

# Overview and Scrutiny Committee

## Welfare Reform Update

24 September 2013

## Report of the Head of Finance and Procurement

### PURPOSE OF REPORT

This report provides an update on welfare reform.

This report is public

### Recommendations

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- The Overview and Scrutiny Committee is recommended to note the contents of this report.

### Background

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#### Current position

- 1.1 In 2010 the government embarked on a series of welfare reforms.
- 1.2 A number of these reforms have already been implemented. Changes to Local Housing Allowance (affecting Housing Benefit claimants in the private rented sector) were introduced in 2011, 2012 and 2013.
- 1.3 In April 2013, Council Tax Benefit was abolished and replaced by local Council Tax Reduction schemes.
- 1.4 Also in April 2013 new size criteria (commonly referred to as the “bedroom tax” or “spare room subsidy”) were introduced for Housing Benefit claimants in the social rented sector.
- 1.5 Responsibility for elements of the Social Fund was passed to Oxfordshire County Council from April 2013.
- 1.6 In June 2013, Personal Independence Payments were introduced to replace Disability Living Allowance for working age claimants.
- 1.7 Finally, in July 2013 the Benefit Cap was rolled out nationally.

## **Moving Forward**

- 1.8 In October 2013 the government had intended to start the national roll-out of Universal Credit, which replaces a number of state benefits including Housing Benefit. However, this has now been replaced by a second group of pilots following initial pilots starting between April 2013 and July 2013. Currently, much uncertainty remains about the timing of further roll-outs of Universal Credit or its extension to current benefit claimants.

## **Impact of the Size Criteria for Social Housing**

- 1.9 Analysis undertaken during 2012 identified approximately 900 households that would be affected by this new legislation. The authority wrote to these households in December 2012 explaining the likely impact and the various options open to households affected by this change.
- 1.10 This activity resulted in 42 applications for Discretionary Housing Payments being received up to the end of March 2013 of which 23 were successful. In most cases where an application was refused the reason was that the applicant appeared to have sufficient income to meet the shortfall between their Housing Benefit entitlement and their rent.
- 1.11 Since April 2013 a further 167 applications for Discretionary Housing Payments have been received as a result of this legislative change. An award has been made in respect of 68 applications.
- 1.12 Sanctuary, the largest social landlord in the district, has been proactively encouraging tenants to undertake mutual exchanges between under occupying and over occupying households. They have also undertaken their own publicity.
- 1.13 Anecdotal evidence from Sanctuary is that since April 2013 some of those tenants who were confident that they would be able to afford to pay the additional rent have struggled to do so and that rent arrears have increased.
- 1.14 The authority's officers are meeting with representatives of social housing providers on 8 October 2013. That meeting should give a clearer understanding of how tenants are coping with this change, the impact on levels of rent arrears and recovery activity by landlords, and the effectiveness of downsizing projects.

## **Council Tax Reduction Scheme**

- 1.15 For 2013-14 the Council decided to adopt a local scheme that mirrored the Council Tax Benefit Regulations which applied until 31 March 2013.
- 1.16 The scheme was successfully implemented on time and within cost (based on New Burdens funding received from the government). There was no discernible increase in customer enquiries as a result of the new scheme, and there have been no legal challenges to the scheme.

- 1.17 That part of the cost of the scheme which was not covered by grants from the Department for Communities and Local Government (DCLG) was offset through changes to Council Tax discounts and exemptions. These changes did result in additional enquiries and two formal complaints, though again there have been no legal challenges.
- 1.18 Work is currently progressing on the authority's scheme for 2014-15. Currently, the favoured option is to carry forward the current scheme, though we are looking at some administrative simplifications that would make the scheme a little easier to operate and simpler for claimants to understand. Continuing with the current scheme is likely to impose a small cost on the authority due to reductions in DCLG grant.
- 1.19 If significant changes are made to the scheme this would trigger a public consultation exercise and an equality impact assessment which would have to be concluded within the next two months. The scheme for 2014-15 has to be approved by the full Council by 31 January 2014 at the latest.

### **Localisation of Social Fund**

- 1.20 Oxfordshire County Council decided to outsource the administration of its Local Welfare Provision scheme to Auriga Services Ltd for a trial period of one year. Concerns were raised about accessibility to the scheme as Auriga would be operating Monday to Friday 9.00am to 5.00pm.
- 1.21 We have asked the County to exchange key statistics on how the scheme is operating (for example, number of applications made, reasons for applications, number of successful applications and processing times), and these are detailed in the attached appendix.

### **Introduction of Personal Independence Payments**

- 1.22 Personal Independence Payments replace Disability Living Allowance for claimants aged between 16 and 65 years of age. Initially the benefit is only available to new claimants. However, over the next few years all existing recipients of Disability Living Allowance will have to apply for the new benefit.
- 1.23 The rules for entitlement to Personal Independence Payments are different from those for Disability Living Allowance and it is estimated that approximately one quarter of those who would qualify for Disability Living Allowance will not qualify for the new benefit.
- 1.24 Currently none of our claimants for Housing Benefit or Council Tax Reduction are in receipt of the new benefit. Therefore, it is not yet possible to gauge the impact of this change.

### **Introduction of the Benefit Cap**

- 1.25 The Benefit Cap sets a limit for the amount of state benefits that a household can

receive (£350 per week for single claimants; £500 per week for couples and families). If the total of benefits received exceeds the limit then Housing Benefit is reduced. Pensioners, households including a person in receipt of certain disability benefits, and those working over 16 hours per week are exempt from the Benefit Cap.

- 1.26 Between May 2012 and May 2013 the Department for Work and Pensions (DWP) issued a number of lists to local authority's indicating the households that were likely to be affected by the Benefit Cap. These lists indicated that between 50 and 70 households would be affected in our district. DWP wrote to these households that they were likely to be affected. Jobcentre Plus also contacted these households to offer support with finding employment.
- 1.27 The Benefit Cap was implemented in our district between 15 July and 18 August 2013. The Cap was applied to 35 households, as data cleansing by DWP reduced the number of households affected. To date only two of the affected households have applied for Discretionary Housing Payments. Awards have been made in both cases.

### **Discretionary Housing Payments**

- 1.28 The Council has a Discretionary Housing Payment (DHP) fund from which awards may be made to Housing Benefit claimants suffering hardship, where Housing Benefit does not cover the whole of their rent liability.
- 1.29 In anticipation of greater demand as a consequence of the welfare reforms the government's contribution to the Council's DHP fund increased from £139,741 in 2012-2013 to £203,354 in 2013-2014. The Council has the discretion to make its own contribution to the fund up to one and half times the amount of central government funding. However, at this time no specific provision has been made for this purpose
- 1.30 Since April 2013 the authority has received 300 applications, compared to 370 for the whole of 2012-13. Of these applications 122 were successful. To date the authority has committed £74,166. This represents a slight underspend compared to our expectations at this stage of the year. This is due to lower than expected demand from households affected by the Benefit Cap. However, the meeting in October with social landlords will give us a clearer understanding of ongoing demand from those affected by new size criteria. The authority remains committed to fully utilising the government contribution.

### **Universal Credit**

- 1.31 We continue to monitor government announcements on the progress of Universal Credit. However, the lack of detail on key issues such as the extension of Universal Credit to our district, the timetable for migrating existing claimants to the new benefit, and the level of central government funding to local authorities to enable them to carry out their role in supporting Universal Credit claimants, means that it is difficult at this stage to make firm plans.

- 1.32 Although the Department for Work and Pensions will be responsible for the assessment of Universal Credit claims, local authorities are expected to play a role in delivering the local element of Universal Credit. This includes activities such as supporting claimants with applying for Universal Credit, identifying claimant's support needs, and working with claimants to develop their budgeting skills.
- 1.33 Local authorities will also retain responsibility for assessing help with housing costs for claimants occupying supported accommodation.

### **Local Government Resources Review**

- 1.34 In 2012 the authority set up a Local Government Resources Review (LGRR) project to prepare the authority for the welfare reform changes as well as the changes to Council Tax and Non-Domestic Rates.
- 1.35 Many of these changes have now been implemented. However, the authority decided to relaunch the LGRR project team to address the continuing localisation of Non-Domestic Rates, preparing the Council Tax Reduction scheme for 2014-15, and issues arising from the Universal Credit.

### **Consultations**

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The Council is obliged to consult on any significant changes to the Council Tax Reduction scheme. However, the other changes are driven by government legislation so there is no need to consult on them.

### **Implications**

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- Financial:** There are no financial implications arising directly from the production of this report. However members will continue to be kept informed of any financial implications as they arise.  
Comments checked by Nicola Jackson, Corporate Finance Manger, 01295 221731.
- Legal:** There are no legal implications.  
Comments checked by Kevin Lane Head of Law & Governance, 0300 0030107.
- Risk Management:** Expenditure and cost implications will continue to be monitored.  
Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.

### **Document Information**

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Appendix No	Title

**Background Papers**

<b>Report Author</b>	Ryszard Filipiak, Service Assurance Team Leader
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