must be charged. The limit for households in London has been set at a gross income of £40,000

To help mitigate these changes the government will provide £800 million of funding to local authorities for Discretionary Housing Payments over the next 5 years. Additionally, a national living wage will be introduced for employees over 25 in 2016. This will be compulsory for most employers

3. 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 January 2015 and an update on the impacts to date can be found below. Support for households affected continues.

4. We are now focussing on the introduction of Universal Credit. The City was part of the first tranche of national rollout of Universal Credit. From March 2015, a small group of residents in the east of the City (new claims from single people seeking work who would previously have applied for Jobseeker's Allowance) have been directed to apply for Universal Credit. This will roll out across all our estates in the next six months. However, there are a sizeable number of

exemptions so the impact on the Benefits Section is not expected to be significant until migration of the existing case load begins.

Bedroom Cap and Benefits Cap Updates

5. As at August 2015:

- a total of 108 households had been affected by the Bedroom Cap.
- 61 are no longer affected.
- 47 households are being currently affected (42 City of London tenants, 5 Guinness Trust tenants).

Of the 42 City of London tenants who are currently affected, only 10 households are in significant rent arrears (that is, over £300), but the arrears average £734 per household.

6. As at August 2015:

- a total of 11 households had been affected by the benefit cap.
- 3 households are affected at the present time.

All 3 households affected by the benefit cap are now in rent arrears, averaging £372 per household.

7. As a result of the lower benefit caps announced in the summer budget we anticipate that a further 22 households will be affected by the reduced cap amount. It is anticipated that this will be introduced in autumn 2016, though this has yet to be confirmed.

8. To date, there have been no evictions as a result of benefit reform. Our protocol 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.

Universal Credit

9. The latest challenge we face is managing 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

10. 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.
11. 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.
12. 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.
13. 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 a welcome change but direct payments will still pose many challenges for landlords.
14. 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.
15. We have also entered into a Delivery Partnership Agreement with the DWP. This commits us to a number of measures to support residents with digital access and personal budgeting support. 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.
16. A case study, describing experiences with the City's first Universal Credit claimant, is attached at Appendix 1. This will give Members an indication of the range of challenges facing both staff and claimants.

Financial Inclusion Programme

Financial inclusion is defined as the ability of an individual, household, or group to access appropriate financial services or products. Without this ability people are often referred to as financially excluded.

People that are financially excluded might;

- not be able to access affordable credit
- not want or have difficulty obtaining a bank account
- be financially at risk through not having home insurance
- struggle to budget and manage money or plan for the unexpected
- not know how to make the most of their money

Anyone can be financially excluded. The key to our work in this area is catching problems before they become larger and helping people become more prepared and better equipped for the future. To do this we implemented the following during 2014/15:

Financial Inclusion Programme		
Project	Outline	Aimed at
Staff training & support	<ul style="list-style-type: none"> All estate staff 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, attended debt counselling training. In partnership with Toynbee Hall, two-day courses run for staff so that they can be Money Management Champions and can give practical support to residents. Equipping our Income Recovery Officers and Tenancy Support Officers with mobile technology so that they can review rent accounts, carry out benefit assessments and help people submit claims online during home visits. 	All residents
Digital Support	<ul style="list-style-type: none"> Started upgrading our IT facilities and internet access in our estate offices so that residents can be helped to make benefits applications on-line Mapped free digital access for all City of London estates Referred residents to Digital Inclusion training run by the Library Service. 	All residents
Access to information	<ul style="list-style-type: none"> Benefits team 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. Raised the profile of our Tenancy Support Team to estates staff to ensure that all households who need support get an appropriate referral 	All residents
Local Welfare Assistance (LWA) Funding	<ul style="list-style-type: none"> This allows crisis loans and payments to be made to low income families in an emergency. The City scheme is entitled the Emergency Support Scheme (ESS); it is administered on our behalf by the London Borough of Lambeth. Direct funding ended in April 2015. However, the City of London is continuing to support the ESS (Local Government Settlement Grant) 	Individuals and families experiencing a crisis or emergency
Pre-tenancy	<ul style="list-style-type: none"> Engaged on a project with Broadway St Mungo 	Prospective

Training	where we will require first-time tenants to attend a two day money management training course before they are offered a property.	tenants on the waiting list for a first tenancy
Community Money Mentors	<ul style="list-style-type: none"> • A project in partnership with Toynbee Hall. A total of 60 hours training for resident to improve money management skills 	All residents
Care Leavers Support	<ul style="list-style-type: none"> • Improved support for looked after children, when they leave care and moved into independent living. • 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. • Monitor the position of each care-leaver carefully, in liaison with their social worker. 	Looked-after children and care-leavers
Kineara Rent Support Programme	<ul style="list-style-type: none"> • This project provided intensive support and training over a 10 week programme to households with serious and long term rent arrears. 	Tenants at risk of eviction for rent arrears
Illegal Moneylending support	<ul style="list-style-type: none"> • Worked with the National Illegal Moneylending Team, to raise awareness of how to spot and deal with illegal moneylending activity. • All estate staff received training and presentations given to residents on every estate at their estate meetings, as well as promotional materials being widely displayed. 	All residents
Credit unions	<ul style="list-style-type: none"> • Worked closely with the London Capital Credit Union (LCCU). • 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. • LCCU membership forms were sent to all tenants in January 2015. 	All residents
Essential items support	<ul style="list-style-type: none"> • Identified a budget to help residents in financial difficulties to purchase essential items, in particular carpets and curtains. • Residents often complain to estate staff that neighbours are covering windows with sheets, 	Residents identified by estate staff as being in need of support

	<p>or that hard floors are noisy. These issues indicate that a household is in poverty.</p> <ul style="list-style-type: none"> • 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. 	
Ongoing information	<ul style="list-style-type: none"> • 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. 	

In the current year we aim to achieve the following:

Financial Inclusion Programme		
Project	Outline	Aimed at
Personal budgeting support	<ul style="list-style-type: none"> • As part of the Delivery Partnership Agreement entered into with the Department for Work and Pensions, we will offer Personal Budgeting Support to tenants on Universal Credit who have been referred to us by the DWP. • Individuals who require intensive budgeting support will be referred to City Advice 	Referred clients
Credit unions	<ul style="list-style-type: none"> • Support residents in receipt of Universal Credit who do not have transactional bank account to open an appropriate credit union account. 	All residents
Rental Exchange	<ul style="list-style-type: none"> • Participate in a programme led by Experian, the credit-rating agency, allowing all our tenants to have a credit rating. • A tenant who has no previous borrowing 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. • A test of our data revealed that over 50% of tenants would benefit from the sharing of their 	All tenants

	data. A report asking for approval to implement the scheme will be brought to the Housing Management & Almshouses Sub-Committee in November.	
Local Welfare Assistance (LWA) Funding	<ul style="list-style-type: none"> Widen the scope of the scheme to ensure that anyone in receipt of a state benefit eligible to apply. Funding can be critical to recipients in a crisis. Improve take up of the ESS scheme 	Individuals and families experiencing a crisis or emergency
Estate information	<ul style="list-style-type: none"> Make Universal Credit packs available in all estate offices to ensure all appropriate information and forms are available to staff to support residents as the move onto direct payments under Universal Credit 	All tenants
Charities	<ul style="list-style-type: none"> Create a list of local charities and their criteria in order to support residents in need 	Individuals and families requiring support
Income maximisation	<ul style="list-style-type: none"> Providing support and information to assist individuals and households to maximise their income 	All tenants

Risks for the City

As previously reported, the programme of Welfare Reform poses the following risks to the City of London:.

- The principal risk from a financial perspective is that, as a result of direct rent payments under Universal Credit, rent arrears will rise. This will impact on the 30 year Housing Revenue Account Business Plan and restrict 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.
- 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.

19. Government funding to support local authorities through the impact of welfare benefit reform is reducing. Our Discretionary Housing Payments budget was reduced by a further 13% in 2015-16, with a DWP grant of £21,562. This cut has severely limited our ability to support vulnerable households.

20. 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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