



**WARDS AFFECTED: ALL WARDS**

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1. **PURPOSE OF REPORT**

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

2. **RECOMMENDATION**

The Scrutiny Commission endorses the report.

3. **BACKGROUND TO THE REPORT**

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.

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

Those who are of working age and assessed to be under occupying 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

The new rules will restrict the size of accommodation you can receive Housing Benefit for based on the make up of your 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

**Example of under occupancy calculation**

A couple live in a three bedroom property with two daughters aged one and three. Currently the total eligible rent is £75.00 and full benefit is paid.

From 1 April 2013 when applying the size criteria they only need a 2 bedroom house calculated as follows

- One bedroom for the couple.
- One bedroom for their two children as they can share a room until they are sixteen.

Therefore they are under occupying by one bedroom

Total eligible rent = £75.00 minus 14% reduction £10.50.

Total rent paid from April 2013 = £64.50.

The number of restrictions on all social housing within the Borough amounted to 604 restrictions with 506 households seeing a 14% reduction in benefit entitlement and 98 households facing a 25% cut in entitlement.

### HBBC Position

In respect of our housing stock 313 households will experience a reduction of 14% and 71 will have the housing benefit reduced by 25%. A decision has been made to visit all tenants affected by the under occupancy changes commencing March 2013.

A tenant information pack is being prepared to use on the visits. This will include all information and advice including options available to affected customers, information on taking in a lodger, choice based lettings information, mutual exchange, credit union, useful contact numbers and websites.

Housing will be reviewing their rent arrears policy and enforcement procedures in light of the welfare reforms.

## 3.2 Benefit Cap – Effective Summer 2013

The government is introducing a £26,000 cap on the total amount of benefits that working-age people in the UK can receive (including job seeker's allowance, housing benefit, child benefit and carer's allowance), limiting it to £500 a week for families, or £350 for childless single-adult households.

Our understanding was that the Cap was to be introduced nationally from April 1 2013. However this has now changed and four Local Authorities Bromley, Croydon, Enfield and Haringey will be the first to start to apply the Benefit Cap from April 2013. The four Local Authorities within London were chosen to start the phasing in of the Benefit Cap as London has the highest percentage of potential Benefit Cap claimants and a diverse cross section of residents.

For all other Local Authorities across the country, including HBBC, national rollout will take place over the summer and as such all households identified as being appropriate to be capped will, in line with existing plans, have been capped by the end of September 2013.

Housing Benefit is the only benefit affected by the Cap so if other benefits add up to more than the cap then only housing benefit can be cut.

The DWP are writing to all those households affected by the cap.

### HBBC Position

Data has been received from the DWP in January 2013 listing the customers potentially affected by the benefit cap. Analysis indicates a maximum of 20 families will be affected by the cap if their circumstances remain unchanged. We have contacted the majority of the customers identified in the January data who have also been made aware of other forthcoming changes including the Local Council Tax scheme and the under occupancy changes. The intention is to visit all affected customers nearer the implementation date, once this is known.

For illustrative purposes the latest list from 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.

POSTCODE	SINGLE	BENEFIT	H/B	TOTAL BENEFITS	POTENTIAL DEDUCTION	TENURE	BEDROOMS
LE67	Y	I/S	£99.17	£606.59	£98.67	H/A	4
LE9	N	ESA	£160.38	£606.30	£54.08	PRIVATE	4
LE9	N	JSA	£91.16	£607.62	£90.66	H/A	3
LE67	Y	I/S	£150.00	£564.47	£64.47	PRIVATE	4
LE9	Y	I/S	£144.23	£552.94	£52.44	PRIVATE	4
LE6	N	JSA	£86.54	£608.80	£86.04	PRIVATE	4
LE9	Y	I/S	£138.46	£553.88	£53.88	PRIVATE	3
LE10	N	JSA	£96.92	£527.49	£27.49	PRIVATE	3
LE10	N	JSA	£99.22	£532.04	£67.18	H/A	3
LE9	Y	I/S	£126.92	£541.02	£41.02	PRIVATE	3

### 3.3 Council Tax Local Scheme

From April 1 2013, the Government is ending the national Council Tax Benefit scheme and reducing by approximately 10% the amount of money local councils receive to provide full relief on Council Tax for working age people.

All current working age Council Tax Benefit customers will see a reduction in their entitlement under the new Council Tax Support scheme. All working age claimants will have to pay at least 8.5 per cent of the Council Tax bill even if they previously had nothing to pay.

Pensioners will not be affected by these changes. Although pensioners will be moved onto the new Council Tax Support scheme they will be protected and will not have their benefit cut under the new scheme

#### HBBC Position

There are approximately 3,128 households who will be affected by the changes of which 2,368 have not had to pay council tax before.

The table below shows the current Council Tax charge for each band in Hinckley and the additional amount working age taxpayers will need to pay if they currently receive 100% council tax benefit.

Band	Your Council Tax charge for 2013/14	The amount of Council Tax paid in 2012/13	Amount you would need to pay for the year under the new scheme	Amount you would pay each week under the new scheme
A	£966.57	£0	£82.16	£1.58
B	£1,127.66	£0	£95.85	£1.84
C	£1,288.76	£0	£109.54	£2.11
D	£1,449.85	£0	£123.24	£2.37
E	£1,772.04	£0	£150.62	£2.90
F	£2,094.23	£0	£178.01	£3.42
G	£2,416.42	£0	£205.40	£3.95
H	£2,899.70	£0	£246.47	£4.74

Following a change in the legislation all taxpayers have the right to pay over 12 months instead of 10 and this is being widely promoted.

#### Protection for the vulnerable

## Discretionary Discount Fund

The fund has been set up which is a County Wide agreement funded by local authorities, Leicestershire County Council, The Office of the Police and Crime Commissioner and Leicestershire Fire and Rescue Service.

The Council Tax Discretionary discount has been developed to ensure people who are experiencing severe financial hardship can apply for short term help

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

The fund will have common eligibility criteria enabling discretionary discounts to be offered to residents on a case by case base.

<b>Types of vulnerable people</b>
The applicant or household or a dependent child in receipt of the middle or higher rate of Disability Living Allowance (DLA)
The applicant or household is a disabled adult living in supported living accommodation who have carers and are unable to work due to their health
The applicant or household is in receipt of Employment Support Allowance (ESA) with support component
The applicant or household is a care leaver up to the age of 22 years
The applicant or household is deemed vulnerable through drug or alcohol dependency who are attending a rehabilitation programme
The applicant or household has suffered domestic violence and is being supported by accredited local schemes to move into permanent accommodation, inclusive of forced marriages
The applicant or household is a foster carer and has current foster child placements
The applicant or household has dependent children under the age of 5 and is living on income support
Applicant or households who provide care who are single or a couple, and have no other income (other than income support) where they are in receipt of carers allowance
The applicant or household is a foster carer (child or adult) and is in between foster care placements
The applicant or household has parental care responsibility for non-resident children
The applicant or household is a hostel leaver where they were resident in a hostel engaging with support while resident. Minimum period of hostel residency is 3 months

There may be a number of vulnerable individuals who do not fall into any of the above categories and in this event awards may be considered due to severe financial hardship.

## Discretionary Housing Payments

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.

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 (2013/2014)

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.

The DHP funding for the Borough is £93,843.

As a result of the additional funding that all councils have received we will be required to provide a breakdown of our spend in terms of those households:

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

#### 3.4 Changes to discounts/exemptions on empty homes

From the 1 April 2013 exemptions that were previously granted on homes that were vacant and substantially furnished (Class C) and homes that were vacant and required major works or structural alterations (Class A) have been abolished and replaced with locally set discounts.

##### Class C (Previously exempt for up to 6 months)

From the date that the property becomes vacant (unoccupied and substantially unfurnished) no Council Tax is payable for the first month and thereafter a full charge is payable.

##### Class A (previously exempt for up to 12 months)

From the date that the property becomes vacant and requires major repair works and structural alterations a 50% charge will be payable for up to 12 months, thereafter a full charge is payable.

##### Second Homes

The 10% second home discount is removed from the 1 April 2013.

##### HBBC position

The council has written to all those affected by the changes. In terms of notifications we issued:

- 512 letters to those affected by Class C changes.
- 71 letters to those affected by Class A changes.
- 179 letters to those who will no longer be in receipt of the 10% discount.

#### 4. FINANCIAL IMPLICATIONS (KB)

- 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
- 4.2 The impact of the Local Council Tax Scheme and the changes in charges in empty properties will impact the Council through an adjustment to the Council Tax base and therefore the precept received. For this Council, this has resulted in a reduction in Council Tax precept of £318,617 in 2013/2014 when compared to 2012/2013. In order to manage this shortfall, the Council has been awarded £544,764 of Council Tax Support Grant in 2013/2014, £143,000 of which has been transferred to parish Councils.
- 4.3 The impact of the changes in Council Tax charging, will have an additional impact of increasing income received in the Councils Collection Fund. Any surplus on the collection fund (ie the difference between Council Tax collected and precepts and write offs expended), will be shared amongst the preceptors and Hinckley & Bosworth Borough Council for transfer into the General Fund. The levels of this surplus will be confirmed during the year but will need to be adjusted for any bad debt provision that should be raised to reflect the "new" Council Tax may be harder to recover.
- 4.4 Specific administration funding of £20,660 has been budgeted for 2013/2014 from the major preceptors to fund the cost of implementing the new Council Tax Support Scheme. In addition, the Council will fund £2,440 of these costs.
- 4.5 As outlined in the body of the report, the cost of the Discretionary Discount Fund for this Council will be met in the majority by the main preceptors, with £6k budgeted to be funded from the General Fund. £93k of funding will also be received for Discretionary Housing Payments.

#### 5. LEGAL IMPLICATIONS (AB)

Contained in the body of the report.

#### 6. CORPORATE PLAN IMPLICATIONS

The welfare reform changes are likely to create additional demands on the Council's operations - particularly around dealing with customer queries and debt collection and recovery.

#### 7. CONSULTATION

None required in respect of this report.

#### 8. RISK IMPLICATIONS

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
Collection rates on the incremental billing for those receiving council tax benefits and also on the additional billings relating to empty and vacant properties is highly likely to be significantly below existing levels and may be below rates assumed in the financial assessment	The financial assessment assumes a 20% non-collection rate in respect of empty and vacant properties) Contingency in MTFS	S. Coop
In relation to the local scheme adverse economic conditions may result in council tax benefit caseloads (and discounts applied) being significantly greater than those assumed in the financial analysis presented	Detailed caseload data analysis has been undertaken Risk is shared between Council and major preceptors Initial scheme restricted to a one-year timeframe.	S.Coop

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 scheme on other vulnerable groups a Discretionary Discount Fund has been created that will allow the Council to support the most vulnerable residents on a case by case basis.

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

Background papers: Localisation of Council Tax Support (Report to full Council)

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