

The Highland Council

Finance, Housing and Resources Committee – 5 June 2013

Agenda Item	15
Report No	FHR/80/13

Welfare Reform Update

Report by Director of Finance

Summary

This Report is one of a series updating Members on features of the UK Government's Welfare Reforms.

The Report considers the local impact of the Benefit Cap; the Social Sector Size Criteria shortfalls including short term mitigation using Discretionary Housing Payments; and continuing aspects of the Scottish Welfare Fund and Universal Credit.

1. Background

- 1.1 As reported at April 2013 Committee, the Welfare Reform Act introduced an unprecedented scale of reforms with the aim of changing the whole culture of the UK Benefits system.
- 1.2 This report informs Members of the local impacts of reforms so far together with an update on the forthcoming changes.

2. Benefit Cap

- 2.1 Benefit cap rules will set a maximum amount of benefit that working-age households can receive. The UK Government's policy intention is to ensure that individuals are no longer given more money when they are out of work than they could reasonably expect to earn from working. The cap was introduced on 15 April 2013 in four London boroughs. The Government plan is to implement the cap nationally from 15 July 2013, with all appropriate households capped by the end of September 2013.
- 2.2 In the period before introduction of Universal Credit, it is Housing Benefit administered by Councils that will be reduced to achieve this national objective. Where necessary a claimant's housing benefit payments will be removed, leaving only a nominal £0.50 per week.
- 2.3 The level of the cap will be:
 - £500 per week for couples (with or without children) and lone parents
 - £350 per week for single adults

2.4 If an individual, their partner or any children for whom they are responsible and who live with them in a household are entitled to Working Tax Credit (note: they do not have to be in receipt of Working Tax credit), or are in receipt of any of the following, they will be exempt from the benefit cap:

- Attendance Allowance
- The support component of Employment and Support Allowance
- War Widow's Pension
- Disability Living Allowance/Personal Independence Payments
- Industrial Injuries Benefits
- Armed Forces Compensation Scheme payments
- War Pension Scheme payments (includes War Widow's/Widower's Pension and War Disablement Pension)

2.5 The Department for Work and Pensions (DWP) has written to all households in Highland identified as being potentially affected by the cap with a view to discussing employability options with them. Locally there is regular and ongoing dialogue between the Council and DWP regarding these claims as there is advice available via the Council's Money Advice and Customer Income Maximisation services and the Citizens' Advice Bureaux. Housing & Property Services and Housing Associations are also engaging with their affected tenants. The potential reductions facing these households are as follows:

58 households potentially affected from local authority quarterly data scan (March 2013)	Amount of reduction per week
2	£300+
1	£200-£299.99
12	£100-£199.99
43	£0.01-£99.99

Of the 58 households, 24 are Council tenants, 11 rent from housing associations and 23 rent private sector accommodation.

3. Spare Room Subsidy

3.1 The Welfare Reform Act 2012 introduced rules restricting Housing Benefit for working age tenants renting in the social sector that are similar to those that are already being applied in the private rented sector. DWP originally referred to these rules as the Social Sector Size Criteria and have renamed them as the Spare Room Subsidy.

3.2 From April 2013 social sector working age tenants' Housing Benefit is based on the needs of the household as determined by DWP. The size criteria allow one bedroom for each person or couple living as part of the household with one additional bedroom for each of the following:

- every adult couple
- any other adult aged 16 or over
- any two children of the same gender under 16
- any two children under 10 regardless of gender

- any other child

3.3 The UK Government has recently amended the rules so that:

- Foster and kinship carers are allowed one additional room providing they have fostered or become an approved foster carer in the last 12 months; also for
- Parents with adult children in the armed forces (including reservists) who normally live with them and in respect of whom non dependant deductions were in place prior to deployment.

3.4 Following successful legal challenges involving households with disabled children, an additional bedroom is now allowed also for severely disabled children who are unable to share with a sibling. A tenant or partner who needs a non-resident carer (or group of carers), who does not normally live with the tenant and provides overnight care, is also entitled to an additional bedroom.

3.5 From April 2013, where tenants are assessed as living in a property that has 1 bedroom more than they need, their housing benefit is reduced by 14% and where they have 2 or more “spare” bedrooms, benefit is reduced by 25%.

3.6 There are currently 2,857 tenants in Highland affected by the Spare Room Subsidy, of whom 1,847 (65%) are Highland Council tenants and 1,010 (35%) are housing association tenants. In total 2,336 are subject to a 14% reduction in housing benefit and 521 are subject to a 25% reduction.

3.7 A joint exercise was undertaken by staff within Finance and Housing and Property Services during March and early April this year to contact tenants affected by these DWP changes. Contact was made with 1,047 (47%) tenants. Where contact was not made following at least 3 attempts, letters were issued containing advice on the change and contact details for help and advice.

3.8 Where personal contact was made high numbers of tenants (984 or 94%) were aware of the new rules, and 565 (54%) indicated that they intended to re-budget in a way that enabled them to pay the shortfall between their rent and housing benefit entitlement rather than move house. However 377 (36%) indicated that they were likely to seek a transfer to a smaller house.

3.9 Of those tenants contacted 138 (13%) said that they required an extra room to meet a disability need. In a small number of cases it is appropriate to re-categorise property size. A process for assessing these cases has been agreed, but in the majority of these cases the only route for assistance is through application for a Discretionary Housing Payment. Such payments represent short term mitigation for some individuals but are limited in financial terms and not a permanent solution for those affected.

3.10 Personal contacts also allowed us to collect information that will help plan for future phases of Welfare Reform. For example we identified that only 597 tenants (57%) were aware of the proposals for Universal Credit and 680 (65%) reported having internet access, with only half of those surveyed feeling confident to use this for online applications.

- 3.11 One of the main impacts of the spare room subsidy will be the risk of increasing rent arrears. The Service has a baseline of Council tenant rent accounts at 31 March 2013, and is monitoring the accounts of tenants affected. At 31 March, 724 tenants affected had rent arrears, with the total value of arrears at £173,491. By 18 May 1,144 tenants were in arrears, with total arrears of £197,795. This compares with a net decrease in arrears levels for all Council tenancies of £79,900 in the same period. The introduction of the spare room subsidy has clearly increased both the number of tenants in arrears and the level of debt. We will continue to report trends to future meetings of the Committee.
- 3.12 The Council also anticipates an increase in demand for transfers to smaller properties as a result of the spare room subsidy. Transfer applicants affected by this will receive an additional 20 points. At present there are 768 transfer applicants who need a smaller property. This number of applicants is based on the Highland Housing Register's Allocations Policy for size criteria and not the DWP size criteria. Around 417 transfer applicants are affected by the spare room subsidy. Since 1 April 2013 there has been an increase of 173 transfer applicants needing one or two bedroom properties. We would expect to see the number of transfer applicants needing smaller houses increasing as the financial implications of the spare room subsidy begin to affect more households.

4. Discretionary Housing Payments (DHPs)

- 4.1 Discretionary Housing Payments are not payments of benefit and are paid to tenants in the social and private rented sectors at the discretion of the Council's Operations Team to provide **short term** financial support with housing costs. To be entitled to a DHP, the claimant must have entitlement to Housing Benefit.
- 4.2 For the current financial year, the Department for Work and Pensions has provided funding of £216,000 to the Council (£80,994 for 2012/13). This increased amount reflects DWP's assessment of heightened demand arising from Welfare Reform. Although DWP is in the process of adjusting the national DHP fund, and therefore local authority allocations, following an easement for foster and kinship carers for the purposes of the spare room subsidy, it is anticipated that the reduction to the Council's £216,000 funding will not be significant.
- 4.3 During March 2013 the Council received a substantial number of applications ahead of the April changes and in particular as a result of Housing Benefit reductions arising from the spare room subsidy.
- 4.4 In the first month of this financial year, £31,896 was paid and committed from this fund. The majority of the 279 awards were in respect of the impact of the spare room subsidy with around 20 awards being made to claimants not impacted by Welfare Reform. On average awards are being made for a period of up to 3 months and for various amounts according to the individual circumstances of the claimant.

4.5 It is important to emphasise that DHPs are only intended to provide short term assistance to enable claimants to make alternative arrangements to address any shortfalls between housing benefit entitlement and the amount of rent payable.

4.6 Responding to a written question in Parliament on 13 May 2013, Pensions Minister Steve Webb said:

“There are no current plans to increase discretionary housing payment funding. There are no indications that evictions will result from the removal of the spare room subsidy. The Department for Work and Pensions has however commissioned a consortium led by Ipsos MORI to undertake an independent monitoring of the removal of the spare room subsidy measures introduced last month. The work will include the effects of the measures on the use of discretionary housing payment funding and evictions. Initial findings will be available in 2014 and final report late 2015.”

4.7 In a further written response, Mr Webb confirmed that the Government has no plans to adjust the spare room subsidy rules as they relate to disabled people. However on 15 May 2013, the Equality and Human Rights Commission (EHRC) issued a statement to the effect that they have intervened in a High Court case that commenced that day. In their statement, EHRC highlighted that the majority of the ten claimants that are challenging the housing benefit size criteria are disabled or live with a disabled person. EHRC submitted that the new housing benefit regulations potentially breach the right of people under the European Convention of Human Rights not to be discriminated against (article 14) and their right to respect for a family life and home (article 8). Judgement on these ten cases was reserved with the findings expected soon.

5. Housing Benefit Appeals

5.1 The Housing Benefit decision making process includes a formal appeals route. Despite the scale of change arising from these reforms, there has only been a very slight increase (9 cases) in the number of reconsideration requests received this April when compared with April 2012. Going forward the volumes may increase as social sector landlords' recovery processes are implemented and the cumulative impacts of reform are felt.

6. Scottish Welfare Fund

6.1 The DWP-administered Social Fund was abolished on 1 April 2013 at which point local authorities became responsible for the Scottish Government's Scottish Welfare Fund. The Council's allocation from the national Fund amounts to £800,000 for the purposes of administering Crisis Grants and Community Care Grants. DWP has retained responsibility for some matters including financial assistance with maternity and funeral expenses, rent in advance, short term benefit advances, etc.

6.2 During the first month of operation, the Council awarded 59 Crisis Grants totalling £2,232 and 16 Community Care Grants amounting to £8,092. Care is taken and significant effort expended to verify and check applications. Where appropriate, arrangements are in place to enable referrals to be made across

Council Services and to partner organisations. To date, two second tier reviews of decisions have been undertaken.

- 6.3 Both nationally and locally, close partnership working with DWP continues with the shared aims of ensuring customers and other stakeholders understand the new responsibilities of the DWP and the Council, including application processes to both organisations, review processes, etc.

7. Universal Credit

- 7.1 In a press release issued on 16 May 2013, Lord Freud announced that the Universal Credit direct demonstration projects will be extended for a further 6 months as new findings from the projects are published. He considers that the extension will help to further develop the support needed for social housing tenants moving onto Universal Credit. The projects will now run until the end of the year. While the Demonstration Projects to date show that the majority of claimants are managing their own rent, there needs to be protection for both tenants and landlords. In his statement, Lord Freud said that *“the Projects are helping to develop and set this protection and that is why DWP are extending them for 6 months”*.

- 7.2 These Projects are investigating a range of different elements of direct payments to provide protection for landlords and tenants including:

- levels of support tenants may need to start direct payments, such as advice on managing personal finances and budgets
- the exemptions that need to be in place for direct payments
- payment switch-backs to the landlord if the tenant falls into arrears
- the support needed to help tenants in arrears to pay back their arrears and to potentially return to direct payments
- early intervention switch-backs before arrears reach trigger points.

- 7.3 The Council is represented at officer level on the Scottish Universal Credit Advisory Group looking with the Scottish Government and COSLA at the funding necessary from DWP to support partnership working for Localised Claimant Support. Negotiations are ongoing.

8. Reporting of Welfare Reform Statistics

- 8.1 As further quantitative information on the local implications of these reforms becomes available, this will be reported to the Council’s corporate Welfare Reform Group and published as a matter of course in an expanded Members’ Bulletin on the intranet. Appendix 1 to this report sets out the minimum information which we intend to report.

9. Implications

- 9.1 The various components of Welfare Reform have resource implications, and where they can be predicted with reasonable certainty, they have been taken into account by the Council. There remains uncertainty however about the UK

timetable for migration of local caseload to Universal Credit, and the extent to which localised claimant support will be funded by Government.

- 9.2 There are no legal, equality, climate change or risk implications relating to this Report other than those already stated.

Recommendations

Members are asked to consider these changes, agree that mitigation actions by the Council and its partners should continue where possible and support the reporting arrangements as detailed at Appendix 1 to this report.

Designation: Director of Finance

Date: 23 May 2013

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Background Papers:

(a) Welfare Reform Act 2012

(b) Previous Reports to FHR Committee

Welfare Reform Reporting Arrangements

The table below sets out the minimum information which Services intend to report.

Spare Room Subsidy

- Number of tenants affected – analysed by landlord and category (14% or 25%)
- Number of tenants in arrears, value of arrears and movement in quarterly periods – for Highland Council tenants only
- Number of transfer applicants affected and movement in quarterly periods – for Highland Housing Register

Discretionary Housing Payments

- Number of awards made per month
- Total amount paid and committed per month
- Award reasons

Housing Benefit Appeals

- Number of appeals received with a comparison to the previous financial year

Scottish Welfare Fund

- Number and value of Crisis Grants awarded per month
- Number and value of Community Care Grants awarded per month

Benefit Cap

- Potential number of claimants affected together with values.