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1. **PURPOSE OF REPORT**

1.1 To brief members on the impact of the welfare reform changes.

2. **RECOMMENDATION**

2.1 The Scrutiny Commission endorses the report.

3. **BACKGROUND TO THE REPORT**

3.1 On 8 March 2012 the Welfare Reform Act received Royal Assent. The Act legislates for the biggest change to the welfare system for over 60 years. The Act introduced a wide range of reforms impacting upon working age benefit recipients within Hinckley & Bosworth Borough Council.

3.2 **Under Occupancy in the Social Rented Sector – Effective April 2013**

3.2.1 Those who are of working age and assessed to be under occupying their property for housing benefit purposes will have their housing benefit reduced by a percentage rate of their eligible rent depending on the number of bedrooms they are deemed to be under occupying:

- 14% for one extra bedroom
- 25% for two or more bedrooms

3.2.2 The new rules will restrict the size of accommodation a person can receive Housing Benefit for based on the make up of their household. The new rules allow one bedroom for:

- every adult couple (married or unmarried)
- any other adult aged 16 or over
- any two children of the same sex aged under 16
- any two children aged under 10
- any other child (other than a foster child or child whose main home is elsewhere)
- a carer (or team of carers) who do not live with you but provide you or your partner with overnight care

**HBBC Position**

3.2.3 In respect of our council housing stock 264 households originally experienced a reduction of 14% and 51 had housing benefit reduced by 25%. This figure has come down to 237 due to the work undertaken with tenants who were affected by under occupancy. The number of people under occupying has reduced due to property moves, children turning 16, other relatives moving in, and some who have been declared exempt due to having overnight carers or children that can't share. Of these 237, 129 tenants are paying the charge, 73 are in receipt of discretionary housing payment and 35 tenants aren't paying the charge (appropriate action is being taken). There are 166 private tenants affected by the changes of which 154 have had their housing benefit reduced by 14% and 12 tenants have seen a reduction of 25%.

3.2.4 In January 2014 The Department for Work and Pensions (DWP) formally notified Local Authorities that there are a small number of Housing Benefit Claimants who may be exempt from the Spare Room Subsidy. It has been identified that those who have been continuously entitled to Housing Benefit since at least 1 January 1996 and have occupied the same home since that date should not be subject to the under occupancy rules.

3.2.5 We have cross referenced the data held by housing and housing benefits and understand that there are 16 tenants who will qualify for the re-instatement of benefit. The Government intend to close this loophole and the amendment to the legislation will take effect on 03.03.14.

### 3.3 Housing Benefit Cap – Effective Summer 2013

3.3.1 The government introduced a £26,000 cap on the total amount of benefits that working-age people in the UK can receive limiting it to £500 a week for families, or £350 for childless single-adult households. Local authorities are responsible for applying the cap until households are moved onto universal credit

3.3.2 The aims of the cap were threefold:

- Ensure that no benefit dependant household can receive more money than the median average income of a working household
- Encourage households into at least 16 hours employment per week
- Make fiscal savings

#### HBBC Position

3.3.3 The current number of households affected by the cap is 12.

POSTCODE	SINGLE	H/B before deduction	TOTAL BENEFITS	DEDUCTION	PROPERTY	BEDROOM
LE9	N	71.5	530.45	30.45	Council	3
LE10	Y	96.25	508.93	8.93	Private	3
LE10	N	133.33	516.71	16.71	Private	4
LE9	N	94.17	612.42	93.67	H/A	3
LE67	Y	102.44	600.00	101.94	H/A	4
LE10	N	126.92	515.62	15.62	Private	3
LE9	N	77.02	609.41	32.39	Council	3
LE9	N	160.38	612.95	112.95	Private	4
CV13	Y	160.38	637.68	137.68	Private	5
LE10	Y	160.38	615.51	115.51	Private	4
LE9	Y	126.92	542.50	87.42	Private	3
LE6	Y	162.38	599.30	63.08	Private	4

3.3.4 For illustrative purposes the latest list provided by the DWP provides an indication of the relatively small number of households affected by the cap but if you compare the 'H/B' column with the 'Potential Deduction' column in most cases there is a significant reduction in weekly entitlement to housing benefit. DWP will not expect Local Authorities to administer a cap until the DWP has sent the Local Authority the notification to do so.

### 3.4 Council Tax Local Scheme

3.4.1 From April 1 2013, the Government ended the national Council Tax Benefit scheme and reduced by approximately 10% the amount of money local councils receive to

provide full relief on Council Tax for working age people. For HBBC this equated to approximately £583,000

- 3.4.2 All working age council tax support recipients have seen a reduction in their entitlement under the new Council Tax Support scheme. For 2013/14 they have had to pay at least 8.5 per cent of the Council Tax bill even if they previously had nothing to pay.
- 3.4.3 Pensioners are not affected by these changes.
- 3.4.4 There are approximately 3,118 households who are currently affected by the changes of which 2,368 had not had to pay council tax before.
- 3.4.5 On 3rd December 2013 the decision was taken to reduce the maximum amount of council tax support available to the working age from 91.5% to 88%.

The rationale behind the changes were

- The transitional grant received from Government for the current year of £139,387 will not be received for 2014/15, resulting in a deficit that will need to be recovered.
- There is a real risk that if this Council left the cap unchanged at 91.5%, then the Preceptors would withdraw the current funding used to support the Discretionary Discount Fund and the additional administration charges which totals £72,000.
- There is a risk that if this Council left the cap unchanged at 91.5%, then this would result in significant loss in funding for the 3 major preceptors which would affect relations and risk further reductions in funding allocations to this Borough.
- If the decision was made to leave the cap at 91.5%, then the estimated additional financial cost, assuming that the preceptors remove their support for funding, will be £211,589

#### Collection Rates

- 3.4.6 Early analysis suggests that recovery of the debt is, as expected, resource intensive. This is why continued support in the form of funding for the additional administration burden from the major precepting authorities is vital.
- 3.4.7 If the debt remained unpaid the enforcement process has continued resulting in the issuing of a summons. As this is the first year of the changes we have taken the view, where appropriate to cancel the summons costs once the debt has been cleared, this is particularly relevant to those of working age who have not had to pay council tax previously..
- 3.4.8 The collection rate at the end of January 2014 for those in receipt of local support is 75.40% this compares with an overall collection rate of 95.32%. The balance outstanding in respect of those accounts who have not had to pay council tax before is £27,446.

#### **3.5 Universal Credit**

- 3.5.1 Universal credit is intended to simplify the benefits and tax credit system by replacing the following with a universal credit ;-
- Jobseekers Allowance (income based)
  - Employment and Support Allowance (Income related)

- Income Support
- Child tax credit
- Working tax credit
- Housing benefit

3.5.2 The roll out of Universal credit has been much slower than previously anticipated. The original intention was for all new claims for out-of-work support to be treated as claims to universal credit from October 2013. Across the Country there are currently 7 Job Centre's taking claims for Universal Credit with 3 more anticipated next spring.

3.5.3 From the Summer of 2014 it is anticipated that the majority of Job Centre's will be accepting claims for Universal Credit applications from couples and from Autumn 2014 from families. It is expected that UC will be fully rolled out in 2016/2017. However it's likely that implementation of HB for Pension Age claimants will be delayed beyond 2017.

3.5.4 The basic conditions to qualify for Universal credit are

- At least 18 and not above pension age
- Living in the UK
- Not in full-time education
- Claimant and partner must agree to a "claimant commitment"

3.5.5 The Claimant Commitment (part of Universal Credit rules) means that a claimant will have to complete a weekly timetable of their efforts to find work and sets out their responsibilities decided at a meeting between the claimant and their advisor and will be renewed regularly. Those who do not comply with this commitment risk losing their benefit.

3.5.6 It looks as if the government is seriously considering allowing payments to go directly to landlords. For example if a claimants rent arrears continue to mount up to two months rent, payments would be switched to the Landlord on a "managed payment". Once arrears have been paid, payments will be reviewed in order for payments to be returned to the claimants. It is not envisaged that "managed payments" should be permanent.

3.5.8 HBBC Position

- We have set up a Universal Credit working group attended by key people within the organization and invitations extended to JCP and CAB.
- We have asked the pilots for further information on lessons learned.
- Continuing to work with the credit union to support tenants particularly in relation to budgeting.
- Exploring opportunities with the JCP on how to help those individuals who require support with computer literacy and budgeting.
- Identifying claimants who are currently in arrears with council tax/rents and who it is likely will require more assistance when universal credit is introduced in this area
- Developing a communication strategy
- Engaging with voluntary sector to see how they can support the transition to Universal Credit

#### 4 Protection for the vulnerable

In response HBBC is focusing its resources to offer a range of provision aimed at supporting those most in need/falling into hardship, as follows:

#### 4.1 Discretionary Discount Fund

- 4.1.1 The discretionary fund is used to support those people who will have great difficulty paying council tax. The discretionary fund is a fundamental part of the scheme; it provides districts with the flexibility to assess on a case by case basis requests for financial assistance from people who are vulnerable or suffering from severe financial hardship.
- 4.1.2 The discretionary fund also mitigates the potential increase in the number of small bad debts and impact on demand for public services more generally. The Fund will have common eligibility criteria enabling discretionary discounts to be offered to residents on a case by case base.
- 4.1.3 The total funding for the Hinckley & Bosworth discretionary discount fund is £58k, of which Hinckley & Bosworth Council will fund £6k with the balance provided by major preceptors.
- 4.1.4 The main elements of the scheme are that
- The discount is applicable for Council Tax only
  - Applicants do not have to be in receipt of Council Tax Support
  - Any award is shown as a discount on the Council Tax Bill
  - The amount of discount given will be subject to the applicants individual circumstances
  - The application is processed by the billing authority

#### HBBC Position

- 4.1.5 By the end of January 2014 a total of 180 Discretionary Discount awards have been made totaling £5,887.

The major preceptors have indicated that any under spend of the discretionary fund in the current financial year can be carried forward to 2014/2015.

#### 4.2 Discretionary Housing Payments

- 4.2.1 Discretionary Housing Payments (DHPs) provide customers with further financial assistance when a local authority considers that help with housing costs is needed. Housing costs are not defined in the regulations and this therefore gives us a broad discretion to interpret the term as long as it is reasonable. Therefore housing costs can include
- rent in advance
  - deposits
  - other lump sum costs associated with a housing need such as removal costs.
- 4.2.2 The prime reasons for granting DHP's include:
- alleviating poverty
  - encouraging and sustaining people in employment
  - tenancy sustainment and homelessness prevention
  - safeguarding residents in their own homes
  - keeping families together
  - supporting the vulnerable or the elderly in the local community
  - helping customers through personal and difficult events

## HBBC Position

4.2.3 The DHP funding for the Borough is £100,368. As a result of the additional funding that all councils have received we will be required to provide a breakdown of our expenditure in terms of those households:

- affected by the benefit cap
- affected by the social sector size criteria
- affected by LHA reforms
- any other reason

4.2.4 At the end of January we have paid out £75,427 and our future spend in respect of these cases is estimated to be £14,044 (i.e. rent not yet due). By far the largest beneficiary of DHP are those households subject to the size criteria which are anticipated to receive £62,000 The amount anticipated to be paid to claimants affected by the benefit cap is £6,100.

## 4.3 Leicestershire Welfare Provision Fund

4.3.1 From 1<sup>st</sup> April 2013, DWP transferred the responsibility for the Social Fund (known as Community Care Grants and Crisis Loans) to local authorities. Therefore from this date a new service called the Leicestershire Welfare Provision (LWP) was introduced, overseen by LCC.

4.3.2 LWP aims to help the most vulnerable people who are facing an emergency or need support with settling into a new place, when at that particular time, they have no other source of help. This can include emergencies such as escaping domestic violence, harassment, homelessness, fire, flooding or a victim of crime.

4.3.3 LWP looks at the individual situation and circumstances, against agreed criteria, to make a decision about whether they are eligible to receive financial help. District Council Officers and the CAB can, and have helped individuals to apply for support, as it is an online application process.

**4.3.4 It should be noted that whilst this arrangement will continue in 2014/15, Central Government have indicated that this funding will no longer be available from April 2015.**

## 4.4 Citizens Advice Bureaux (CAB)

4.4.1 HBBC continues to have in place an annual SLA with CAB, enabling the provision of independent, impartial and confidential advice to everyone. From April 2014, the CAB arrangements in Leicestershire will be subject to funding reductions as a result of the LCC funding cuts, which will impact on the countywide core offer.

4.4.2 Therefore, in ensuring we continue to support priority needs, HBBC will be specifying in its SLA for 2014/15, that CAB in H&B should focus resources on the following: Debt Management/Money Advice and Financial Literacy, Housing advice, and advice linked to Welfare Reforms. This is based on evidence of casework undertaken by H&B CAB over the last two years.

## 4.5 Pilot project working with Jobcentre Plus (JCP)

4.5.1 Linked to the above HBBC is working in partnership with JCP to put in place a package of support to include: debt and financial management training, understanding of benefits and related advice/information, and advice and support to

get into/get back to employment. This will be a combination of group sessions and one to one support.

4.5.2 JCP will target those on Job Seekers Allowance (JSA) and therefore can include a requirement to attend the sessions as one of the sanctions under JSA. HBBC will seek to target those most affected by Welfare Reform, and particularly anyone being hit by all of the current reforms. Clearly for those identified by HBBC the offer will be on a voluntary basis.

4.5.3 We hope to be able to target some of those individuals who may have recently fallen into difficulty, rather than the usual suspects, and who therefore may not be aware of the help and support available. If the pilot is successful we will look to roll it out further.

#### 4.6 Hinckley Food Bank Provision

4.6.1 HBBC continue to support the Hinckley Food Bank, and are one of the key stakeholders in the locality who hold vouchers, which are issued to those in need of emergency food, enabling them to receive up to 3 days worth of food provision.

4.6.2 Hinckley currently has six distribution points, with the number of individuals and families accessing this support continuing to rise. The Hinckley Food bank provision commenced in June 2012, between then and March 2013, 1,405 individuals were supported, from April 2014 to the current date, 2,641 individuals have been supported.

4.6.3 Within the next six months the Food Bank plan to open a further distribution centre in Earl Shilton, and Newbold Verdon in recognising the need to make this provision more accessible in rural areas of the Borough.

4.6.4 In addition Hinckley Food Bank can now make available to the authority, the option of having a small supply of emergency food boxes on site. This can be extended to all community/outreach centres within Hinckley and Bosworth, including rural areas.

4.6.5 HBBC continue to make available to the Food Bank, free of charge, a large industrial unit for food storage.

#### 4.7 Clockwise Credit Union Provision

4.7.1 Since 2010 HBBC has had in place a local Credit Union provision delivered by Clockwise, primarily aimed at tackling financial exclusion. Provision includes:

- Access to banking
- Access to safe and ethical affordable credit/loans
- Access to free face to face money advice

4.7.2 Local access points operate at each of our Community Houses, and from April 2013, we have established a town centre access point based at the Next Generation building in Castle Street. This has seen a direct impact on the increase in the number of both volunteers secured in helping to deliver advice and support, and increasing footfall for those seeking the provision.

4.7.3 The continued promotion of this local facility is extremely important in the light of prolific pay day and doorstep lenders activity. (A separate detailed progress report has been prepared for this work stream).

#### 4.8 Tenancy/Housing Support and affordable warmth interventions

- 4.8.1 Increasingly officers in front line services such as housing and community safety are picking up on issues regarding debt and poverty when they are in contact with residents. Appropriate signposting and referrals are made to specialist services to help assist, including debt advisors, the food banks and charities.
- 4.8.2 Many people are struggling with the double pressure of welfare reform and rising fuel costs. Since late 2012 there has been a Warm Home Officer in post, employed through external funding, to help bring down the cost of heating for tenants/homeowners. The aim of this officer is to identify and assist in ways fuel bills can be lowered through tariff checks and assessing the thermal efficiency of the building. The officer has links with many local charities and organisations and has delivered training sessions. In this time nearly 300 homes have been visited with advice and savings identified of up to £300 per annum and assisted in the delivery of;
- Four Ways to Warmth funding, 64 household referred for low cost, minor jobs to improve the thermal comfort, such as loft insulation and boiler repairs.
  - 22 boiler replacements
  - 20 low cost energy efficiency improvements
  - 17 emergency fuel deliveries to off gas areas
  - 39 solar P.V. panels installed
  - Over 100 referred to Citizens Advice Bureau and Clockwise Credit Union for £149 towards winter bills and the opportunity to open up a budgeting account with financial advice
  - Nearly 300 voucher issues of £5 and £49 value to help household to keep credit on their prepayment meter in the winter months.

#### 4. FINANCIAL IMPLICATIONS (KP)

##### Under occupancy and benefit cap

- 4.1 The changes to under occupancy and the benefit cap will have a net nil impact on the Council's financial position. This is on the basis that whilst less benefit will be awarded for those individuals impacted, correspondingly less subsidy will be received by the Authority

##### Local Council Tax Scheme and Discretionary Discount

- 4.2 The current spend on the Council Tax Support Scheme at 31<sup>st</sup> December 2013 was £5.314million against a annual debit of £5.494million. This is compared to payments of £5.745million in 2012/2013 under the previous scheme.
- 4.3 In 2013/2014, the Council received the following funding to finance the cost of the scheme:
- A transition grant from government of £139,387 to reflect that the Council's scheme included an 8.5% cap
  - £544,764 of Council Tax Support Grant within the settlement. £143,000 of this amount was passed to parish councils to reduce the impact on their council tax bases.
  - Specific administration funding of £20,660 from the major preceptors to fund the cost of implementing the new Council Tax Support Scheme. In addition, the Council funded fund £2,440 of these costs.



- The cost of the Discretionary Discount Fund was met in the majority by the main preceptors, with £6k budgeted to be funded from the General Fund. £93,843 of funding was also received for Discretionary Housing Payments.
- 4.4 Per the 2014/2015 Local Government Settlement, the element of funding attributable to fund the scheme is not directly distinguishable in the settlement, though it should be assumed that this is constant. This Council has agreed to continue to passport £143,000 to parish councils in the forthcoming year.
- 4.5 The impact of the increase of the benefit cap from 8.5% to 12% has increased this Council's Council Tax base by 1,367 Band D equivalents.
- 4.6 With regards to the Discretionary Discount fund, £52,429 remained unspent as at 31<sup>st</sup> January 2014. It has been agreed by the major preceptors that any under spend may be carried forward to the next financial year though no new allocation will be provided unless required. Administration funding for posts associated with the roll out of both new initiatives will be honoured for the forthcoming year.

#### Universal Credit

- 4.7 At the time of producing this report the financial implications for Universal Credit for district councils is unconfirmed. It is however expected that significant changes will occur to the funds flow associated with administering such a benefit. Further clarity on these arrangements will be received in due course.

#### Leicestershire Welfare Provision Fund

- 4.8 The funding for this provision is provided by the County Council with the District acting as a referring body. It should be noted that whilst this arrangement will continue in 2014/15, Central Government have indicated that this funding will no longer be available from April 2015 and therefore this may create a financial pressure for this Council.

#### Citizens Advice Bureaux

- 4.8 The Council provides a grant to the Citizens Advice Bureau of £53,200 to aid the provision of advice.
- 4.9 From April 2014, the CAB arrangements in Leicestershire will be subject to funding reductions as a result of the County Council funding cuts. Therefore, in ensuring the service can continue to support priority needs, the Council will be specifying the SLA for 2014/15, that CAB in H&B should focus resources on the following: Debt Management/Money Advice and Financial Literacy, Housing advice, and advice linked to Welfare Reforms. This is based on evidence of casework undertaken by H&B CAB over the last two years.

#### Hinckley Food Bank Provision

- 4.10 HBBC continue to make available to the Food Bank, free of charge, a large industrial unit for food storage.

#### Clockwise Credit Union Provision

- 4.10 The Council continues to contribute £10,000 per annum towards the salary requirements for Clockwise.

5. **LEGAL IMPLICATIONS (MR)**

Contained within the body of the report

6. **CORPORATE PLAN IMPLICATIONS**

1. Supporting individuals
2. Providing value for money and pro-active services

7. **CONSULTATION**

None required in respect of this update report.

8. **RISK IMPLICATIONS**

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
Impact on vulnerable people of welfare reform changes	Ensure appropriate support and signposting is available to residents affected by welfare reform changes.	Sharon Stacey
Impact on rental income of the council due to inability of tenants to meet rent payments.	Ensure tenants are supported to pay rent, including making applications for DHP. Take necessary enforcement action where appropriate.	Sharon Stacey

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

The mix of council tax benefit claimants is such that it is generally difficult to protect specific vulnerable groups, such as families with young children, or the disabled, as protecting these would result in a highly adverse impact on non-protected claimants

In order to mitigate the impact of the reduction in council tax support and to help those households struggling to pay rent the availability of a Discretionary Discount Fund and Discretionary Housing Payments are promoted has been created that will allow the Council to support the most vulnerable residents on a case by case basis.

The welfare reform changes have had a significant impact on individuals within the Borough and we will continue to support those individuals and households through the measures identified in the report.

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

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Background papers: None

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