



Derby City Council

**PLANNING HOUSING AND LEISURE
OVERVIEW AND SCRUTINY BOARD
13 November 2012**

ITEM 11

Report of the Strategic Director of Adults,
Health and Housing

Impact of Welfare Reform

SUMMARY

- 1.1 The Welfare Reform Act legislates for the biggest changes to the welfare system for over 60 years. It will have a significant impact on Derby residents and the Council.
- 1.2 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.

RECOMMENDATION

- 2.1 To note how Welfare Reform will impact on how council services are delivered and on residents.
- 2.2 To note the budget implications as a result of Welfare Reform.

REASONS FOR RECOMMENDATION

- 3.1 Planning, Housing and Leisure Board have requested an update on Welfare Reform to assess the impact on council services and residents.

SUPPORTING INFORMATION

4.1 Main changes to the way Derby City Council operates:

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. The scheme must be in place by 31/1/2013 ready to implement from April 2013 – a default scheme will be imposed if not. To fit in with our budget setting arrangements Derby's scheme will need to be approved by December 2012.

- 4.2 The scheme must protect pensioners whilst managing a 10% reduction in overall expenditure. The Council has worked very closely with Nottingham and Leicester City Councils (moving away from a county wide scheme within Derbyshire) to agree a support scheme that addresses the funding gap for each of the three city councils.

The consultation process ended on 30th October 2012. It is proposed that the scheme in Derby will:

1. Cap Council Tax Support at Band B
2. Set a maximum level of Council Tax support meaning everyone of working age would pay at least 20% towards their bill
3. Reduce the upper savings limit from £16,000 to £6,000
4. Remove second adult rebate
5. Remove backdating
6. Set a minimum award level

A cabinet decision will be made in January 2013.

Universal Credit: Housing Benefit will form part of the Universal Credit (UC). Claims to UC will be made online rather than by telephone or face to face. There will be a role for the Council in continuing to administer Housing Benefit until all claimants are transitioned to UC. Although UC is to begin in 2013 only new claimants will be paid under the new regulations. When the transition to Universal Credit begins in Derby (any time from October 2013 onwards) any new claimant for Job Seeker's Allowance will claim Universal Credit instead – meaning that they will not make a Housing Benefit claim. This means that there will be an impact on the number of new claims that the Council receives from that point onwards. Housing Benefit will be one of the last benefits to be fully replaced by Universal Credit, from April/May 2014. At that time all new claimants who would have claimed Housing Benefit will instead claim Universal Credit. .

The DWP does not anticipate that there will be much impact on the volume of Housing Benefit claims that councils will have to deal with in the first few months of Universal Credit, although this will depend on how many people claim Job Seeker's Allowance in each area once the transition starts.

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. The DWP's migration plans are still under review at the present time and further changes to the transition process may follow.

Housing Benefit Cap: The cap will be introduced from April 2013 and 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 will be a grace period of 39 weeks where the cap will not be applied to those who have been in work continuously for the previous 12 months.

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.

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.

Local Assistance Scheme: Community Care Grants and Crisis Loans for general living expenses currently administered by the DWP will be replaced by a new local assistance scheme administered by local authorities. The council must have a local assistance scheme in place by the end of January 2013, ready to start in April 2013. Following Cabinet approval on 15 August 2012 to procure a partnership with a grant making platform to deliver the Local Assistance Scheme the Project Team has published a tender seeking a supplier to provide a grant administration to support the Council to deliver the scheme locally. Alongside the procurement, proposals for delivery of the service including administration and eligibility will be drawn together for consideration in time for contract award in December and service set-up from April 2013. A cabinet decision will be made in February 2013.

Fraud: New powers in the Welfare Reform Act will enable joint investigations between HMRC, DWP and local authorities as part of a Single Fraud Investigation Service (SFIS) being implemented in 2013. Following a consultation in November 2011 DWP committed to local authority fraud staff remaining employed by the Council.

Data Sharing: 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.

4.2 The changes to services we provide to the people of Derby and the impact of these changes:

Council Tax: Everyone of working age currently entitled to Council Tax Benefit will be potentially affected by the changes. Currently there are more than 15,000 residents in the city who receive these benefits. Low income pensioners will not be affected. Examples from the consultation document:

- Single person on Job Seekers Allowance would lose £2.60 per week or £135.81 per year.
- Lone Parent Family with one child would lose £1.16 per week or £60.37 per year
- Disabled couple receiving Income Support and Disability Living Allowance would lose £3.47 per week or £60.37 per year

Universal Credit: Claims to be made online and payments are monthly into a bank account. The housing element of Universal Credit will be paid to the claimant not the landlord. Pilot schemes are currently being run to look at scenarios where it may be appropriate to make payments directly to landlords and to work with the financial services industry to develop basic or “jam-jar” accounts. Transitional protection is provided when a claimant is transferred to Universal Credit. The protection only applies to existing not new claims, will end with most change of circumstances and the amount of protection is not uprated with inflation.

Housing Benefit Cap: Nationally it is estimated that 56,000 people will be affected who on average will be £93 per week worse off. The numbers affected in Derby are anticipated to be small. 90% of those affected will be families with children, 40% will be families with five or more children (potentially a disproportionate number of minority ethnic families will be affected).

Local Assistance Scheme: Residents who currently apply to the DWP for Community Care Grants and Crisis Loans will apply to Derby City Council. It is anticipated that most awards of local assistance will be goods rather than cash based. There is a reputational risk to the council if large numbers of people apply for local assistance and are refused or unhappy with an award. Approximately 10,000 applications were made for Community Care Grants and Crisis Loans in 2011/12. Given the economic climate and changes to the benefit system this number may increase and will need to be managed by the Council.

4.3 The budget implications of the above

- **Council Tax:** To fit with the budget setting process Derby's localised support scheme will need to be approved by December 2012. The scheme must manage a 10% reduction in overall expenditure. In real terms, based on Government funding proposals, the reduction in Derby is more likely to be 14.25% which equates to a funding gap of £2.6 million.
- **Local Assistance:** Derby City Council will receive £986K for Local Assistance payments in 2013/14 and 2014/15 and £208K administration funds in 2013/14 and £191K administration funds for 2014/15 (set-up and running costs). The government intends that when local assistance is introduced referrals to existing council services and voluntary sector organisations (e.g. food banks) will be utilised. This will create demand and budget pressures on services that see an increase in demand.
- **Other Financial implications:** The Local Government Finance Act was passed on November 01st 2012. In addition to providing a framework for the localisation of council tax as described above it enables local authorities to retain a proportion of the business rates generated. The full impact of this change to business rates in Derby is not yet known.
- Additionally there is an increased demand on Derby Advice and Housing Options as a result of these changes.

4.4 The impact on Derby residents of other benefit changes include:

Underoccupation of Social Housing: This 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. Tenants who underoccupy by one bedroom will have a 14% cut in Housing Benefit, tenants who underoccupy by two or more bedrooms will have a 25% cut in Housing Benefit. Tenants will be responsible for paying the shortfall in their rent or could try to downsize or take in a lodger. Couples who have medical conditions and sleep in separate bedrooms, foster carers and separated parents who keep a room for a child for part of the week will be affected by the changes. Derby Homes estimate that over 2,000 tenants are underoccupying by one bedroom and over 350 by two or more bedrooms.

Personal Independence Payments: Personal Independence Payment (PIP) is to replace Disability Living Allowance (DLA) from April 2013. PIP will continue to be an 'extra cost benefit' and people can still decide how to use it. As with DLA it will be non-means tested, not dependant on NI contributions and available to people who are in or out of work. Existing claimants will remain on DLA until they are reassessed. Awards will normally be for a fixed period and there will be a greater number of periodic reviews. Up to 20% of current DLA claimants may not qualify for PIP. Claimants will be subject to a higher level of medical scrutiny. The number of appeals likely to increase and carers may lose their benefit if the looked after is not transferred from DLA to PIP.

- 4.5 **Other changes:** From April 2012 eligibility for Working Tax Credit was restricted affecting 935 households in Derby, Child Benefit has been frozen since April 2011, amounts of Local Housing Allowance for private tenants has been restricted.

The Government has increased the amount of discretionary housing payments paid by local authorities by £10 million in 2011/12 and £40 million from 2012/13 and increased the amount of Housing Benefit paid to tenants who have a non-resident carer who needs to stay in their property overnight.

- 4.6 The Welfare Reform Team are running a second information session for all members on 27 November 2012.

OTHER OPTIONS CONSIDERED

- 5.1 Not applicable

This report has been approved by the following officers:

Legal officer	Not Applicable
Financial officer	Not Applicable
Human Resources officer	Not Applicable
Service Director(s)	Lisa Callow –Head of Housing and Advice Services
Other(s)	Not Applicable

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Background papers: List of appendices:	None Appendix 1 – Implications Appendix 2 - Derby Advice Response to the Impact of Welfare Reform
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IMPLICATIONS

Financial and Value for Money

- 1.1
- Council Tax: To fit with the budget setting process Derby's localised support scheme will need to be approved by December 2012. The scheme must manage a 10% reduction in overall expenditure. In real terms, based on Government funding proposals, the reduction in Derby is more likely to be 14.25% which equates to a funding gap of £2.6 million.
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Legal

- 2.1 The Welfare Reform Act legislates for the biggest changes to the welfare system for over 60 years. It will have a significant impact on Derby residents and the Council.

Personnel

- 3.1 None directly arising from this report.

Equalities Impact

- 4.1 As part of the consultation process for both localised Council Tax support and the Local Assistance scheme Equalities Impact Assessments have been undertaken.

Health and Safety

- 5.1 None directly arising from this report.

Environmental Sustainability

- 6.1 None directly arising from this report.

Asset Management

7.1 None directly arising from this report.

Risk Management

8.1 As previously stated there is some reputational risk to the Council if large numbers of residents apply for Local Assistance and are either turned down or unsatisfied with their awards.

Corporate objectives and priorities for change

9.1 None directly arising from this report.

Derby Advice response to the impact of Welfare Reform

- Rolling training programme highlighting benefit changes and impact on residents for DCC staff and Derby Homes staff.
- Voluntary sector support group set up –Derby Advice provides help and support to voluntary sector groups to understand benefit changes and their impact.
- Take up events about housing benefit changes to non-dependent deductions
- Take up events about under occupation of rented properties.
- Derby Advice membership of Derby Homes Welfare Reform Working Party
- Take up activity about changes from DLA to PIP.
- Targeted contacts about changes to single room rent rate for under 35's
- Support to Registered Social Landlords about housing benefit changes