

# Welfare Reform Update for Scrutiny Panel

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## Introduction

### Key Elements of Welfare Support:-

- *Council Tax Support Scheme*
- *Local Welfare Support Scheme*
- *Discretionary Housing Payment*
- *Housing Benefits*
- *Universal Credits*
- *Other DWP Benefits*
- *Advice & Information Commission 2016/17*

## Introduction

This report seeks to update Resources PDS panel on the issues relating to Welfare Reforms.

It lists some of the key Benefits and changes that have occurred this year and highlights a number of changes that are due to be introduced in 2016 / 17.

A detailed analysis of the planned changes has been commissioned in order to understand the full impacts and in order to determine our best approach to handling these challenges in the future and this research will be analysed over the next month to help inform future decisions.

## Key Elements of Welfare Support:-

### *Council Tax Support Scheme*

Council Tax Benefit was replaced with the Local Council Tax Support scheme in April 2013. The scheme we adopted is a means tested scheme with certain types of income compared to a needs allowance, which is itself calculated by reference to household circumstances.

The Government specified that certain groups such as pensioners will be protected and should see no changes to their entitlement. The Working Age part of the scheme is discretionary. However, each Council can consider whether to protect other groups and how to fund any extra protections.

The current discretionary scheme for working age residents was implemented relatively quickly and is largely based upon the principles of the old Council Tax Benefit scheme. The main thrust of the changes implemented were to deliver an affordable scheme taking account of a 20% reduction in funding for the scheme when responsibility was passed from DWP to Communities & Local Government.

The current scheme protects claimants who are considered by the Council to be vulnerable and these are defined as those in receipt of:-

- Support Component of Employment and Support Allowance (ESA)
- Enhanced Disability Premium
- Enhanced Disability for Dependents
- Disability Premium for Dependents
- Severe Disability Premium

The claimants in receipt of the above premiums/components are considered to be vulnerable as they are in need of care and support, and therefore could not be expected to work. Furthermore a concession in the scheme has been made for those households which include a disabled child. The categorisation of vulnerability has always been difficult, and this current classification has not always appeared to be fair in respect of someone's ability to pay Council Tax.

For people other than pensioners or the vulnerable, the Council currently applies the criteria below for its Local Council Tax Support scheme:

- Maximum eligible amount set at 78%
- Local Council Tax Support paid to a maximum Council Tax band D
- No Second Adult Rebate
- Child Benefit and Child Maintenance included as an income in calculation of entitlement

- No Underlying Entitlement
- Those people with Capital/Assets over £10,000 will not be entitled
- No non dependant deductions
- No entitlement to backdating.

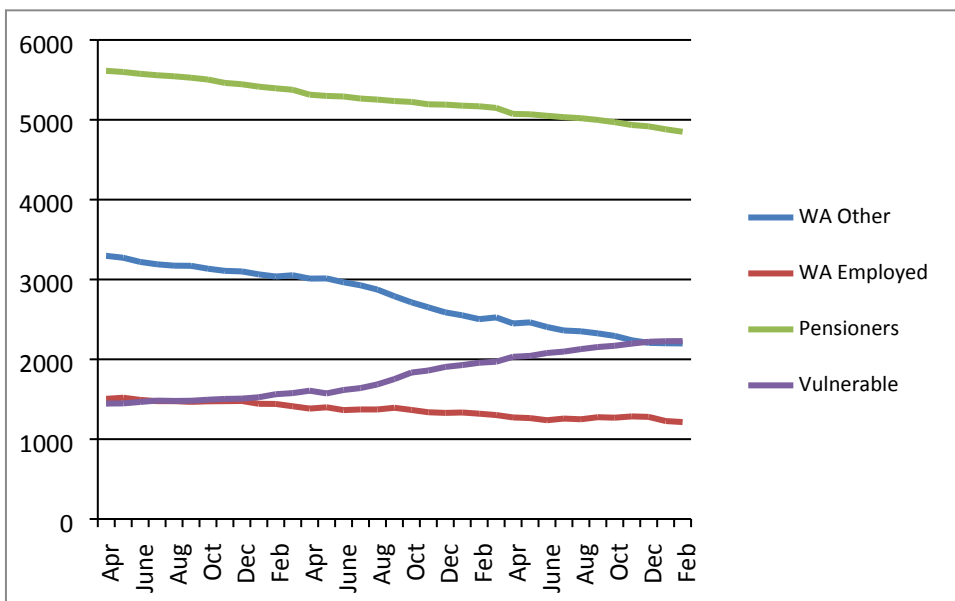
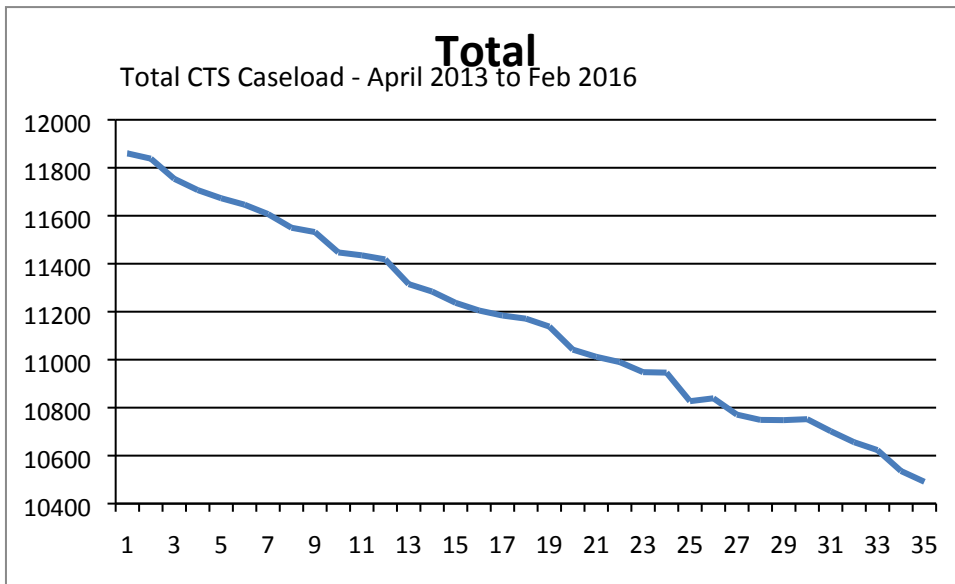
The Council implemented a cost neutral Local Council Tax Support Scheme in 2013-14 to reflect the reduced Government funding available. The current gross cost of Council Tax Support is £8.528 million as measured at end of February 2016 (February 2015: £8.797 million). The fall in value of support provided of £269,000 since last year is due to the continuing decrease in number of claimants, which has fallen by 457 (February 2016: 10,491, February 2015: 10,948). Within this total of 457, Working Age claims (including the vulnerable) have reduced by 138 and Pension Age (PA) claims have reduced by 319.

The overall value of support provided to all LCTS claimants has decreased by £725,000 since implementation of Local Council Tax Support in April 2013 (February 2016: £8,528,133, April 2013: £9,253,075) due to the overall decline in numbers of claimants of 1,369 (February 2016: 10,491, April 2013: 11,860).

The value of support for Working Age (WA) claimants, as measured on 30<sup>th</sup> November 2015 - the Relevant Date for determination of the scheme's tax base adjustment, was £2,542,131. At the time, this support applied in 3,916 WA claims (April 2013: 4,801). The value of support for the vulnerable claimants, as at the same date, was £1,451,373.

In 2016-17, administration grant for delivery of LCTS alone, as provided by Department of Communities and Local Government (CLG) and included in Service budget, is £163,233. Customer Services applies this grant fully for its delivery of the support. It is anticipated that grant funding will be reduced as central government continues to look for cost savings nationally, and as our number of claimants decreases. One aim of the strategic review is to simplify the scheme in the future both from an administrative view point and from the claimants perspective and the team are currently modelling a number of options which the Council may choose to consult upon.

Council Tax collection rate is being maintained close to historic levels of nearly 99% (2014-15: 98.63%), although collection rates for those cases in receipt of Council Tax Support is lower at just under 80% within the year.



These graphs highlight the reduction in awards of Council Tax Support since its introduction in April 2013 and also the change in claimant types.

## **Local Welfare Support Scheme**

As a result of its success in supporting the most vulnerable members of our Community impacted by Welfare Reform, this year the Council has continued to fund Local Welfare Support.

The total amount of funding provided is £320,000, this included contribution towards administrative costs.

The Scheme was administered within the Customer Services Directorate by the Welfare Support Team, but as a result of reviewing this process two members of the team have been transferred to work alongside the Connecting Families Team. This gives us wider expertise and improved methods to ensure that people who are referred down this route are given the most appropriate support.

As previously reported we continue to operate a non cash scheme (i.e we do not simply hand out cash), we seek to understand the difficulties faced by our customers and we have a number of remedies that can be applied.

The awards we do give out are in two sections, discretionary awards to cover short term emergency Support and non-emergency support for basic household items.

**Emergency Support to cover daily crisis** - This covers elements of the social fund previously administered by DWP and now part of our own “non-cash” scheme

Majority of claims are made by DWP customers and those who appear to live hand to mouth on a daily basis although we are seeing a few Universal Credit customers now, particularly where they are struggling to survive without an award for the first 5 weeks of their claim and they have left it too late to arrange alternative payment arrangements. Most applications result from:

- JCP sanctions
- Debt
- Poor budgeting skills
- Loan repayments
- Irresponsible spending
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Conditions for financial help normally include:

- Money Advice
- Bristol Credit Union
- CAB
- Reach/DHI

Then there are Non-Emergency Support arrangements Basic household items are purchased to support the homeless and those moving to affordable

housing. This is deemed essential support to those who have been placed within accommodation with no means to vital household possessions.

Where possible we use local suppliers and charities such as, Genesis Furniture Project to reduce or share the costs. The welfare Support Team has agreed with Genesis Furniture Project a voucher scheme whereby customers are awarded an amount to spend on essential items. Quite often the Genesis Furniture Project will add additional items free of charge to support the needs of the customer.

A breakdown of the awards to date is shown below:-

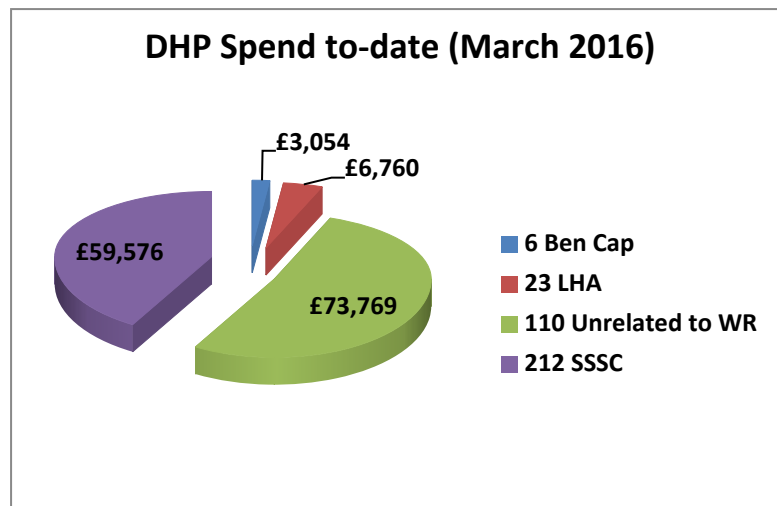
Back To Work	1,345.86
Supported Accommodation	34,502.01
Food	30,169.25
White Goods	118,864.10
Debt	37,465.684
Foodbank Support	15,500.00
Julian House	1,470.00
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Spend to March 2016	239,316.90

## Discretionary Housing Payments

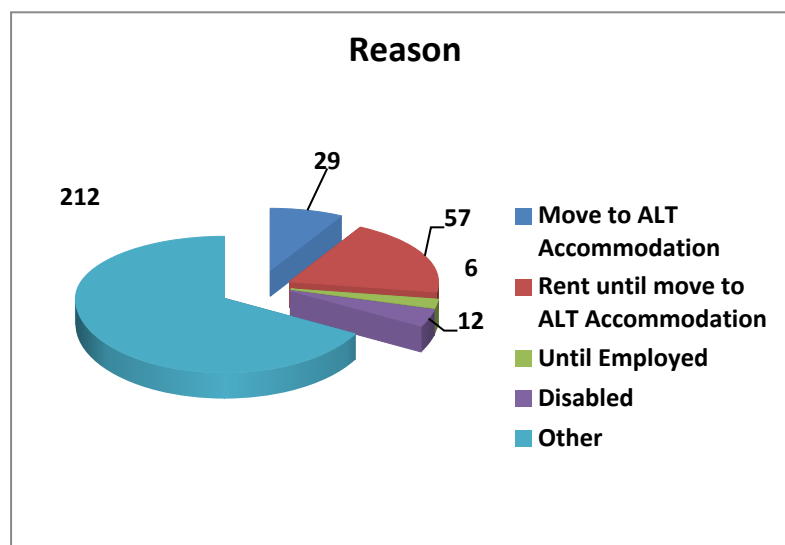
Local Authorities are able to make discretionary awards to householders who are struggling to meet their rent liabilities providing they adhere to guidance issued by the DWP and adopt a relevant Policy. Our policy follows the DWP guidelines and enables the assessor to make a fair and equitable decision on a case by case basis.

In 2015/16 the funding for Discretionary Housing Payments amounts to £185,742.00 this is the amount we as a Council can spend without having to make any contributions through Housing benefit Subsidy.

To-date we have awarded Discretionary Housing Payments totalling £145,228.83



*Ben Cap – Benefit Cap*  
*LHA – Local Housing Allowance*  
*Restriction*  
*WR – Welfare Reforms*  
*SSSC – Size Criteria (Bedroom Tax)*



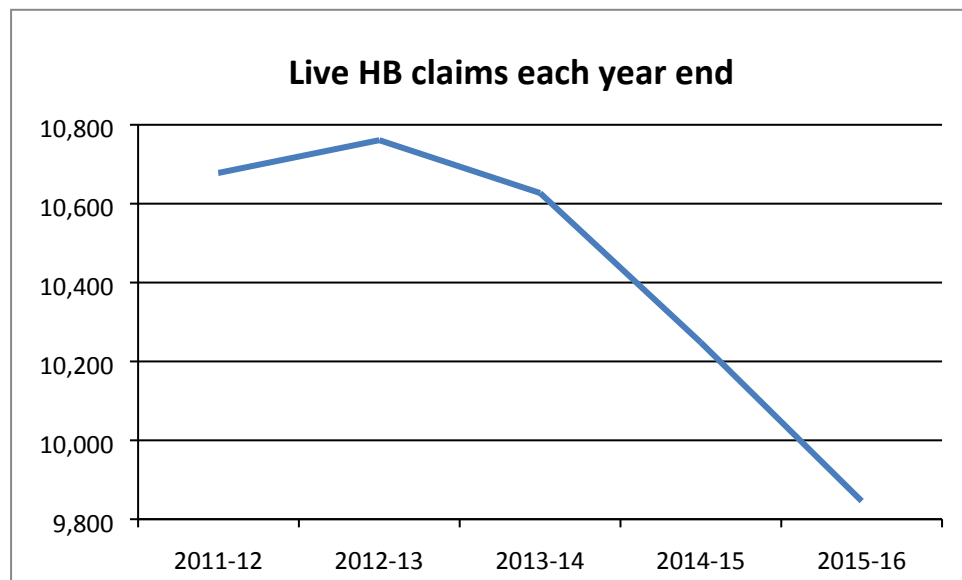
Next financial year the Government have increased our DHP spending limit to £232,588.00, this is in light of future Welfare Reforms such as further cuts to the Capping Limit and the freeze on LHA rates.

### Housing Benefits

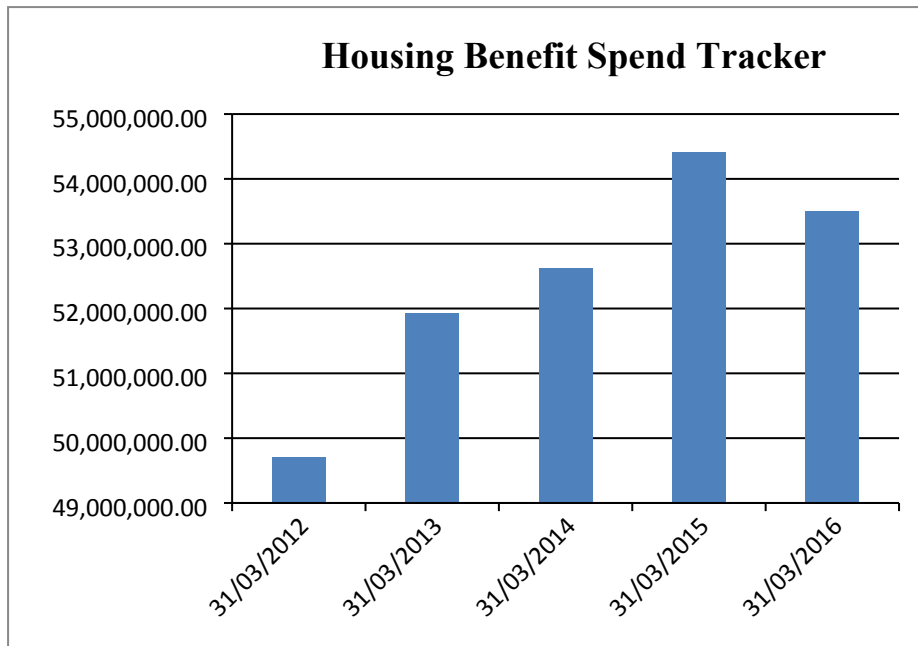
There continue to be many changes to the way in which Housing Benefit is administered; we have started to see a reduction in the live caseload and a reduction in total spend for the first time in many years. However, the workload in this area continues at pace.

There are now more people in work so the number of pass-ported cases has reduced. However, there is an increase in changes of circumstances with more people on low income jobs. We also now receive regular RTI (real Time Information) scans from DWP in relation to earnings changes and we have also been encouraged to carry out more review work under an initiative called FERIS (Fraud & Error Reduction Incentive Scheme).

To a lesser extent caseload has reduced because of Universal Credits going live for new Job Seekers, although these numbers are still relatively low.







A number of welfare reforms have already been introduced that impact on the amount and number of claims to Housing Benefit and these will pass on into Universal Credits:

- The under-occupation charge (also known as the 'removal of the spare room subsidy' or the 'bedroom tax') reduces Housing Benefit for households living in the social-rented sector who are deemed to have a 'spare' room.
- The Local Housing Allowance limits the amount of Housing Benefit tenants in the private-rented sector can receive.
- The benefit cap limits the total benefit income most working-age households can receive.

Further reforms targeted at working-age households were announced in the Summer Budget 2015. In Bath and North East Somerset the benefit cap has been reduced to £20,000 per year for couples and families with children and to £13,400 per year for single people without children. In the Summer Budget, the Chancellor also announced the removal of the Family Premium for all new claims to Housing Benefit made on or after 1<sup>st</sup> May 2016.

## **Universal Credit**

Bath Job Centre was one of the first to go live with new claims for Universal Credits in February 2014. The claimant base has grown very slowly and has increased slightly as other neighbouring job centres whose customers live in our area such as Wells & Frome have also gone live.

The main cohort of customers impacted by this change are single JSA claimants and as such there has been limited impacts, although working closely with the social landlords in the area we have identified a number of issues with the current live system.

We have just over 150 of our Council Tax Support customers who have Universal Credit as part of their income assessment, we understand that there is a steady caseload of Universal Credit customers registered with DWP and we are aware that many of those who in the past would have claimed Housing Benefit are now falling further in to arrears with their rent. This does increase their chances of eviction and potential pressures on our homelessness teams although as yet this is not been reflected in the number of cases.

Further Reforms to Universal Credit have been announced in the Autumn statement. Work allowances under Universal Credit have been reduced to £0 for non-disabled households without children and substantially reduced for families with children and this does reduce one of the key selling points in relation to making work pay.

The main news in relation to administration of Universal Credits is that a recent announcement from Government detailing the roll out of Full Service is about to start at the end of May 2016 and again Bath is at the top of the list.

We are currently negotiating with our local DWP Partnership manager around the delivery partnership agreement for this. The proposals are very similar to the existing model of operation whereby we are compensated to perform a number of tasks which include:-

- Supporting customers to access digital applications for Universal Credit
- Helping customers who are referred by the DWP for Personal Budgeting & Support
- Helping the DWP processing centres with complicated or difficult cases where Housing costs are involved
- Providing some managerial support to ensure safe landing of the scheme

In addition to this we will still have to manage Council tax Support applications from the same customers although DWP say their automated system for

providing notifications will be working so they will not be awarding any payments for this.

We are still trying to clarify the immediate impacts of this roll out. It will have significant impact to the services we provide through our One Stop Shops and although this is only aimed at new claimants we could see our Housing Benefit caseload dropping quickly.

New claimants will include any new applications for any of the legacy benefits now included in Universal Credits (Housing Benefit; Job Seekers Allowance; Tax Credits; Employment Support Allowance) so for instance someone moving from ESA to JSA will constitute a new claim for Universal Credits.

From early research we have identified that The implementation of Universal Credit (UC) in Bath and North East Somerset has begun for single people making a new claim for who would have claimed income-based Jobseeker's Allowance. Numbers in receipt of UC will remain low in the short term, but our analysis estimates that at least 7,536 households in Bath and North East Somerset will receive UC when it is fully implemented.

For modelling purposes, if we assume that Universal Credit was fully rolled out in 2016 and circumstances remained the same, then:

- 3,960 households (51.72%) would have a lower benefit entitlement under Universal Credit and need transitional protection;
- 1,788 households (23.35%) would have a higher income under Universal Credit.
- 1,909 households (24.29%) would see no change in entitlement.

The transition to Universal Credit is expected to extend over the course of the next five years. Based on the same cohort in 2020 and assuming circumstances remained the same:

- The percentage of households with lower benefit entitlement and in need of transitional protection would remain stable at 51.76%;
- 30.52% of households would see their entitlement increase under Universal Credit;
- 17.72% would face no change in income.

In Customer Services we are reviewing the way we deliver our front line services and working with staff to understand the impacts. With the need to increasingly support customers to claim for Government benefits using digital means there is increasingly a link between the facilities we provide within our

libraries and our one stop shops and this will also be taken in to account as part of the Library Service review.

### **Other DWP Benefits & changes**

The situation with regard to Pensioners still seems to be in limbo, with Pensioner claims for Council Tax Support still being calculated under the old Council Tax Benefit rules and there are still no plans to include Pension Credits within Universal Credits as had first been the intention. Uprating of Pensions continues to put extra burden on the Council Tax Support scheme as detailed earlier in this report.

There has been a lot of recent publicity about the proposed cuts to personal independence payments although this now seems to have been abandoned.

Analysis of other reforms announced in 2015 that come into effect from April 2016 include the loss of Housing Benefit for people under 21; the introduction of 'earn or learn' for 18-21 year olds; the loss of entitlement to child tax credits for three or more children; 'pay to stay' policies; the capping of Housing Benefit at LHA rates for tenants in the social sector; increases in the minimum wage; increases in the personal allowance and additional childcare support for 3-4 year olds.

### ***Removal of the WRAG Premium***

People in receipt of Employment and Support Allowance currently receive a higher amount than those in receipt of Jobseeker's Allowance. ESA is currently provided at two rates: one for those who require support to prepare for return to work (the Work Related Activity Group) and another rate for those with more severe disability requiring long-term support (the Support Group).

The Summer Budget announced that new claims in the Work Related Activity Group (WRAG) will no longer receive the WRAG premium, worth £29.05 per week. There are 848 households in the ESA group in the cohort at risk of losing this premium if they were to make a new claim.

### ***The National Living Wage and increased personal living allowance***

The Summer Budget announced an increase in the minimum wage for people over 25, called the 'National Living Wage'. It will be set at £7.20 per hour from April 2016 (compared to £6.70 today) and will rise to £9.00 per hour by 2020. This does not apply to 193 under-25s in work, or to 608 self-employed people, but it could affect the income of the latter under Universal Credit.

Our analysis finds that, from April 2016, the new minimum wage will increase the earnings of 1,895 low-income families in Bath and North East Somerset.

1,895 of households in receipt of Housing Benefit and council tax support, aged 25 or over, in work and not self-employed earn below £9 per hour.

The impact of the National Living Wage combined with the increased personal allowance will help 2,396 households in work, by an average £11.61 per week. It is worth pointing out that this will only happen if all employers respond to the higher National Living Wage by increasing their workers' wages accordingly rather than reducing hours or hiring younger people who are not affected by the reform.

### ***'Pay to Stay'***

Social housing tenants with household incomes of £30,000 and above in Bath and North East Somerset will be required to 'pay to stay' in social housing by paying a market rent for their home. This policy is expected to be introduced in 2017/18. Local authorities will be required to pass on this increased income to the Exchequer. Housing Associations will be able to use this extra income to invest in new housing.

The more favourable outlook for 2020 is the result of other measures announced in the Summer Budget 2015, namely the rise in the National Living Wage to £9 per hour for people over 25, and the increase in the personal tax allowance to £12,500.

### **Advice & Information Commission**

The current support provided through CAB has been under review this year as the contract is coming to a close. It has been agreed that a revised extension to the work with CAB will continue next year but with a focus on financial support; with new monitoring arrangements to be put in place. This will be reviewed over the year and will also link in with the arrangements for implementing Universal Credit and the provision of Personal Budgeting Support with a view to encapsulating all Advice and Information in future years through the new "Your Care You're way" model.

