

## **Welfare Reform and Housing**

For discussion and direction.

### **Summary**

This paper provides a summary of key issues impacting on councils and the wider housing offer through the Welfare Reform Act and associated reforms. The paper provides an update on work commissioned by the LGA Leadership Board and suggests a number of areas for further work by the Environment and Housing Programme Board.

### **Recommendations**

1. That officers investigate the feasibility, costs and appetite from councils for a national voluntary agreement relating to the use of temporary accommodation.
2. That officers use the LGA/CLG housing network to scope out the implications and costs and test out the appetite for such an approach with councils.
3. That the Chairman of the Board write to Grant Shapps MP to seek a discussion between the department and authorities on options post 2015 for the affordable rent programme and to jointly consider the impact of welfare reform on the affordable rent model.
4. That the LGA work closely with the demonstration project authorities to draw on experiences and learning to inform lobbying and support work around the trigger point for direct payments to landlords and the impact of direct payment to tenants on the Housing Revenue Account and the financial position of Housing Associations.
5. That the LGA work with key organisations to promote continued confidence in the financial security of housing providers. To include development of a voluntary code for self financing.

### **Actions**

As directed by members.

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## **Welfare reform and housing**

### **Background**

1. The Government's Welfare Reform Act has now gained Royal Assent. The Act introduces a range of reforms with the objective of making the benefit and tax credit system simpler by:
  - 1.1. creating the right balance of incentives to get more people into work by ensuring that work always pays;
  - 1.2. merging out of work benefits and tax credits to create a single Universal Credit, and;
  - 1.3. reforms to other benefits aimed at reducing the cost of the benefits system.
2. Universal credit (UC) will launch in October 2013 and will be implemented in phases until 2017. A large number of existing benefits such as Housing benefit, income-based jobseekers allowance, income support, income-related employment and support allowance, working tax credit, child tax credit will be subsumed into UC.
3. In addition the Welfare Reform Act will also introduce a cap on the amount of benefit a workless household can receive of £500 for a workless family household and £350 for a single household. Until claimants are in receipt of UC, the benefit cap will be implemented through housing benefit.

### **Issues and impacts on housing**

4. The table at **Annex A** sets out officers' assessment of the key welfare reforms related to, and impacting on the housing offer in local areas. It is not a forecast of what will happen but an assessment tool to support the Board and councils to consider some of the key issues and possible mitigating actions.
5. The LGA Leadership Board considered a range of potential issues and possible mitigating measures at their meeting in February 2012 and further in May 2012. The Leadership Board asked officers to undertake the actions set out on the following boxes:

<p><b>6. The LGA is to pursue a conversation on new burdens with the Government – this includes developing a more complete understanding of some of the cost implications (both direct and indirect) of the reforms.</b></p>
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- 6.1. In response to this officers have sought to monitor the impact of current and forthcoming housing benefit changes on councils, residents, and local housing markets and establish the costs to councils of implementing the reforms. A number of councils have responded to our survey but we are

seeking a much wider response. However some consistent themes have emerged:

- 6.1.1. councils will depend on notifications from the Department for Work and Pensions (DWP) to implement the overall cap on benefits and work will be needed to make sure that these are accurate;
- 6.1.2. councils in lower rent areas are expecting, and in some cases believe they are already seeing, increases in demand for social housing as people move from higher-rent areas;
- 6.1.3. use of Bed and Breakfast accommodation is increasing; and
- 6.1.4. there is little, if any, evidence of rents adjusting downwards to reflect the available benefit.

6.2. It remains very early to reach conclusions about the impact of changes which for the most part have yet to take effect, with most measures in the Act not being implemented until April 2013. Nor is it possible to disentangle, at least on the evidence currently available, the effect of welfare changes from those caused by the state of the wider economy. Officers continue to promote the survey to councils to develop a more robust evidence base.

**7. Support councils to take the necessary mitigating measures in order to manage the issues they, claimants, and landlords face.**

- 7.1. The LGA and the National Housing Federation have agreed to work together to discuss the key reforms which will impact on housing need, availability and affordability facing councils and housing associations.
- 7.2. One of the key issues for landlords is the movement to direct payments to tenants. This prompted concerns from many during the passage of the Act regarding the impact of increased arrears and fluctuations for housing providers' income streams and overall financial position. DWP has accepted that there are some people for whom direct payment to landlords of the housing element of universal credit is still appropriate. A number of demonstration projects testing out issues such as appropriate trigger points for direct payment to landlords, the impact of direct payments on claimants and protection for vulnerable groups. The projects will run from June 2012 for 12 months. The demonstration projects are as follows:
  - 7.2.1. Southwark Council and Family Mosaic, London
  - 7.2.2. Oxford City Council and Oxford Citizens (part of the) Greensquare Group, Southern England
  - 7.2.3. Shropshire Unitary County Council and Bromford Group, Sanctuary Housing and The Wrekin Housing Trust, West Midlands
  - 7.2.4. Wakefield Metropolitan Borough Council and Wakefield and District Housing, Northern England
  - 7.2.5. Torfaen Borough County Council and Bron Afron Community Housing and Charter Housing, Wales

- 7.3. As part of the Board's forward programme on self financing and right to buy officers are working with the Association of Retained Council Housing and others to commission research. The research will include a focus on planned local authority housing capital investment and borrowing and analyse income and revenue expenditure assumptions underpinning capital spending and debt reduction plans and evaluate vulnerability to risk. This information is likely to be helpful in building an evidence base around the impact of direct payments to landlords on the HRA.
- 7.4. The LGA has also supported the CIH publication '*Making it fit: a guide to preparing for the social sector size criteria*'. As requested at the May Board meeting officers are also developing briefing materials for elected members on the welfare changes and their implications for councils, housing need and demand. This will form part of the wider housing offer from the LGA.

#### **8. Promote councils role in the delivery of UC and support DWP pilots.**

- 8.1. It had been originally envisaged that UC would be delivered by Job Centre Plus without the engagement of local authorities. DWP has however acknowledged the experience councils have in working with local people in the delivery of housing and council tax benefit, and following discussions with the LGA it is open to councils playing a role in the delivery of the new benefit.
- 8.2. As such the LGA is working with DWP to identify 6-12 authorities to pilot the face-to-face delivery of UC. Thirty-eight bids have been received to date for the pilots. LGA members will recommend a shortlist to DWP consistent with the intention of proceeding with a dozen pilots across the UK. It is hoped to announce the pilot authorities at our [conference on welfare reform](#) which will take place on 20th July 2012.

#### **Next steps**

9. It is proposed that the Board takes forward the following key actions to support the key areas for further work identified by LGA Leadership Board. This work will complement wider work being undertaken on welfare reform by the LGA and is particularly focused on the implications on housing need and supply.

#### **Views from elected members are sought on the proposed next steps.**

- 9.1. **Investigate the feasibility, costs and appetite from councils for a national voluntary agreement relating to the use of temporary accommodation.** The changes to the benefits regime will come at a time of reduced supply and in high demand areas increased competition from non benefit-recipient tenants. We are also aware that Ministers are taking a close interest in developments in councils' use of Bed and Breakfast accommodation, which creates a potential reputational risk for the sector. There has also been some high-profile media attention given to changes in individual councils' housing policies.

9.1.1. London Councils have operated an inter-borough agreement on temporary placements since 2004 which sets out a series of core principles to ensure that councils in London are able to monitor placements in temporary accommodation across boundaries, ensure that hosting boroughs are appropriately notified of placements in their area and do not offer a landlord or supplier more than the host borough offers for a property in its area. The effectiveness of such a protocol is however dependent on take up from councils.

**9.1.2. It is proposed that officers use the LGA/CLG housing network to scope out the implications and costs and test out the appetite for such an approach with councils.**

9.2. The impact of welfare reform on the ability to let properties under the affordable rent scheme to particular types of households in receipt of Housing Benefit is something that will need to be taken into account by providers, in particular in high value areas. For stock owning authorities it will also be an ongoing area to monitor in relation to the viability of self financing investment plans.

**9.2.1. It is proposed that the Chairman of the Board write to Grant Shapps MP to seek a discussion between the department and authorities on options post 2015 for the affordable rent programme and to jointly consider the impact of welfare reform on the affordable rent model.** It is proposed that the LGA seeks to work closely with the National Housing Federation and the Homes and Communities Agency on this project.

**9.3. It is proposed that the LGA work closely with the demonstration project authorities to draw on experiences and learning to inform lobbying and support work around the trigger point for direct payments** and the impact of direct payments on the Housing Revenue Account and the financial position of Housing Associations. Research to be commissioned as part of the Board's self financing work and referenced in paragraph 7.3 will form a part of this evidence base.

**9.4. It is proposed that the LGA work with key organisations to promote continued confidence in the financial security of housing providers.** This work will take place primarily through the development of a voluntary code for self financing.

## **Financial Implications**

10. A national voluntary agreement is likely to have additional financial and resource implications and Officers will scope likely costs against options for consideration by lead housing members following discussion with local authorities.