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**WELFARE REFORMS: SUPPORT TO COUNCIL HOUSING TENANTS**

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**SUMMARY REPORT**

**Purpose of the Report**

1. This report provides an update on the challenges that the Welfare Reforms present to Housing Services and the way that these challenges are being addressed. The report focuses on the business implication for Housing Services in responding to the changing circumstances of tenants as a result of the Welfare Reforms.

**Summary**

2. The Welfare Reforms will have significant impacts on many Council tenants. This report focuses particularly on the impact of the introduction of the Bedroom Tax in April 2013 but in the longer term the introduction of direct payments of Housing Benefit in 2014 as part of the implementation of Universal Credit which will have an even greater impact.
3. Many tenants have already experienced reductions in their overall income of between £9.07 and £18.76 per week which means budgeting for rent payments has become more challenging. A number of actions have therefore been implemented to mitigate the risk of increased rent arrears and based on current performance these would appear to have been successful. However, the situation is being closely monitored.

**Recommendation**

4. It is recommended that :-
  - (a) The changes in the way Housing Services are being delivered as a result of the Welfare Reforms is noted.
  - (b) Comment is provided on the emerging issues for the Housing Service and the proposals to re-designate some 4 bedroomed properties.

**Richard Alty,**  
**Director of Place**

**Background Papers**

Welfare Reform Act 2012

Impact of the Welfare Reforms on Housing Associations-2012 Baseline Report the MORI and the University of Cambridge.

Ken Davies: Extension 2435

S17 Crime and Disorder	This report has no implications for crime and disorder
Health and Well Being	This report has not direct implications to the Health and Wellbeing of residents of Darlington
Carbon Impact	This report does not deal directly with Carbon Impact.
Diversity	There are no issues relating to diversity which this report needs to address
Wards Affected	All wards with Council housing
Groups Affected	Tenants affected by the Welfare Reforms
Budget and Policy Framework	This report does not represent a change to the budget and policy framework
Key Decision	This is not a key decision
Urgent Decision	This is not an urgent decision
One Darlington: Perfectly Placed	The actions within the report link to objectives set out to address the Welfare Reforms under the Sustainable Communities objectives
Efficiency	The actions set out in this report will significantly mitigate the risk to rent income.

## MAIN REPORT

### Information and Analysis

#### Background

5. The Welfare Reforms have resulted in significant changes to the financial circumstances of affected Council tenants. The first significant impact was the introduction of the Bedroom Tax. Tenants who are of working age and in receipt of Housing Benefit have lost between £9.07 and £18.96 from April 2013 if they under occupy a Council property. In addition from April they have also lost 20% Council Tax benefit. Further pressure is also anticipated as fuel bills are expected to increase significantly while benefit increases will remain at 1%. Changes are also being introduced to a number of other benefits during the course of this year including the introduction of the Personal Independent Payment (PIP) replacing the Independent Living Allowance and the Benefit Cap which will be introduced in July.
6. In the longer term there are other and probably greater risks to income particularly the proposed introduction of Direct Payments in 2014 as part of the full implementation of Universal Credit. This is likely to see both transaction and collection costs go up significantly as income goes down. A survey conducted of Housing Associations<sup>1</sup> on behalf of the National Housing Federation estimated that on average arrears would rise by between 50% and 100%. The initial results published by the Government from the Direct Payment pilots found arrears increasing from 7% to 11% of total rental income.<sup>2</sup> The tenants involved in these pilots were generally those who the housing providers thought to be best able to

<sup>1</sup> Impact of the Welfare Reforms on Housing Associations – 2012 Baseline Report the MORI and the University of Cambridge.

<sup>2</sup> Direct Payment Demonstration Project Payment figures DWP December 2012

manage direct payments. This is a worrying indicator of potential future difficulties.

7. There is some uncertainty about when Universal Credit will now be introduced. The down scaling of the Universal Credit pilots that were due to begin in April 2013 brings into question the introduction of Universal Credit for new applicants in October 2013 and therefore the timetable for implementation is now commonly thought to be some time in 2014 for Darlington tenants. However, the level of potential impact of Universal Credit in general and the specific challenge of Direct Payments means those preparations have to be made in advance. These include:
  - Dealing with an increase in rent arrears. With the introduction of Universal Credit a single payment of all benefits to tenants will be made monthly in arrears.
  - The Government will introduce “Digital by Default” as the means of interaction for Universal Credit Benefit claimants are expected to manage their claims by electronic means. Evidence suggests that people who live in social rented accommodation are the least likely to own some form of computer. This may have an impact on their ability to manage their benefit claim and therefore their income.

### **Current Position**

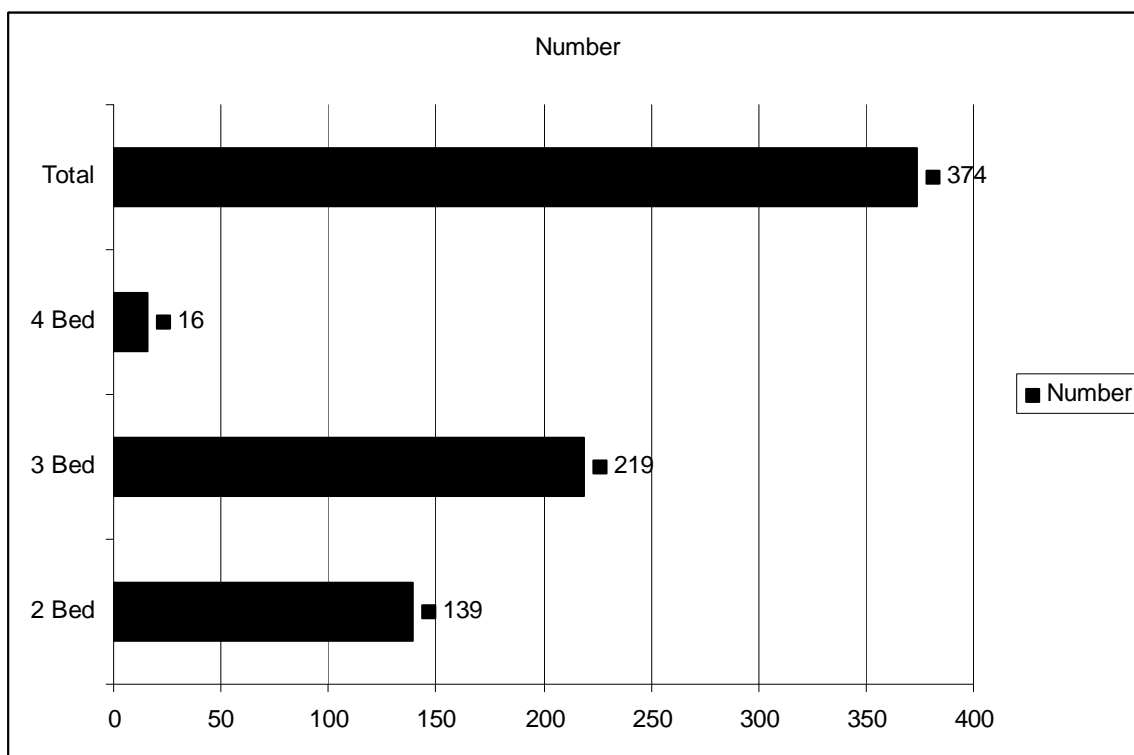
8. Over 600 Council tenancies were initially affected by the Bedroom Tax and up to 2000 tenancies are potentially affected by the full introduction of Universal Credit and its associated reforms. From July 2013 only around 10 Council tenancies will also be affected by the Benefit Cap that limits total benefit income to a maximum of £25,000 per annum. To date 131 tenants are no longer affected by the Bedroom Tax largely due to mitigating actions but 116 new tenants are now affected so there is a need for ongoing action.
9. Table 1 below shows the family composition of those affected by the Bedroom Tax and that over half of those affected are single people.

**Table 1: Family Size of those affected by the Bedroom Tax**

<b>Family Size</b>	<b>No Children</b>	<b>With Children 16 and under</b>	<b>Total</b>
1	292	0	292
2	108	46	154
3	32	90	122
4	2	32	34
5	0	9	9
6	0	4	4

10. The Housing Service has attempted to contact every tenant affected by the Bedroom Tax to discuss the implications and options for dealing with the loss of income. Since January 2013, 374 tenants have been interviewed. The majority live in 3 bed properties as demonstrated in Table 2.

**Table 2: Property size of tenants interviewed**



Of those interviewed:

- (a) 32 had already applied for Rehousing
- (b) 97 wanted to move to smaller accommodation with the majority \*82) requiring one bedroomed accommodation
- (c) Through a mix of transfers and mutual exchanges about 50 tenants have moved so far
- (d) Approximately 60 have applied for Discretionary Housing Payments
- (e) Two families with members in the Armed Forces serving away from home will be exempt from the Bedroom Tax as a result in a Government change in the regulations in March 2013.

11. All of the tenants interviewed who do not want to transfer said that they had made plans to deal with the loss of income by:

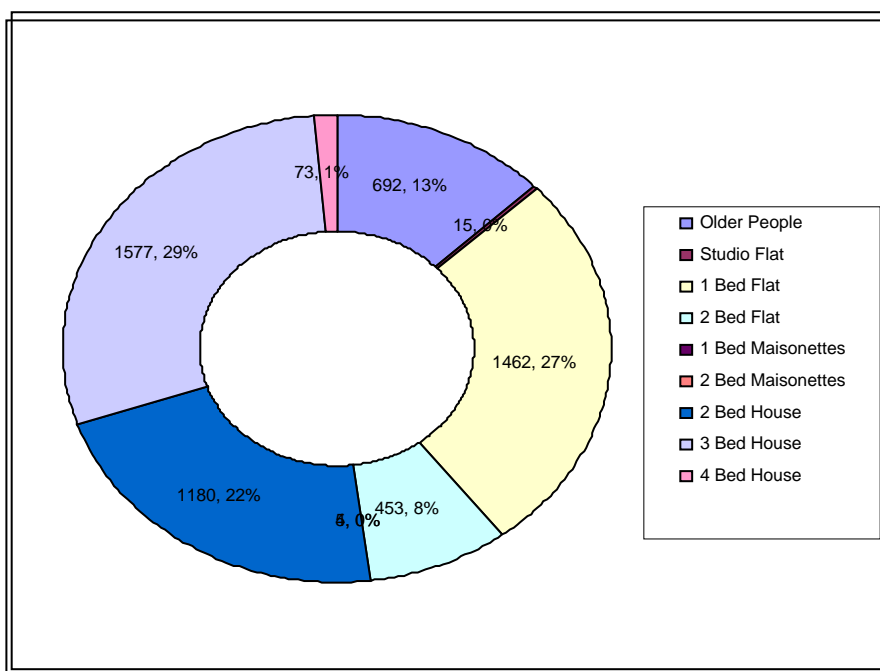
- (a) Detailed planning for managing their finances
- (b) Having members of the extended family move in to help make up the short fall or taking in a lodger
- (c) Seeking employment to resolve the long term situation
- (d) Reduce their outgoings, in many cases by reducing expenditure on food and heating. (It is clear that for many this position will be unsustainable in the medium to longer term).

12. Despite every effort around 250 tenants have not actively engaged with Housing Officers. However we have provided items in Hot News, information leaflets and information on the Council website alongside a huge increase in general press interest. It is hoped therefore that most tenants have made some arrangements to

respond to the loss of income. Some will know that a change in family or financial circumstances is imminent that will take them out of the Bedroom Tax but some may have not been in contact because of the influence of Social Network campaigns not to cooperate. If a tenant has not responded to requests for contact this information is being recorded and will be used should they fall into arrears and legal action is required.

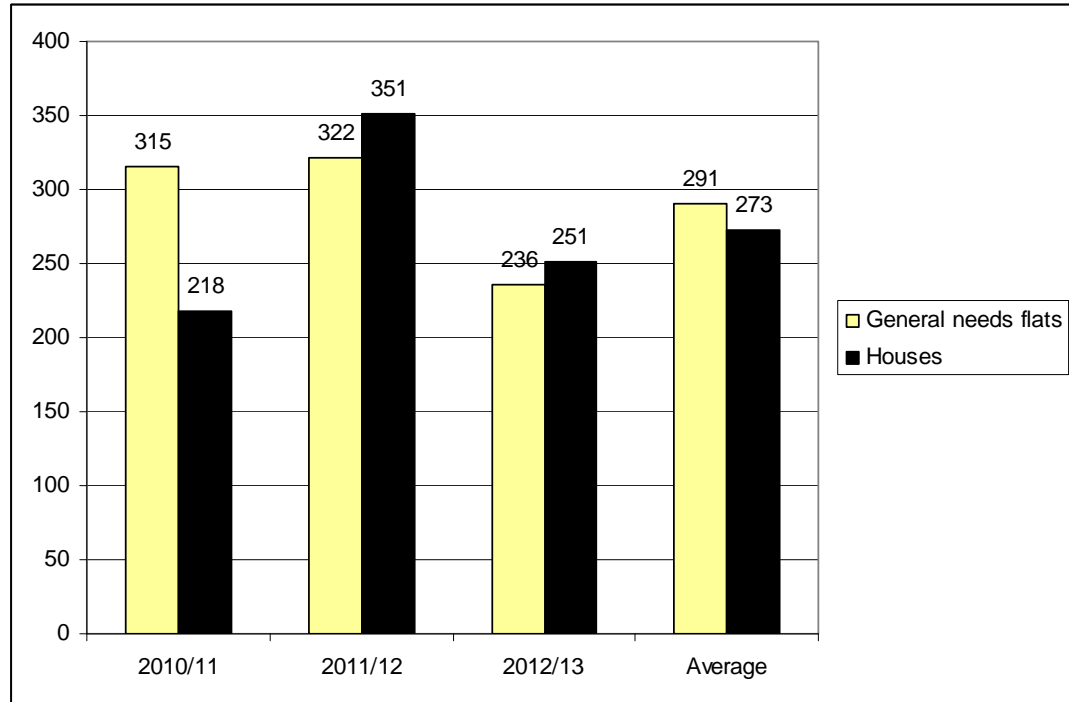
13. The Bedroom Tax has not been in place long enough to begin to identify any trends but the rent arrears are being carefully monitored. The effects of the Bedroom Tax are accumulative for tenants. The longer term loss of income is likely to see numbers in arrears gradually increase. Some Housing Providers have already identified significant numbers of tenants who have either not paid their rent at all or not covered the loss of Bedroom Tax. In Darlington the overall number of tenants in arrears has fallen during the first 5 weeks of the Bedroom Tax but work is on-going to analyse the impact on those tenants affected. Some neighbouring areas have notified a shift in demand to smaller properties and increased difficulties in letting larger properties. We have relatively few large properties and in comparison to other neighbouring providers a proportionately larger number of one bed properties as shown in Figure 1 below:

**Figure 1: Council Housing Stock Profile**



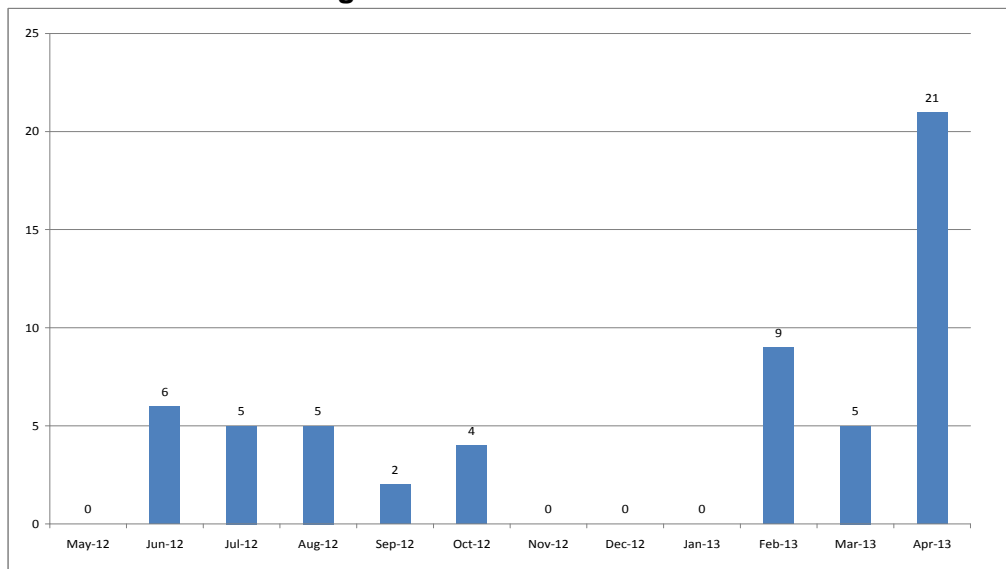
14. This should mean that in comparison Darlington Council tenants who are affected by the Bedroom Tax should have less difficulty in finding smaller accommodation. There should also be a less significant change in demand over all. However, this does not mean that there will be no difficulties.
15. Table 3 below shows the number of re-lets that have taken place but it should be noted that these include temporary moves that have taken place during the regeneration of Parkside and Cockerton as well as the re-modelling of some sheltered housing schemes.

**Table 3: Re-lets of general needs flats and houses**



16. There are competing priorities for available properties particularly from those who are at risk of homelessness and those who have been accepted as homeless. It may therefore be some time before all tenants who apply for rehousing to smaller accommodation are able to move. To address this challenge we have been promoting Mutual Exchanges. As well as revising the Allocations Policy, and process and where the best opportunities for rehousing are. Exchanges between tenants provide an important option for those who want to move to smaller accommodation. There has been a very noticeable increase in Mutual Exchanges in recent months. As show in Table 4 below.

**Table 4: Mutual Exchanges**



17. Some Housing Providers have chosen to re-designate the size of their properties to reduce the impact of the Bedroom Tax. However, this has significant cost implications as the overall rent for all those properties will be reduced. This is only appropriate where there is sound business case, such as, the properties would otherwise stand empty or the property design is an issue and no such issues have been identified in our properties so far with the exception of some 3 storey 4 bedroomed properties. There are 43 such properties at Redhall, Branksome and Lascelles Park where one bedroomed is situated on the first floor along with most of the living accommodation and it tends not to be used as a bedroom. It is proposed therefore that these properties are re-designated to three bedroomed properties at an annual loss in rental income of £10K. This can easily be accommodated with the Housing Business Plan and will help to stop tenants going into arrears.
18. We have, also, taken a more flexible approach to rehousing tenants in rent arrears provided the move improves the financial position of the tenant by moving to smaller accommodation and arrangements are in place to address the arrears. Rent balances are also transformed to the new tenancy. For tenants who need financial support to assist them with removal costs they are also supported to make an application to the Social Fund which from April 2013 is now administered by the Council as part of the overall work of the Revenues and Benefits Team. The same team also administer Discretionary Housing Allowances and the Government has increased the funding available to allow us to support tenants for a time limited period whilst we work with them to take more permanent mitigating action.
19. One of the implications of the reforms is that Housing now needs to collect and retain more detailed information on tenants personal and financial circumstances to be able to provide the right levels of support and advice. One of the early findings of the six demonstration pilots for Direct Payments noted that it is now essential for housing providers to produce detailed profiles of their tenants. The Government have acknowledged this consequence of the Welfare Reforms. As part of the process of contact tenants in relation to the Bedroom Tax Darlington Housing Officers are completing a survey that gathers details on the circumstances of those living in the property, their income and expenditure and how they intend to address the loss of income. Through this work we have begun to build a much more detailed understanding of the challenges that some tenants face. It is clear that debt is a major problem for many and it is feared that the further changes to Welfare Benefits will increase this problem. The research "Does Debt advice Pay"<sup>3</sup> makes a financial case for housing providers including enhanced debt advice within their arrears recovery systems. The research found that generally rent arrears were usually the tip of a debt iceberg. They estimated that total debt of the tenant could be multiplied by a factor of 3.6 to 5.7 times the level of rent arrears. Although debt advice has been included as part of the Council's arrears recovery processes the current circumstances, particularly the impact of the financial downturn that forms the backdrop to the Welfare Reforms has made changes to the service essential. As a consequence the Council will shortly introduce a dedicated Money Advice Service for Council tenants that will support Housing staff in dealing with the increasing risks of rent arrears by addressing some of the issues created by debt.

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<sup>3</sup> Commissioned by a Group of RP's the work formed the basis for the Big Lottery Improving Financial Confidence programme

20. There are however other aspects to addressing debt, for example:
- (a) The Council has had early discussions with the Northern Consortium of Housing about their Smarertbuys service which offers basic household products with accessible finance. This is a way of tenants avoiding the use of payday loans and door step loans to purchase basic goods.
  - (b) Discussions with the local Credit Union concerning the range of service that may be available to those who need access to loans and the use of bank accounts.
  - (c) The Community Energy programme provides a means for tenants to get the best possible deal on energy reducing the risk of fuel poverty.
  - (d) Further development of energy efficiency policies and the use of “green” energy
  - (e) On-going discussions concerning payment methods that will offer the best deal for tenants.

### **Conclusions**

21. The staged implementation of the Welfare Reforms will see an escalating level of change to the way the Housing Service deals with the challenge of managing rental income. This will have wider implications on the service. The level of information gathering about tenants’ circumstances and the way we communicate with them will be a permanent change as will be the need to deal with the consequences of the challenges tenants will face in managing their financial circumstances. We are entering a period that some predict will present the biggest challenge to Social Housing in recent history. Therefore there has to be a very clear focus on continuing to deliver a good service while changing some aspects of the way the service is delivered to ensure that financially the service remains able to deliver on its expectations.

### **Outcome of Consultation**

22. The Tenants Board has received and will continue to receive regular updates on the implications of the Welfare Reforms for the tenants and the Housing Service.