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North Kesteven District Council

North Kesteven District Council's Welfare Reform Strategy

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1. Foreword

This Welfare Reform Strategy sets out North Kesteven District Council's strategic objectives in response to the changes contained in the Government's Welfare Reform programme.

In developing this strategy, the Council has acknowledged the impact its approach can have not only on individuals, but also on the wider communities in which we work. As a result, and particularly in the uncertain current financial climate, we are seeking to adopt a responsible approach which balances the needs of the Council with those of our residents, tenants and prospective tenants.



Councillor Stewart Ogden

2. Brief Introduction

The purpose of this strategy is to help mitigate the impact of the Welfare Reform changes on the Council, its tenants, and all residents of the district.

The strategy will give a brief overview of the Welfare Reform changes against the regional and district context. It will provide a broad view of the Council's response to Welfare Reform and its impact on larger corporate themes, such as digital inclusion, partnership working and financial inclusion. The Council is a stock-retained local authority landlord; accordingly, the strategy will give specific detail about the Council's Housing Service and the likely effects of Welfare Reform on that service and, specifically, on its tenants.

This information allows the Council's response to the implications of Welfare Reform to be seen in terms of six broad aims and (following on from the aims), a number of specific objectives. Using those aims and objectives, an action plan has been developed alongside this strategy. It pulls together into one plan all Welfare Reform-based activities, especially in relation to money and benefit advice, income management, housing management and asset management.

3. Vision

The Government's view of Welfare Reform can be summarised in the following way:

“The current system is too complex and there are insufficient incentives to encourage people on benefits to start paid work or increase their hours. We are aiming to make the benefit system fairer and more affordable to help reduce poverty, worklessness and welfare dependency and to reduce levels of fraud and error. We are creating a fairer approach to the way we pay housing costs to help bring stability to the housing market and improve incentives for people to find work or increase their hours.”¹

The Council's vision for the Welfare Reform Strategy is that it will provide a clear focus for its interventions and initiatives, which will be aimed not only at making best use of the social housing stock and maximising our residents' income, but to help them to deal with the reduction in benefit payments that some of them will face, and to improve their opportunities in reducing their dependency on benefits.

¹Dept of Work and Pensions: Simplifying the welfare system and making sure work pays (2013)



The current system is too complex and there are insufficient incentives to encourage people on benefits to start paid work or increase their hours.



Making best use of the social housing stock and maximising our residents' income.





4. Welfare Reform Changes

4.1 National context

In October 2010, the Government announced plans to radically overhaul the welfare benefit system. Following a period of consultation, the Welfare Reform Bill was introduced to Parliament on 16 February 2011 and received Royal Assent on 8 March 2012. The reforms contained in the Welfare Reform Act have a profound effect on benefit claimants, Local Authorities and Registered Providers. Detailed below are some of the main changes presented by the Act.

4.2 Under-Occupation

It is the intention to reduce Housing Benefit (HB) for social tenants of working age who are deemed to be 'under-occupying' their home by one bedroom or more from April 2013. The aim is to encourage people with bigger homes to move to somewhere smaller, making better use of the social housing stock.

From 01 April 2013, the Local Housing Allowance (LHA) size criteria will be used to determine how many rooms are needed by tenants. Social tenants will be classed as under

occupying if they have more bedrooms than they need.

The Government says that one bedroom is allowed for:

- › Each adult couple aged 16 or over;
- › Each person aged 16 or over;
- › 2 boys aged under 16;
- › 2 girls aged under 16;
- › 2 children (whether they are the same sex or not) aged under 10; and
- › Any other child, a carer (who does not normally live with you) if you or your partner need overnight care.

If social tenants are classed as under occupying the amount of housing benefit they will receive will be reduced. There are two rates of reduction:

- a) If a social tenant has one extra bedroom their housing benefit entitlement will be reduced by 14% of the eligible (gross) rent. Based on the average NKDC rent of £72.17 for 2013/14, this is a reduction in benefit of £10.10.
- b) If a social tenant has two or more extra bedrooms their housing benefit entitlement will be reduced by 25% of the eligible (gross) rent. Based on the average NKDC rent of £72.17 for 2013/14, this is a reduction in benefit of £18.04.

4.3 Universal Credit and Direct Payments

The second Government reform involves a restructuring of the benefit system to create one income replacement benefit for all working-age adults. This will be done through the introduction of a new 'Universal Credit' in October 2013 which will replace the current system of means-tested out-of-work benefits, tax credits and support for housing.² Initially, it will only be for new claims but gradually people with existing benefit claims will be transferred over to Universal Credit sometime between 2013 and 2017. The Government has decided to roll out the introduction of Universal Credit across the country.

Claims will be made by households, rather than by individuals and the amount awarded will depend on the income and circumstances of all the household members. There will be a basic allowance for single people and couples, but lower rates for younger people. There will also be additional amounts for disability, caring responsibilities, housing costs and children.

For people who rent, the amount for housing costs will be worked out in a similar way to the support provided by HB under the current system. However, the intention is that the payment will be made to the claimant as part of Universal Credit rather than direct to the landlord. Payments will no longer be weekly or

fortnightly, but will be paid to the claimant one month in arrears via a bank account.

The Government hope this will improve work incentives by:

- › Allowing claimants to keep more of their income as they move into work by introducing a smoother and more transparent reduction of benefits as they increase their earnings;
- › Having a system that is simpler for claimants to understand and easier for them to use; and
- › Ensuring that people will always be better off in work than on benefit.

4.4 Other benefit changes

In addition to the above reforms, the Government is introducing other changes from 2013/14 including:

Benefit Cap – no household will be able to claim more on benefits than what the average household earns in work. Currently, that figure is around £26,000 per annum or £500 per week for a couple or a single person with children and £350 for a single person. The cap will initially be administered through local authority housing benefit departments.³

Council Tax Benefit – local authorities play a greater role in deciding how they help people on low incomes pay their council tax. For NKDC,

²Universal credit will replace - Income Support, Job Seekers Allowance and Employment, Housing Benefit and Tax Credits

³The cap will exclude those on Working Tax Credits, DLA/ Carers Allowance, and war widow/widowers.

Council Tax Support means those not exempt pay a minimum of 5% of their annual Council Tax liability.

Social Fund – local authorities are being given responsibility for the discretionary payments made from the Social Fund, such as Community Care Grants and Crisis Loans. Budgeting Loans will be replaced by a new nationally-administered advance of benefit facility.

Pension Credit – from October 2014, Housing Benefit will become part of a claimant's Pension Credit award. However, unlike Universal Credit, the claimant will retain the choice over whether the Housing Credit should be made direct to them or their landlord.



5. Regional and District Context

North Kesteven is in the East Midlands, situated just over 100 miles north of London. It is located east of Nottingham and south of Lincoln. North Kesteven is one of seven districts in Lincolnshire and is in the centre of the County. It covers an area of 356 square miles or 92,000 hectares, of which 95% is classified as green space (LRO, 2011), which includes agricultural land and open space. The District is characterised by small settlements and large areas of arable farmland. More than 64% of the population live in rural settlements, including settlements or villages or market towns. North Kesteven also has a relatively underdeveloped transport infrastructure.

The Government's standard measure of deprivation and inequality in England are the Indices of Deprivation. The indices measure a number of deprivation aspects, called domains, including disadvantage in education, income, employment, health and housing. England has been divided into small areas called Lower Super Output Areas (LSOAs), each containing an average of 1,500 residents.

They are much smaller than electoral wards, but are constrained by electoral ward boundaries. There is a total of 32,482 LSOAs in England, 60 of which are in North Kesteven.

The most deprived areas of North Kesteven are concentrated in a few wards, to the East of the District (Billinghay and Kyme) and in the Sleaford area (Sleaford Castle and Sleaford Holdingham). The most deprived area in the District is part of Sleaford Castle ward, which is ranked 9,249 out of 32,482 in England (where 1 is the most deprived).





The average weekly earnings of those working in the District of £422.60 is below average and is reflected in the GVA per head, which at around £12,600 is also below average and not increasing at the same rate as most district areas. The Commission for Rural Communities has shown:

- › people living in rural areas need to spend on average 10 - 20% more to reach a minimum acceptable living standard. Many workers fall well short of being able to afford their essential needs.
- › 28% of those households not on the mains gas network in villages and hamlets are in fuel poverty compared with 13% who are on the mains gas network. The comparative figures for urban areas are 18% and 12%.
- › People in villages and hamlets with the lowest incomes spend an average of £50 per week on travel compared with £32 in rural towns and £28 in urban areas.
- › Whilst over 98% of urban residents have the following services within 4km, for rural residents 51% have a bank or building society, 85% have cashpoints, 80% a GP surgery, 62% a supermarket, 57% an NHS dentist, 67% a pharmacy and 48% a secondary school.⁴

⁴Commission for Rural Communities: Tackling Rural Disadvantage: State of the Countryside Report (2010)



6. Welfare Reform and its broad implications on Corporate Strategies

6.1 The Corporate Plan

The NKDC Corporate Plan 2013 – 17 provides high level strategy on the Council's priorities. The following is an extract from the Plan of the issues most relevant to Welfare Reform:

Our Communities

To promote the sustainability, well-being, safety and health of North Kesteven's evolving communities. What are our aspirations for the next five years?

4. Support our local communities with the impact of Welfare Reform
5. Work with partners to improve support services for vulnerable residents
6. Maintain excellent housing services to tenants and continually improve these in line with national standards
7. Promote digital inclusion for residents in North Kesteven

There are a series of corporate activities that link to this Corporate Plan.

The Direct Payment of Universal Credit makes access to suitable, Direct Debit-enabled bank accounts critical.

6.2 Financial Inclusion

The Council acknowledges the challenge faced by residents and that those most affected by Welfare Reform are also those groups most likely to be financially excluded, in terms of lack of access to decent financial advice and suitable, low-cost financial products. The direct payment of Universal Credit makes access to suitable, direct debit-enabled bank accounts critical. **The Council is committed to working with the providers of financial products such as the Lincolnshire Credit Union to extend the choice of low-cost financial products.**

6.3 Digital Inclusion, Customer Profiling and Communication

With digital access ultimately being the preferred route in to services, residents without online access will need to be supported both to gain access and to develop (and maintain) the skills required to transact the benefits service. It is estimated that 33% of claimants will need varying levels of support to fill in forms and 37% will find the transition very difficult.⁵

The Council's Digital Inclusion Strategy will be influenced by Welfare Reform issues.

Central to the strategy will be both encouraging the use of on-line services wherever possible and giving assistance to residents with no or limited digital access – for example, the provision of access points for tenants in housing-owned facilities. The Council's Customer Access Strategy is directed toward generating efficiencies, especially in the integration of back-office functions, enabling more front-facing staff time to increase value-added activities with customers. **The Council remains committed to understanding and responding to the needs of its customers.**



The Council's Digital Inclusion Strategy will be influenced by Welfare Reform issues.



⁵Source: Sleaford and District CAB 2013

6.4 Partnership Working

Working with partners will be key to the Council meeting its objectives. For example, the Sleaford and Lincoln CAB help over 10,000 individuals per year with a wide range of subjects; around 44% of enquiries are currently benefit-related. The Council will work with its partners in seeking to improve the supply of financial education, computer skills, and budgeting advice available in the district. The Council will encourage partners to meet to explore common challenges and actions, including:

- (a) ways to work together to provide advice for residents on welfare reform, and
- (b) the need for joined up approaches and common messages related to the complex welfare reform picture.



The Council will work with its partners in seeking to improve the supply of financial education, computer skills, and budgeting advice available in the district.



The Council will use the NKDC Universal Credit Local Support Services Framework as the strategic partnership meeting across the district on all Welfare Reform Related issues.

6.5 Lincolnshire Homelessness Strategy and NKDC's Homelessness Action Plan

The Lincolnshire Homelessness Strategy 2012-16, developed as a cross-Lincolnshire Strategy, contains reference to the anticipated impact of Welfare Reform and the importance of a timely, joined-up approach:

There is an unprecedented amount of policy and economic change that will impact on homelessness during the life of this strategy. To meet the challenges of economic uncertainty and welfare reform it is essential to predict the impact of the changes to reduce and manage the demand on our homelessness services through developing access routes into the private rented sector and preventing evictions. Housing Advice Teams and housing benefit



Working with partners will be key to the Council meeting its objectives.



departments will need to consider a partnership approach when awarding DHP to prevent homelessness. DHP payments will not meet all shortfalls due to the number of people that will be affected by the welfare reform changes, therefore to take account of increased demand a common approach will need to be adopted. Reductions in housing benefit may not mean that accommodation is unaffordable for every household affected, however timely advice, preparation and joint working will reduce pressure on housing services to provide DHPs to cover the shortfall or to source alternative accommodation. It is important to communicate the right information at the right time to tenants, and to offer tailored support for those who need it.⁶

The Council's Homelessness Action Plan contains the following actions that are relevant to Welfare Reform:

- › Develop partnership working agreements between all Lincolnshire Housing Authorities , Housing Benefit Teams and Job Centre Plus across Lincolnshire and Rutland
- › Work together to mitigate the impacts of the Welfare Reform Act
- › Develop and monitor use of Discretionary Housing Payments to prevent homelessness
- › Develop incentive schemes for under occupiers across Lincolnshire and Rutland to promote social mobility, affordability and effective use of social housing stock
- › Improve access to the private rented sector through effective landlord partnerships
- › Increase accommodation options by maximising options to bring empty properties back into use, particularly smaller dwellings
- › Ensure safeguarding considerations for vulnerable households affected by changes
- › Support opportunities to promote training or education opportunities for households at risk of homelessness.



⁶Lincolnshire Homelessness Strategy 2012-16.

7. Some Key Facts about the Council's Housing Service

7.1 The Service Mission

The key theme that runs throughout the Housing Service is around meeting the needs of customers and being responsive to their demands. As such NK Housing Services have adopted the following mission:

Working to provide quality housing services to meet the needs and aspirations of NK.

7.2 The Housing Stock

The Council owns or manages 3,836 properties in the Council's housing stock (figures as at March 2013). There are 412 sheltered properties allocated to older and vulnerable people across 15 schemes. These can be broken down as follows:

1985	General needs housing (family housing)
1439	Non general needs housing (for older persons or persons with disabilities)
412	Sheltered Housing

Just over 56% of tenants in General Needs properties are in receipt of Housing Benefit (1110 tenants in total). Over 71% of tenants in Non General Needs properties receive Housing Benefit (1299 tenants).

The chart below shows the properties according to bedroom number. It clearly demonstrates that the majority of the Council's stock is made up of two and three bedroom properties. There are a small number of properties larger than three bedrooms.

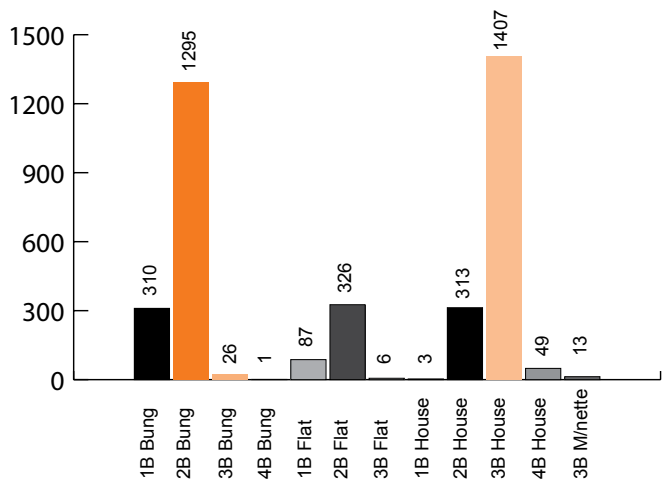


7.3 The Profile of Tenants

In 2010 the Council launched a census of tenants to develop an ongoing profile of tenants. This information is being used to help understand more about tenants' needs, and assists in analysing satisfaction of tenants against the main equality strands. The survey has been returned by 75% of tenants.

It allows some understanding of the age profile of tenants (those over pension age are unaffected by the main areas of Welfare Reform):

NKDC Property Type and Bedroom Numbers

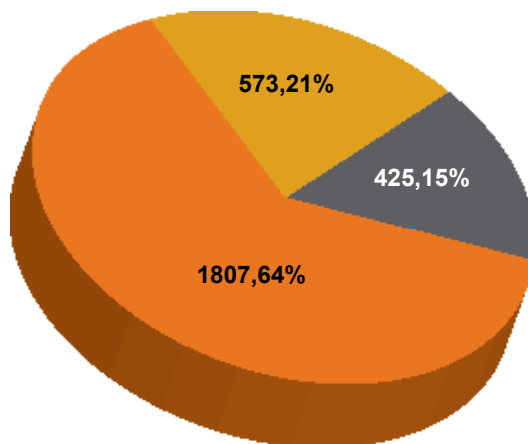


7.4 Financial Exclusion

Tenants in social housing are disproportionately affected by financial exclusion and it is estimated that they make up around 60% of financially excluded people. According to the National Housing Federation 2007 figures, nearly one in six social rented tenants have no bank account, twice as high a proportion as the rest of the population. 81% have no savings and 91% have no insurance cover.

7.5 New Tenant Survey

Every year, the Council surveys its new tenants around six weeks into their tenancies. It is an opportunity for the Council to anticipate any support needs and offer advice and assistance. A variety of questions are asked that are relevant to Welfare Reform issues. Clearly, the survey is across the whole stock and, as most tenants are in any case over pension age, the figures should be treated with caution.



However, it does give an indication of the issues affecting tenants:

- 37% of tenants state they do not have access to the internet
- 24% of tenants state they are looking for employment; 1.5% have an adult non dependent in their household looking for work; and 1.2% have a young person in the household who is not in FTE, employment or training.
- In terms of barriers to employment, 1.5% report education; 3.3% caring responsibilities; 2.4% need training; and 2.1% disability.
- 1.5% of tenants have no current bank account; 40.2% do not have a savings account.
- 1% of tenants have used a “loan shark” in the past
- 5.1% are interested in joining a Credit Union.⁷

⁷Source – NKDC New Tenant Visit Survey 2012 – 13

Age breakdown of tenants in general needs properties

- All tenants under 61
- DOB not held
- All tenants over 61

1583 of the Council’s tenants state they have a long standing illness or disability.

8. Implications of Welfare Reform

8.1 Findings in pilot areas⁸

The Department of Work and Pensions (DWP) has launched a number of year-long projects to test the direct payments of benefits, looking at which groups should be exempt from receiving their benefits directly, what advice and support tenants are likely to need, and asking different social landlords to test different 'triggers' to revert to payment to landlords. Although the DWP states rent collection across the projects is 92% on average, there have been alarming slumps in rent collection, some examples being:

Bro Afon Community Housing:

- › 435 'lower risk' tenants, who were deemed to be able to cope more easily and who moved across at the outset, initially had total arrears of £21,457. After six months the total for these tenants increased to between £83,000 and £116,000 depending on the payment cycle.
- › The association has "struggled to stem the increase in arrears despite putting more resources into rent collection"

Wakefield District Housing

- › the rent collection rate for 1,000 tenants is 89 per cent (NKDC usual achieves over 99.95%)
- › 100 notices seeking possession have been served
- › an increase in eviction proceedings (not specified by how much)
- › estimates that direct payment will cost it an extra £8 million annually in bad debt provision and rent collection costs.

The pilots have also revealed some issues relating to the payment culture, a worrying trend being the long-standing belief amongst tenants that "it's nothing to do with me, the state pays my rent". There is also a mistrust of traditional banks, shown by just 40 per cent of tenants in the pilots setting up direct debits, the cheapest and most convenient payment method.

8.2 NKDC likely impacts on the Housing Service

The impacts focus on two areas: making the best use of the Council's housing stock and protecting its rental income.

It is clear the Council's housing stock provides mainly two and three bedroom accommodation, not easily suited to "downsizing". Of those in receipt of Housing Benefit, 74 have been identified as under occupying by two bedrooms and a further 412 have been identified as under occupying by one bedroom

Seven NK tenants have been identified as likely to be affected by the Benefit Cap.

The Housing Service has increased its provision for bad debt on the following basis:

Year	2013/14	2014/15	2015/16	2016/17	2017/18
Debt in £	82,996	135,439	190,953	249,677	257,168

It has also allowed for an increase in the cost of transactions (payments in to the rent account, by BACS, post office etc).

⁸Source - Inside Housing 11 January 2013

9. Aims and Objectives of the Welfare Reform Strategy

9.1 Aims

The Council's vision is to mitigate the impact the Welfare Reform Act will have on tenants and residents. It is useful to categorise this vision into a number of broad aims:

- a) Highlight who will be affected by the changes;
 - b) Develop a media campaign to raise awareness of the changes and the help and advice available;
 - c) Assess the impact on the Housing Service and make internal changes;
 - d) Support tenants and residents;
 - e) Ensure tenants pay their rent on time; and
 - f) Working in partnership.
- g) enhancing residents' access to low cost credit and opportunities for saving;
 - h) helping achieve affordable warmth for residents;
 - i) helping assist residents in moving to accommodation which better meets their household needs; and
 - j) seeking opportunities for community development activities, improving opportunities for employment and skills for residents.

9.2 Objectives of the Welfare Reform Strategy

The aims allow development of the following objectives:

- a) improving the information that we hold about our residents to enable us to provide them with appropriate advice and support;
- b) ensuring residents are claiming all of the benefits they are entitled to;
- c) improving the money management skills of residents;
- d) helping residents resolve any debt problems they may have;
- e) enhancing residents' access to the internet;
- f) enhancing residents' access to good financial products (allowing payment of bills by Direct Debit);



10. Action Plan

The Welfare Reform Action Plan is attached at Appendix A.



Explore new, responsive ways of tenancy and income management.



11. Impact on NKDC Landlord Policies

11.1 Context

The Council's Corporate plan includes the ambitions of "support[ing] our local communities with the impact of Welfare Reform" and to "maintain excellent housing services to tenants...and continually improve these". The Council acknowledges that the impact of Welfare Reform means, as a landlord, it needs to explore new, responsive ways of tenancy and income management.

11.2 Income Management

The Council has established practices around the write-off of debt. **This strategy confirms that write-off, via Officer Decision Panel, with the opportunity for appropriate scrutiny by members, may be appropriate on a case-by-case basis**, where recovery is inappropriate due to the debtor's circumstances. For example, arrears of rent generated by the underoccupation charge where the tenant is suffering vulnerability. It is not anticipated this will become usual practice, but the Council is aware of the need for discretion where dictated by the best interests of both the Council and the tenant.

11.3 Tenancy Management

11.3.1 Transfer of rental debt

The Council does not allow mutual exchanges where tenants owe the Council housing-related debt (although consent may be given conditional to the debt being cleared). Similarly, transfers may be suspended for housing-related debt (although this must be balanced against the reasonableness of suspending an applicant where their housing need is taken into account).

The Council will explore options to allow moves (exchange or transfer), where such a move will have clear financial benefits, where the tenant's debt can in effect be transferred to the new tenancy.

11.3.2 Tenancy periodicity

In common with most social landlords, all the Council's current tenancies are weekly tenancies, running from a Monday to a Sunday, and rent is accordingly charged weekly. As Universal Credit is a monthly benefit, paid monthly in arrears, this will inevitably lead to technical arrears. **The Council will explore the use of monthly tenancies** to avoid this.

11.4 Bedroom Definition

The underoccupation charge has made it necessary for the Council, as a landlord, to

consider its definition of "bedrooms". Some landlords have been challenged by tenants, stating the rooms in their property are "boxrooms", not bedrooms, based on their size. The following information allows the Council to provide a working definition:

- › For tenants since April 2007, the number of bedrooms in a property has been written on the front of the tenancy agreement.
- › There is no single piece of legislation or guidance that defines a bedroom.
- › Part X of the Housing Act 1985 is about overcrowding, that is it relates the number of people in a property to the size and/or the no. of rooms. The Act makes no mention of "box rooms" and in fact states "a room is available as sleeping accommodation if it is of a type normally used in the locality either as a bedroom or as a living room"

As a landlord, the Council defines a bedroom as: a room typically used in that property type and in the local area as a room for sleeping in.



As a landlord, the Council defines a bedroom as: a room typically used in that property type and in the local area as a room for sleeping in.



11.5 Legal Action to Enforce Debt

The Council has developed robust and effective income management processes and its rent arrears are the lowest in the country as a proportion of its rent roll.⁹ The effective collection of rental income has been balanced with the need to understand the causes of rental debt and a willingness to work with its tenants, with eviction very much a final option (there were no evictions for rent arrears in the Council's stock in 2012/13). **The Council will maintain its view that legal action remains a last resort in recovering debt,** but this strategy confirms Officers are expected to follow the guidelines in the Council's Legal Action to Enforce Tenancies Policy (reproduced at Appendix B).

⁹Source - Housemark Benchmarking Report 2011/12



