

**Cherwell District Council**  
**Budget Planning Committee**

**8 October 2013**

<b>Welfare Reform Update</b>
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**Report of Head of Finance and Procurement**

This report is public

**Purpose of report**

To advise members of the current impact of certain welfare reforms.

**1.0 Recommendations**

The meeting is recommended to note the current position.

**2.0 Introduction**

- 2.1 The government's welfare reforms have impacted on the council and residents of the district in a number of ways. Two of the key changes were the introduction of size criteria for Housing Benefit claimants who are tenants of social landlords, and the introduction of a cap on benefit awards.

**3.0 Report Details**

- 3.1 The new size criteria for Housing Benefit claimants in social housing (commonly referred to as the "spare room subsidy" or "bedroom tax") were introduced on 1 April 2013. A tenant whose home has one bedroom more than they are deemed to require under the size criteria has their rent eligible for Housing Benefit reduced by 14%. A tenant who has two or more bedrooms over the size criteria has their eligible rent reduced by 25%.
- 3.2 An investigation of our Housing Benefit database in October 2012 identified 905 households that would be potentially affected by the size criteria. All these households were contacted in December 2012 to explain the impending change, the likely financial impact and possible responses. The data was also shared with social landlords.
- 3.3 We are currently unable to identify the precise number of residents affected by the size criteria. However, a new software release from our supplier is being installed on 28 September 2013. This will enable us to report on Housing Benefit claimants affected by this change.

- 3.4 Consequently, since January 2013 we have seen a significant and sustained increase in applications for Discretionary Housing Payments, with the majority of applications now coming from the social rented sector. Since April 2013 we have processed 312 applications (compared with 135 for the first five months of the previous year and 370 for the whole of the previous year). Awards were made in respect of approximately 40% of applications.
- 3.5 The government's contribution to the council's Discretionary Housing Payment fund for the current year is £203,354 (£139,741 for 2012-13). The council is permitted to spend up to two and half times the government contribution. To date we have committed £76,147. Whilst this represents a slight under spend on a pro-rata basis, we expect the number of applications to continue increasing as social landlords step up activity to recover rent arrears. A meeting with social landlords on 8 October 2013 will give us a clearer idea of the level of rent arrears and recovery action by social landlords as well as the availability of smaller accommodation units and the success of downsizing projects run by social landlords.
- 3.6 The Benefit Cap applies to working age households where nobody is in remunerative work (16 or 24 hours per week depending on the household circumstances). For such households if the total weekly amount of state benefits exceeds the Cap amount (£350 for a single person; £500 for couples and families) then their Housing Benefit entitlement is reduced so as to bring the total benefits down to the Cap. Where a working person becomes unemployed their household is protected from the Cap for 39 weeks.
- 3.7 The Department for Work and Pensions started identifying the households likely to be affected by the Cap in May 2012. Every few months they issued a list of the affected households in their area to local authorities. The households also received letters warning them about this. Additionally Jobcentre Plus contacted these households to offer support with finding employment. The Council also contacted the households in our district to offer support. These lists indicated that approximately 50 households would be affected in our district.
- 3.8 The Cap was rolled out in our district starting from 15 July 2013. 36 households have been capped. We will continue to receive notifications from the Department for Work and Pensions where the amount of the reduction needs to be changed, where the Cap no longer applies, or where the Cap needs to be applied to a new household. However, these households will not receive any advance warning of the imposition of the Cap.
- 3.9 The amount of the Housing Benefit reduction applied to households in the district ranges from £3.66 to £229.12 per week. The average reduction is £60.31 per week. The following table provides a breakdown of the households by ward:

Ward	Number of households affected
Banbury Ruscote	12
Banbury Hardwick	5
Banbury Grimsbury & Castle	3
Banbury Neithrop	3
Banbury Calthorpe	2
Bicester East	2
Bicester South	2
Kidlington North	2
Yarnton, Gosford & Water Eaton	2
Bicester Town	1
Bicester West	1
Caversfield	1

60% of the households affected are social tenants and the other 40% are in the private rented sector

- 3.10 Of the thirty-six households, four have applied for Discretionary Housing Payments. Awards have been made in two cases, and the other two are still under consideration. There has been no contact from seventeen of the households and only minimal contact from another eight. Therefore, in October we will be endeavoring to contact these households to offer support.

#### **4.0 Conclusion and Reasons for Recommendations**

- 4.1 In conclusion significantly more residents have been affected by the size criteria than the Benefit Cap. However, the impact of the Benefit Cap has been much more severe for a small number of households. It is probable that the full extent of the impact from both changes will not become apparent until the second half of this financial year. Whilst the Discretionary Housing Payment funding from the government appears to be sufficient to meet current demand this could change over the course of the next few months.

#### **5.0 Consultation**

- 5.1 These changes have been introduced under social security legislation. Consequently, there was no consultation.

#### **6.0 Alternative Options and Reasons for Rejection**

- 6.1 These changes have been introduced under social security legislation. Consequently, there are no options to consider.

## 7.0 Implications

### Financial and Resource Implications

- 7.1 These changes have resulted in reductions in Housing Benefit entitlement for many households in the district. If the affected households are unable to make up the additional rent or to move to smaller accommodation, the Discretionary Housing Payment fund may be insufficient to support all such households. This is carefully monitored throughout the year.

Comments checked by:

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### Legal Implications

- 7.2 A decision to refuse a Discretionary Housing Payment application could be challenged through judicial review.

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## Document Information

Appendix No	Title
None	
<b>Background Papers</b>	
None	
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