

Committee	Date:
Housing Management and Almshouses Sub Committee	4 July 2016
Subject: Welfare Benefits Update & Financial Inclusion Programme	Public
Report of: Director of Community & Children's Services	For Information
Report author: Liane Coopey, Benefits Manager	

Summary

This report gives an update on the papers previously brought to the Sub-Committee in 2014 and 2015. It gives Members the latest information about:

- the impact of reforms to date,
- outlines the work taking place to help residents cope with the introduction of Universal Credit
- updates on the Financial Inclusion programme

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, in 2015 we 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.

Recommendation:

Members are asked to note the report.

Main Report

Background

1. The Welfare Reform Act 2012 and the Welfare Reform & Work Act 2016 have introduced a number of changes aimed at reforming the welfare benefits system. Chief amongst these are:

- 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 (A 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 will come into force during 2016);

- The introduction of Universal Credit;
- 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;
- Payment of Housing Benefit whilst tenant is absent abroad limited to 4 weeks to be introduced during 2016;
- 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);

2. 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 (though DWP funding to the CoL has been cut by 15% to £18,391 for 16/17)
- Additionally, a national living wage of £7.20 per hour has been introduced for employees over 25 in 2016. This will be compulsory for most employers
- From April 2016, social rents have been reduced by 1 per cent compared to the preceding year. This will continue for the next four years
- From September 2017, free childcare entitlement will be doubled from 15 hours to 30 hours a week for working parents of three- and four-year-olds

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 your Sub-Committee in January and September 15 and an update on the impacts to date can be found below. Support for households affected continues.

4. We are now focussing on Universal Credit. The City was part of the first tranche of national rollout of Universal Credit in March 2015. This affected only 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) who were directed to apply for Universal Credit. From November 2015, a much wider rollout began in our Southwark Estates under the UC Digital Service. This affects all tenants of working age, including singles, couples and families. The introduction of UC is therefore now happening more quickly than had previously been anticipated. As at the end of May 2016, 70 households have moved on to UC

Bedroom Cap and Benefits Cap Updates

5. As at June 2016:

- a total of 112 households had been affected by the Bedroom Cap.
- 63 are no longer affected.

- 49 households are being currently affected (38 subject to a 14% reduction and 11 subject to a 25% reduction)
6. As at June 2016:
 - a total of 11 households had been affected by the benefit cap.
 - 6 households are affected at the present time.
 7. As a result of the lower benefit caps announced in the summer budget the DWP have advised that a further 9 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. We are now 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.
11. It will not affect people of pension age.
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.
14. 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.

15. To prepare for the introduction of Universal Credit, the Housing & Neighbourhoods Service has implemented a Financial Inclusion Programme of measures designed to:
- support residents
 - help them to manage their money effectively
 - ensure that rent arrears remain low
 - minimise evictions
16. 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.
17. We have been monitoring rent arrears for 20 households in receipt of UC on the Avondale Estate to get an understanding of the impacts that UC may have in the long term.
- On the date they first claimed UC the average rent arrears for this cohort was £395.15;
 - After approximately 6 months the average rent arrears had risen to £644.48;
 - 19 out of the 21 households were, by then, in rent arrears.

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.

The 2015/16 Financial Inclusion Programme is attached as Appendix 1 to this report. All those measures are on-going, but, in addition, in 16/17 we aim to achieve the following:

Financial Inclusion Programme		
Project	Outline	Aimed at
Financial Inclusion	<ul style="list-style-type: none"> • Use funding from the DWP to engage with tenants suffering financial hardship to ensure 	Referred clients

Worker	that there are no evictions for rent arrears without the offer of support	
Income Recovery Officer	<ul style="list-style-type: none"> Employ a new Income Recovery Officer to support the work done to ensure that rent collections figures are maintained 	All residents
Charities	<ul style="list-style-type: none"> Broaden awareness of local charities amongst residents and staff Run a stall at the City Community Fair on 16th July for the Housing the Homeless Central Fund – a local charity used by the Tenancy Support Team and Homeless Team to access grants for clients in need 	Individuals and families requiring support
Furniture store	<ul style="list-style-type: none"> Tenancy Support Team set up and run 2 furniture stores to access basic household items for vulnerable and impoverished tenants – where grants are not otherwise available 	Vulnerable tenants
Utility bills	<ul style="list-style-type: none"> Continue to publicise and encourage take up of the Water Sure Plus scheme which reduces water rates charges by up to 50% Ensure maximum take up on schemes which reduce energy bills 	Tenants in receipt of qualifying benefits
Time Credits	<ul style="list-style-type: none"> Minimise social isolation by encouraging tenants to take part in activities which earn Time Credits that allow them to take part in social activities that they may otherwise be financially excluded from 	All residents
Universal Credit	<ul style="list-style-type: none"> Tenancy Support Team to ensure representation for vulnerable residents on UC who are undergoing DWP UC Sanctions, Tribunals and Reviews Provide specialised Benefit Surgeries on Southwark estates to support tenants through making and maintaining Universal Credit claims Signpost UC claimants for appropriate support when staff action is not appropriate eg City Advice or the Money Advice Service 	Vulnerable tenants or tenants in receipt of UC

Strategic Implications & Risks

18. We are now getting a better insight into the risks the programme of Welfare Reform poses to the City of London.
19. 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. On 7th June

2016 *Inside Housing* reported that “Three out of four Universal Credit tenants in rent arrears”.

20. Increased rental arrears will result in more evictions, additional void and staffing costs. This will affect not only City housing but from privately rented homes and from other housing providers such as the Guinness Trust. There will be an 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.
21. 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. The direct loss in Housing Benefit subsidy to the City of London rose from £9,134 in 14/15 to £20,844 in 2015/16, a 228% increase. It is anticipated that this will increase dramatically under UC
22. The freeze in Local Housing Allowance rates and a buoyant rental market are leading to private landlords withdrawing from renting to benefit claimants making accommodation more difficult and more costly to secure. This results in more people presenting as homeless, increasing strain on an already limited temporary accommodation market
23. Government funding to support local authorities through the impact of welfare benefit reform is reducing. Our Discretionary Housing Payments budget was reduced by 13% in 2015-16, with a further reduction of 15% in 16/17 in DWP grant of £18,391. £25,914 was spent on Discretionary Housing Payments in 15/16. The cuts will severely limit our ability to support vulnerable households.
24. Long term the reforms 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.

Appendices

- Appendix 1 : Financial Inclusion Programme – measures introduced in 2015

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Appendix 1 – Financial Inclusion Programme – measures introduced in 2015

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 Training	<ul style="list-style-type: none"> Engaged on 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. 	Prospective tenants on the waiting list for a first tenancy
Community	<ul style="list-style-type: none"> A project in partnership with Toynbee Hall. A 	All residents

Money Mentors	total of 60 hours training for resident to improve money management skills	
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, 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 	Residents identified by estate staff as being in need of support

	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. 	All residents
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 data. A report asking for approval to implement the scheme will be brought to the Housing Management & Almshouses Sub-Committee in November. 	All tenants
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