**Hexagon Housing Association**

**Board of Management**

**29th March 2016**

**Agenda item 10**

**Update on Hexagon’s response to welfare reform**

**Report by the Operations Director**

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| ***1.*** | ***Summary*** |
|  | This report updates the Board on the main welfare reform changes announced in the last 14 months which affect our income collection and sets out how we are responding. |
| ***2.*** | ***Recommendations*** |
| 2.1 | To note the changes announced in the last 14 months and the impact on residents of previous reforms. |
| 2.2 | To approve the priorities for our response set out in section 5 |
| ***3.*** | ***Changes in Government policy and roll-out programme since the last update*** |
| 3.1 | The last comprehensive update to the Board on welfare reform was in January 2015 and since then the Government has made a number of policy announcements which will present even more challenges in the future in collecting our rental income. There have also been changes in the timetable for implementing the changes. |
| 3.2 | The main changes in policy have been highlighted as they have been announced in previous reports to the Board; none of these changes has yet been implemented.  The main changes are:   * A lowering of the Benefit Cap from £26k to £23k * A restriction on the ability of under 35 year old single people to claim Housing Benefit (HB) or Universal Credit (UC) to only the shared accommodation rate for the Local Housing Allowance (LHA) * A restriction on the maximum Housing Benefit/UC housing element social housing tenants can claim to the relevant bed size Local Housing Allowance (LHA) rate   There have also been changes to the way Universal Credit is calculated in relation to allowances for families etc. which will have an adverse effect on some of our residents’ income in the future. Information from Joseph Rowntree Foundation and Institute for Fiscal Studies suggests that families with a disabled member will be particularly badly hit in the next few years. |
| 3.3 | We have tried to estimate the impact of all of these measures on our residents, although in some cases, there is not yet enough information to make a reasonable forecast.  **Benefit cap**  Our preliminary estimate is that between 70 and 100 households may be newly affected by the lowering of the benefit cap, in addition to the 14 or so households affected by the current cap. We will not be able to estimate the potential financial shortfall until the boroughs tell us which households are expected to be affected and to what extent; we are expecting the boroughs to provide this information in the next two months. As a rough guide, we believe that the reduced cap will affect households with three or more children in a three bedroom or larger home where there is no-one earning the minimum qualifying level to exempt them from the cap. The cap is expected to be introduced in the same way as the original Benefit Cap - over the summer/autumn of this year with a roll-out over a few weeks.  The measures we could take to support families affected by the Benefit Cap are to provide support to gain at least enough employment so that the household becomes exempt and/or to provide support to apply for a discretionary housing payment. |
| 3.4 | **Under 35 restriction**  We estimated on the basis of normal turnover rates that we might house 15 per annum young people in General Needs housing and 9 in Supported Housing who were at least partially dependent on HB in accommodation where, under the new rules, the eligibility for HB would only be at the shared accommodation rate (which in all our boroughs in less than £100 per week.) This equates to an estimated potential loss of £78k per annum in rental income, unless changes are made to our Allocations policy which we will need to discuss with our partner local authorities. The original intention is that the new rules relate to tenancies created after April 2016 with a deferred implementation in 2018; this start date was deferred recently for Supported Housing only to apply to tenancies created after April 2017 but it is assumed with the same implementation date.  The mitigation measures we are considering include declining to rehouse young people on benefits but this will need some discussion with local authorities. We could also consider in some circumstances allowing a young person to share a one-bedroom flat. |
| 3.5 | **LHA restriction for all other HB claimants**  The restriction of HB/UC housing element claims to the LHA rate is mostly an issue for Supported Housing where we have 73 directly managed homes where the combined rent and service charge is above the applicable LHA rate. Twenty three of these are the 1 bed flats in the high support schemes at Newstead Road and Kirkwood Road where the service charges are high, reflecting the high level of services provided in these 24 hour staffed schemes. Fifty homes are bed-spaces in shared houses – many for people with learning difficulties – again with a high level of service. The potential annual loss of rent which would no longer be eligible for HB on the 73 units would be approximately £275k, which represents nearly 20% of the annual income in Supported Housing. We have also estimated that all of our agency managed schemes which are not care homes – containing 72 homes - would also be affected and would be potentially non-viable. There has been a high level of campaigning on this issue by the NHF, and the supported housing sector. We have written to our local MPs on this issue as well. This lobbying may well be successful, as it now seems as if the Government did not intend to have such an adverse impact on the Supported Housing sector. The restrictions to LHA level were intended to be introduced in April but the Government has deferred the start until 2017, awaiting a review they are doing of the funding .of Supported Housing. |
| 3.6 | **Changes in roll-out programme**  When we reported in January 2015, the national roll-out of the Universal Credit “live” programme was not expected to affect any of our partner boroughs until at the earliest May 2015. In practice, our boroughs were in the final phase which started to be roll-out in February 2016 but for new claims from single childless people only. This has had no impact yet. More significantly, a separate programme, the “digital programme” is being tested in a few post-codes and this has started to affect more of our residents. This programme is operating “digitally” with enrolment on-line and communication by email. Significantly, it covers all types of claimant (not just single people) and started to be introduced in some Croydon post-codes where we have stock in October. This has now rolled out to some post-codes covered by the Job Centre at London Bridge so is starting to impact on our residents in Bermondsey. As at early March, we were aware of 10 residents on Universal Credit as a result of this digital roll-out. One of these residents is receiving the housing element of their Universal Credit in the form of an “Alternative Payment Arrangement” (“APA”) and we are receiving the benefit direct from DWP.  The digital programme will start to cover more post-codes in Southwark from October onwards so we can expect the pace of change to accelerate from then onwards. The national roll-out of the “live” programme for legacy claims (those already on benefits – i.e. the vast majority of our benefit claiming residents) is still not expected until 2017.  We are communicating the changes to potentially affected residents on a postcode basis as they are implemented. We have worked out how to identify those residents who may struggle with the transition to UC and are working out how best we can support them in being able to pay their rent, how to budget, and how to manage track their claim on-line. (See also 5.4.2) |
| ***4.*** | ***Impact on residents*** |
| 4.1 | The Bedroom tax and Benefit cap are now well understood by residents who are subject to them. In many cases, residents have adjusted their budgets to cope with the changes, albeit sometimes by cutting back on other vital expenditure such as food and utilities. Some have also been supported by Discretionary Housing Payment (DHP), but with most Local Authorities suggesting that they will be applying tighter criteria in the next financial year, this is likely to be limited to those who cannot move for health reasons going forward. This may in turn course some residents who have previously coped with the changes to start to struggle. |
| 4.2 | A small number of residents are struggling to manage the changes in their finances caused as a result of Welfare reform. This group are falling further into arrears, and as things stand their tenancies may be unsustainable in the long term. We will be looking to identify and work with this group in order to assist them in finding sustainable long term solutions to the challenges of Welfare Reform. In most cases, this will involve a move to smaller accommodation or into employment |
| 4.3 | **Housing benefit back-dates severely restricted**  An important change for the 2016-17 year is the removal of the ability to backdate Housing Benefit payments for up to 6 months if good cause for the failure to claim earlier can be demonstrated. The ability to get claims backdated in this way has helped around 15 of our most vulnerable residents in the last financial year, and the removal of this facility is likely to have significant impact on the finances of a small number of residents going into the next year. In some cases, this may impact on their ability to sustain their tenancies, as well as having a potential cost to Hexagon of around £30,000 per year |
| 4.4 | **Impact of Universal Credit**  With the first of the Universal Credit claims only just coming through, it is too early to draw meaningful conclusions due to the low numbers and the short timescale since most claims started. Our preliminary experiences do however broadly match those of both the pilot studies and other social landlords with larger UC caseloads, in that the move to UC creates an initial spike in arrears for those residents. Most evidence from elsewhere suggests that after this initial spike, residents generally settle into a consistent rent payment pattern. However, it is too early to say if this will be replicated for our residents. |
| ***5.*** | ***Progress with the plan*** |
| 5.1 | When we last reported, we had two priorities in preparing for the Universal Credit regime:   * Identifying those residents who will need support to manage the transition and identifying those who have a high risk factor according to the DWP definitions * Improving our arrears IT system so that we can easily record and use expected UC payment dates, incorporating text reminders |
| 5.2 | There has been some progress with these exercises although neither is complete. In relation to the first exercise, identifying those residents who will need support, we have worked on the method of identifying those residents, but have not yet tested it. This exercise will start in the next few weeks. We also need to work out the model for offering support – for example, in what circumstances, the low level of support needed can be provided by housing officers , when to refer cases to our own Financial Inclusion advisor and when we should refer to an external support provider. This is part of our revised welfare reform plan. |
| 5.3 | We have improved our arrears monitoring system by implementing Rentsense but the system is not yet set up to use expected Universal Credit payment dates or text reminders. The facility will shortly be made available on our main Genero system and we should be able to adapt the “rules” within Rentsense to pick up whether or not a payment has been made on the expected date which will be used to prompt housing officers to take action. We intend to start to use the text based facilities which can be incorporated into Rentsense once we are satisfied that the core functionality is working in the way we want. We expect to be in a position to make this decision by July and have budgeted for the text facilities in the IT part of the draft 2016/17 budget which is on this agenda. . |
| 5.4 | **Main features of the current welfare changes response plan**  The plan has four themes which have not changed since the original plan was drawn up, although individual items have been changed as we progress and complete some items and recognise we need to undertake new tasks:   1. Responding to the bedroom tax and benefit cap 2. Preparing for Universal Credit 3. Money advice to benefit-dependent households and support to get on-line 4. Keeping up to date with national policy and best practice |
| 5.4.1 | **Bedroom tax and benefit cap**  The focus of the work in this area is to keep on top of which households are affected so that we can offer support if needed, for example, to find work or to make a claim for a discretionary housing payment or to move. We are also t amending our affordability checks on applicants to be able to identify households who will potentially be affected by the lower benefit cap. |
| 5.4.2 | **Preparing for Universal Credit**  Under this theme, we have been training our housing and customer services staff in what they need to know about the new benefit. We have been agreeing the content of communications with potentially affected residents. We have reviewed the available rent payment methods with a view to introducing new ways of paying if they are cost-effective. We have worked out how we can identify our more vulnerable residents who might struggle with the transition to UC and are working on the type of support we can offer. We are working on a co-ordinated system for requesting from DWP an Alternative Payment arrangement from the outset of the UC claim or a switch-back to payment to the landlord if the resident gets into serious arrears. We are also working on improving the arrears system to be able to accommodate key UC dates. |
| 5.4.2 | **Money advice and help to get on-line**  We have developed our credit union offer with the London Plus credit union and there is some recent evidence of more take-up by residents, although it is still very low. We have also widened the scope of our digital inclusion programme to tie in better with other local provision. The casework work of our Financial Inclusion Advisor continues and although no additional resources for support have been identified in the draft 16/17 budget for this work, we will need to keep this under review and be ready to respond if the level demand justifies it. |
| 5.4.3 | **Keeping up to date with national policy and best practice**  This is an ongoing task achieved through on-line forums, webinars and attending local and national meetings. Disappointingly, the local pilot for testing how to deliver “Universal Support (for Universal Credit) Delivered Locally” operating across Lambeth, Southwark and Lewisham has failed to involve housing association landlords in any significant way and although the findings may have been useful to the DWP, they have only just been made public and were unsurprising. In practice, it looks like there will be very little support available externally to which we could refer our residents. |