

Scrutiny Committee Report



Report of Head of Finance

Author: Paul Howden

Telephone: 01491 823830

Textphone: 18001 01491 823830

E-mail: paul.howden@southandvale.gov.uk

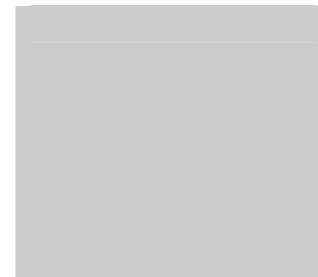
Cabinet member responsible: David Dodds

Tel: 01844 297714

E-mail: david.dodds@southoxon.gov.uk

To: Scrutiny Committee

DATE: 21 October 2014



Welfare Reform Act 2012 – effect on residents

Recommendation

That Scrutiny Committee considers the report and reports any observations to the Cabinet member for Finance

Purpose of Report

1. From 1 April 2013 there were fundamental changes in the way housing benefit (HB) was calculated for tenants in social housing. The “**social sector size criteria**” rules, commonly known as the spare room subsidy or bedroom tax reduced the HB paid to some tenants which resulted in a shortfall (or increasing an existing shortfall) between HB received and the rent payable to a social landlord. This report will explore the effects on the tenants affected from the council’s perspective including the mitigating impact of discretionary housing payments (DHP).
2. From 1 April 2013 the Government introduced a national “**benefit cap**” for benefit claimants. This change meant that **no family would receive more than £500 per week in benefits or (£350 for a single person)**. This report will explore the impact of this change on our benefit claimants including the mitigating impact of discretionary housing payments (DHP).

3. From 1 October 2013 the Government introduced **universal credit (UC)** which is administered by the Department for Work and Pensions (DWP) This report will update members on the current situation and progress of this change.

Strategic Objectives

4. The welfare reform changes threw up a challenge for the council especially as they were and continue to be very much in vogue and continue to be closely scrutinised nationally as well as locally. Managing and delivering these changes were key and therefore contribute to our objective of “**excellent delivery of key services.**”

Background

5. The **social sector size criteria** rules mean that a household with **one** bedroom more than it needs, will have a weekly **cut of 14 per cent**. For **two** or more bedrooms, the cut is **25 per cent**. In essence the calculation will reduce the eligible rent by the given percentages and then the HB will be awarded against the lower rent figure – which means HB can be wiped out totally for some claimants. This change only applies to working age benefit claimants **not pensioners** (meaning those aged 16 to pension credit age – 61 and a half at April 2013). The Government’s rationale for intervention was to bring the social sector in line with the private sector housing provision (which already has size criteria reductions) to reduce the national HB bill **and** to secure behaviour changes amongst social housing tenants (e.g. incentivise tenants to move).
6. The Government acknowledged that the **social sector size criteria** rules would result in an increase in **Discretionary Housing Payment (DHP)** applications upon local authorities. **DHP’s** are free standing payments made at the discretion of a local authority to help with housing costs. The Government therefore increased the council’s **DHP** grant to allow it to award **DHP’s** up to **£122,000** which was an increase of **£61,000** upon 2012/13. For 2014/15 the **DHP** pot is **£155,000**.
7. The **benefit cap** was introduced to cap household benefit payments from July 2013, so that no workless family could receive more in welfare than median after tax earnings for working households. There are exemptions from the cap and these include households where the claimant, partner or any children are in receipt of Disability Living Allowance, Personal Independence Payments, Attendance Allowance, Industrial Injuries Benefits, War Widows and War Widowers pension etc.
8. **Universal Credit** was introduced during 2013 in a number of pilot areas, principally in the north-west of England. It is fair to say that its implementation has encountered a number of problems along the way. **UC** plans to wrap together housing and other benefits (including tax credits) into one monthly payment for claimants.

The effects on residents:

Social sector size criteria rules

9. At the beginning of April 2013 there were **474** social tenants who were to have their HB cut by the **social sector size criteria** rules by a total of **£486,702**. By **September 2014** this had fallen to **344** tenants (**a reduction of 27 per cent**) and

the HB cut had reduced to **£334,932**. In April 2013 **6.5 per cent** of the HB caseload was subject to the **social sector size criteria** rules, whilst by September 2014 this had fallen to **5 per cent**. At the same time the total benefit caseload has fallen from 6,900 to 6,700 (a reduction of 3 per cent).

10. During 2013/14 the council saw the expected influx of **DHP** applications, mainly as a result of tenants of being informed of the changes and their consequences and, encouragement by their social landlords (especially Soha in our area). The council received **212** applications during the year and made awards to **139** whilst refusing **79**. The council spent **£106,000** on all **DHP** awards out of the £122,000 **DHP** pot, with **£61,500** being awarded to those affected by the **social sector size criteria** rules. Out of the applicants refused, only one appealed to the council's **HB Appeals Panel** to reconsider the officer decision. The officer decision was upheld. It is fair to say that due to the robustness and transparency of the application process appeals have been very rare over recent years and this continued to be the case during 2013/14.
11. **During 2014/15**, to the end of September council has received **40** applications and made awards to **27** whilst refusing **13**. It has spent **£45,000** on all **DHP** awards out of the **DHP** pot of £155,000, with **£25,000** being awarded to those affected by the **social sector size criteria** rules.
12. In July 2014 an analysis of the cases which were in receipt of a **DHP** due to the **social sector size criteria** rules in July 2013 was done, to gauge what had happened to the cases one year on. Out of the **67** cases in receipt of a **DHP** in July 2013:
 - **32** (47%) had reapplied for a further **DHP**. **21** (31%) were granted 1 or more further awards. **11** (16%) were turned down.
 - **13** (19%) had moved. **2** (3%) had moved out of the area. **10** (15%) had moved to a smaller property and no further deduction was in place. **1** (1.5%) moved to a smaller property from a 25% deduction to a 14% deduction.
 - **8** (12%) returned to work and are no longer on HB.
 - **4** (6%) had a change in the household size, of which 3 (4.5%) meant there was no further deduction and 1 (1.5%) meant the deduction decreased from 25% to 14%.
 - **4** (6%) have reached pension age and are no longer subject to the deduction.
 - **1** (1.5%) had died.
 - **3** (4.5%) are still in receipt of **DHP**.
 - **29** (43%) have to make up a deduction of 14%.
 - **7** (10.5%) have to make up a deduction of 25%.

- **4** (6%) had the benefit of the pre-1996 loophole, which meant that the claimant received the maximum entitlement of Housing Benefit for the period 01/04/13 to 03/03/14.

13. From the data above it seems that generally our social housing tenants are accepting that they need to contribute to their rent or find work if they want to remain in property which is deemed too large for their needs.

Benefit cap

14. The **benefit cap** has had less of an impact in the district. When it was introduced in July 2013 there were **23** households affected. As at September 2014 this has reduced to **22**.

15. During **2013/14** the council received **9 DHP** applications from households affected by the cap. **5** households were awarded DHP whilst **4** were refused. During **2014/15** to date we have received **1** application which was refused.

Universal credit

16. In September 2014 the DWP announced that **UC** will be rolled out across the country to all Jobcentres and Local Authorities from early next year. National expansion of **UC** will commence from February 2015 for single claimants previously eligible for Jobseekers Allowance. As far as the council is concerned this will have minimal impact as many single **UC** claimants are not tenants and therefore will not be responsible for housing costs. However, there will be some future potential issues when UC is rolled out in its entirety. These include:

- **Direct Payment to tenants** – Under **UC** tenants will receive their housing costs direct to themselves. At the moment, the vast majority of tenants in social housing have their **HB** paid direct to their landlord. There are fears that paying social tenants direct will lead to an increase of rent arrears as they are not used to budgeting to pay their rent. The **DWP** has run a direct payment demonstration project with 6 local authorities (including Oxford City). A report on the project was released in December 2013. It showed that collection rates were 94% (Soha, in their 2014 annual report stated year end arrears were 1.7%). The 6 local authorities reported intensive efforts to ensure tenants did not fall into arrears, which may not be able to be replicated nationally.
- **Budgeting** - Payments of UC will be paid calendar monthly in arrears, reflecting the way most employees are paid today. At present, many social security benefits are paid weekly, such as Job Seeker's Allowance, Employment and Support Allowance and Income Support. There are fears that many UC claimants will struggle to adjust to the financial discipline of making their payments last a calendar month. This could potentially lead to increased debt, or people turning to unsuitable sources of finance such as payday loans.
- **Self-employed** - Unlike present means tested benefits, UC will have a minimum income floor for self-employed people. This means that self-employed claimants will be treated as earning the minimum wage (£6.50 per hour from October 2014), regardless of actual income. There will be a 12

month starting up period, where the minimum income floor will not apply for new self-employed businesses. Like employers, self-employed people will be expected to report their earnings monthly. The number of self-employed is at its highest ever rate (ONS: 15% of the workforce 2014; 11.8% in 2000). Average income has fallen from £223.00 per week in 2002 to £207.00 per week in 2013. For “the man with a bucket” type of self-employment, it is likely that reaching the minimum income floor within 12 months may be difficult. There is a fear that people will be discouraged from entering into self-employment.

Financial Implications

17. There are no financial implications arising from this report other than the council would be required to fund any awards of **DHP** if it exceeded the £155,000 Government grant.

Legal Implications

18. There are no legal implications arising from this report as all the welfare reform changes which have been implemented are statutory changes.

Risks

19. There are no risks arising from this report.

Other implications

20. As part of the Welfare Reform Act changes the Government transferred the responsibility for Crisis Loans and Community Care Grants to local authorities, in our area to Oxfordshire County Council. Crisis Loans were intended to help people with their immediate short-term needs in a crisis, while Community Care Grants were non repayable grants to help people live independently in the community. The amounts transferred to local authorities were not ring-fenced and each local authority set up its own scheme as it saw fit. Oxfordshire set up its Support Fund in April 2013. Awards were predominately in goods and not cash, which would only be awarded in exceptional circumstances. Oxfordshire County Council closed its scheme in March 2014, using some of the money to support more vulnerable groups, such as care leavers, in its existing budget.
21. The welfare reform changes did mean additional work for the council and its contractor Capita. The increase in DHP applications added to existing workloads whilst the benefits contact centre in Coventry handled **21,944** benefit telephone calls (**5,716 more than in 2012/13**) generally as a result of the welfare changes.
22. From the council’s **Housing Services** perspective the overall message is that welfare reform has not had a significant impact upon homelessness to date. This can be evidenced from the following statistics:

- **The number of homelessness acceptances** (we accept an ongoing duty to accommodate the household)

2012/13	44
2013/14	40

2014/15 projected 34

• **The number of households in temporary accommodation**

2012/13	15
2013/14	19
2014 /15 projected	20

23. From **Soha's** (the council's largest provider of social housing) perspective, its 2014 annual report reported that c.500 tenants were affected by the **social sector size criteria** rules in 2013. By the end of 2013/14, Soha had downsized **37** affected tenants. By the end of 2013/14, the level of rent arrears stood at 1.7% (the target was 2.00%). Soha employs 1 full time Welfare Reform Project Officer. He helps with budgeting, managing debt and accessing various services. Soha also works with various partners to support tenants dealing with the benefit amendments, including the council, advice agencies and credit unions.

Conclusion

24. Although the Welfare Reform Act has provided challenges to the council (and its partners) to date, the implementation of the changes has been well managed and this seems to have helped mitigate the effects. There is no denying that the **social sector size criteria** rules have affected a number of households but the impact does not seem to have been as widespread as first thought. The households affected by a cut in benefit have dropped by 27 per cent in the first year and the view is that many are choosing to remain in their existing accommodation and meet the cost of this choice. The **benefit cap** has affected fewer households but again it seems that generally those households have managed to cut their cloth accordingly. **UC** has not impacted upon the district yet, although there are potential issues around the corner should its implementation come to fruition.

Background Papers

- None