

# FAREHAM

## BOROUGH COUNCIL

### **Report to Health and Housing Policy Development and Review Panel**

**Date:** 22 September 2016

**Report of:** Head of Housing, Revenues and Benefits

**Subject:** WELFARE REFORM UPDATE

#### **SUMMARY**

This paper provides Panel members with an update on the progress of the Government's reform of welfare, the implications for the Council and the impact on residents currently receiving assistance towards their rent and Council Tax.

#### **RECOMMENDATION**

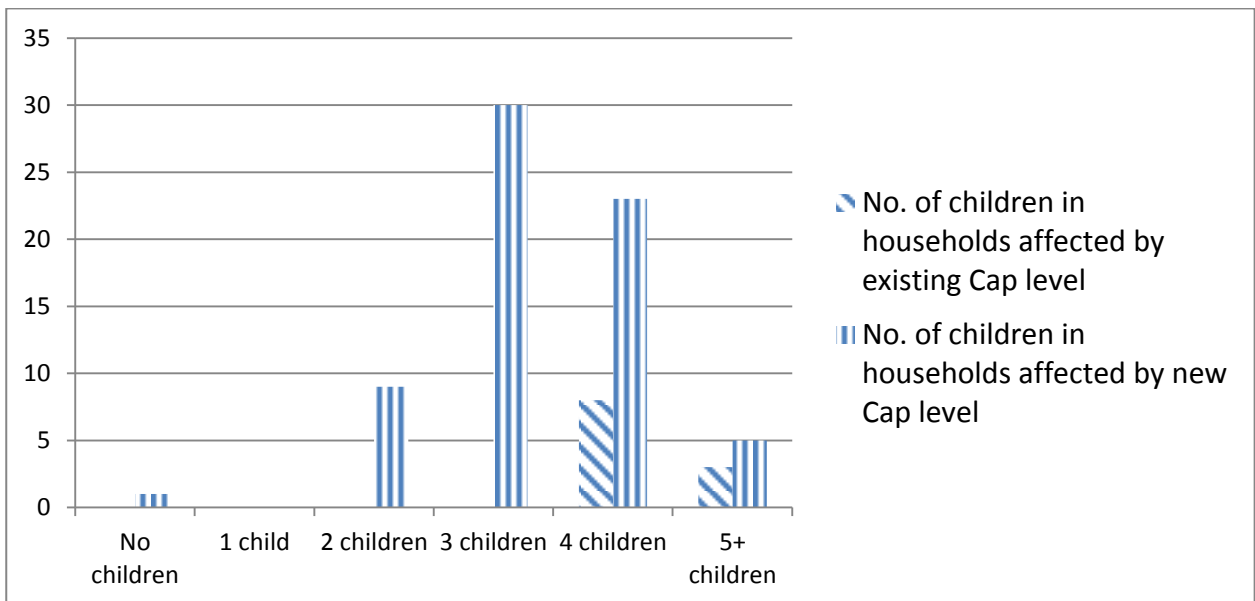
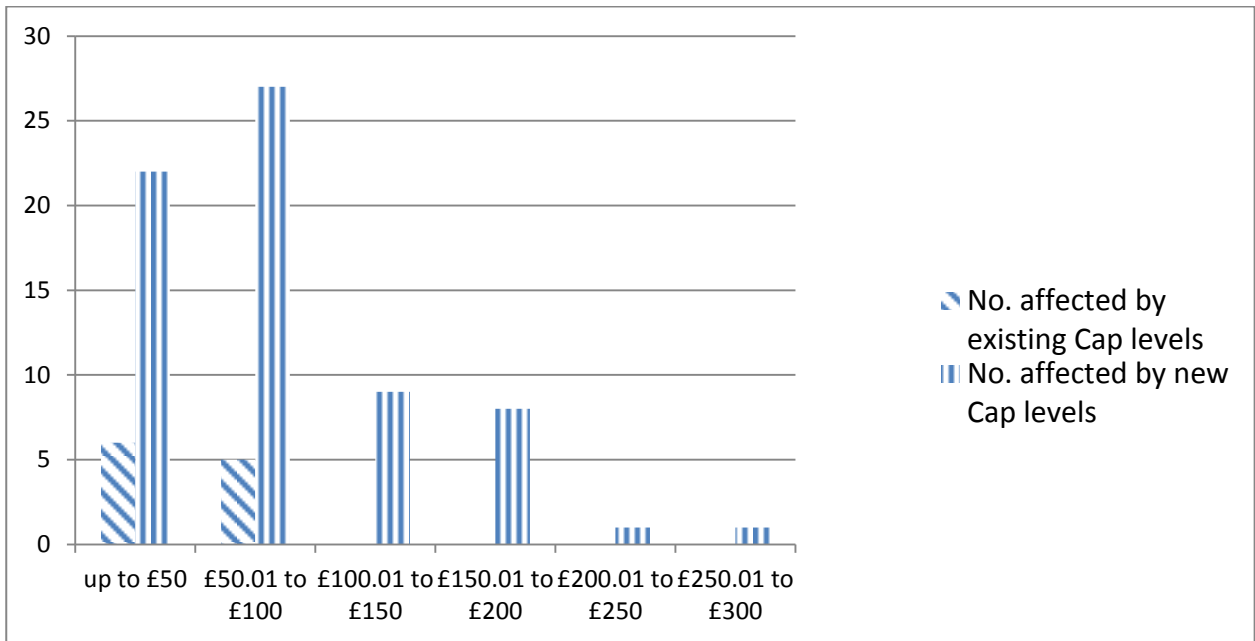
That the Panel notes the content of this report.

## **INTRODUCTION**

1. Changes announced in the 2015 Summer and Autumn Budget Statements, which build upon those contained within the Welfare Reform Act 2012 mean that Fareham Borough Council and its residents who are on a low income will continue to be affected by the reforms. This paper provides Members with an overview of the reforms already in place and those due to be implemented over the coming years.

## **BENEFITS CAP**

2. The Benefits Cap is a key part of the Government's welfare reforms and was originally introduced in 2013 with the intention of increasing incentives to work and promoting fairness by ensuring that those on benefits do not have an income higher than those in work.
3. The cap is set at what is considered to be the average net earned income of working households and is currently £350 per week for a single adult with no children and £500 per week for a couple or lone parent, regardless of the number of children they have. When the total weekly income from certain benefits exceeds the applicable Benefits Cap amount, the claimant's Housing Benefit is reduced to bring the total benefits received down to the cap level.
4. Households who receive Working Tax Credit are exempt from the cap and to protect the most vulnerable, those in receipt of certain benefits such as Personal Independence Payments, Disability Living Allowance and War/War Widows Pensions are also exempt.
5. The cap levels will be lowered to £257.69 per week and £384.62 per week respectively from the autumn. The change will start to be implemented from 7 November 2016 and will be managed over a number of weeks. The exemption rules are being extended to include households which include anyone entitled to Guardian's Allowance or Carer's Allowance.
6. Whilst the exact implementation approach is yet to be determined by the Department for Work and Pensions (DWP), it is likely to follow a similar pattern to that when the Benefits Cap was originally introduced in 2013. DWP's aim is to ensure that wherever possible, claimants who will be affected by the lower cap level are notified early and take up the support being made available to them via local Jobcentres to adjust their circumstances, including moving into or increasing employment if they can.
7. The table below sets out the current impact on Housing Benefit claimants in Fareham and the projected impact based on the information provided to date by DWP:



8. Currently there are 11 households affected by the cap; based on current predictions this number will rise significantly as will the financial impact on those families. All claimants who might be affected by the changes were contacted by the DWP between May and June 2016 to offer additional employment assistance to those who are not already fully supported in looking for work. Housing and Benefit Officers have commenced a programme of work with individuals to provide housing and budgeting advice.

## **REMOVAL OF THE SPARE ROOM SUBSIDY**

9. From April 2013 changes were made to the way Housing Benefit is calculated for working age claimants living in social housing. If a claimant is assessed as having more bedrooms in their home than is necessary, they will be considered to be under-occupying that property and a percentage reduction will be applied to their Housing Benefit; a 14% reduction for those deemed to have one spare bedroom and a 25% reduction for those with two or more spare bedrooms.

10. A bedroom is allocated for each of the following:

- A couple, and
- A person aged 16 and over, and
- Two children of the same sex aged under 16 years, and
- Two children regardless of sex who are under 10 years, and
- Any other child under 16 years, and

Additional bedroom for:

- A child with severe disabilities who is unable to share a room, and
- A foster child living with an approved foster carer, or approved foster carers pending placements
- A non-resident overnight carer, and
- A member of the armed forces who is away on operations

11. The number of tenants affected by these rules has reduced over the last three years – this will be as a result of them moving to smaller accommodation or coming off Housing Benefit all together. There are currently 106 tenants whose Housing Benefit is reduced due to the under-occupancy rules; 94 tenants are under-occupying by one bedroom and 12 by two bedrooms. The Tenancy Services team closely monitor the rent accounts of those who are affected and where applicable provide financial support through the Discretionary Housing Payment scheme.

## **UNIVERSAL CREDIT**

12. Universal Credit (UC) was first introduced in 2013 and is available to people who are on a low income or are out of work. It aims to make the welfare system simpler by replacing six benefits and tax credits with a single monthly payment. It includes support for the costs of housing, children and childcare, as well as support for disabled people and carers.

13. UC claimants are expected to apply and manage their claim digitally. Whilst the vast majority of claimants are able to do this, there are some who need support; Local Authorities are required to provide this support through a Delivery Partnership Agreement with the local Jobcentre. This provision also extends to supporting those claimants who need assistance managing the financial changes which UC brings;

namely the single monthly household payment and the housing support costs paid directly to the claimant.

14. UC 'rolled out' in Fareham in March 2016 for new single Job Seekers Allowance claimants only and where required, our Housing Benefit officers assist claimants to make their claims online and make referrals to Citizens Advice Fareham who provide the budgeting support on our behalf. We also provide specialist housing benefit advice to the UC Service Centres.
15. The impact of the introduction of UC in Fareham is currently very low however recent research into rent arrears and hardship as a result of UC nationally is worrying. The key factor leading to tenants falling into arrears is due to the six week delay before they receive their first UC payment and many claimants not having sufficient savings to get through this period. Additionally, most social tenants currently have their Housing Benefit paid directly to their landlord however under UC, support for housing costs will be paid directly to the tenant. There is an existing safety measure which enables the housing cost element of UC to be paid to the landlord where the tenant has fallen into arrears of 8 weeks or more but the DWP have now recognised that there is a need for social landlords to identify vulnerable tenants to prevent rent arrears accruing in the first place. They are working on a number of schemes including a trial where social landlords can apply to be awarded 'trusted partner status' so they can have vulnerable tenant's housing support paid directly to them before they fall into arrears.
16. Approximately 9 million claimants will eventually transfer to UC by 2022 and throughout this time, local authorities will see a gradual reduction in their HB caseloads. The Government have recently announced that they will not begin the incorporation of HB for pensioners into Pension Credit until the completion of the UC migration timetable therefore local authorities will be delivering HB for pensioners beyond 2020.
17. Findings from the trials and further updates on the roll out of UC in Fareham will be provided to Members as required.

### **COUNCIL TAX SUPPORT**

18. Following the abolition of Council Tax Benefit, the Government devolved the responsibility to design a Council Tax Support scheme for working age claimants to local billing authorities from April 2013. Fareham Borough Council has implemented its own schemes for each year from 2013/14 and work is currently under way to design the scheme that will run from April 2017.
19. Currently 4527 claimants receive Council Tax Support. The funding for Council Tax Support is contained within an element of the Revenue Support Grant each year rather than reimbursement of actual expenditure as was the case under the previous Council Tax Benefit regime. The scheme for pension age claimants (56% of our total caseload) is prescribed by Central Government therefore to reduce the financial impact on FBC and our precepting authorities, the cost of supporting working age claimants must come from the funding left over after the cost of the pension age scheme has been met.

20. The current scheme contains the following elements:

- Every working age claimant pays the first 20% of their Council Tax bill
- For those claimants living in larger homes, the amount of Council Tax Support they receive is not higher than that given for smaller properties (band C)
- Where claimants have other adults living with them who are not dependent upon them (for example grown up children), this non-dependant adult is expected to contribute a minimum rate of £3.77 per week towards the household council tax bill
- As well as pensioners, the most vulnerable working age claimants are exempt from the reductions above.

21. Council Tax collection rates have remained largely unchanged since the reduction in support available to working age claimants. There has been a significant increase in the level of recovery activity carried out by the Council Tax team to ensure our collection rates remain high. Financial assistance is available for those severe hardship and applicants are required to engage with our dedicated budgeting officer (funded by FBC and employed by Citizens Advice Fareham)

## **OTHER CHANGES**

### **Freeze on working age benefits – April 2016**

22. A freeze on working age benefits was announced in the Summer Budget 2015 and means that for four years commencing April 2016 there will be no increase in the benefit rates for people of working age who previously received a small increase in their benefits each year to take into account the rise in living costs. This affects Jobseeker's Allowance, Employment and Support Allowance, Income Support, Housing Benefit, Universal Credit, Child Tax Credits, Working Tax Credits and Child Benefit. The rates freeze will not apply to disability benefits such as Personal Independence Payment, Attendance Allowance and Disability Living Allowance or carers and pensioner benefits and statutory maternity and sickness payments.

### **Limiting backdating in Housing Benefit – April 2016**

23. New arrangements came into force on 1 April 2016 which reduces the maximum period for which Housing Benefit claims may be backdated for working age claimants from six months to one month. Consideration for claims to be backdated relies upon the claimant to demonstrate they have good cause for not applying at an earlier date and these provisions have not changed, however the reduction in the maximum backdating period makes it all the more important that claims are made promptly.

### **Removal of the Family Premium within Housing Benefit – May 2016**

24. When assessing entitlement to Housing Benefit, the claimants income is compared to their applicable amount (or 'needs allowance') for their particular circumstances. The applicable amount is made up of personal allowances and premiums that are set within legislation. The premium awarded to families will not be included in the applicable amount for new entitlements on or after 1 May 2016 or for any existing claimants who have a child or become responsible for a child for the first time after 30 April 2016.

## FORTHCOMING CHANGES

### Restrictions in support for children – April 2017

25. It was announced in the Summer Budget 2015 that, as part of the welfare budget savings, the maximum entitlement to tax credits and Housing Benefit will be restricted to the ‘two child limit’ for new claims to these benefits from families with three or more children.

### Local Housing Allowance rules to be extended to the social rented sector – April 2018

26. The rate of Housing Benefit in the social sector will be capped at the relevant Local Housing Allowance (LHA) rate, thereby aligning the rules to that of the private sector. This will apply to tenancies signed after 1 April 2016, with Housing Benefit entitlement changing from 1 April 2018 onwards. It will include the ‘shared accommodation rate’ of LHA that applies to single people in the private rented sector who are under 35 and do not have dependent children.
27. Similarly to the previously announced 12 month exemption from the 1% reduction on social housing rents for all supported accommodation, the Government have committed to a year-long exemption from the LHA cap to all tenants of supported accommodation whilst the outcomes of various research projects are known.

## RISK ASSESSMENT

28. Any financial and reputational risks to the Council as a result of the Government’s key welfare reforms continue to be monitored and mitigated against as detailed below:

### The Benefits Cap

Issues	Possible Consequences	Mitigation
Families move as home is no longer affordable, no alternative accommodation available	LA to fund temporary or B&B accommodation	Early communication of changes to affected households  Provision of money advice  Identification of alternative cheaper accommodation
Families move to smaller/shared accommodation locally	Overcrowding	Identification of families at risk of displacement early and where possible work with them to identify suitable alternative accommodation in same locality
Families move to a	Children having longer	Identification of families at risk of displacement early

cheaper locality	<p>journey to school</p> <p>Longer travelling distances to find work</p> <p>Displacement of families support networks</p>	<p>and where possible work with them to identify suitable alternative accommodation in same locality</p> <p>Work with receiving councils to minimize disruption to education and to identify suitable permanent accommodation</p>
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### Removal of the Spare Room Subsidy

Issues	Possible Consequences	Mitigation
Tenant unable to meet the shortfall between their rent and HB entitlement & falls into arrears	<p>Additional collection costs for social landlords.</p> <p>Increased arrears and arrears maintenance work for social landlords</p>	<p>Early communication of changes to tenants.</p> <p>Encouraging tenants to downsize</p> <p>Provision of money advice</p> <p>Discretionary Housing Payments</p>
Shortage of smaller properties	Tenants unable to move from no longer affordable properties	<p>Provision of money advice</p> <p>Discretionary Housing Payments</p> <p>Continue to review downsizing policies and wider Housing Strategy</p>

### Merger of HB into Universal Credit

Issues	Possible Consequences	Mitigation
Rundown of Council Benefits Service	<p>Possible redundancy costs</p> <p>Possible TUPE issues</p>	Undertake early planning to reduce staff as much as possible through re-deployment or natural wastage whilst taking into account possible need to continue service beyond 2022 due to project delays



		& uncertainty over HB delivery for pensioners.
Increase in housing rent arrears	Cost of collecting arrears Cash flow challenges	Early publication by benefits service to housing providers of changes to HB, to enable them to identify tenants who may need budgeting support and/or direct payments

### **Council Tax Support**

Issues	Possible Consequences	Mitigation
Further reductions in budget with protection for pensioners maintained	Working poor disproportionately affected	Administration of the Hardship Fund
Increase in council tax arrears	Unplanned reduction in income for the council	Continue our work with the CAB, making referrals where necessary and advising on the Hardship Fund.
Increase in collection costs	Increased financial pressures on the council	Continue to work with our customers and the CAB to ensure payment arrangements are manageable.

### **CONCLUSION**

29. The impact of the Government's Welfare Reform agenda continues to affect the Council, our partners, local communities and individuals. We remain committed to mitigate the impacts as much as possible. The continual delays in the implementation of UC mean that there is still considerable uncertainty around funding, demand and how services will need to be delivered in the future.

### **Enquiries:**

For further information on this report please contact Caroline Newman. (Ext 4645)