

# Overview and Scrutiny Committee

28 March 2017



<b>Title</b>	Welfare Reform and Universal Credit Update		
<b>Purpose of the report</b>	To note		
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<b>Cabinet Member</b>	Councillor Jean Pinkerton	<b>Confidential</b>	No
<b>Corporate Priority</b>	Housing		
<b>Recommendations</b>	<b>To be noted that the contents of this report is an update on welfare reform and the introduction of Universal Credit and how it specifically affects Spelthorne claimants</b>		

## 1. Key issues

- 1.1 Since the commitment by Central Government to austerity, successive governments have implemented a programme of wide ranging plans for welfare reform in an attempt to control expenditure attributable to the welfare state. The broad aims have been to incentivise work and to transfer personal responsibility for managing finances directly to clients, ultimately simplifying the current welfare system. Despite delays, several initiatives are now in the process of being introduced to achieve this at national government level.
- 1.2 The impact of these reforms on Spelthorne residents have been considerable. The Council have put a number of initiatives in place to address issues and ease financial constraints on residents that are felt to be suffering hardship as a result.
- 1.3 Spelthorne is responsible for administering Housing Benefits and Council Tax Support. Key elements that involve welfare reform include the administration and application of the Benefits Cap, the identification of cases where the under occupancy charge applies and the administration of Discretionary Housing Payments (DHP) in cases of proven hardship. This report will expand on how Spelthorne is addressing the challenges relating to the introduction of the above reforms and the effects they are having on our clients.
- 1.4 The role of the Housing Benefits team is now focused on working closely with external agencies such as DWP (Department for Work and Pensions) as well as internally with Housing Options officers and the Family Support Unit to co-ordinate benefits and ease transition to these new arrangements for our clients.
- 1.5 The Housing Options team play a large role in providing advice and in the prevention of potential homelessness which may develop in relation to these reforms.

## 2. Analysis and background of Welfare Reform

- 2.1 The overall programme of changes outlined under the umbrella of 'welfare reform' is overseen by the DWP. These include:

## 2.2 Universal Credit (UC)

2.3 Universal Credit has been introduced to replace six existing benefits, namely:

- Jobseeker's Allowance (income based)
- Income Support
- Working Tax Credit
- Child Tax Credit
- Employment Support Allowance (income based)
- Housing Benefits for working age claimants

2.4 Universal Credit only applies to working age claimants. It will not apply for Housing Benefit claims from pensioners and the responsibility to assess these claims will stay with the Local Authority after the implementation of Universal Credit is complete.

2.5 It is estimated that Spelthorne are likely to lose about two thirds of the current housing benefit caseload (approximately 3500 of 5700 claims) when Universal Credit is fully rolled out. In addition we will continue to be responsible for 4700 council tax support claimants.

2.6 Universal credit is being introduced on a phased implementation basis. The current timetable for Spelthorne is as follows:

DATE	TYPE OF CLAIM TRANSFERRED TO UC	ESTIMATED PROJECTION OF % WORKING AGE CASELOAD AFFECTED
At present	New claims for single people only	5%
From August 2018	New claims for couples	15%
Between 2019 – 2022	Migration of existing working age Housing Benefit claims	80%

2.7 The decision on when a person needs to apply for Universal Credit (as opposed to Housing Benefits) is made by the Department of Work and Pensions and Employment Job Centres when applying for income benefits. When Universal Credit eligibility is confirmed, the DWP informs the claimant and a notification is also sent to Spelthorne. Spelthorne are then responsible for cancelling the Housing Benefit claim and advising the claimant of this outcome.

2.8 Our role within Universal Credit is advisory only, helping to ensure that the right course of action is taken by our clients and signposting them to who they should contact, (mainly the DWP / Job Centres and the [www.gov.uk](http://www.gov.uk) website). Any decision made generally on the overall timetable or changes affecting individuals is made by the DWP with the appropriate authorities and individuals notified subsequently.

2.9 The need for Spelthorne (and other agencies such as CAB) to be more involved in the advisory and signposting role is likely to increase when Universal Credit is rolled out to other sections of the caseload within the borough.

2.10 Local Authorities such as Spelthorne are also responsible for the provision of individual Personal Budgeting Support if asked for through their Universal Credit application. Due to the small number of cases currently transferred to Universal Credit where Housing Benefit is involved in Spelthorne (approximately 50 claims) we have not had any requests for this service at present.

2.11 In order to address any barriers our clients may have in accessing electronic information, we have set up a computer in reception to allow claimants to make an application for Universal Credit; with staff available to help if necessary. Due to the length of time required to make an application and the details required; to date we have not had a great uptake for this service as people prefer to do this from their own home.

## 2.12 **Benefit Cap**

2.13 The benefit cap regulation came into effect in April 2013 restricting the total amount of combined central government benefits per week a person can receive. Limits were set at £350 per week for a single person and £500 per week for a couple with or without children. Any financial restriction applied is administered through their housing benefit award.

2.14 In November 2016 Central Government further reduced these levels to £257.69 per week for a single person and £384.62 per week for couples with or without children. This results in a further possible weekly shortfall of £92.31 for a single person or £115.38 per week for a couple.

2.15 The breakdown of the Housing Benefits claims affected in Spelthorne is as follows:

TYPE OF CLAIM	NUMBER OF CLAIMS
Bed and Breakfast claims	4
Privately Rented accommodation	75
Social Housing /Housing Association claims	82 (67 are A2Dominion cases)

Level of restriction (loss of Housing Benefit per week) due to the benefit cap:

AMOUNT CAPPED PER WEEK	NUMBER OF CLAIMS AFFECTED
0 to £50	65
£50 to £100	55
£100 to £150	27
£150 to £200	7
£200 plus	7

2.16 In order to assist those affected, we have written to everyone affected by the new benefit cap rules and informed them what needs to be done to be made exempt from the benefit cap. The primary exemption from this regulation is to obtain employment.

2.17 Due to the number of claimants affected making an expression of hardship to us, we have engaged a Housing Options advisor to proactively contact residents to review their situation and ensure a joined up package of support across Council services (and external organisations) is provided to them. Depending on the circumstances this will go beyond sending letters and be tailored to the needs of the individual households

## 2.18 **Under Occupation**

2.19 The under occupation rule was also introduced in April 2013 and applies to any social housing property which is deemed to be under occupied, based on the composition of the family household. Again the financial restriction is applied through their potential housing benefit entitlement

2.20 If the property is under occupied by one bedroom they will receive a 14% reduction with a 25% reduction if it is under occupied by 2 or more bedrooms

- 2.21 Spelthorne currently has a total of 218 claims affected by this rule, broken down by the following table:

PROPERTY UNDER OCCUPIED BY THE NUMBER OF BEDROOMS	NUMBER
One Bedroom	184
Two of more Bedrooms	34

- 2.22 Spelthorne assisted with A2Dominion's Lettings incentive scheme which ran from 2010 to 2016 which offered tenants incentives to downsize. A2Dominion offered cash payments to their tenants and have successfully relocated approximately 150 households through the scheme. The scheme has now finished as A2Dominion do not have any more tenants who have expressed an interest in downsizing.
- 2.23 To accommodate the under occupancy regulation, Spelthorne have altered their housing register rules, giving people a higher priority need if they express a wish to downsize.
- 2.24 **Discretionary Housing payments (DHP)**
- 2.25 Regulations allow for the Local Authority to have a budget to use at their discretion to help individual cases for a limited period of time with rental shortfall or hardship where housing benefit is in payment. This funding is mainly used at Spelthorne to help residents who have a shortfall in their rent after their housing benefit award and is also used to help the claimants who are affected by the regulations described above.
- 2.26 The DHP budget comprises of an award from central government each year, subsidised by Spelthorne with additional funding. The current year (2016/17) budget is £300,000 which includes a central government contribution of £188,000. We have recently been advised that the Central Government contribution for the next financial year is £294,771, an increase of £106,726, which reflects the increase demand and pressures on this budget that are expected in the coming year. To the end of February 2017 we had committed expenditure totalling £280,000, granting a total of 380 DHP awards
- 2.27 The reduced income for households affected by the benefit cap changes directly correlates to an increased demand in Discretionary Housing Payment requests. To assist residents and reduce the demand for DHP, the Housing Benefits team are working alongside a Housing Options officer pro-actively contacting those who have applied for DHP to advise them on their options regarding the possibility of exemption from the benefit cap.

The initial focus for the Housing Options officer has been around advising clients so that they understand their situation and exploring the solutions; alongside ensuring that their tenancy is protected so they are not made homeless. In addition we liaise with, and direct the claimant to some of the following organisations for advice and guidance:

- Job Centre Plus including self-employment advisors at the Job Centre
- A2Dominion Tenancy Sustainment Team & Employment Officers
- Look Ahead (support group)
- Family Support Group (Troubled Families)

These organisations can also be used in the future for assistance for claimants of universal credit

2.28 Typically the Housing Options officer provides advice and guidance on some or all of the following:

- Explaining the benefit cap and its implications
- Exploring in detail the client's particular circumstances
- Detailed income/expenditure analysis to assess affordability
- Advising on employment opportunities
- Producing analysis of the financial improvements employment will offer
- Liaising with the Jobcentre to arrange intensive support
- Advising on setting up self-employed business and registering this
- Advising on child care costs and allowances as well as their availability
- Assisting clients to secure disability benefits that would exempt them from benefit cap
- Assisting clients to register as carers and thereby being removed from the benefit cap
- Detailed negotiations with landlords to ensure their understanding and support of our approach, thereby protecting tenancies

2.29 When it is determined that a DHP is required the award is conditional for a fixed period of time with a defined set of actions for the client if applicable. Although we are in the early stages of how this process is working under the revised regulations, almost all clients have accepted their need to take responsibility for looking for solutions to manage the cap. They have generally embraced our approach and worked well with us. A number of claimants have successfully obtained employment.

### **3. Financial implications**

3.1 DHP sustainability will get more difficult over the following years. We have had increasing demands for these payments which will increase the financial burden on the authority. This risk could be high especially if future government funding is cut in subsequent financial years. The level of DHP support has not been guaranteed by central government over the long term.

3.2 The expectation when the benefit cap restrictions were applied in November 2016 was that we would receive a considerable number of related requests for DHP. Due to the efforts described above this has been restricted. We have currently granted 25 DHP awards directly related to clients affected by the benefits cap at a cost of approximately £45,000. However it is expected that this will increase over time.

3.3 There is an additional financial impact of preventing homelessness and restricting the future higher cost of Bed & Breakfast costs and the impact on other departmental resources of the Authority. The average cost of Bed & Breakfast per family is approximately £6000 per year. We currently have 70 families in Bed & Breakfast. Due to the lack of availability of this type of property in the borough the acquisition of the Harper Hotel emergency accommodation Bed and Breakfast site last year through Knowle Green Estates will help mitigate some of these financial impacts. In addition to this the Council policy of further acquisition of suitable assets/properties is being pursued to help ease some of the pressures in relation to the housing shortage within the Borough. Housing Options have been increasingly working with Housing Benefits in helping residents who have experienced financial difficulties to prevent residents losing their homes.

3.4 Due to the phasing out of Housing Benefit for working age claimants this will have an impact on the income collected from outstanding overpayments created. Due to

subsidy regulations it is beneficial for the authority to successfully recover any HB debt. This is because Local Authorities receive 40% subsidy on any overpayment created but are also able to collect and keep the outstanding debt recovered as well. However with the caseload decreasing there will be less overpayments created for us to collect in the future. This could have an impact on future budgetary considerations with this reduced income stream.

#### **4. Other considerations**

- 4.1 The experience in this area identifies the need to look at individual circumstances and react accordingly as every person's situation is different. For example some claimants are unwilling to engage or pursue the opportunities they are given. However as a council we can only put factors in place and advise what is the appropriate measure to follow concerning these welfare reforms.
- 4.2 That officers are trained to understand how best to work with clients in order to encourage them to recognise and address debt issues at the earliest opportunity.
- 4.3 As a query raised to be covered in this report it is the HMRC who is the organisation responsible for the marriage tax allowance and it would not be appropriate for the Council to draw attention to it in our dealings with our claimants. However if we ever received a query over it we would advise them to contact the HMRC directly to obtain accurate advice to their query

#### **5. Timetable for implementation**

- 5.1 The current timetable for the national roll out of Universal Credit (subject to future change) is as follows:
  - Nationally any new claim for working age single people is through Universal Credit as opposed to housing benefit
  - From 2016 to 2018 this is being expanded to include any new claim for working age couples as well on a phased rollout basis. Spelthorne is current scheduled to be included in August 2018.
  - From approximately 2019 to 2022 existing claims will be transferred from housing benefit to Universal Credit in a rolling timetable nationally. We are currently not aware how or when Spelthorne will be affected by this transfer.