

Welfare Reform Changes – Impact on Customer Contacts

SUMMARY

- 1.1 Following a request from the Chair of the Resources and Governance Board Customer Management will present a real time update at the 18 March meeting which sets out the contacts arising from the Welfare Reform changes.

RECOMMENDATION

- 2.1 To note the scope of the welfare reform changes as detailed in appendix 2.
- 2.2 To note how the changes are affecting Customer Management services – this will be presented verbally at the meeting to ensure complete and up-to-date picture available to members.

REASONS FOR RECOMMENDATION

- 3.1 The Chair of the Resources and Governance Board has highlighted how Councillors' case work is rising dramatically with residents worried about the cut in housing benefit. She requested information on how the changes are affecting Customer Management services.

SUPPORTING INFORMATION

- 4.1 The Welfare Reform Act (2012) legislated for the biggest change to the welfare system for over 60 years with significant impacts on the Council. It introduces a wide range of reforms designed to make the benefits and tax systems fairer and simpler.

- 4.2 The Welfare Reform changes will have significant impacts on the Council and its citizens including:
- Housing Benefit being subsumed into Universal Credit
 - Localised Council Tax support replacing the Council Tax Benefit scheme.
 - Local authority provision of the discretionary elements of Social Fund - Community Care Grants and Crisis Loans.
 - A cap on the total amount of out-of-work benefits that can be received by working age claimants.
 - Limits to the amount of Housing Benefit that can be paid for those who live in social housing and who are under-occupying their home.
- 4.3 The Council is taking proactive action to communicate the changes and, in particular, is writing to those directly affected. This action helps to ensure citizens are best informed to seek the most appropriate help and support available. The inevitable, and expressively sought, consequence of these actions is an increase in customer contacts to the Council and members.

OTHER OPTIONS CONSIDERED

- 5.1 Communicating the impact of the welfare reform changes is the most appropriate way of ensuring customers access the advice and support available.

This report has been approved by the following officers:

Legal officer	Not applicable
Financial officer	Not applicable
Human Resources officer	Not applicable
Estates/Property officer	Not applicable
Service Director(s)	Not applicable
Other(s)	Not applicable

For more information contact:	Kath Gruber 01332 643777 kath.gruber@derby.gov.uk
Background papers:	None
List of appendices:	Appendix 1 – Implications Appendix 2 – Welfare Reform Briefing February 2013

IMPLICATIONS

Financial and Value for Money

- 1.1 New burdens funding has been allocated to the Council:

Social Fund - Derby City Council allocation:

Year	Programme Funding	Administration Fundi
2012/13	Nil	£9,866
2013/14	£986,595	£208,475
2014/15	£986,595	£191,090

Council Tax Support:

To deliver a local council tax support scheme within the funding restrictions imposed by Government gave a funding gap of 12.05% equating to £2.2m. This provides a standstill position, affording no contingency for any increases in Council Tax or increased take-up of support. With that in mind the scheme for Derby was calculated on the basis of a £2.6m gap in funding to provide that contingency.

£84,000 was allocated for development and administration

Legal

- 2.1 Local Assistance and Localised Council Tax Support Schemes have been developed in response to the Welfare Reform Act 2012.

Personnel

- 3.1 There are personnel requirements for the Council to administer the new local schemes for Council Tax and Local Assistance. The Council will need to consider how best to manage the Housing and Council Tax service through the transition to full implementation of Universal Credit.

Equalities Impact

- 4.1 DWP assessed the impact on equality of the changes contained in the Welfare Reform Bill. These assessments were first published in March 2011, and have been updated as the Bill progressed through the legislative process. Concern has been expressed from many welfare organisations about the impact of the changes on some households and demographic groups. A local equality impact assessment was completed for the introduction of the local council tax support scheme and one is being undertaken for the Local Assistance scheme.

Health and Safety

- 5.1 None arising directly from this report.

Environmental Sustainability

- 6.1 None arising directly from this report.

Property and Asset Management

- 7.1 None arising directly from this report although it is expected that there will be more customers visiting the Council.

Risk Management

- 8.1 The Welfare Reform changes will require recipients to meet new conditionality and sanctions.

Corporate objectives and priorities for change

- 9.1 Changes arising from the Welfare Reform Act will need to support the Council's priority of delivering good quality services that meet local needs.

1 **Welfare Reform - The Council's Approach**

A Welfare Reform Board is in place and has accountability for the Council's response to the changes introduced through the Welfare Reform Act. The Board members include strategic leads for Customer Management, Policy, Benefits and Revenues, Finance, Housing Options, Derby Homes and Housing Strategy. A work programme is in place structured around the key changes (which are detailed below). Further changes to Welfare being discussed by Government will be included in the work programme once proposals are clearer.

The Welfare Reform Board and project team are working with a number of organisations within the City to raise awareness of the changes due in the coming months.

Further enquiries – please contact Kath Gruber, chair of the Welfare Reform Board.

2 **Universal Credit**

Housing Benefit will form part of the Universal Credit (UC) and regulations were laid in December 2012.

With just less than a year to go until the national rollout of UC from 28 October 2013 DWP advise the programme remains on track for the start of the early adopter Pathfinders on 29 April 2013.

Claims to UC will be made online rather than by telephone or face to face and local authorities will have a role to play in delivering face-to-face services for those claimants who are unable to manage their benefit claim electronically.

Twelve local authority-led pilots are running from late 2012 through to 2013 to develop the UC face to face delivery model which will run alongside the standard digital service. The pilots have three main objectives: reducing the need for mediated support for claimants to use the online service; financial independence (with a greater focus on work) and delivering efficiencies.

Eighteen sites have been selected as the first wave of DWP and HMRC telephony and processing sites (UC service centres). The DWP contact centre in Derby is one of those sites.

The DWP is also exploring the possibility of making budgeting tools available to UC claimants to help them adjust to UC monthly payments and ensuring they are covering their essential bills.

Further enquiries – please contact Dawn Hallsworth, Housing Benefit

Transition Manager.

3 **Housing Benefit Transition to Universal Credit**

There will be a role for the Council in continuing to administer Housing Benefit until all claimants are transitioned to UC. DWP are working up more detail on the rollout schedule and in the meantime the timetable below sets out the main milestones for UC delivery by end of 2017:

- April 2013: The Pathfinder for UC begins in selected areas within the local authorities of Oldham, Tameside, Warrington and Wigan.
- October 2013: The national introduction of UC begins as groups of newly unemployed will be able to make their claim, while claims for existing benefits and credits will be gradually phased out. We do not yet know when Universal Credit will begin to affect claimants in Derby; current advice from the DWP is that roll-out in our area should start between November 2013 – March 2014.
- From spring 2014: UC will expand to accept new claims from people who are in work as claims to Tax Credits are closed down. Current benefit claimants will be moved onto UC in a phased approach.
- 2017: UC rollout complete.

The Council will need to manage down its Housing Benefit caseload from April/May 2014 which will bring challenges around maintaining performance and efficiency as the caseload drops. We will be providing information to the DWP during 2013 to identify the impacts of transition on our service. The DWP will use this information to inform their future decisions on what funding will be available to us throughout the migration process. The East Midlands Councils have agreed a collaborative approach to this feedback process to ensure that all Councils provide comprehensive feedback to the DWP about the effects of transition across the region, as well as at a local level.

Transitional Protection (TP) arrangements will mean that there will be no cash losers as a result of migration to Universal Credit, where the claimant's circumstances stay the same. TP will be provided when claimants are migrated over to UC and this protection will be in place until there is a significant change in circumstances.

Pensioners will not be affected by Universal Credit; however their entitlement to Housing Benefit will begin to be phased out from October 2014 – to be replaced by a new element of Pension Credit known as "Housing Credit". All pensioners will have moved to these new

arrangements by 2017.

As at September 2012 our Housing Benefits caseload totalled 25,676 claims, comprising 10,158 pensioner claims and 15,518 claims for those at working age.

Further enquiries – please contact Dawn Hallsworth, Housing Benefit Transition Manager.

4 Temporary Accommodation Reforms

The DWP are changing the way housing costs to support people living in temporary accommodation are provided as part of the move to UC. The changes will ensure that those living temporary accommodation will have their housing support paid as part of their UC in the same way as those in permanent accommodation. Under the changes all temporary accommodation cases will receive the Local Housing Allowance (LHA) rate appropriate for their household. Help with any extra management costs will have to be claimed for separately from the LA; it is likely that Discretionary Housing Payments (DHPs) will be used to cover these; extra funding will be provided for this.

Further enquiries – please contact Dawn Hallsworth, Housing Benefit Transition Manager.

5 Exempt Accommodation

Ministers have announced that help toward housing costs for those living in supported 'exempt' accommodation will be provided outside UC. DWP are developing plans for a flexible system to help meet the higher costs often associated with providing this type of accommodation.

DWP have advised that for Universal Credit claims, any accommodation that the local authority uses to meet their responsibility under homelessness legislation will be treated along private rented sector terms, including the ALMO. More detailed clarification is being sought and the Welfare Reform Board has set up a specific project team to consider the implications of this.

In the short term this help will be delivered broadly as now through the Council's housing benefit team under existing DWP legislation and funding arrangements. In the longer term DWP are exploring the feasibility of a localised funding system.

The Government has recently announced that for those in supported exempt accommodation, their Housing Benefit will not be counted for Benefit Cap purposes. This does not mean that these claimants will be exempt from the Benefit Cap, but rather that when deciding whether the Benefits Cap will apply to them the DWP will not use the amount of Housing Benefit they are receiving in the calculation.

Further enquiries – please contact Dawn Hallsworth, Housing Benefit Transition Manager.

6 Direct Payment Demonstration Projects

A number of LA and housing association partnerships are working with the Government on changing the way Housing Benefit (HB) is paid in the social sector. LAs involved in the Direct Payment Demonstration Project have started paying HB directly to some social housing tenants, rather than to their landlords. The DWP is working with local authorities and social housing landlords to ensure support can be provided to claimants as they move over to Universal Credit.

Further enquiries – please contact Dawn Hallsworth, Housing Benefit Transition Manager.

7 Housing Benefit Cap

The Benefits Cap was due to be introduced nationally from April 2013. However, the Government has now decided on a phased approach, whereby only four London Boroughs (Bromley, Croydon, Enfield and Haringey) will begin implementing the cap from April. National roll-out will now occur from “Summer 2013”, with all household caps being applied by 30 September 2013. We do not yet know when the Benefits Cap will be introduced in Derby.

The cap will apply to the combined income from the main out-of-work benefits, plus child benefit and child tax credits. Working assumption is that the cap will be:

- £500 p/wk for couples and lone parents
- £350 p/wk for single adults.

There is an online calculator for customers to use at www.direct.gov.uk/benefitcap to find out if the Benefit Cap would apply to them.

Exemptions from the cap include: any household where there is entitlement to Working Tax Credit; any household receiving Disability Living Allowance, Attendance Allowance and Industrial Injuries Benefit, Personal Independence Payment or Support Component of Employment and Support Allowance; any war widow or widower receiving a war pension.

The DWP is contacting households that may be affected by the benefit cap using information from Housing Benefit data. They will be giving those claimants an indication of how much they are likely to be affected, and signposting them to the employment support that is available. We expect to receive a further scan from the DWP during January 2013 which will tell us about customers in Derby who are likely to be affected.

Derby Advice, Housing Benefits, and Derby Homes have agreed a collaborative approach offering proactive support. This will involve Derby Advice arranging to meet all affected customers to ensure that a

full benefits check is completed, any discrepancies resolved with DWP, a household income maximisation check is completed (including debt advice and re-profiling of non-priority debts) and targeted housing advice and support offered.

Further enquiries – please contact Dawn Hallsworth, Housing Benefit Transition Manager.

8 Council Tax

Current arrangements for Council Tax benefit will cease and financial support for Council Tax will be devolved to Local Authorities from April 2013. The localised support scheme will be integrated with the Council tax system, with support offered as reductions on Council Tax bills. Following a comprehensive public consultation a scheme has been developed that protects pensioners whilst managing the required reduction in expenditure. This scheme was agreed at Cabinet on 23 January and from 1 April 2013 all working age households will have to pay a minimum of 20% towards their Council Tax.

Further enquiries – please contact Dean Horton, Council Tax Support scheme implementation manager.

9 Local Assistance Scheme

Following Cabinet approval on 15 August 2012 to procure a partnership with a grant making platform to deliver the Local Assistance Scheme a contract has been awarded to Northgate Solutions.

We are now developing a policy to support the design and implementation of the scheme which supports vulnerable residents within the financial settlement provided by central Government. We are liaising with other providers of discretionary assistance within the City to understand what support provisions already exist within the community. This should ensure that Derby's scheme does not operate in isolation, but instead can be designed to complement (and not duplicate) support that is already available to claimants from other organisations.

Further enquiries – please contact Neil Sheard, Local Assistance implementation manager.

10 Size Criteria in the Social Rented Sector for working age claimants (Under Occupation)

The Welfare Reform Act will change the way that Housing Benefit assists those living in supported housing within the social and voluntary sector. The change will restrict the amount of Housing Benefit (HB) payable to working age claimants who under occupy their social sector homes. All existing benefit awards will be affected from 1 April 2013 and all new claims from then on.

To manage this change successfully we will need to know the number

of bedrooms in the property as well as up to date details of those living in the household. We have obtained details from the relevant social housing landlords about the numbers of bedrooms in their properties. Once our computer software has been tested, we will identify the households that will be potentially affected by the new size criteria rules and write to them to check that the information we are holding is correct. We will also be sharing details of potentially affected households with their landlords, so that appropriate support, advice and assistance can be provided for them.

Derby Homes have matched their property data against HB data to identify tenants affected by the under occupancy reduction and have appointed 3 outreach workers to advise on making up the shortfall and to promote house exchange where stock is available.

Further enquiries – please contact Dawn Hallsworth, Housing Benefit transition manager.

11 **Fraud**

New powers in the Welfare Reform Act enabling joint investigations between HMRC, DWP and local authorities as part of a Single Fraud Investigation Service (SFIS) have been deferred to April 2014, with the exception of 4 pilot sites – Wrexham, Corby, Hillingdon and Glasgow.

Fraud within the localized Council Tax support scheme, which comes into effect 1 April 2013, will not fall within the remit of the SFIS. Other aspects of Council Tax fraud such as single person discounts are included.

The number of pilot sites will be increased once the first sites are underway and stable. The pilots will be used to test new ways of working as well as the impact of having a single investigation policy, and new legislation.

Local Authority staff will be able to investigate UC fraud when it comes on line; regulations are currently being drafted for this and will be in place for April 2013.

Further enquiries – please contact Dawn Hallsworth, Housing Benefit transition manager.

12 **Sharing Customer Data between DWP and Local Authorities**

New data sharing regulations came into force from 2 July 2012. This will allow LA benefit teams to share benefit data with colleagues in other LA departments. Any sharing of data in this way needs to be proportionate to the need of the team receiving that data. Work is underway to define business rules on when and how the information can be requested. This will set out any process controls that might be needed as well as the data transfer mechanisms and data formats. Privacy statements will also be reviewed in light of the changes.

Further enquiries – please contact Alison Moss, Welfare Reform lead on Data Sharing.

13 Local Housing Allowance (LHA) – Uprating

The Local Housing Allowance rates control the level of Housing Benefit that can be paid for many tenants in privately rented accommodation. The way the LHA rates are calculated is changing from April 2013, and will be based on the lowest of either the Consumer Price Index rate as at September 2012, or the 30th percentile of market rents in the area. The Valuation Office Agency has now published the April 2013 annual rates that we will be using.

For Derby, the rates will be:

Household bedroom requirement	Current weekly rate for 2012/13	Weekly rate for 2013/14
One bedroom shared rate (for under 35s, unless exempt)	£55.00	£56.00
One bedroom self-contained rate	£84.23	£83.08
Two bedrooms	£103.85	£103.85
Three bedrooms	£115.38	£115.38
Four bedrooms	£160.38	£160.38

The rates indicate in particular that the levels of Housing Benefit that can be paid to those in one-bedroomed properties will continue to remain low, so we can anticipate customers asking for assistance by claiming Discretionary Housing Payments.

As at September 2012 we had 578 Housing Benefit claims paying out on a “shared rate” basis. Overall we had 4,725 claims paying out under the Local Housing Allowance scheme – and therefore subject to the above rates.

Further enquiries – please contact Dawn Hallsworth, Housing Benefit transition manager.

14 Discretionary Housing Payments (DHP) for 2012/13

Government funding towards DHPs has been significantly increased from April 2013 to help claimants through the transitional period of welfare reform. The Discretionary Financial Assistance Regulations (2001), which provide the legal framework for DHPs, will be amended later in the year to reflect the introduction of Universal Credit (UC) and

abolition of Council Tax Benefit from April 2013.

We are reviewing the Council's DHP policy, in the light of the Welfare Reform changes being introduced from April 2013 and in conjunction with the other discretionary hardship policies being developed relating to Council Tax Support and Local Welfare Provision (the Local Assistance scheme).

Further enquiries – please contact Dawn Hallsworth, Housing Benefit transition manager.

15 **Welfare Reform Information**

DWP have developed a number of web pages to help Council's plan for the changes, these include:

- Social Fund – Local Assistance scheme - <http://www.dwp.gov.uk/local-authority-staff/social-fund-reform/>
- Localised Council Tax - <http://www.communities.gov.uk/localgovernment/localgovernmentfinance/counciltax/counciltaxsupport/>
- Preparing for transition to Universal Credit - www.dwp.gov.uk/ucla
- Benefit cap calculator - www.direct.gov.uk/benefitcap
- Size Criteria - <http://www.dwp.gov.uk/local-authority-staff/housing-benefit/user-communications/hbctb-circulars/2012-adjudication-and-operations/>
- Welfare Reform Bill - <http://services.parliament.uk/bills/2010-11/welfarereform.html>

Further enquiries – please contact Gaynor Valente, Head of Welfare Reform, Subsidy & Financial Control.