Northwards Housing North Manchester's Council Homes	**Report to:** Northwards Housing Board 20 January 2016	**Item No:** **10a**

Title:	Welfare Reform Update		
Date:	6 January 2016		
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Confidential:	**No**		

For: **(Please tick action required)**	**NOTING**	**DISCUSSION**	**APPROVAL**
	✓		

PURPOSE OF REPORT

To inform the Board of major changes underway in the benefits system. In particular, welfare reforms in 2016 & 2017 as a result of the Welfare reform and Work bill 2015-2016 and the Housing and Planning Bill 2015/2016.

To provide a brief overview on the impact on both tenants and the organisation.

Regulatory detail is not covered as this has not been set out in full and some of the details may be subject to change.

RECOMMENDATION

It is recommended that the Board notes the content of the report.

IMPLICATIONS

Risk Management	Potential impact on rent collection.
Regulatory & legal compliance	Changes noted in report likely to impact on disabled tenants The cumulative effects of the changes may have serious detrimental consequences for rent collection rates.

Consultation/Consideration:

	Yes, No or N/A:	**Name:**	**Date:**
Sub-Committee:			
Area Panel:			
Task Groups:			
Ward Councillors:			

Impact of latest changes following the Governments' Budget and Autumn spending review 2015 on Northwards.

This document does not detail the regulations for each change as some of these are yet to be set down by government and therefore the specific detail may be subject to some change. Until we know more about what they entail, for example benefit cap roll out, we will not be able to work out the numbers likely to be affected. Benefit cap for instance is likely to be significantly in excess of the current 43 cases.

Social housing rent reduction.

From April 2016, the levels of social rents must be reduced by 1 per cent compared to the preceding year, every year for the next four years.

	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Gross Rent Roll	£52,933,472	£52,404,137	£51,880,096	£51,361,295	£50,847,682
Rent Reduction	N/A	1%	1%	1%	1%
Current Rent Recovery	98.40%	98.40%	98.40%	98.40%	98.40%
Projected Reduction	N/A	£524,041	£518,801	£513,613	£508,477
Projected Rent Collected	£52,086,536	£51,565,671	£51,050,014	£50,539,514	£50,034,119
Projected Arrears	£846,936	£838,466	£830,082	£821,781	£813,563

A loss of around £500,000 per annum.

Housing benefit changes to social sector rates April 2016

Government will be restricting social sector rent rates to the equivalent private sector rate. This will impact in the main on the under 35s moving in and around the city.

What this means is that housing benefit for people in social housing and particularly those under 35 without children will be paid at a shared accommodation rate. For a single person this will mean that they will only be able to claim the same amount of housing benefit as a private tenant is able to claim for a room in a shared house. In the case of North Manchester this is £67.20.

There is separate research detailing the potential impact on rehousing given this change has much wider implications in terms of City wide rehousing over and above just a shortfall in rent. The new rules will apply to individuals who sign their tenancy from April 2016 onwards. However, they will be entitled to full housing benefit until 2018.

Of the properties let in the last year at Northwards and given the proposed 1% rent reduction in rents then most Northwards properties would be affordable but there is a different picture across the City where rents are higher.

There is no mention at this stage of these rules applying only to working age claimants and it might be a way to show how help with rent will work for those not entitled to universal credit such as those at pension credit age.

Supported housing is covered by the new rule and government say Discretionary Housing Payment or DHP will help some. All we know at this stage is that the severely disabled will be exempt.

The continual reliance on discretionary housing payment is unreliable as a source of income and makes it very difficult to plan and coordinate as an organisation as well as acting as a significant drain on staff resources.

Freeze on rates from April 2016

This will mean that our tenants hit harder times with general cost of living such as food and fuel increases and benefit rates remaining frozen.

There is a freeze on pension credit savings credit.

There is a freeze on working age benefits for four years from April 2016.

The main rates of income support, jobseeker's allowance, employment and support allowance, housing benefit and universal credit (UC) will be frozen for four years.

From April 2016 various other elements will also be frozen, including the work-related component of Employment Support Allowance (ESA), individual child elements of child tax credit (CTC), and most elements of working tax credit.

Then in April 2017 the work-related activity component of ESA and the limited capability for work element of UC are abolished altogether, with transitional protection for claimants already entitled to these payments. This means for this group of ESA claimants a loss of around £30 per week.

At the same time tax credits will be withdrawn as incomes rise meaning some people will be worse off even with small increases in salary.

Housing benefit

Backdating for Housing benefit is being reduced from April 2016 to four weeks. This means that it is important to provide all the information required at the time of the claim. Previously claimants could ask for a six month backdate if they showed good cause.

This will create a lot more work for staff ensuring claims are submitted on time and information provided so tenants don't lose out.

If you have children and claim housing benefit from April 2016, you will not be able to get the family premium, which means you could lose more than £11 per week in housing benefit. The impact will be high if you consider if you have children after April 2017, you will not be able to get child tax credit, housing benefit or Universal Credit for more than two children.

Housing benefit and young people

From April 2017, it is proposed that there will be no automatic entitlement to housing support for new claims in UC from 18 –21 year olds who are out of work. There will be exemptions, including for vulnerable young people, those who may not be able to return home to live with their parents, and those who have been in work for six months prior to making a claim, who will continue to be able to receive housing support for up to six months while they look for work.

Benefit cap cases

On July 8 2015 the government announced further reductions to the benefit cap. The total amount a household will be able to claim in benefits is:

- £442 a week in London
- £385 a week outside London or £20,000 or £13,400 for singles from an existing cap of £26,000.

These changes will take effect from April 2016 but not rolled out until later – date to be confirmed but probably autumn of 2016. There are certain exemptions such as member of household on DLA as with the previous benefit cap.

This will bring more Northwards families into the benefit cap as well as single people and we await the information from Revenue and Benefits to assist in determining the number of tenants who might be affected by this latest reduction.

Tax credits April 2017

Government abandoned some of the planned cuts to tax credits announced in the summer budget of 2015.

Other tax credits cuts will still go ahead for example, limiting the tax credits payable to two children for new births from April 2017. This will also include not applying what is known as the family element for new claims from this date, except in prescribed circumstances.

There will be a new disability element created, paid according to whether the child is considered disabled or severely disabled. The Child Poverty Action Group assert that families with more than two children, at least one of whom is disabled, will be subject to the two-child restriction, but will be compensated by this 'new' disability element (which will pay the same amount as the current disability element).

However, as claimants of tax credits migrate to Universal Credit (UC) the rates are lower so this is only a temporary reprieve for those groups. It's not really a u turn on tax credits as new claimants on UC will still be affected.

Similar restrictions will apply to the children elements payable through UC – i.e. a maximum of two elements payable at any one time, with prescribed exceptions for certain groups.

Stay to pay April 2017

This will apply to new and existing tenants and criticism has been levied at this measure for penalising working households.

It will mean that those households earning over £30,000 outside of London will have to pay a higher rent. Couples earning £15,000 each for instance will be hit by this measure. The Office of National Statistics (ONS) state a family of four needs £517.30 per week to live on. However, under the new proposals if earning over £30k P.A they will pay a market or near market rent for their accommodation.

If both tenants for example earned a combined of £31,000 they would after tax have only £465, less than the ONS say a family of four needs to live on.

Looking ahead this might lead to some tenants giving up a job or not taking on extra hours or even kicking out older working kids / not declaring them.

Tenants falling into this category would be hard to identify unless they self- declare or unless HMRC provide details. Details of how this might work need to be outlined.

It will be difficult to administer for those with fluctuating hours and pay. It also raises the obvious question as to how we will collect the extra money and what the penalty might be for failing to provide information.

It could lead to more residualisation of the housing stock where high earners move out and will overall be complex and expensive.

Lifetime tenancies are also to be reviewed.

Universal Credit

There is a national roll out of the digital service from 2016 and this will be completed by 2021. The migration of most existing claims is scheduled to be completed between May 2016 and June 2018. All claims should be migrated by 2021 with the last groups being Employment and Support Allowance and Tax Credits.

Working households on Universal Credit (UC) are set to lose an average of £1000 in 2020 rising to £1300 for those with children and will eventually impact on millions of working families as UC is rolled out nationally.

From April 2017 parents claiming universal credit will be expected to look for work when their child turns three.

On a positive note if you have children and work with effect from September 2017 you will be able to get 30 hours a week free childcare, compared to 15 hours a week now.

Recommendation

It is recommended that the Board notes the content of the report.