

FAREHAM

BOROUGH COUNCIL

Report to Health and Housing Policy Development Review Panel

Date **16 January 2014**

Report of: **Director of Finance and Resources**

Subject: **WELFARE REFORM UPDATE**

SUMMARY

Further to the report brought to the Panel in September 2012, 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 our residents currently living in social housing and the private rented sector and receiving assistance towards their rent and Council Tax.

RECOMMENDATION

That the Panel notes the information contained in the report.

INTRODUCTION

1. This paper will look to review a number of changes to Housing Benefit since April 2013 as a consequence of the Welfare Reform Act 2012. These include:
 - (a) Under-occupation in Social Housing properties
 - (b) The household Benefits Cap
 - (c) Changes to the Local Housing Allowance
2. The second section will look at the Introduction of the Council Tax Support Scheme, its impacts and how we have assisted those most affected by the changes.
3. The final part will look at the introduction of Universal Credit, the progression of the pilots and the intended abolition of Housing Benefit.

CHANGES TO HOUSING BENEFIT

Under-occupation in Social Housing properties

4. From April 2013 a 14% reduction is being applied to those who are deemed to have one spare bedroom and a 25% reduction for those with two spare bedrooms or more.
5. The assessment of requirements is the same criteria currently used in the calculation of the Local Housing Allowance applicable to the private rented sector: a bedroom will be allocated for a single adult or couple; every two children under the age of 10 or each child over 10 if they are different genders; a carer (or group of carers) providing overnight care.
6. Precedent set down within case law post April 2013 and emergency legislation being enacted has led to some further conditions being applicable to the size criteria which includes allowing a sole bedroom for a disabled child if their disability is such that it will disturb the sleep pattern of the other child if they were to share on a regular basis, a room allowed for adult children serving in the armed forces and one room allowed if the customer is a registered foster carer.
7. All social landlords with properties in the borough were contacted during late 2012 to share information held by us identifying those tenants who would be affected. Many commenced work with their tenants to help them prepare for the changes and they continue to assist new tenants and existing tenants as they become affected as household circumstances change.
8. As of the end of September 2013 we presently have 112 council tenants affected by the spare room subsidy of which 92 are affected by the 14% reduction and 20 are affected by the 25% reduction. Although we have seen a drop in the overall predicted cases, household changes appear to have led to an increase in those tenants affected by the 25% reduction.
9. We presently have 126 tenants affected by the spare room subsidy renting from a Housing Association. Of this 126, 115 are affected by the 14% reduction and 11 are affected by the 25% reduction.

10. We continue to work with existing customers who become affected by the spare room subsidy. We have continued to assist those most severely affected by these changes via our Discretionary Housing Payment (DHP) Fund where they are not in a position to find work or to move due to illness, disability or unexpected financial crisis.
11. In total we have assisted over 38 customers via DHP since April 2013 due to the spare room subsidy with an expenditure of around £24,500.

The household Benefits Cap

12. There is a limit on the total amount of benefit that most people aged 16 to 64 can get. This is called the benefit cap. This was introduced to our area in July 2013 after the national roll out in April 2013 was delayed.
13. Prior to this, work was done to identify those customers expected to be affected which included joint working with the housing department in order to contact and meet with those customers, to give joint benefit and housing advice along with the offer of money advice referrals to the CAB.
14. We presently have 12 households affected by the Benefits Cap within Fareham, none of which are council tenants. The cases are predominantly split between the private and social housing association sector.
15. Most customers have spoken directly with a Job Centre Plus Advisor and responded to help from both the benefits and housing services with regards to their options. Some have taken steps to remove themselves from the cap by applying for exemption benefits, finding work or seeking advice on moving to cheaper accommodation. Some customers have decided that through budgeting they can meet the shortfall.
16. We have assisted one customer to date via DHP and this award was to help the customer while she sought and accepted debt advice as she was in severe debt and was struggling to meet all of her creditor payment arrangements and meet the shortfall in her rent.
17. Recent feedback from the Department for Work and Pensions (DWP) is that the Wessex Region is the top performer in the South for getting Benefit Cap households back into work and are placed 6th nationally. A figure of 25% of cases has been quoted as being successful in getting back into work.

Changes to the Local Housing Allowance

18. From April 2013, the Local Housing Allowance (LHA) rates have been set annually at the lower of a) the previous LHA rate increased by Consumer Price Index (CPI) inflation amount based on the previous September CPI figure or b) the thirtieth percentile of local market rents as the previous September.
19. We have not seen any major impact this financial year specifically due to this change.
20. We have seen no real draw on our DHP fund to date specifically due to the changes to the LHA. We continue to see claims made at numbers similar to those before the changes specifically due to there being a shortfall between the LHA rate and the contractual rent.

21. However as the LHA rates continue to be reviewed on an annual basis and set outside of any direct alignment to current market rents we could start to see an impact in future years.

COUNCIL TAX SUPPORT

22. Since April 2013 we have been administering our own Council Tax Support scheme which has replaced Council Tax Benefit.

23. We have continued to ensure that those of pension age are protected and they remain entitled to the same level of support as before.

24. We have protected the most vulnerable and again they have seen no change in their support level.

25. Those of working age who are not protected under our vulnerable scheme have seen a 8.5% minimum reduction in the level of their support.

26. During March 2013 over a three week period we provided a dedicated team of officers at Ferneham Hall to deal directly with enquiries due to these changes along with other welfare reform changes.

27. We were able to assist customers who began to pay council tax for the first time by spreading payments over a 12 month period rather than the usual 10 month period to help with their budgeting. We were also able to give advice on different payment options.

28. We also introduced a Hardship Fund for those customers most severely affected by the changes. We also funded a Citizen Advice Bureau (CAB) officer post in order to provide independent assistance to those seeking debt and budgeting advice.

29. To date we have seen only a few applications made to the Hardship Fund as many customers have managed to accommodate having to pay Council Tax for the first time.

30. The proposals for year two of our Council Tax Support Scheme include a reduction to the lower of either 20% of the liability or a Band C property.

31. We hope to keep the present Hardship Fund at its present monetary level in year two as we expect to see an increase in demand from those who may struggle to meet the higher charge.

32. The impact of the higher charge in year two could affect a tenant's ability to pay their rent. We will look to work closely with Housing Officers and the CAB offering money and budgeting advice.

UNIVERSAL CREDIT

33. Universal Credit (UC) is intended to simplify and streamline the existing welfare benefits system by bringing together a range of benefits and credits (including HB) into a single system.

34. UC did not go live nationally in October 2013 as originally planned. Currently a UC

'Pathfinder' programme is taking place in 4 Local Authority areas. The findings from the Pathfinders will be used to make changes (where necessary) to ensure the new service is reliable when UC goes live nationally.

35. The timescale for a national rollout is still unclear and we have not been given any indication as to when Fareham can expect to see any claimants moving onto UC. Current pilots still appear to only be taking new claims from single non householder Job Seeker Allowance claimants and the focus is mainly on the capability of the I.T.
36. The Department of Work and Pensions and Local Government Association will continue to work together reviewing the pilot schemes to inform the eventual UC delivery.
37. A recent announcement from the DWP has confirmed by the summer of 2014, there will be 10 pilot sites ready to accept UC claims for couples followed by claims for families in late autumn 2014. Lord Freud, the Minister for Welfare Reform, has outlined that no transfer of existing claimants will commence until sometime in 2016.
38. A further recent announcement has made it clear that Local Authorities will continue to deliver Housing Benefit for those of pension age up to 2017 and beyond as progression of this reform to include housing costs within Pension Credit has been delayed.

RISK ASSESSMENT

The following risks remain the same:

39. Under-occupation in Social Housing properties:

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

		downsizing policies
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40. The Household Benefits Cap

Issues	Consequences	Possible Mitigation
Families move, 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 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 cheaper locality	Children having longer journey to school Longer travelling distances to find work Displacement of families support networks	Identification of families at risk of displacement early and where possible work with them to identify suitable alternative accommodation in same locality Work with receiving councils to minimize disruption to education and to identify suitable permanent accommodation

41. Changes to the Local Housing Allowance

Issues	Consequences	Possible Mitigation
Rent Inflation	Gap between LHA and rents increases	Work with landlords to encourage the inflation of rents by no more than the rate of CPI

42. Council Tax Support

Issues	Consequences	Possible Mitigation
Further reduction in budget with protection for pensioners	Working poor disproportionately affected	Introduction of Hardship Fund
Increase in council tax arrears	Unplanned reduction in income for the council	Continue our work with the CAB making money 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.
IT system availability	Difficulties in administering localised support	Engage with IT suppliers to ensure timely production of revised software as scheme changes occur and new developments are required.

43. Merger of HB into Universal Credit

Issues	Consequences	Possible Mitigation
Rundown of Council Benefits Service	Possible redundancy costs Possible TUPE issues	Undertake early planning to reduce staff as much as possible through re-deployment or natural wastage however taking into account possible need to continue service beyond 2017 due to project delays.
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

		mitigate impact
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CONCLUSION

44. With the significant changes detailed above, there continues to be the need for us to work closely with internal housing teams and other housing providers within the borough to ensure that all parties are fully informed of the impact to tenants as they become affected. This is not always easy as legislation changes have sometimes been brought in at short notice and some national reform projects have experienced delays.
45. Alongside the work being carried out relating to the changes to HB and the localised Council Tax Support scheme, a project group, led by the Director of Finance and Resources continues to review and monitor the progress of Universal Credit and its impact on the Council and its customers.

Reference Papers:

[Welfare Reform Act](#)

[Report to Full Council 12 December 2013](#)

Enquiries:

For further information on this report please contact Zoey Hillary. (Ext 4402)