

**CITY BOARD**  
**30 AUGUST 2012**

## **WELFARE REFORM PROPOSALS**

Report of the Director of Housing and Customer Service

### **1. SUMMARY**

- 1.1 This report updates the City Board on progress being made to prepare for the provisions contained within the Welfare Reform Act 2012.

### **2. RECOMMENDATION**

- 2.1 That the City Board approves and notes the progress being made.

### **3. MATTER FOR CONSIDERATION**

- 3.1 The Welfare Reform Act became law on 8 March 2012. Its aim is to make the benefits and tax credits system fairer and simpler by:
- creating the right incentives to get more people into work by ensuring work always pays
  - protecting the most vulnerable in our society
  - delivering fairness to those claiming benefit and to the tax payer.

- 3.2 This report details the major changes and impact as known at the present time.

#### **Under-occupation**

- 3.3 From April 2013 the Government is introducing an Under Occupancy Charge. This charge will reduce the amount of Housing Benefit that tenants receive. Tenants will be responsible for paying the shortfall in their rent if their Housing Benefit is reduced.
- 3.4 The Under Occupancy Charge will apply to tenants who are in receipt of Housing Benefit, are of working age and who have one or more spare bedrooms.
- 3.5 People are classed as 'working age' if:
- they are single and under pension credit qualifying age.
  - they are a couple and are both under pension credit qualifying age.
- 3.6 In April 2013 the pension credit qualifying age will be around 61 years and 6 months.
- 3.7 After April 2013 the pension credit qualifying age will increase.

- 3.8 Spare bedrooms are determined by the number of people living in a property together with their age and gender. Children under 16 years of age and who are of the same gender will be expected to share a bedroom and children under 10 years of age will be expected to share a bedroom regardless of their gender.
- 3.9 Foster carers **are not** exempt from the Under Occupancy Charge because foster children do not count as part of the household for benefit purposes.
- 3.10 The Under Occupancy Charge is calculated by taking a fixed percentage (14% for 1 spare bedroom or 25% for 2 or more spare bedrooms) off the Housing Benefit eligible rent.
- 3.11 If the Under Occupancy Charge is more than the amount of Housing Benefit you receive you will no longer receive any Housing Benefit.
- 3.12 Analysis of our current profiling and stock information shows that at the present time we have 346 tenancies with 'double' under occupiers who we estimate will have their benefit reduced by approximately £20 per week.
- 3.13 More significant is the estimation that we have over 2000 tenancies (2097) tenancies under occupying by one room who will have their benefit reduced by approximately £11 per week.
- 3.14 So far we have contacted 445 tenants who are living in 3 and 4 bedroom homes whom we believe from our records will be affected by the under occupation charges. So far, just over half (55%) have responded and we have given appropriate advice. We have also included information in Derby Homes News and from this article a total of 208 responses have been received requesting further advice.
- 3.15 The work we are doing at the moment is indicating that after updating household information around 2/3rds of the households identified will be affected by the charges.
- 3.16 Tenants are receiving advice on housing options for moving to smaller sized accommodation, options such as taking in lodgers, financial/income management and where appropriate sign posting to Welfare Rights for specialist assistance on entitlement to other benefits.

### **Benefit Cap**

- 3.17 From April 2013 the reforms introduce a limit to the amount of benefit a household can claim. Single people without children will have their benefit capped at £350 per week. Couples (with or without children) and lone parents will have their benefit capped at £500 per week.
- 3.18 From April 2013 the reduction in benefits will be deducted from Housing Benefit. Then from October 2013 the reduction in benefits will be deducted from Universal Credit.
- 3.19 Benefits affected by the Benefit Cap will include:
- Job Seekers Allowance

- Income Support
- Employment and Support Allowance
- Housing Benefit
- Child Benefit
- Child Tax Credit
- Carers Allowance.

- 3.20 Tenants who are in receipt of Working Tax Credit, Attendance Allowance, the support component of Employment and Support Allowance, Industrial Injuries Benefits or War Widows and Widowers pension will be excluded from the Benefit Cap.
- 3.21 Claimants where a household member is in receipt of Disability Living Allowance (DLA), (changing to Personal Independence Payment from April 2013) will also be exempt from the Benefit Cap.
- 3.22 Certain circumstances may make you exempt from the Benefit Cap for a period of time. For example, people who have been in employment for 52 weeks or more prior to claiming benefit will be exempt from the Benefit Cap for up to 39 weeks.
- 3.23 We estimate from figures issued by the Department of Work and Pensions (DWP) that between 60-70 households may be affected by the Benefit Cap. Working with this group is particularly difficult at the present time as data protection issues restrict the access to information. Debt and money management advice and employment advice is the only assistance that will be available to this group, initial contact is being made by the DWP.

### **Changes to Disability Living Allowance – Personal Independence Payment**

- 3.24 From April 2013 Personal Independence Payment (“PIP”), will replace the DLA for disabled people aged 16 to 64. However, DLA will continue for children up to the age of 16.
- 3.25 PIP is a non-means tested and tax-free payment. The DWP will write to current claimants between 2013 and 2016 to let them know when they can apply for PIP.
- 3.26 There's no automatic entitlement to PIP. Entitlement is not based on your disability or illness. It is based on personal circumstances and what help is needed to be able to live independently. The only exception is for people who are terminally ill and who are not expected to live for more than six months.
- 3.27 A mapping exercise has been undertaken by the Council which maps the impact by ward and overlays this with the under occupation data. Derby Homes is working with the Strategic Welfare Reform Group on measures that can and will be taken with households affected.

### **Universal Credit**

- 3.28 From October 2013 Universal Credit will combine several means tested benefits for working age people into one monthly payment.

- 3.29 The rules may vary for couples where one partner is under pension credit qualifying age and the other is over pension credit qualifying age.
- 3.30 A person's entitlement to means tested benefits is affected by the amount of income and savings they have. Universal Credit will be paid monthly in arrears into Derby Homes' tenants bank accounts.
- 3.31 Universal Credit will include:
- Housing Benefit
  - Employment and Support Allowance (income related)
  - Job Seekers Allowance (income based)
  - Income Support
  - Working Tax Credit
  - Child Tax Credit
  - parts of the Social Fund
- 3.32 From October 2013 Universal Credit will apply to all new claimants and to existing claimants with a change of circumstances. All other existing claimants will be moved over to Universal Credit between 2014 and 2017.
- 3.33 Tenants will be responsible for paying their rent to Derby Homes, rather than Derby Homes receiving it direct as is the case currently. We are working with, and making good progress with various financial institutions at the present time including Credit Unions to develop opportunities for tenants to benefit from low cost bank accounts and jam jar accounts which will facilitate direct debits for rent and other priority payments.
- 3.34 A further issue for consideration is that all claims for Universal Credit will be 'on-line'. Customer Service Strategies are being reviewed to ensure that vulnerable tenants have access to support to help them through this process. This links with our proposals to review the future use of community rooms to increase the availability of accessible internet enabled facilities within the community.

### **Council Tax Credit**

- 3.35 The Council are required to put in place a Council Tax Scheme (CTS) by January 2013 to implement by April 2013, this will replace the current arrangements for Council Tax Benefit.
- 3.36 At the moment tenants submit a joint claim for Housing Benefit and Council Tax Benefit – this will no longer be the case. The CTS will be administered by the Council and there is a pressure to make currently £2.2M savings on this budget. The likely option to be approved (by November 2012) will be to reduce the maximum level to which Council Tax can be supported by benefits for working age claimants. At the present time it is anticipated that to achieve the savings we will need to put in place a ceiling of around £2.50 – £3.00 per claim. Proposals are currently being consulted on and a report will be considered by the Council Cabinet on 15 August 2012.
- 3.37 The impact of this is further financial pressures for working age claimants and also an administrative burden for the local authority to collect a high volume of low value

payments. As with the other reforms the estimated impact is being mapped at the present time although a reasonable assumption to make at this stage is that working age tenants currently claiming housing benefit will be affected.

#### **4. FINANCIAL & BUSINESS PLAN IMPLICATIONS**

- 4.1 The future funding of the Housing Revenue Account (HRA) is dependent on maintaining high levels of income from rent. An increase in arrears will have a significant effect on the future viability of the HRA and our ability to maintain future services and the scope for future redevelopment/new build.
- 4.2 As further analysis is undertaken and more guidance is received from the DWP in relation to the implementation of the welfare reforms, detailed financial forecasting will be compiled and presented within financial planning reports.

#### **5 PERSONNEL IMPLICATIONS**

Two additional posts are being added to the Project Team to manage the workload of contacting and advising tenants affected by the welfare reforms.

#### **6 EQUALITIES IMPACT ASSESSMENT**

Equalities Impact Assessments were completed for all areas of the Welfare Reform Act during its passage. These assessments will be referred to, appropriate measures implemented, and advice and assistance given to tenants affected.

#### **7 RISK**

Failure to manage the impact of the Welfare Benefit Reforms has been identified as a strategic risk. Our effectiveness to successfully manage the changes and mitigate the risks associated will be managed through this process.

The areas listed below have no implications directly arising from this report:

Legal and Confidentiality  
Consultation  
Council  
Environmental  
Health & Safety  
Policy Review

If Board Members or others would like to discuss this report ahead of the meeting please contact the author.

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Background Information: None

Supporting Information: None