

EXETER CITY COUNCIL
SCRUTINY COMMITTEE – COMMUNITY
3 SEPTEMBER 2013

Update on the Impact of Welfare Reform on the Council and Residents

1. Purpose of this report

- 1.1 This report seeks to inform Members on the impact of the Government's Welfare Reform and the associated reductions in welfare budgets, introduced in April 2013. This report provides an update to the verbal report presented to this Committee on 28 May 2013.

2. Background

- 2.1 This report contains updates on the following:
- Council Tax Support
 - Local Housing Allowance
 - Discretionary Housing Payments and social sector size criteria
 - Benefit Cap
 - Local Welfare Support
 - Downsizing
 - DWP Co-location
 - Single Fraud Investigation Service
 - Council Tax discount & exemption reform
 - Council Tax instalments
 - Universal Credit
 - Personal Independence Payments

3. Council Tax Support

- 3.1 Exeter's local scheme to replace Council Tax Benefit (CTB) came into effect on 1st April 2013. The main element of the scheme is a restriction on support for working age claimants, to a maximum of 80% of Council Tax liability.
- 3.2 In February, the Council wrote to all 5,839 working age customers who were affected. These targeted letters took into account each customer's particular circumstances rather than a standard communication; each letter gave an indication of how the customer would be affected and what we could do to help. This reflects the new way of working within the new System developed to help customers with their financial and housing problems.
- 3.3 57% of affected customers had previously been entitled to 100% Council Tax Benefit and so would not be used to paying anything towards their Council Tax.

- 3.4 13% of affected customers are also affected by the social sector size restriction.
- 3.5 69 affected customers already have multiple debts to the council (Council Tax, Rent and Housing Benefit arrears) with 16% of those also affected by the social sector size restriction.
- 3.6 When the annual Council Tax bills were issued in March, the Council included a leaflet, designed to promote to residents available discounts, disregards and exemptions and to encourage them to contact us as early as possible if they felt that they would find it challenging to pay their Council Tax.
- 3.7 Officers had been mindful of the possible impact of the new Scheme on Council Tax collection rates. However, at the end of first quarter, analysis shows no deficit in collection rates. The target for collection for the year is 96.5%. In the first quarter, 29.2% has been collected which indicates that if the current trend continues, the Council is likely to meet its target.
- 3.8 Of the customers referred to earlier in the report who had previously been in receipt of full Council Tax Benefit, 1,484 reminders were sent at the end of April to customers who had not yet made their first payment.
- 3.9 At the end of May, 758 final reminders were sent to the remaining non-payers in this group.
- 3.10 At the end of June, 502 still hadn't paid. They were written to, resulting in 110 customers contacting and being given a payment arrangement.
- 3.11 As at 9th July 2013, 392 still hadn't paid or made contact. Staff tried to contact as many of these customers as possible prior to issuing a summons, in an attempt to make payment arrangements and avoid extra costs. This proved successful, and reduced the 392 non-payers to 218 for which summonses were issued on 18th July 2013.
- 3.12 As at 9th July 2013, of the £953k due to be paid from this group for 2013-14, £208k (21.1%) had been paid.
- 3.13 The collection rate for ECC rents is similar to last year with rent arrears at around 1%.
- 3.14 Four awards from the Exceptional Hardship Fund (EHF) have been made at the end of quarter 1 totalling £163.00. Where awards have been turned down this has been because they were unwarranted (unrealistic expenditure items) or alternative solutions have been found utilising Discretionary Housing Payments (DHP) or Local Welfare Support (LWS). All requests went through the understanding process to follow the system review.

- 3.15 It could be some months before the full impact on Council Tax and rent collection is apparent, and to see if there is an increase in requests for awards from the Exceptional Hardship Fund.
- 3.16 ECC is continuing to work with the rest of Devon evaluating this year's scheme & exploring future year minor administrative changes that can be made to make the scheme less complex.
- 3.17 No legal challenges or appeals have been received on the scheme or process so far. No negative feedback has been received from equality groups.
- 3.18 The current Scheme is only valid to March 2014. Full Council approval will be sought in December 2013, for the Scheme to run from April 2014. Should Council be minded to alter the Scheme, other than minor administrative changes, officers will be required to commence a 6-week public consultation. A separate report is being prepared for submission to Executive and Council.

4. Local Housing Allowance

- 4.1 From 1 April 2013, Local Housing Allowance (LHA) rates have been up-rated by 2.2% using the September 2012 Consumer Price Index. In real terms, the LHA rates for the Exeter area remained the same as 2012/13, except for the shared room rate that decreased from £73.42 to £70.77.
- 4.2 From April 2013, although Discretionary Housing Payment (DHP) requests are significant, there is no increase in demand for DHPs that can be attributed to this aspect of Welfare Reform alone.

5. Discretionary Housing Payments (DHP)

- 5.1 DHP has been given a central role in the implementation of many strands of Welfare Reform. The national pot has been increased from £20m in 2010/11 to £155m in 2013/14; £95m of this increase has been available from April 2013. Exeter City Council's allocation has more than doubled from £103,758 in 2012 to £219,021 in 2013.
- 5.2 The extra funds have been added to the pot to meet hardship caused by specific changes to the benefit system. DWP have identified the split as follows:
- £20m baseline funding;
 - £40m for changes to LHA rules (30th percentile, 4 bedroom cap, under 35s etc);
 - £30m for the introduction of size criteria in social rented homes; and
 - £65m for the Household Benefit Cap.
- 5.3 The distribution methodology differs for each strand of funding and LAs have not been told how much they should be spending in each of those

areas. From what we do know, an approximate split of this Council's expenditure for this year is:

- £45,000 baseline spending;
- £91,000 for changes to LHA rules (30th percentile, 4 bedroom cap, under 35s etc);
- £68,000 for the introduction of size criteria in social rented homes; and
- £15,000 for the Household Benefit Cap.

5.4 In 2012/13, a total of 362 awards were made at a total cost of £99,802, or 30 claims per month at a cost of £8,317.

5.5 Size Criteria

Around 800 HB claimants were written to in November 2012, giving advance warning that they were facing a reduced award from April as they had too many bedrooms in their home. To date, 118 of those affected have applied for DHP to help with the reduction at a cost for the year so far of £36,300.

5.6 A significant amount of Senior Assessor time has been spent dealing with these applications, working closely with landlord and other support agencies. Where claims have highlighted other issues, for example the presence of overnight carers, these have been pursued to avoid the need for a DHP award.

5.7 Where awards have been made, some have been for the whole financial year where it was determined that there was no prospect of circumstances improving. Others were paid for shorter periods of three or six months to allow customers to review their circumstances or secure smaller accommodation. It is likely that many of these customers will reapply for a further award in the next few months. Officers are also aware that there are likely to be other affected residents who have not engaged with the Council but may do so once their arrears start to build.

5.8 Benefit Cap

Implementation was delayed from April to 15 July. Work has started to identify where DHP spend is needed to support these customers. Numbers are small, but cases are proving to be complex and labour intensive and a dedicated member of staff has been allocated to work with these customers to find sustainable solutions.

5.9 General Welfare Reforms

Volumes of "normal" DHP applications remain similar to the same period last year. We continue to see high demand for lump sum awards to help with costs of moving.

5.10 Paying Discretionary Housing Payments (DHPs) to cover Rent Deposits

Exeter City Council has been using DHP to cover rent deposits for Housing Benefit claimants since 2010. In 2012/13, over 60% of this fund was used to pay rent deposits. As the Fund is put under increasing pressure due to welfare reforms, work is being done to consider whether there are other methods of achieving the same outcome.

5.11 Reasons for Paying Deposits

Moving house is an expensive operation, particularly for families with large amounts of belongings. Finding a deposit and one month's rent in advance, in addition to removal costs is challenging for residents in receipt of Benefits with a limited amount of disposable income. Changes to Housing Benefit and other Welfare Reforms are making existing properties unaffordable for some. Where Housing Benefit is not meeting the full rent charge, tenants are left with a choice of meeting the shortfall, accruing arrears or moving to cheaper accommodation. We have been using DHP as a way of supporting people to move from unaffordable accommodation into that which can be sustained on their current Benefit levels.

5.12 DHP 2013 Quarter 1 data:

DHP - Rent Costs	
DHP Budget	£219,021
DHP Paid	£37,519
Number of Awards	175
DHP Committed	£27,085
DHP Remaining	£154,417

6. Benefit Cap

6.1 The Household Benefit Cap introduces a total maximum amount that can be claimed in all Benefits for non- working families. The threshold has been set at the median net earnings for working age households which is:

- £500 per week for couples and lone parent households
- A lower rate of £350 per week for single adult households.

6.2 The policy includes:

- A 39 week 'grace period' where claimants who lose their employment through no fault of their own are not subject to the Cap
- Families entitled to Disability Living Allowance are exempt from the Cap.

6.3 Affected cases are identified by DWP and notified to Local Authorities. The Cap is applied by reducing Housing Benefit awards. Implementation was delayed but went live on 15 July 2013. Rollout will

now be phased with a small number of cases being notified to the Council daily, until the end of September 2013, when all affected cases will have had the Cap applied.

6.4 The Impact in Exeter

The DWP have been sending reports of affected cases every couple of months; the last one was received in May. The table below illustrates the impact.

6.5

May 2013 data scan					
Tenure type	Cases affected	Weekly loss (adjusted)	Average weekly loss	Maximum weekly loss	Minimum weekly loss
Council Tenant	6	£442.96	£73.83	£94.44	£24.53
Council Tenant (Non-HRA)	6	£491.05	£81.84	£301.93	£2.76
Housing Assoc. Private Tenant - Dereg new scheme	9	£652.35	£72.48	£115.68	£6.46
Private Tenant - LHA	1	£48.39	£48.39	£48.39	£48.39
Private Tenant - LHA	8	£769.32	£96.17	£216.60	£13.89
Grand Total	30	£2,404.07	£80.14	£301.93	£2.76

6.6 Assuming an even spread of cases transferring between 15 July and end September 2013, the total loss to these HB claimants for the financial year 2013/14 would be £83,649.83.

6.7 Changes to Cases Affected

Exeter Jobcentre has a team of staff focused on helping affected customers make the move into work. This work is ongoing with existing and new cases as they arise. There is also a natural churn of cases that join or leave the list of those affected. Cases stop being affected for a variety of reasons:

- vacated out of area
- started work
- household changes reducing benefit income
- moved out of temporary accommodation into council housing
- disability benefit awarded

6.8 Analysis shows that 42% of affected cases leave the list in the space of seven weeks. There is no way to know how many claims may have become newly affected during the same period. Until there is any evidence of this new policy driving changes in claimant behaviour, it would seem reasonable to assume a similar number join the list as leave it.

6.9 Nature of claims affected

Apart from short term cases, there were seven claims that were on the original list sent in April 2012, and remained affected as at 2 May 2013. It appears therefore that the affected cases fall into two broad categories:

1. Short term affected
2. Long term affected

6.10 It would seem likely that these two distinct groups will have very different underlying issues and will require different approaches to manage the impact.

6.11 *1. Short term affected*

Given the high churn rate shown above we are likely to see a much higher number of cases being affected at some point during the year, compared to the snapshot total of around 40 cases. If the churn rate is consistent that could add up to 160 cases during the year. These cases will have to be looked at, HB entitlement reassessed and any extra support provided evaluated when they join the list, when they leave the list and every time they have a material change while they are on the list.

6.12 *2. Long term affected*

Of the seven claims that have been affected for over a year:

- Five are single parent households,
- None have worked within five years of the cap applying,
- Four have not worked in the history of their HB claim,
- Households have an average of five dependant children (between 4 and 7),
- Three live in social housing and four in private rented
- They have been in receipt of HB for an average of 12.8 years
- They have been out of work receiving HB for an average of 9.5 years

6.13 Using DHP to Assist Affected Cases

If the full shortfall for all affected claims was to be met with DHP that cost would be £83,649.83, equating to 38% of the full DHP budget for this financial year. DHP is likely to have a role to play for both groups, albeit in a different way.

6.14 For short term cases DHP can be used to give a claimant time to adjust their budget to cope or to change their circumstances such that the cap no longer applies. This could mean topping claims up while:

- Debt / budgeting advice is sought and plans put in place
- Disability benefit claims are assessed
- Move on from expensive temporary accommodation
- Planned household changes take place
- Claimant / partner looks for work

6.15 In these cases it is important to work closely with the claimant to ensure that the award of a DHP is not a disincentive for the claimant to

take the required actions. It is likely that awards will be short term and at a reducing rate to help encourage the claimant to pursue the identified longer term solution.

- 6.16 For long term cases it is less likely that there will be an imminent change to take the household out of the scope of the benefit cap. The annual shortfall for the seven long term cases would be £36,758.28 so full, long term DHP may not be a feasible option. Close attention will have to be given to the opportunity these households will have to improve their situation. Consideration will also have to be given to the costs to the public purse if the household is not supported with DHP. Somebody needs to work with these claimants to explore the issues preventing the household from escaping the cap, hence the allocation of at least one dedicated member of staff within the customer advice team.

7. Local Welfare Support (LWS)

- 7.1 From 1 April 2013, two elements of the national Social Fund (Community Care Grants and Crisis Loans for living expenses) were abolished. A reduced amount of funding was passed to upper tier and unitary authorities to devise local schemes to provide welfare support. This is a two year interim arrangement; longer term funding is unlikely.

- 7.2 In Devon, funding and responsibility for delivery has been passed down to district level through an agreement between Devon County Council and the district authorities. The agreement contains broad principle for the scheme and details three key outcomes which the funding must support:

- Increase self reliance and resilience
- Quick and effective support for those with high priority short term needs
- Help for people to establish themselves in, or remain in, the community

- 7.3 We have tried to integrate LWS within existing services rather than create a new service with its associated administration.

7.4 Early Findings

As we do not classify approaches as being specifically for LWS, it is not possible to identify how many additional customer interactions have resulted from the introduction of this new function. We have been able to record numbers who have been helped from the extra funding, which of the services are being used, cost of support provided and the outcomes being supported.

- 7.5 Observations in the first few days showed that a large number of approaches were from people directed by national DWP advice lines looking to access the “new crisis loans”. Once it was made clear that

there was no cash loan or grant available much of this demand has stopped.

- 7.6 Many approaches were (and still are) from people who have been left with no money due to breaks in their DWP benefit payment. This may be because they are moving from one benefit to another, their benefit has been stopped temporarily or new claims haven't been decided yet. Meetings have taken place between our team and officers and managers at Exeter Jobcentre, in part to help their teams understand our scheme and also for us to understand their benefit application process, payment patterns, hardship payments and Short Term Benefit Advances (one of the elements of Social Fund retained by DWP).
- 7.7 The majority of demand has been from customers with a short term emergency need. We have had relatively few approaches from customers or representatives with need for debt or budgeting advice. Most approaches for short term need are from people who cannot budget because they have no income at that point in time.
- 7.8 Increasingly we are being asked for help with more varied problems including travel to either get home or for family emergencies and costs associated with moving house (removal costs, rent in advance etc.)

7.9

Quarter 1 Support type	Values	
	Count	Cost
Co-op voucher	100	£1,305.00
White goods	38	£8,914.00
Food bank	63	£0.00
Travel warrants	7	£0.00
Other	28	£2,304.87
Utility top up	56	£855.00
Sainsbury	6	£129.56
Turntable	17	£1,130.00
Grand Total	315	£14,638.43

8. Downsizing

- 8.1 We have seen 81 new Home Choice applications from under-occupying tenants in so far this year, as compared to 77 in the whole of 2012.
- 8.2 52 Council and Housing Association tenants have downsized in the last 12 months; this figure does not include those that have downsized independently of any initial downsizing support.
- 8.3 In the last 12 months we have let 407 general needs properties overall with 164 of those being 1 bedroom properties.

- 8.4 We also let an additional 56 sheltered properties with 50 of those being 1 bedroom. Virtually all 1 and 2 bed properties are advertised as priority for downsizers except those which are adapted and therefore are targeted at those applicants who require those adaptations.
- 8.5 There are 201 applicants on Devon Home Choice (out of 750 social housing tenants in Exeter impacted overall by Social Sector Size restrictions) who are highly prioritised as downsizers from both City Council and Housing Associations properties in Exeter. However 45% of these applicants have never bid on a property, we have contacted these tenants and the main reason for not bidding is that they have not seen any properties in their required part of the city.
- 8.6 We are integrating the mutual exchange system with Devon Home Choice to simplify the opportunity to swap tenancies.
- 8.7 Of the 348 current council tenants impacted by Social Sector Size Restriction:
- 168 cases are in arrears
 - 115 have gone into first arrears date after 14th April
 - 53 were in arrears before April
 - 28 are less than £20 in arrears
- 8.8 33 are in receipt of Discretionary Housing Payment which is being paid to acknowledge they would find it particularly difficult to find an alternative smaller property (need for adaptations etc).
- 8.9 Executive approved the new downsizing policy on 18 June. This removes many of the financial incentives and replaces them with a temporary (12 month) full-time post to help people downsize. The Council advertises all its 1 and 2 bed non-adapted homes as priorities for downsizing through Devon Home Choice, and all downsizing applicants are placed in Band B for High Needs.

9. DWP Co-location

- 9.1 From November 2012 we have created a benefits and housing advisor presence at Exeter Job Centre Plus offices. This role is currently on a part-time basis but will soon extend to full-time to deal with housing, homeless, Housing Benefit and Council Tax Support needs.

9.2

Data gather period 24.06.2013 to 19.07.2013	
Customers helped	148
Benefit enquiry	129
Housing enquiry	52
HB assessments completed	23

- 9.3 The purpose of this role is to extend our support service at the point of demand within the Job Centre. Many customers who visit the Job Centre also have housing and local benefits needs and enquiries. Our presence ensures that direct support, advice and signposting to other services is given at source to prevent customer situations escalating and minimising the secondary demand at the Customer Service Centre. The advisor has access to an ECC computer terminal and is able to update customer records, effect referrals to relevant service areas, assess Housing Benefit claims, Council Tax Support claims and changes of circumstance, providing an efficient real-time service.

10. Council Tax Discount and Exemption Reform

- 10.1 The Council was able to set local discounts from April 2013, for certain categories. These were agreed by Executive on 20.11.2012.
- 10.2 They affected Second Homes, Long Term Empties, uninhabitable properties and empty and unfurnished properties.
- 10.3 The anticipated revenue generated for 2013/14 from this reform is £317k.
- 10.4 The Council can amend these discounts yearly, and further information will be included in the report being submitted regarding the local Council Tax Support Scheme for 2014-15.

11. Council Tax Instalments

- 11.1 From April 2013 the statutory instalment scheme has been revised to allow a charge payer the option to request paying their Council Tax liability over 12 months instead of 10. At annual billing 2,680 accounts had been set up for 12 monthly instalments; ECC has now applied this change to 3,311 Council Tax accounts as at 9 July 2013 (over 6% of Council Tax accounts in Exeter). This option is a valuable tool being utilised alongside other budgeting support within the system review to help customers who are experiencing financial difficulty.

12. Universal Credit

- 12.1 Universal Credit (UC) will replace the following national welfare benefits:
- Housing Benefit, which is currently administered and paid by ECC
 - Jobseeker's Allowance (Income-Based), Employment and Support Allowance (Income-Related), Income Support, Working Tax Credit and Child Tax Credit – all currently administered and paid by DWP & HMRC.

- 12.2 DWP has advised that from October 2013, UC claims will be phased in across all DWP geographical groups and districts, with all existing welfare benefit claims migrated by the end of 2017. DWP have not provided any detail of which districts will be affected first. Local communication with Devon DWP contacts suggests that ECC's existing Housing Benefit claims will start to be transferred to Universal Credit from April 2014.
- 12.3 Early rollout of Universal Credit, known as Pathfinder, started in some areas of Greater Manchester and Cheshire from April 2013, and will be progressively rolled out nationally from October 2013. On Thursday 28 March, the Department for Work and Pensions (DWP) announced the initial rollout to just a single site in Ashton-under-Lyne with other pilot areas (Wigan, Warrington and Oldham) taking claims for Universal Credit beginning in July 2013. Previous communications from the DWP have suggested that the first claims within the Pathfinder will not include housing costs. Housing Benefit is the current national scheme (under legislation). Universal Credit will incorporate several welfare benefits including HB, but the element paid under UC will be known as a housing cost.
- 12.4 It is proposed that this Committee agrees to receive at its next meeting, a report on the potential impact on the Council of Universal Credit.

13. Personal Independence Payments

- 13.1 From 10th June 2013 Personal Independence Payments (PIP) replaced Disability Living Allowance (DLA) nationally for all new claimants aged 16 to 64 years. Anyone already in receipt of DLA will be assessed for PIP if they report a change in their condition on or after 7th October 2013. Anyone still receiving DLA in October 2015 will be invited to claim PIP. The Department for Work and Pensions (DWP) have stated in recent communications that most people currently claiming DLA will not be affected until October 2015.
- 13.2 PIP will predominantly be claimed by phone & will be assessed to determine long-term health conditions or disability & will take account of daily living difficulties and /or mobility difficulties. Assessments will be carried out usually face-to-face by an independent health professional appointed by DWP. Assessments will be reviewed regularly to ensure applicants are receiving the appropriate level of support.
- 13.3 The current rates of PIP are the same as DLA; however the lower care component of DLA has been abolished. PIP will usually be paid every 4 weeks; this is the same as DLA currently.
- 13.4 The underlying concern expressed by many welfare rights organisations & disability support groups is that people who are currently receiving the lower rate of care under DLA will no longer be entitled to any support under PIP rules. Not only could this have an

impact on weekly income, but will also have a knock-on effect to eligibility to other benefits.

13.5 This could affect Exeter residents. For example, currently a single adult receiving DLA low care together with Housing Benefit (HB) and Council Tax Support (CTS) from ECC will have a more generous calculation of their applicable amount (needs) towards their HB & CTS entitlement. If they no longer qualify for PIP at the standard rate after assessment there will be no recognition of their disability through income received and HB & CTS entitlement will go down. Both DLA and PIP income is fully disregarded in the calculation of HB & CTS.

13.6 The impact of not receiving PIP after receiving DLA can also impact on other benefits and services received such as council tax discounts, exemption from the benefit cap, disregard of non-dependents in HB & CTS, disabled facilities grants, blue badge, concessionary travel and local discounted leisure access.

13.7 In Exeter, from a total working age HB & CTS caseload of 7,285¹ the breakdown of people receiving DLA is as follows:

13.8

Claim type (working age cases only)	Number of cases total	Number of cases in receipt of DLA
Housing Benefit only	1,967	396
Council Tax Support only	533	131
Both Housing Benefit & Council Tax Support	4,785	1,160

13.9 It can be assumed that a number of these current claims under DLA will have their HB and/or CTS entitlement reduced or ended if they do not successfully transfer to PIP.

13.10 The full impact of this change may not be apparent until more existing claimants change from DLA to PIP in 2015. People in Exeter who are affected may receive help via Discretionary Housing Payment and/or Exceptional Hardship Fund, but will still need to have an entitlement to HB & CTS respectively.

14. Conclusion

14.1 Figures from the first quarter since the Welfare Reform changes were introduced do not indicate a significant impact, however future data will be closely monitored in order to gauge any negative impact.

14.2 There is however a significant impact on staff resources in the System through working proactively and providing support to individuals affected by the changes. This approach reflects the principles of

¹ ECC caseload data @ July 2013

working in the new System, by understanding the underlying issues that customers present with, and advising on the most appropriate means of support.

15. RECOMMENDATION

- 15.1 That Members note the contents of this report and agree to receive further update reports at future meetings including a report on the potential impact on the Council of the introduction of Universal Credit.

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Background papers used in this report: none