

**AGENDA ITEM XX**

**REPORT TO CABINET**

**13 March 2014**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

**CABINET/COUNCIL DECISION**

Leader of the Council – Lead Cabinet Member – Councillor Cook

**WELFARE REFORM INCLUDING UPDATE ON DISCRETIONARY HOUSING PAYMENTS  
POLICY AND LOCAL COUNCIL TAX SUPPORT SCHEME**

1. Summary

To present an update on quarter 3 monitoring of the outcomes/impact of Welfare Reform including emerging issues.

2. Recommendations

1. The contents of the report be noted;
2. Members note the quarter 3 performance monitoring outcomes and observations;
3. Members note the update on spend against the DHP pot and emerging issues as a result of the 96 ruling.

3. Reasons for the Recommendations/Decision(s)

This report provides an update on the various welfare reforms, highlighting early indications of impact and areas of concern.

4. Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

5. Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, in accordance with **paragraph 18** of the code, consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

6. A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code).
7. Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

#### **Disclosable Pecuniary Interests**

8. It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.
9. Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code).

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**13 MARCH 2014**

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MANAGEMENT TEAM**

**CABINET/COUNCIL DECISION**

Leader of the Council – Lead Cabinet Member – Councillor Cook

**WELFARE REFORM UPDATE**

**SUMMARY**

To present an update on quarter 3 monitoring of the outcomes/impact of Welfare Reform including emerging issues.

**RECOMMENDATIONS**

1. The contents of the report be noted;
2. Members note the quarter 3 performance monitoring outcomes and observations;
3. Members note the update on spend against the DHP pot and emerging issues as a result of the 96 ruling.

**INTRODUCTION**

1. Previous reports have detailed the introduction of the Welfare Reform Act 2012 which set out Government's intention to reform the benefits & tax credits system to provide greater incentives to work. This report provides details of the third quarters monitoring using the framework agreed by Members in July 2013.

**BACKGROUND**

2. Welfare Reform means several changes to benefits, the introduction of which is staggered across different geographical areas over a period of time. Reforms already introduced include Personal Independence Payment (PIP) replacing Disability Living Allowance (DLA), removal of the spare room subsidy, transfer of responsibility for elements of the Social Fund to Local Authorities, Local Council Tax Support Scheme and the introduction of the Benefit Cap. Universal Credit appears however to be delayed and despite assurances from government that the programme is still scheduled to be fully rolled out by 2017 we have yet to see any information on local roll out.

**Parliamentary Select Committee on Welfare Reform**

3. The Parliamentary Select Committee on Welfare Reform have recently met and scrutinised both the minister, Lord Freud and officers responsible for managing the Universal Credit programme and have expressed their concerns about progress on roll out. In particular concerns were expressed about the ongoing delays with the national IT system that will support Universal Credit.

## **Staffing and Housing Benefit Administrative Grant / Discretionary Housing Payments**

4. We are still no clearer about when we can expect local roll out of universal credit in our borough and this continues to make our forward planning very difficult. We are currently maintaining the same staffing numbers in Housing Benefits as the caseload is not decreasing and the workload is actually increasing due to a sharp increase in the number of changes of circumstances. To illustrate by the end of quarter 3 staff have dealt with almost 20,000 more change of circumstance cases (e.g. when benefit entitlement changes such as when someone moves into work, gets additional or less income or has a change in family composition etc) than they did in the same period last year. We cannot say absolutely that these changes are directly as a result of welfare reform as they may be linked more generally to the economic climate however we are expected to turn around such cases within specified times or our subsidy is reduced and this puts a lot of pressure on the service. There is also a complication in terms of how many staff we will require to work in the benefit area in the future. We know for example that even if Universal Credit is rolled out by 2017 there will still be circa 700,000 Employment Support Applicants, nationally who will not be in receipt of UC and will require housing benefit payments plus there are a range of functions that will still remain with the LA such as Housing Benefit for pensioners (pending the introduction of Pension Credits), Supported Housing and Discretionary Housing Payments.
5. The grant for administering the housing benefit service has reduced in recent years and the Council is now using its own resources to ensure we can maintain the necessary staffing levels. This funding is built into the medium term financial plan. The Housing Benefit Team have also been administering the discretionary housing pot which continues to be very resource intensive. Members will recall we were awarded £395,000 in DHP funding for the financial year 2013/14. The funding has to be spent in year. The DHP Policy which this Cabinet approved allows for some flexibility and checks and balances are regularly undertaken to ensure consistency of decision making. Ensuring we spend our resources but don't overspend is difficult. Any overspend would have to be met from the Council's own resources which would add to the pressures already detailed in the medium term financial plan.
6. In our last report to Cabinet we had committed just less than a third of the DHP funding and on that basis we have since carried out a full review of the DHP policy, introduced new guidelines for staff to help with the decision making process and re-examined reasons for refusal.
7. We are working with Registered Providers to identify customers affected by under occupation who are struggling to keep up with rental payments and are at risk of court action or losing their home. We have introduced a new fast track application generating a significant increase in applications. Out of a budget of £395,000 we have now spent approx. £345,000 (as of the end of February 2014) and are still working through applications.
8. We have successfully recruited a member of staff into the recently vacated DHP officer post and extended the contracts for the two officers to 31/03/15. Resources have by necessity been temporarily increased by using staff from across the service to ensure that all applications are considered in time to be paid in this financial year. This is a key priority for the service as funding cannot be carried over into next financial year. Any unspent money must be returned to the DWP.
9. Expenditure on DHP's is being monitored on a daily/weekly basis as we approach the end of the financial year. The number and types of awards are continually being scrutinised to ensure

that there is equitable treatment of client groups and available funding is reaching those who need it.

10. Joint arrangements are continuing between the housing benefit and the housing options services to work with customers to try and find a longer term, sustainable solution whilst the immediate financial difficulties are being addressed using the DHP fund.
11. Work is now underway to develop a fit for purpose application and renewals process to manage a vastly increasing caseload as we move into 2014/15.

### **Distribution of the government contribution and upper limit for 2014/15**

12. DHP funding is currently allocated in four different strands, reflecting the expected impacts of the welfare reforms, i.e. funding to help people with non-welfare reform related matters, such as issues with non-dependents and helping people transition into work, Local Housing Allowance (LHA) reforms, removal of the spare room subsidy (RSRS) and the introduction of the Benefit Cap. The Department for Work and Pensions advises that it is for LAs to apply discretion as to which claimants will receive payments.
13. We have recently been advised that Stockton's DHP allocation for 2014/15 will be £446,762 (with a permitted total spending limit of £1,116,905). The Government has also announced that funding for people affected by the Removal of the Spare Room Subsidy (RSRS) will be maintained in 2015/16 to give LAs the confidence to make long term awards where appropriate.

### **Single Fraud Investigation Service (SFIS)**

14. On 3<sup>rd</sup> March 2014 we received a letter from DWP informing us of the programme that will result in our Local Authority Housing Benefit Fraud Service transferring over to DWP. Members were previously advised of this intention but until now we had no detail on rollout. The letter outlines the national implementation programme which will start with a small number of sites going live in the summer of 2014. The wider national rollout will commence in October 2014 and run until March 2016. Each Local Authority will be given a date on the programme but we have not yet received this. The letter also outlined details of information sessions which will be attended by Stockton Borough Council staff (this will include a representative from HR). Although TUPE does not apply, DWP are committed to taking employees currently assigned to welfare benefit fraud investigation work and discussions will ensue. We do not know where the new local fraud service will be based. Future reports to Cabinet will provide more information on rollout.

### **Under-occupation**

15. The Department for Work and Pensions has recently advised LAs that there are a number of claimants for whom the under-occupation rules should not apply. In broad terms these are housing benefit claimants who have been continuously entitled to housing benefit since at least January 1996 and have occupied the same dwelling since that date, save for a number of exceptions.
16. The Government have now taken steps to remedy this as of 3<sup>rd</sup> March 2014 when the under occupation charge will be reapplied.
17. We have been working with our Registered Social Landlord partners to try and establish which customers are affected and to make the necessary changes to their benefit. When customers are eligible and receive a back payment we are providing them with the details of the Tees Credit Union to encourage them to save money. To date we have identified circa 136 cases but these are still subject to check on eligibility as we do not have electronic records which go back as far as 1996.

## **Impact of Welfare Reform on social housing**

18. The removal of the spare room subsidy (RSRS) has had a significant impact on Social Housing provision – not only in Stockton but across the Tees Valley. This is due to the fact that the majority of accommodation held by social housing providers are 3 bedroomed houses with a distinct lack of smaller sized property, particularly 1 bedroomed. A high proportion of households who seek social housing only need 1 or 2 bedrooms but historically social housing providers were able to meet their housing need by allowing them to access larger property which was in greater supply.
19. This is no longer a viable option for tenants on Housing Benefit due to affordability issues. This has forced many tenants who are under - occupying their homes and affected by the RSRS to seek smaller accommodation. We therefore have a demand and supply issue which is proving difficult to meet and has resulted in:
  - an oversupply of large accommodation and an undersupply of smaller accommodation;
  - Social housing tenants moving into the privately rented sector where smaller property is in greater supply.
20. Affordability as a direct and indirect result of Welfare Reform is causing major issues for Social Housing tenants and their landlords:
  - Increased rent arrears and void turnover;
  - Increase in termination of tenancies – 1/3 are leaving to take up tenancies in the privately rented sector;
  - Increase in struggling households juggling financial priorities;
  - Increased competition in an ever increasing privately rented sector where furniture and white goods provision alleviates affordability issues for tenants.
21. Customers of the Housing Options Service have invariably reached crisis point and are in fear of losing their home or may have lost their home and are needing help to secure a new one. Historically the main causes for customers finding themselves in this situation have been:
  - Parents/friends no longer willing/able to accommodate;
  - Non-violent relationship breakdown;
  - Loss of privately rented property.
22. Consistently for the last 12 months the main cause is affordability and the ratio of affordability against other causes is steadily increasing. Affordability causes accounts for 30% of our customers.
23. Across Tees Valley Compass (our Choice Based Lettings system in Tees Valley) partners are considering all of these issues, making interventions where appropriate and debating any policy issues. Any proposed policy changes to CBL will be reported to Cabinet.

## **New measures to restrict migrants' access to benefits**

24. From 1 January 2014 European Economic Area (EEA) and British jobseekers need to have lived in the UK or the Common Travel Area for three months before receiving income based Job Seekers Allowance (JSA). A new assessment will check if EEA nationals have genuine prospects of work. Without compelling evidence to support this, their JSA will end after six months. In addition the Secretary of State for Work and Pensions and the Home Secretary have announced their plans to remove access to Housing Benefit for EEA jobseekers even if they get income-based Jobseeker's Allowance (JSA (IB)). The measure will remove that access to HB and comes into effect from 1 April 2014. (Excluded from this measure are: (a) UK and Irish Republic nationals; (b) EEA nationals working in the UK who are subsequently

made redundant and claim JSA; (c) EEA workers/self-employed; and (d) EEA jobseekers who are already in receipt of JSA (IB) and HB at the time the reform comes into effect).

### **Council Tax Collection Performance**

25. At the end of Q3, Council Tax collection performance was at 83.69%, against a target of 83.56% for the quarter. Approximately 7,600 working age people on low incomes that previously did not pay Council Tax are paying for the first time this year and a further 8,300 are paying more than they did last year. This has impacted on collection levels during 2013/2014, which are lower than the previous year. A number of measures have been put in place to address this. In recognition of anticipated difficulties in collecting Council Tax following the introduction of Council Tax Support, the in-year collection target for 2013/2014 was set at 97%, which is lower than the 2012/2013 actual performance of 98.2%. If the current trend continues, it is estimated that in-year collection performance will be between 96.5% and 97.0%.

### **Social Fund/Back on Track**

26. Members will recall the administration of the Social Fund was passed to Local Authorities to deliver from April 2013 along with funding of £887,000 per year. Following a procurement exercise Five Lamps set up our local scheme known as Back on Track and previous Cabinet Reports have detailed the criteria against which payments are made. This fund has very much been the fund of last resort providing support in emergency situations. Although the LGFS indicates that the Social Fund grant is available for 2014/15, there is no indication of funding for 2015/16 onwards and no funding has been transferred into Revenue Support Grant. This means that there is a further reduction of £887,000 in core funding and it means that the Council will no longer have the resources to fund this area. The Housing and Community Safety Scrutiny Committee are currently considering the support required around welfare reform, looking at a number of funds that are available such as Discretionary Housing Payments, Council Tax Hardship Relief Fund and the one off funding remaining from the Social Fund prior to it ceasing. The Scrutiny Committee is due to report to Cabinet in April 2014. Meanwhile to ensure emergency funding remain available we have extended the existing arrangements for Back on Track delivery on a short term basis.

### **Benefit Cap**

27. We continue to work with families affected by the Benefit Cap. The amount of families affected changes but in total we have provide assistance to around 88 families via our specialist resource (dedicated member of staff based in Housing Option and funded by Housing Benefits). We are currently working with circa 44 families. Support included welfare benefits check advice and assistance on debt and budget management, advice and assistance on housing fuel tariffs etc.

### **Welfare Reform Data Set**

28. Monitoring of a set of measures to support the understanding of the impact of Welfare Reform has been developed and information collated for the first 9 months since the introduction of Welfare Reform in April 2013. There are many circumstances that contribute to fluctuations in the data collated through these measures, many of which have already been mentioned in this report. Although still early days in terms of understanding behaviours and tracking real change and impact the data shows( excluding areas already covered) :

- A reduction in the numbers of those seeking Job Seekers Allowance (this is not the same as the unemployment rate for example sanctions and individuals being eligible but deciding not to claim can affect this figure)
- Levels of acquisitive crime are showing an overall slight reduction however some aspects of crime e.g. shoplifting are showing an increase.

- Slight increases in the reported levels of domestic violence, however these can fluctuate seasonally. There is no direct evidence to support a correlation between the increase in reported incidents and Welfare Reform changes.
- Indications are that the levels of individual debt are increasing.
- Approaches to the housing options team remain high with slight fluctuations each quarter, reasons for visits remain consistent.
- There continues to be more applications for properties than availability, with trend continuing for people looking to downsize properties.
- Data shows that collection rate of social housing rent arrears is declining.
- Number s affected by under occupation is falling slightly. Reasons for this are detailed in the appendix and covered earlier in this report.
- Increased numbers of clients approaching SDAIS.
- An increase in the numbers of applicants to Back on Track support scheme.
- Council Tax collection rates / enforcement activity progresses as expected with higher levels of summons and deductions to benefits. This suggests a managed supported approach to collection.

29. A full copy of the data set is available at Appendix 1.

30. The data collated provides a useful benchmark to monitor changes and impact; however this is just one level of intelligence needed to inform our understanding of the overall impact of the Welfare Reform legislation. Other detail contained in this report alongside anecdotal evidence and case studies identify that there are a complex set of circumstances that surround many aspects of welfare reform , with changes to one aspect impacting on other areas, some with an immediate impact, others taking longer to understand the impact. Due to individual circumstances, Impact leads individuals to react in different ways; this is difficult to track through a series of measures. Triangulation of intelligence surrounding welfare reform continues through the numerous working groups in operation both within the council and with partners. A review of this data set will take place post year end collection to determine usefulness and appropriateness given the changing circumstance going forward.

## **FINANCIAL IMPLICATIONS**

31. DWP have allocated £395,220 funding for discretionary housing payments in Stockton for 2013/14. It will be necessary to ensure we maximise these resources whilst not overspending. Funding for 2014/15 is confirmed but for future years is unknown. Possible impact on MTFP/Council Tax collection, impact on staff/potential redundancy costs.
32. Members will be aware that £500,000 was made available for Welfare Reform Support via the budget report to Council on 26<sup>th</sup> February. The cessation of Social Fund resources will need to be considered by Members as part of the MTFP in the future.

## **LEGAL IMPLICATIONS**

33. Requirements for the DHP scheme are specified in the Discretionary Financial Assistance Regulations 2001. The requirement for a LCTS scheme is contained in the Local Government Finance Act which received Royal assent on 31 October 2012. Legal requirements within the Local Government Finance Act relating to consultation have been adhered to. The existing scheme complies with legal requirements.

## **RISK ASSESSMENT**

34. The discretionary housing payment policy is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk. There are potential risks to collection rates for Council Tax, increases in homelessness and demands on customer services, advice agencies etc.

## **SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS**

### **Environment and Housing**

35. A key principle of Discretionary Housing payments is to assist people to live independently in their own accommodation and to help sustain tenancies.

### **Children and Young People**

36. DHP's are specifically targeted to assist families with disabled children to live independently, help support foster carers, support families affected by the benefit cap and help provide some financial support and stability to families in crisis situations. Additional advice and information provision will support economic well-being and build on work to prevent homelessness by providing access to effective support and advice services.

### **Healthier Communities and Adults**

37. DHP's are targeted to assist disabled people, those with care needs and other vulnerable adults. In certain cases providing financial stability and helping to maintain a resident in suitable accommodation can help to maintain physical and mental health and wellbeing. The scheme promotes the provision of support for vulnerable adults and older adults within our communities. Current and future pensioners will be protected, receiving the same level of support as under the previous Council Tax Benefit scheme. For working age claimants the means test will acknowledge additional costs associated with bringing up a family, caring for others or coping with disability.

### **Stronger Communities**

38. The proposals to continue to refer residents to advice and information provision will promote financial inclusion, providing residents with access to financial advice.

### **Older Adults**

39. Older adults are exempt from many of the welfare reform changes and are likely to place less demand on the DHP scheme, but additional support will be provided to those affected who are approaching retirement age. Support for those with medical needs is targeted to many older residents.

### **Community Safety**

40. There may be community safety implications arising from increasing numbers of tenants unable to afford to pay rent as a result of the welfare reforms.

## **EQUALITIES IMPACT ASSESSMENT**

41. An equalities impact assessment was carried out in 2008 in relation to the DHP fund and judged to have a positive effect. Further funding has been provided and it is judged that a further assessment is not required. However equality issues have been considered as an intrinsic part of the development of this policy, and regard has been had to national equality impact assessments of the effect of the welfare reforms.

## **CONSULTATION INCLUDING WARD/COUNCILLORS**

42. Previous member seminars on welfare reform, Select Committee consideration of key issues.

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Education related N/A

Background Papers: None.

Ward(s) and Ward Councillors: See above.

Property: N/A

**Welfare Reform Indicators - Quarter 3 Performance**

**See attached.**