

Impact of Welfare Reform and Mitigation Strategy

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1. Introduction

- 1.1 When the Coalition Government came into power in 2010, it declared that its number one priority was to reduce the national debt. This was reflected in its first budget, when Social Security in general, but most notably Housing Benefit, became the focus of significant reform, with expenditure being slashed.
- 1.2 The Welfare Reform Act 2012 made a wide range of changes to the UK social security system, introducing the “most radical reform of the Welfare State since it first began.” The main elements of the Act are:
 - the introduction of Universal Credit
 - stronger penalties for fraud and error
 - new "claimant commitment"
 - phasing out of Disability Living Allowance and replacement with Personal Independence Payment
 - reform of Housing Benefit, including introduction of under-occupancy penalty, commonly referred to as the "bedroom tax"
 - changes to the Social Fund, including greater power to local authorities
 - reform of Employment and Support Allowance
 - changes to child support
- 1.3 The introduction of the Act had significant implications for social security claimants and social landlords, primarily relating to:
 - Changes to the way people make and maintain claims → claims online
 - Changes to the ways people are paid benefits → all benefits paid monthly direct to claimants
 - Changes to the assessment process → changes to entitlement/removal of premiums
 - Abolition of some benefits
- 1.4 Further measures aimed at cutting the annual cost of social security were announced in the Chancellor's Summer Budget 2015, with further detail in the Welfare Reform and Work Bill that followed. The Welfare Reform and Work Bill has been introduced to Parliament and the second reading took place on 21 July. The Bill covers many of the social security reforms announced in the Budget, including:
 - Reducing the household Benefit Cap

- Freeze on up-rating of the majority of working-age benefits and tax credits – for 4 years from 2016-17 to 2019-20
- Restricting child tax credits and the child elements of Universal Credit to two children
- Removing the work-related activity component in employment and support allowance
- Increasing the work related requirements for parents with children aged between 2 and 4 years old.
- Reforming Support for Mortgage Interest from a benefit to a loan secured over the property of the claimant.

1.5 The Bill does not cover the announced changes for 18-21 year olds or the changes to work allowances in tax credits and Universal Credit. It is expected that these changes will be made through regulations.

1.6 The Scotland Bill will give the Scottish Government around £2.5 billion worth of new social security powers, including benefits for carers, disabled people and people who are ill. The Scottish Government is already responsible for the Scottish Welfare Fund, which has been formalised by the Welfare Funds (Scotland) Act 2015, the first substantive welfare reform act to be passed by the SG. The Scotland Bill gives Scotland new powers to make changes to how Universal Credit is paid, which will eventually affect over 700,000 households across the country. The Scottish Government wants claimants to be given the choice of having their payments made twice a month rather than once. The SG also wants the housing element to be made direct to landlords, for all new UC claims, where the claimant is renting from a social landlord. The SG is working with DWP to implement these changes.

1.7 The Scotland Bill has now completed its committee stage in the House of Commons and is expected to achieve Royal Assent before the Holyrood elections in May.

2. MITIGATION STRATEGY

2.1 A mitigation strategy on the impact of welfare reform is crucial for 2 main reasons:

Business Case – to quantify the impact welfare reform could have on the Association’s finances and services. It is crucial that rental income is protected to secure the future viability of the Association.

Social Welfare Case – to ensure that tenants incomes are maximised through full uptake of eligible benefits; that hardship is minimised as far as possible; and that tenants are supported and advised as their circumstances and incomes change to alleviate poverty and social exclusion.

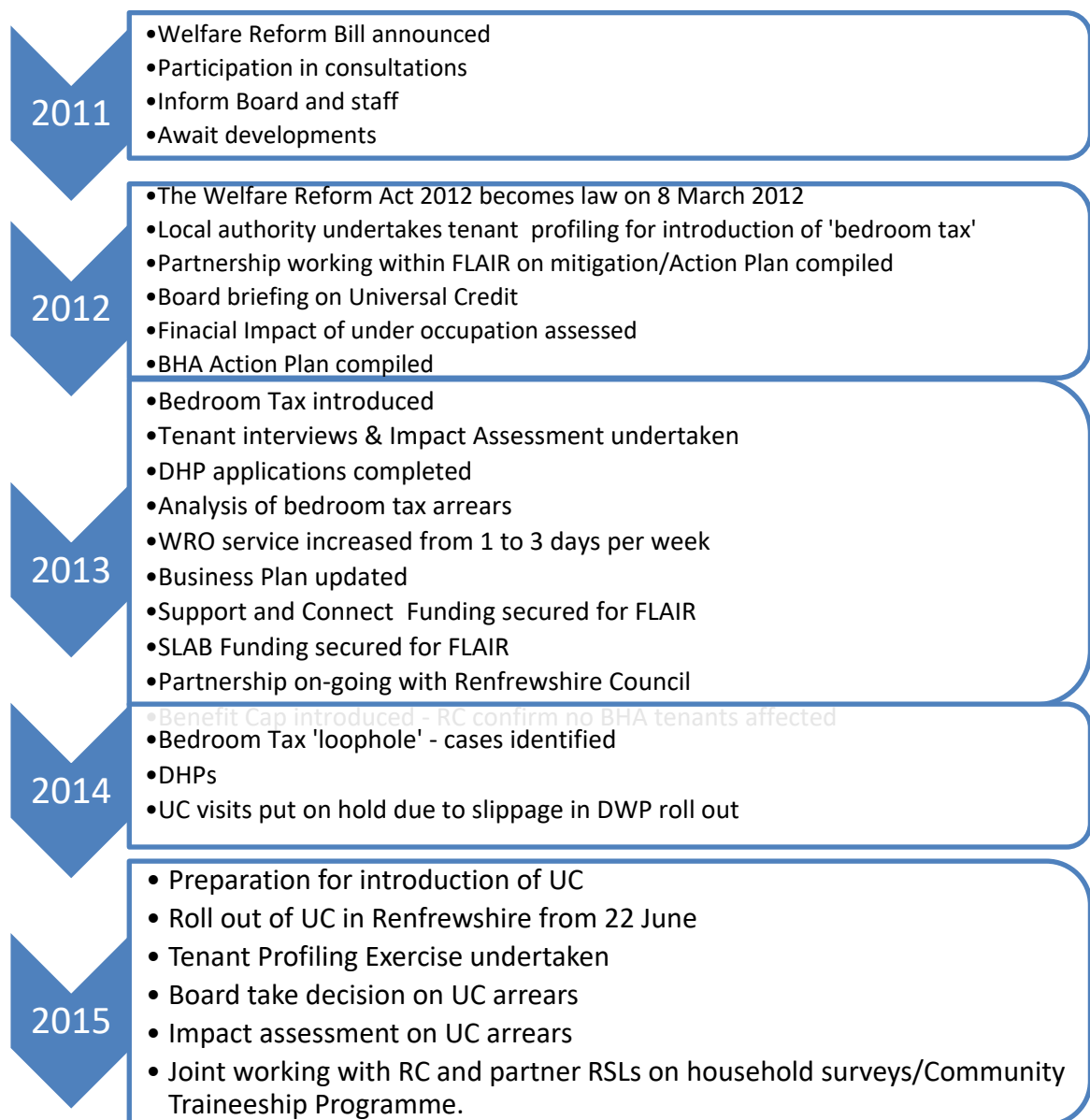
2.2 The Association has been preparing for and adapting to social security reform since 2011. This has taken many forms and included:

- Compiling a Welfare Reform Action Plan
- Responding to consultations and surveys (CIH, SFHA, SHR etc)
- Liaison with the local authority and partners within FLAIR
- Feeding into industry wide preparations
- Reviewing internal business and risk management plans
- Reviewing the provision of our Welfare Rights Service
- Reviewing support and advice services for our customers

2.3 As welfare reforms have been subject to change and challenge, and time frames have slipped, our mitigation plans have required to adapt to reflect the circumstances/reforms at any point in time. Consequently, our plans have been subject to on-going review, where we prepare as far as is reasonably practicable for reforms as they unfold.

2.4 These reviews have included updating information to tenants; making provision in our business plans for any potential dips in performance and new debt; reassessing risk; ensuring staff are informed and trained; and ensuring we are prepared to respond as a new reforms are put in place.

2.5 The critical activities within our mitigation strategy to date are summarised as follows:



2.6 **Bedroom Tax Mitigation:** In 2013, the Welfare Rights Officer and Housing Officers met with tenants affected by under occupation, and supported and encouraged them to complete household surveys and Discretionary Housing Payment (DHP) applications. The WRO ensured that any tenants who qualified for a bedroom for an overnight carer, received an exemption.

2.7 The household form enabled us to collect core data on:

- ➔ financial circumstances within the household

- ➡ ability/willingness to pay under occupation rent charge
- ➡ support needs
- ➡ payment methods
- ➡ access to online technology
- ➡ age/proximity to pensionable age
- ➡ level of desire to move to a smaller property
- ➡ views on taking in a lodger
- ➡ Requirements for signposting to other landlords.

2.8 A report was presented to the Association's Board in November 2013 on the findings of the interviews/household surveys.

2.9 **Support and Connect:** Linstone Housing Association (on behalf of FLAIR) was awarded £300,000 to work in partnership with RAMH, Renfrewshire Credit Union, Renfrewshire Council and SOLAS to deliver a project to help tenants get access to a range of services including energy advice, financial skills and basic bank accounts, recycling goods and support for tenants with mental health issues, until March 2015.

7 posts were created with Linstone appointing an overall Project Co-ordinator, a Welfare Rights Officer, RAMH appointing a Financial Literacy Worker and Life skills Worker, and the Credit Union appointing a Financial Skills Training Officer and Administrator. The other post was an energy advisor.

2.10 **Scottish Legal Aid Board (SLAB):** funding was secured by Linstone (on behalf of FLAIR) until March 2015 for a Welfare Rights Advisor and Money Advisor.

2.11 **Meetings and Conferences:** we have liaised with Renfrewshire Council and other partners through targeted meetings and conferences on social security reform.

2.12 **Universal Credit:** our key activities associated with the roll out of UC in Renfrewshire include:

- ➡ all new UC claimants will all be interviewed by our Welfare Rights Officer, and if assistance to claim online becomes a factor, we will arrange for a pc to be purchased for our interview rooms.

- ➔ Our housing management system is being updated to record UC payments and arrears are being recorded and monitored.
- ➔ Our pre-allocation and tenancy sign-up processes include discussions on affordability and rent payments. These have been refined to ensure that UC claimants are identified and supported to make their rent payments on time.
- ➔ Our newsletter, Bridgewater News, will carry articles on UC and we will continue to raise its profile.
- ➔ Working age tenants will be surveyed during 2016 through a Community Traineeship Programme and vital data will be secured to inform future demand for our Welfare Rights and Connect4Renfrewshire services.

3. Impact Assessment

3.1 Profiling of the Association’s tenant base at April 2012, showed that over 50% of our tenants (of working age) could be affected by proposed measures in the Welfare Reform Act concerning bedroom tax and Universal Credit.

Table 1

Circumstances	Affected Tenants	Monthly HB
Total number of tenancies	771*	
No. of tenants aged 60 or over (pensionable age)	369 (48%)	
No. of tenants of working age	401 (52%)	
No of tenants of working age who are self payers	156 (39%)	
No of tenants of working age on full HB	149 (37%)	£50,298
No of tenants of working age on partial HB	96 (24%)	£21,977

3.2 Data was unavailable to measure the impact of other measures such as changes to Disability Living Allowance, or changes to future calculation of benefits.

3.3 The impact of potential changes to benefits for pensioners, such as Pension Credit for new claimants, have not been quantified.

3.4 It was predicted that only 2 groups of people would be unaffected by Welfare Reform:

- Tenants in employment with no children, and not reliant on any benefits
- Retired tenants with no reliance on housing benefit or Pension Credit.

3.5 The roll out of the ‘Benefit Cap’ took effect from July 2013 – Renfrewshire Council confirmed that no BHA tenants had been affected by this.

3.6 In assessing the impact of Welfare Reform in 2015, tenant profiles have been analysed to identify those affected by under occupation, and likely to be affected by the roll out of UC longer term (as referred to in section 2.6).

3.7 Monthly data supplied by Renfrewshire Council on under occupation shows an average of 61 tenants per month affected, with DHPs in payments. Refer to table 2.

Table 2

UNDER OCCUPATION/BEDROOM TAX			
MONTH	No. of cases	14% Deduction	25% Deduction
January 2015	60	56	4
February	61	56	5
March	65	58	7
April	63	57	6
May	63	57	6
June	57	50	7
July	60	52	8
August	61	53	8
September	unavailable		
October	59	51	8

3.8 Tenant profiling on UC to identify the number of single, working age BHA tenants who could potentially claim UC through a change in their circumstances, revealed that up to 115 tenants could be affected. Of those, 40 are currently affected by under occupation deductions.

3.9 Around 6 tenants per month experience a change to their circumstances, which means they qualify for Housing Benefit (HB), or a change to the rate of their HB. An assumption was made that 2 tenants per month would migrate to UC, and carry 1 month's rent arrears. Based on an average monthly rent of £292 for a 2 apt (1 bedroom) property, potential rent loss to the Association during 15/16 could be £4,000.

3.10 By October 2015, 3 tenants had migrated to UC, however 1 tenant has now started work and requires to pay full rent.

4. On-going Mitigation

- 4.1 A number of strands of work continue as the Association works to mitigate the effects of social security reform.
- 4.2 **Information:** we continue to raise the profile of social security reform in our quarterly tenant newsletters; on our website; leaflets at reception; and at tenant/community events.
- 4.3 **Welfare Rights Service:** our Welfare Rights Service is extremely busy, with ongoing advice and support on income maximisation. A snapshot of achievements during 14/15 shows:
- WRO dealt with 127* cases. Gains achieved through the year were:
 - actual Housing Benefit (HB) backdates and lump sums - £31,056
 - other actual benefit gains including lump sum Discretionary Housing Payments (DHPs) - £53,710
 - projected gains, including ongoing HB and DHPs - £230,883
 (*gain may be higher as a number of cases were closed down during 15/16)
- 4.4 **Connect4Renfrewshire:** the WRO works in partnership with colleagues in the Connect4Renfrewshire project, referring tenants for energy advice; budgeting advice; access to furniture recycling projects; and access to financial literacy services for people experiencing mental health problems.

Bridgewater's referrals to the project during 14/15 were as follows:

• Total household referrals	102
• RAMH Financial Literacy	10
• Moneyworks	38
• RWCU	
• Energy Advice	89
• Life skills	24

Life skills vouchers were issued to the sum of £1,050. These were generally for furniture and carpets.

Overall financial gain to tenants through energy advice and financial literacy advocacy was £4,299. Gain may be higher as a number of 14/15 cases will be closed down during 15/16.

Outcomes of our wider role activity expose the vulnerability of a number of our new and existing tenants, and the support required to assist people sustain their tenancies.

- 4.5 **Rent Harmonisation:** introduced in April 2013, giving a more transparent rent structure, representing value for money amongst house types and house sizes.
- 4.6 **Affordability Analysis of Rents:** undertaken by consultants in August 14. The striking conclusions of the report were:
- the proportion of household budgets being spent on rent - a third of respondents spending more than 30% of their household income on their housing costs;
 - where 25% of a household's income is spent on housing costs, an average of 55% of BHA tenants cannot afford our rents; and
 - where households devote 30% of their income on housing costs, 42% of BHA tenants cannot afford our rents.
- 4.7 **Resilience:** During 2014 the Association commissioned Atlas Research to carry out some research in to the attitudes of our customers and to, some extent, examine the issue of Resilience in our communities. The survey looked at: tenant involvement, wealth, health, crime, value for money, repairs and complaints and it gave us some insight into what our customers were worried about both financially and in the community, and a chance to test the levels of poor health in the community which might affect housing need in the future.
- 4.8 **Staff Training:** staff receive regular updates on developments in social security reform, and key staff have attended training courses.
- 4.9 **Board Information, Advice & Training:** the Board have received a number of reports and information notes on social security reform, and office bearers have attended numerous training events and conferences on social security reform.
- 4.10 **On-going Business Planning:** the Association makes on-going provision for the impact of social security in its key strategic documents. This includes increased debt provision for current and former arrears; void loss and transactional costs; and staffing.
- 4.11 **Risk Management Plan:** Social security reform has been a consistent feature of our Plan since 2011, with the risk to rental income registered as high/red alert.
- 4.12 **Household Survey:** in conjunction with partner RSLs, we are in discussions with Renfrewshire Council about embarking on a household survey, through the Community Traineeship Programme. This will enable us to gather

comprehensive data on our tenant base, and enable us to forward plan and support our customer's longer term.

4.13 **Renfrewshire Food bank:** we have a supply of vouchers for the food bank so that staff can assist tenants suffering financial hardship. 9 vouchers have been issued by the WRO since August 2014.

4.14 **Connect4Renfrewshire Funding 2015/18:** Linstone Housing Association (on behalf of FLAIR) have recently secured Big Lottery funding for a 3 year period, which will provide almost £600,000 match funding for delivery of all the existing services, and the inclusion of the Money Advice element from year 2 once the SLAB resource has been exhausted.

5. Performance Indicators

5.1 Arrears levels and void loss have been closely monitored since the introduction of

Social security reform. While the Association has been robust in its business planning and projections on the risks associated with social security reform, performance has remained relatively stable over the last 5 years, giving no cause for concern.

Table 3 Current Tenant Arrears Performance

Year	Arrears	Target	Arrears as % of gross debit	Target % of gross debit
2010/11	£49,472	£43,609	1.6%	1.4%
2011/12	£33,746	£45,492	1.0%	1.4%
2012/13	£52,415	£42,400	1.5%	1.2%
2013/14	£49,169	£52,000	1.3%	1.3%
2014/15	£43,771	£50,499	1.1%	1.3%
2015/16 mid-year	£48,008	£51,345	1.2%	1.3%

Table 4 Void Loss

Year	Void Loss	Target
2010/11	£21,905	£22,943
2011/12	£20,923	£23,604
2012/13	*£27,130	£24,741
2013/14	£18,085	£31,009
2014/15	£22,696	£27,192
2015/16 mid-year	£9,795	£34,202

*Additional void loss associated with 76 re-lets and 92 new lets during the year. Increased transfer and re-let activity through the allocation of Rashielee North.

6. Conclusions

6.1 Discretionary Housing Payments (DHPs) have played a pivotal role in mitigating some of the worst effects of social security to date. These have alleviated

undue hardship for a number of our tenants, and enabled the Association to protect its income stream.

- 6.2 The incremental roll out of UC has presented little risk to the Association to date, however the pace is expected to increase in the coming months, with the likelihood of hardship to affected tenants in the lead in period, and new debt to the Association. This will require to be managed effectively, and closely monitored.
- 6.3 The Community Traineeship Programme presents an opportunity for accessing and updating data, which will be imported to our housing management system, and enable us to tenant profile and future plan more effectively. This data will inform a number of our strategies longer term.
- 6.4 The successful outcome of the Big Lottery application to further develop the Connect4Renfrwshire Projects brings stability, and opportunities to support our most disadvantaged tenants in the short to medium term.
- 6.5 Our Welfare Rights Service continues to play a pivotal role in maximising tenants' incomes and supporting our most vulnerable tenants. Demand for the service is predicted to increase over time, and our provision may require to be reviewed.
- 6.6 The new powers within the Scotland Bill have the potential to eliminate much of the risk associated with UC payments, and in particular, payment of the housing element. This will become clearer when the new Act comes into force in 2016, and regulations are amended or introduced.