



Report on 'The Impact of Welfare Reform'

by

Yorkshire and Humberside, Calderdale and Lancashire
Regional Scrutiny Group Members

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Index

Section number	Title	Page number
1	Introduction	2
2	Executive Summary	3
3	Background	4
4	Methodology	5
5	Key Findings	
	<ul style="list-style-type: none">• Impact of changes on THA and Customers	5
	<ul style="list-style-type: none">• Income management and welfare benefits advice	8
	<ul style="list-style-type: none">• Comparisons with others in sector	9
	<ul style="list-style-type: none">• Communicating the changes	9
6	Conclusion	11
7	Recommendations	13
8	Acknowledgements	15

1. Introduction

This Welfare Reform Scrutiny Project was commissioned by the Scrutiny Coordination Group (SCG) to address concerns over the major implications for Together Housing Association (THA) and its tenants of welfare reform and the multiple changes to the welfare benefits system.

The initial proposal came from Amanda Garrard, Director of Neighbourhoods and Tricia Sheard, Chair of Operations Committee.

Welfare reform is a group wide issue affecting large sections of THA tenants' base and forms a major part of the Operations Committee work plan.

2. Executive Summary

The agreed key objectives for this scrutiny were to:

1. Develop a better understanding of the impact of welfare reform on tenants and THA's business plan.
2. Provide support and recommendation to THA in planning appropriate policy and procedural responses to the range of welfare changes being introduced.
3. Provide assurance through scrutiny that THA is acting appropriately and responsibly in dealing with tenants subject to welfare benefit changes.
4. Provide assurance through scrutiny that THA is mitigating the risk of welfare reform changes to its business plans.

And in conclusion will:

1. Provide clear recommendations from the tenants' perspective to the Operations Committee on the appropriate policy and procedural responses to mitigating the effects of welfare benefits changes.
2. Provide assurance to the Operations Committee that the impact of welfare reform changes on both tenants and the THA business plan is being mitigated effectively.

This review will not: Present a view about whether the scrutiny group agree with Welfare Reform.

The evidence gathered has allowed scrutiny members to identify key strengths and areas of concern. The recommendations will help THA to meet its values of delivering high performance and communicating clearly and simply.

Key strengths identified:

Staff with responsibility for welfare benefits advice, income collection and tenancy sustainability, all have a good knowledge & understanding of Welfare Reform.

Regular and relevant information is published by THA relating to money and debt advice and a communication campaign agreed going forward.

Robust pre-tenancy information is collated and used to assess financial capability

Areas of concern:

THA does not stress enough to customers, the implications of not paying their rent.

Validity of data stored in QL, scrutiny members saw evidence of missing family records and missing information.

THA is not able to identify costs relating to providing a Welfare Benefit advice service, other than employment costs.

The potential number of THA customers (up to 11K) who are "just about managing" now but are in danger of falling in to rent arrears.

Our research shows that changes to the welfare benefits system will have significant effect on THA and its customers, therefore income collection policies and procedures need to be robust.

Communications to customers needs to include a strong clear message stating it is the customer's responsibility to pay their rent in accordance with their tenancy agreement, whilst also referencing available support services. Adopting a firmer approach similar to that used by other housing associations will help THA when working with customers who are in arrears or who are in danger of falling into arrears.

3. Background

There have been a number of changes to the Welfare Benefit system, mostly affecting working age people, and operating conditions for Housing Associations.

The Welfare Reform Act 2012 announced:-

- The introduction of Universal Credit
- Replacing Disability Living Allowance with Personal Independence Payments (PIP)
- The introduction of under occupancy penalty
- Reform of Employment and Support Allowance
- Changes to child support
- Introduction of benefit cap

In the 2015 summer budget announced:-

- Tax credit and Universal credit restricted to 2 children born after 1 April 2017
- Working age benefits frozen for 4 years
- Reduction in benefit cap
- 18-21 year olds not automatically entitled to claim Universal Credit housing costs
- Rents for social housing reduced by 1% a year for 4 years

The 2015 spending review announced that housing benefit for social housing tenants will be capped at Local Housing Allowance Rates.

It has been widely reported that the above changes alongside other austerity measures have had the greatest impact on the standard of living for those individuals and families who rely entirely on benefits payments or who have low income from employment.

THA has developed and amended its service provision to ensure that customers are informed of the changes and are financially capable of meeting the rent demand.

This scrutiny reviewed the impact; both actual and potential of welfare reform on THA and its tenants and assesses if THA has developed a coordinated response to mitigating the effects of this impact.

Many of the issues identified and the recommendations suggested throughout the report should be transferable as further reform is announced.

4. Methodology

The evidence and findings for this scrutiny were collated through:

- Identifying key welfare reform changes which have been implemented
- Identifying key welfare reform changes still to be implemented
- Reading reports produced at a national level regarding the impact of welfare reform
- Reviewing THG documents
- Reviewing the information THG produces for customers
- Reading news articles produced by housing and national press
- Reviewing the information other social housing providers include on the website, leaflets and newsletter with regards to welfare reform
- Comparing the welfare benefit advice made available on websites by other social housing providers.
- Surveying 1067 customers
- Reviewing individual case studies of customers who are paying their rent but facing financial hardships
- Comparing cost and service with 3 other landlords
- Visit to ONGO housing

Members read information produced by National Government, The Money Advice Service, Shelter, National Housing Federation, Housemark and Joseph Rowntree Foundation, these contain details of the welfare benefit changes that have both been implemented and those which would be implemented in the near future. In addition we read regular housing related e-newsletters and articles in national and regional press.

Reading these documents helped the scrutiny members to appreciate the issues and concerns regarding welfare reform and understand how other influential organisations are responding.

Due to the size and complexity of all the welfare reforms, the scrutiny project group identified the following as the key welfare changes which will form the focus of the scrutiny:-

- Universal Credit,
- Under Occupation Penalty,
- Benefit cap,
- Withdrawal of Universal Credit Housing costs for 18-21 year olds
- The introduction of Local Housing Allowance for social housing,

5. Key findings of this scrutiny - Impact of changes on THA and Customers

Data

Scrutiny members obtained data from the QL system and analysed this to understand how welfare benefit impacts on THA customers.

This data showed that 60% of all tenancies rely on housing benefit either full or partial; this figure is further corroborated by the information provided to Experian Rental Exchange and by the customer responses to the STAR survey in 2015. In addition to Housing Benefit 72% of the STAR survey's respondents said that they received at least one of the following benefits.

Working Tax Credit	Pension Savings Credit
Child Tax Credit	DLA Care/PIP Daily Living
JSA	DLA Mobility/PIP Mobility
ESA work related	DLA for child
ESA support group	Attendance Allowance
Guaranteed Pension Credit	Universal credit

These figures show that any changes to the welfare system will have a significant effect on THA and its customers. THA needs to ensure that its income collection policies and procedures are robust and that relevant, timely and correct information, as well as support, is made available to customers during the proposed changes.

However, as in previous scrutinies, members are concerned about the validity of some of the data stored in the QL system, members saw examples of incorrect family records, missing data e.g. date of birth, national insurance numbers and contact details.

As some of the proposed changes will have a greater impact on customers in specific age bands i.e. introduction of Local Housing Allowance or the withdrawal of Universal credit housing costs for 18-21 years old, the lack of an accurate date of birth means the true impact of the changes to come cannot be accurately forecast.

Towards the end of our investigation members were made aware of a Business Improvement Team staff campaign aimed at improving the quality of data. Members agreed that this type of campaign is necessary for the organisation and should be the beginning of the drive to improve data quality.

Staff

Members contacted THA staff, with responsibility for welfare benefits advice, income collection and tenancy sustainability; they were able to provide us with a large amount of information showing that they had access to and understood the information relating to welfare reform. We were provided with copies of reports that had been produced for Operations Committee so members are assured that regular performance monitoring and reporting takes place within THG.

Staff from Customer Service Centres, Neighbourhood and Income teams have attended training sessions over the last year, on welfare reform issues, including universal credit, benefits cap, PIP payments and destitution. Welfare Benefit Advisors have attended more detailed welfare reform update training, dealing with sanctions, appealing decisions and attended conferences.

Customers

Members asked customers to contact them with their stories of how welfare reform has impacted on them. Bedroom tax is the reform that has caused hardship and which customers wanted to talk to members about, finding extra money to top up

rent payments or finding the money to cover costs of moving has left some customers struggling to pay heating and other household bills.

Case Study 1 – Family X is adequately housed at present but worried because the family includes 3 teenage children, one starting university in September, one planning to join the armed forces and third hoping to start university in a couple of years, the father is worried he would need to move to a smaller property as each child left and he would not be able to house them when they return home in holidays and on leave. The family relied on Welfare payments as their only source of income and had not been able to source correct benefits advice. He expressed feelings of despair, failure and frustration. The customer was referred to the Welfare Benefits team, who explained he would not need to move as children's main home remains with him.

Case Study 2 - Customer Y had been unable to find a suitable 1 bedroom property so now lives alone in 2 bedroom property, the move to this property meant she lived further away from her family and support. Her 'bedroom tax' is £55 per month from a monthly income of £400.00.

She sold her car to pay bills, rarely uses heating to save money and is relying on credit cards to pay household bills including energy and to buy food.

The customer has poor physical and mental health, the stress of her situation has exacerbated her anxiety and depression.

The customer was referred to the Welfare Benefits Team, who are working with customer Y to ensure she is receiving her full entitlement.

Customer Survey - In addition to these case studies members carried out a survey of THA customers, the survey was sent by email to 19,333 customers, 1067 returns were received, representing a 6% return rate.

Members are aware that THA know which customers are in arrears, and have regular contact with these customers. For this survey members wanted to focus on those customers who are currently managing to pay their rent but are facing other financial pressures.

54% of respondents stated that they receive either full or partial Housing Benefit; slightly below the THA figure (60%).

29% of respondents said that they paid their rent but struggled to pay other bills, these are the just about managing people (JAMs) so widely referred to in the media and political campaigns at the moment. As expected household bills including food are the main areas of concern for these customers.

When asked how this made them feel, customers responded as follows:-

- 121 expressed feelings around depression
- 68 expressed feelings around stress or anxiety
- 7 mentioned that they felt or had felt suicidal
- The remainder all expressed other negative feelings e.g. frustrated, awful, worthless, not in control, failure etc.

Only 39% (121) of respondents have sought advice regarding managing their debt with only 41 of those seeking advice from THG.

The 7 customers that expressed suicidal feelings have been referred to the THA Safeguarding Co-ordinator and have received follow up calls from the Tenancy Sustainability Team. Conducting this survey revealed a gap in procedures and a new referral pathway has subsequently been established to the tenancy sustainability team.

In addition, all future surveys sent out to customers asking them to express their feelings around sensitive issues will carry the following or similar statement. *“As a landlord we care about our customers’ welfare, we are here to provide assistance in all tenancy related matters or issues which may affect a tenancy (debts, benefit complications, ASB, repairs, welfare issues etc). We may contact you upon completion of a questionnaire if your response raises concerns about your welfare, in order to offer you further assistance”*

Members believe with the coming roll out of Universal Credit and the stopping of housing costs being paid direct to THA, the risk of people falling into arrears is very real for those who are already struggling to pay other bills. Once the housing cost of Universal Credit is paid directly to these customers, the money could well be used for other bills (including food and energy costs) that are currently causing so much pressure.

Using the 29% figure identified in the survey means that a potential 10,730 THA households could be in the same position and facing the same pressures on their income. These are the customers which THA need to target their rent first communications to as Universal Credit is rolled out.

Income management and welfare benefits advice

Members looked at performance relating to income management specifically relating to cost of income collection and current and former tenancy arrears.

Some changes have been made as result of THA’s 2020 projects; centralised teams have been introduced, a specialist income team and a tenancy sustainability team have been established.

We looked at the financial viability checks used by the organisation before allocating properties to customer; the pre tenancy checklist (which has been used throughout the organisation since October 2015) is a comprehensive check and includes both income and expenditure calculation along with financial risks.

In addition, since November 2016, a leaflet explaining the changes to Local Housing Allowance is included in all new tenancy information; the information is clear and explains what the planned changes are and where to get help if the customer feels the changes may affect them. However, this information does not stress that it is the customer’s responsibility to pay the rent and the implications of falling into arrears. Only advising the customer to:

- Check if your Together Housing rent is higher than the Local Housing Allowance amounts for private rented sector tenants in your area.

- If it is, consider how you will pay your full rent.

Whilst these checks for new customers are encouraging, members are concerned that THA do not hold the same financial information for the majority of customers who signed up before these checks came into place, making it harder to predict the impact of the reforms yet to come.

As previously reported to Operations committee, Together Housing has modelled the potential impact of full service Universal Credit based on Local Authorities who have switched to full service and the experience reported by Halton Housing. The forecast is an average of 10 conversions to full service per month for every 1,000 units of stock. The table below highlights the numbers and potential risk to arrears.

	Current	2017/18	2018/19	2019 /20
No of cases	878	2245	6143	10,519
Impact on arrears	£66K	£169K	£464K	£794K

Articles in Inside Housing published in January 17 quoted the National Federation of Arms Length Management Association research that *86% of tenants receiving Universal Credit had arrears*¹, however a report the following month published by Lord Freud said he had seen figures around 25%.² Again this highlights the amount conflicting and scaremongering information available to both THA and customers. However THA needs to be aware that generally Housing Associations are reporting increases in arrears following switch to universal credit.

Comparison of costs with others in the sector

Members contacted other similar organisations, to compare the costs and outcomes of delivering welfare benefits service. Only 3 landlords replied Riverside, ONGO Housing and Liverpool Housing Trust.

In all cases THA costs and outcomes are very similar to that reported by other housing associations. Staff ratios look similar but we have not had exact FTE figures for all associations which responded. Other organisations were able to provide us with costs such as supervision, subscription, management and travel.

Whilst THA did provide us with the employments costs it was not readily available and required quite a lot of “digging around” for staff working in finance. This again raises the concern of reliable data available for THA to use when forecasting, reporting, budgeting and making value for money assessments.

Communicating the changes

We reviewed the information available to customers in magazines, on the website and in leaflets regarding welfare benefits advice and paying rent.

THA websites contains similar information to that of other comparable landlords, and in line with most, the information is text heavy and formal.

¹ <http://www.insidehousing.co.uk/business/tenancy/universal-credit-tenants-in-arrears-increases-to-86/7018394>.article accessed 06/06/17

² <http://www.insidehousing.co.uk/policy/welfare-reform/universal-credit/freud-one-in-four-universal-credit-tenants-in-arrears/7018719>.article accessed 06/06/17

Following a simple enquiry on THA website about welfare benefits and paying rent, lots of good information is available relating to money and debt advice, however members are concerned that little or no information is available on the website relating to the implication of not paying rent.

We particularly liked the information produced by Metropolitan 'Paying your rent or service charge' leaflet, *'We expect customers to pay their rent or service charge regularly; in advance as stated in your tenancy or lease agreement. This is your responsibility, so please don't wait for reminders from us before you pay. We always deal firmly with non-payment of rent and service charges. We rely on this income to pay for the management, maintenance, caretaking and communal services you receive – as well as to build and refurbish homes³.'*

Equity Housing also have a firm line on rent arrears and lots of information is available on their website about renting your home and making payments including what will happen if customers don't pay rent. *'There is an expectation that all rent accounts are kept in credit at all times regardless of either your method, or frequency of payment⁴.'* An article in Equity customers' magazine Home was titled 'Eviction - what you need to know'. A similar article is also available on the website⁵.

Members believe this firm clear approach taken by Metropolitan and Equity Housing is useful to both the customer and the organisation and will help when working with customers in arrears, or those in danger of falling into arrears.

During the period of the scrutiny, members accessed information in local, national and housing specific press, it was noted that this information was often biased, exaggerated and had the potential to cause alarm to effected customers.

However, members found that THA includes regular and relevant articles in its quarterly tenant magazines and monthly e-newsletters. The articles have covered a range of welfare reforms and always include contact details for further help; often signposting customers to external sources of help such government websites or step change debt advice.

A Welfare Reform communications campaign has been agreed by THA, this is a comprehensive campaign and, in our opinion, it will ensure that relevant timely and accessible information is made available to both customers and staff through the website and the staff intranet. Members believe this would be further enhanced if the message uses a combination of support and expectation that rent is paid on time in accordance with the tenancy agreement.

³ https://www.metropolitan.org.uk/images/Paying-your-rent_MET111-0315_03_Single.pdf, accessed 4/4/17

⁴ <https://www.equityhousing.co.uk/frequently-asked-questions1>, accessed 01/06/17

⁵ <https://www.equityhousing.co.uk/rent-arrears-for-current-tenants>, accessed 16/6/17

6. Conclusion

As the evidence in this report demonstrates THA has made preparations for and adapted policy and service delivery in order to meet the challenge of welfare reform. Changes to the staff structure and introduction of new case management software are as recent as April 2017. We have been unable to establish if these changes have had or will have a positive effect on the service or income collection.

Our comparison with other organisation shows us that THA does not have any gaps in its Welfare Benefits Advice Service however THA is not delivering anything innovative and is not a top quartile performing organisation.

Staff are well informed and have access to training and support. THA is expecting the full role out of Universal Credit to be a pivotal moment for both customers and the organisation; plans are in place to mitigate the risk this poses, however we feel THA could do more.

We have seen from our case studies and the press articles that customers have access to a lot of misinformation and scaremongering, in addition not always understanding how the changes will impact them. It is therefore important that THA adopts a clear, firm and consistent message. Whilst a communication campaign has been agreed, we would like to see this contain a stronger message than that used previously, reinforcing the message that it is the customer's responsibility to pay their rent and the implication of not paying rent for both the customer and the organisation.

Another concern is the validity of data held in the QL system, if the data is inaccurate or missing it is impossible to use this information in future planning or performance management.

With some difficulty we were able to obtain figures relating to the employment cost of the welfare benefits team, however we were unable to get figures relating to the costs of welfare benefits calculators, communications, training or other related costs. It is therefore difficult to make any value for money assessment. We are concerned THA cannot accurately plan budgets for the welfare reform service or report accurate costs.

Our survey results and case studies highlight the difficulties many customers are facing right now. The 'JAMs' (just about managing), potentially 29% of tenancies, are the customers who are most likely to fall into arrears if they receive any reduction in income or changes to payment method.

It is encouraging to see the robust financial checks made for new customers; however members are concerned about the lack information held about customers who have tenancies for a longer time. We would like to see resources available to identify and support these customers before they appear in arrears performance reports.

Our evidence from other housing associations shows that as tenants move on to Universal Credit the level of arrears rises dramatically both in the number of tenants with any arrears and their average debt.

The scope provided for this project asked that we provide assurance that THA is acting appropriately and responsibly in dealing with tenants subject to welfare

benefit changes. We have been assured that THA is acting appropriately and responsibly. However further assurance is sought that THA is mitigating the risk of welfare reform changes to its business plan. The poor data management highlighted throughout the scrutiny means we can only offer partial assurance in this regard.

7: Recommendations & Management Response

Issue	Recommendation	Management response & how will this be implemented?	Timescale & who responsible
<p>Weak customer messages THA communication does not state that it expects customers to take responsibility for their own rent payments or that it expects customers to pay rent on time in accordance with their tenancy agreement.</p> <p>THA do not state what the implication is if the customer does not or cannot pay rent, or does not maintain agreed payment plans.</p>	<p>That THA changes the language in its communications regarding welfare benefit changes to ensure customers understand it is their responsibility to pay rent in accordance with tenancy agreements, whilst still offering support.</p> <p>That THA references the implications of not paying rent or maintaining payment plans in its communications to customers regarding arrears and debts.</p>	<p>i) The organisation has been building the 'rent first culture' – including ongoing staff training. And changes in rent debt communications and processes</p> <p>ii) Posters and flyers were produced in relation to UC - 'your rent your responsibility'</p> <p>iii) Review information on Website and how we increase the 'your rent your responsibility' message. Already on WR comms plan</p> <p>iv) UC animation completed by Welfare Benefits Coordinator and comms and will add to interest (less white space)</p> <p>v) Currently undertaking a piece of work on increasing rent account resilience – 'paying in line with tenancy agreement' initial report September 2017</p>	<p>Welfare Benefits Coordinator / Tenancy Sustainability Manager</p> <p>31/10/2017</p> <p>SCG will review completed actions at their December 2017 meeting</p> <p>Financial Inclusion Officer 30/09/2017</p> <p>SCG will review completed actions at their December 2017 meeting</p>
<p>Validity of data stored in QL Previous poor data management and</p>	<p>That THA provides an action plan showing how it will improve the quality</p>	<p>This is part of a wider piece of work being undertaken in relation</p>	<p>Ongoing</p>

Issue		Recommendation	Management response & how will this be implemented?	Timescale & who responsible
lack of controls for input has led to inaccurate and missing data in the QL system.		of data held in QL and other performance reporting systems. This work has begun with the recent “Good data” staff campaign	to Data Quality and integrity. We have also put together new processes for staff to ensure captured data is put in the right place to ensure consistency for forecasting impact of WR	SCG propose to mark complete as ongoing recommendation cannot be monitored quarterly
Welfare Benefit advice service costs THA is unable to indentify cost other than employment for the Welfare Benefits Service. It is therefore unable to evidence value for money or effectively plan budget and allocate resources.		That THA indentifies welfare reform costs in order to use this information in budget planning and value for money assessments	Head of Income meets the Management accountant monthly to ensure VFM assessments on service.	Ongoing SCG propose to mark complete as ongoing recommendation cannot be monitored quarterly
Just about managing Potential 29% of THA tenancies are at risk of falling into arrears due to welfare benefit changes. These customers are expressing negative feelings and an inability to manage their finances.		Resources made available to identify and support these customers before they appear in arrears performance reports.	Financial inclusions work for 2017/18: i) Building resilience in rent accounts (see above)	Financial Inclusion Officer 30/09/2017 SCG will review completed actions at their December 2017 meeting
			ii) Recommendation on credit union – future direction by 31/03/2018	Financial Inclusion Officer 31/03/2018 SCG will review completed actions at their June 2018

8. Acknowledgements

The Scrutiny Group wishes to express their thanks to all the Together Housing Group staff and Project staff and volunteers for their help and co-operation as without their input this Scrutiny would not have been possible.

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