

Resources and Transformation Scrutiny Committee – 7th March 2016

Report of the Strategic Director Resources and Transformation

Welfare Reform Update

Purpose of Report

1. To provide an update for the Committee on developments relating to welfare reforms since the previous reports in June 2015 and September 2015.

Background

2. The annual programme for this Scrutiny Committee has identified *the latest Welfare Reforms and their impact on Dudley* as an area for detailed consideration during 2015/16. At the meeting on 18th June 2015, the Committee received an overview of the main areas of change and the impact that this is likely to have on residents in Dudley. At the meeting on 14th September 2015, the Committee received a detailed report on the geographic distribution of welfare benefit claimants and examples of the personal financial impact of the proposed reforms.
3. Since September, we have seen a number of government announcements relating to welfare reforms, including the Chancellor's Autumn Statement as well as the progress of the Welfare Reform and Work Bill through Parliament.

Local context

4. In 2010, Dudley was the 104th most deprived borough of 326 in total. Locally, this places Dudley 6th out of the 7 West Midlands metropolitan areas in terms of deprivation. In autumn 2015, the Department for Communities and Local Government issued updated statistics, and Dudley is now the 118th most deprived borough of 326 (a relative improvement) and remains 6th out of the 7 West Midlands metropolitan areas in terms of deprivation.

| Local Authority | Rank of average Super Output Area score 2010 (1 = most deprived; 326 = least deprived) | Rank of average Super Output Area score 2015 (1 = most deprived; 326 = least deprived) |
|-----------------|---|---|
| Birmingham | 9 | 11 |
| Sandwell | 12 | 12 |
| Wolverhampton | 21 | 19 |
| Walsall | 30 | 41 |
| Coventry | 50 | 60 |
| Dudley | 104 | 118 |
| Solihull | 179 | 216 |

However, this overall picture masks significant areas of deprivation. 16 of Dudley's Super Output Areas (SOAs) are in the 10% most deprived in England (see Appendix 1).

Update on claimant numbers and geographic distribution

5. DMBC administers housing benefit for tenants in the borough who are claiming benefits (Employment and Support Allowance, Income Support, Jobseeker's Allowance or Pension Credit) or who are on a low income and have less than £16,000 in savings¹.
6. Housing Benefit can be claimed across all tenures (council, housing associations and private landlords). In Dudley, at the start of February 2016, we have just over 23,500 housing benefit claimants, with 14,100 council tenants, 3,200 housing association tenants and 6,200 private rented sector tenants. This represents a reduction of 2.5% on overall numbers claiming Housing Benefit since summer 2015, mainly council and private tenants, and is largely owing to the roll-out of Universal Credit.

¹ Source of all data: Benefits and Rent system reports at the start of February 2016.

Housing Benefit claims February 2016



7. The geographic position and location of claimants remains similar to that presented to the Committee in September 2015.

Universal Credit update

8. Universal Credit was introduced in Dudley at the end of March 2015 for new, single claimants. There are over 1,700 claimants in the Dudley council area at the end of January 2016. Of these, almost 600 are recorded as being in work and 1,100 are not employed. We are aware of just over 180 council tenants who are now receiving Universal Credit, rather than Housing Benefit.
9. The current rollout of Universal Credit to all new, single claimants, which started in February 2016, is almost complete, with all areas scheduled to be taking new claims from May 2016. The next phase of the rollout has just been announced, with selected jobcentres taking *all* new claims, including changes in circumstances (i.e. including couples, families and claimants with support needs, caring responsibilities, in receipt of tax credits etc.) from May to December 2016. Appendix 2 gives the schedule of jobcentres where this full Universal Credit service will apply: there are none at all in the West Midlands metropolitan area.
10. At this stage, we do not have timescales for the full Universal Credit service after December 2016. DWP advise that the transition process will be complete by mid-2018, at which point all remaining existing benefit claimants will start to be moved across to Universal Credit. The latest indicative completion date for this process is 2021.
11. Our experience as a landlord so far with tenants moving onto Universal Credit has been that arrears increase, particularly in the early months of receiving the new benefit. This is partly the result of the benefit being

paid monthly in arrears, so there is a longer waiting period before any money is received, particularly when the time for setting up and administering the claim is taken into account. At the end of January, we had 183 tenants receiving Universal Credit, of whom 81% were in arrears, with the average balance being £350. This is a much higher proportion in arrears than for the rest of our tenant population.

Benefit cap

12. Relatively few Dudley residents (just over 100) were affected by the initial introduction of the benefit cap (£26,000 for couples / families and £18,200 for single claimants). With the proposed reduction to £20,000 for couples / families and £13,400 for single claimants, we expect that more of our residents will be affected, as outlined in the previous report to this Committee. DWP has now announced that the benefit cap reduction will take place from autumn 2016, and households will be notified in advance if they are likely to be affected, to give them time to plan how they will manage this reduction in income. We do not yet know numbers of residents affected, but initial assessments, based on November 2014 benefits data, indicate that for Dudley we are likely to see between 400 – 599 households affected by the benefit cap.
13. For a couple or family, £20,000 works out at £1,666 actual income per month or £385 per week. For a single person, £13,400 is equivalent to £1,116 per month or £257 per week. Examples of the personal impact of the benefit cap on Dudley residents are provided in Appendix 3.
14. In Dudley, we have so far seen only large and complex families, generally also with disabled members, affected by the benefit cap. As the cap is reduced, we are likely to see many more households being affected by the cap, including most households where neither parent is working and where there are 3 or more children.

Local Housing Allowance rate for social housing benefits

15. From April 2018, and applying to all social tenancies stating from April 2016, the maximum housing benefit or Universal Credit housing element which can be paid is the Local Housing Allowance (LHA) rate. This is the maximum that can be paid as housing benefit on private sector tenancies. For single tenants aged under 35, the LHA room rate (£60 per week in Dudley) will also be the maximum that can be claimed.
16. Although most social rents are below LHA rates, this proposal will affect two groups: single, unemployed tenants aged under 35, and tenants in supported and sheltered housing who pay higher rents because of the additional support needs, e.g. Extra Care housing and supported living for residents with learning difficulties or other physical or mental disabilities. The Government has recognised the difficulties that this will cause for registered providers of social housing for vulnerable tenants, and has undertaken to review its plans, reporting back in March.

Discretionary Housing Payments

17. We have just received our Discretionary Housing Payment (DHP) allocation for 2016/17. We will receive £672,883, an increase of 18% compared to the 2015/16 allocation of £569,990. This reflects the national increase of £25m (20%) in overall DHP funding to local authorities, taking into account expected additional demands on DHP as a result of the lower benefit cap.
18. Councils may top up their DHP allocation and may spend a maximum of 2 ½ times their government allocation. So we may spend in total £1,682,208. Current budgets include a top up of £550,000 from the Housing Revenue Account (HRA) to support DHP expenditure, given that a significant proportion of DHP claimants are council tenants.
19. DHP, however, is intended as a short-term remedy for claimants who have a shortfall in benefit relating to their housing costs. The expectation is that they will change their circumstances for example by getting work or moving to a smaller or cheaper home, and will not expect to be supported on a long-term basis by awards of DHP. Our experience in Dudley is that many of our DHP claimants are not changing their circumstances and are receiving DHP awards for a lengthy period. Many, in fact, are claimants with disabilities where there is no likelihood of their circumstances changing and where their homes may have been adapted to meet their specific needs. The additional demands on the fund as a result of the reduction in the benefit cap and in future years also the cap on housing benefit at LHA rates will put increasing pressure on our limited DHP funding.

Further changes to tax credit and benefits

20. Changes to tax credits (working and child) will reduce the level of support, for instance for larger families. As more claimants move onto Universal Credit, tax credit claims will cease and will be included within the relevant elements of Universal Credit up to the maximum amount payable and subject to the benefit cap. Larger families will also be affected by the removal of Family Premium from new housing benefit claims, from May 2016.
21. 18 – 21 year olds will cease to be entitled to housing benefit, or to the housing element of Universal Credit from April 2017. They will be expected to participate in an intensive programme of support, resulting in apprenticeship / traineeship or a work placement. Limited exemptions apply for vulnerable 18 – 21 year olds e.g. care leavers, for 18 – 21 year olds who are themselves parents and whose children are living with them, and for young people who have previously been living independently and working for six months.

22. The move from Disabled Living Allowance (DLA) to Personal Independence Payments (PIP) for working age claimants continues, with all new claims being processed as PIP and claimants currently with a long-term or indefinite DLA assessment being migrated to PIP. This migration period for long-term DLA claims began in July 2015.
23. The Council has recently reviewed its Council Tax Reduction Scheme, as reported to this Committee in September 2015 and subsequently to Cabinet.
24. Local Welfare Assistance scheme is the subject of a separate report to this meeting of the Committee.

Future developments

25. As well as the changes outlined above, there are a number of other measures in the Housing and Planning Bill which will affect social housing and welfare benefits, including "Pay to Stay", where social tenants earning over £30,000 will have to pay higher rents (market rent or close to that level) and the introduction of fixed term tenancies of no more than five years.

Finance

26. Housing Benefit payments are funded via government grant. There is also a separate allocation of grant for Discretionary Housing Payments, though local authorities may spend more than their allocation if resources and priorities allow. Spending on Discretionary Housing Payments is limited to 2.5 times the government allocation to a local authority.
27. Rent for council homes is collected and administered through the Housing Revenue Account, and is ring-fenced so it can only be spent on the management, maintenance and improvement of council homes. Local authorities must not budget for a deficit on the Housing Revenue Account.

Law

28. Awards of benefit are made under the relevant legislation. The Welfare Reform Act 2012 introduced Universal Credit, the benefit cap, underoccupancy penalties and a number of other changes to the benefit system, and the Welfare Reform and Work Bill, which is currently going through Parliament, will bring into effect further changes, including those highlighted in the Chancellor's July 2015 budget announcement and Autumn Statement of November 2015.

Equality Impact

29. All awards of benefit are made in line with relevant legislation and with the Council's equality policies.

Recommendation

30. It is recommended that Members note the contents of this report.



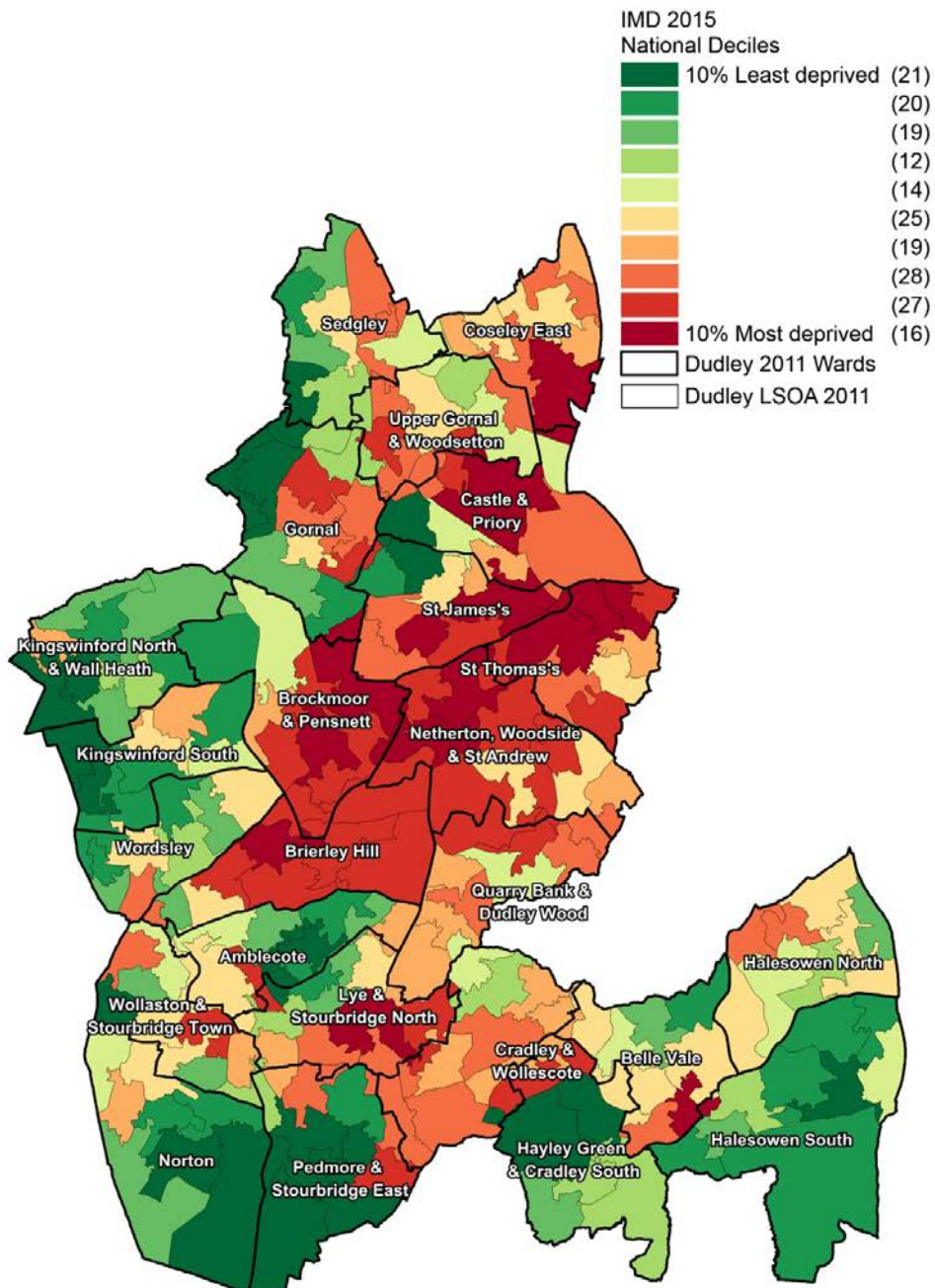
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Philip Tart
Strategic Director Resources and Transformation

Contact officers: Catherine Ludwig, Finance Manager
Tel: 01384 81 5075
Email: catherine.ludwig@dudley.gov.uk

Mike Williams, Chief Officer Corporate and Customer Services
Tel: 01384 81 4970
Email: mike.n.williams@dudley.gov.uk

Appendix 1

Map of Dudley showing the 2015 Index of Multiple Deprivation by LSOA 2011



Map created by Public Health Intelligence, Office of Public Health Dudley,
 Topographic Data © Crown copyright and database rights (2015)
 Ordnance Survey License Number 100019566

Appendix 2 – Universal Credit rollout

The full Universal Credit service will be open to all new claims from all claimant types, this will also include anyone who is currently on existing benefits or Tax Credits and has a change of circumstance that would naturally trigger a new claim to Universal Credit, meaning the entire household affected would migrate to the full service. Additionally anyone who is currently claiming Universal Credit through the live service will then migrate onto the full service over the first three months of operation.

After the transition process has completed in mid 2018 we will then begin migrating all remaining existing benefit claimants to the full Universal Credit service, this part of the process will complete in 2021.

This following list is in alphabetical order by local authority.

Go Live

| Date | Local Authority | Jobcentre area |
|------------------|--|--------------------------------|
| May-16 | Bath and North East Somerset Council | Bath JCP |
| | Newcastle City Council | Newcastle Cathedral Square JCP |
| | Rugby Borough Council | Rugby JCP |
| | Sedgemoor District Council | Bridgwater JCP |
| | Waveney District Council | Lowestoft JCP |
| Jun-16 | Harrogate Borough Council | Harrogate JCP |
| | Richmondshire District Council | Richmond JCP |
| | Highland Council | Inverness JCP |
| | London Borough of Hammersmith & Fulham | Hammersmith JCP |
| Jul-16 | Ryedale District Council | Ryedale JCP |
| | Halton Borough Council | Runcorn JCP |
| | Halton Borough Council | Widnes JCP |
| | Lancaster City Council | Lancaster JCP |
| | Lancaster City Council | Morecambe JCP |
| | Mendip District Council | Frome JCP |
| | Mendip District Council | Wells JCP |
| Oct-16 | Craven District Council | Skipton JCP |
| | Hambleton District Council | Northallerton JCP |
| | London Borough of Lambeth | Kennington Park JCP |
| | London Borough of Southwark | Peckham JCP |
| | Taunton Deane Borough Council | Taunton JCP |
| Nov-16 | West Somerset Council | Minehead JCP |
| | Allerdale Borough Council | Workington JCP |
| | Copeland Borough Council | Whitehaven JCP |
| | Daventry District Council | Daventry JCP |
| | Harborough District Council | Market Harborough JCP |
| | Highland Council | Dingwall JCP |
| Highland Council | Fort William JCP | |

| | | |
|--------|--|-------------------------|
| | Highland Council | Invergordon JCP |
| | Highland Council | Portree JCP |
| | Highland Council | Wick JCP |
| | Melton Borough Council | Melton Mowbray JCP |
| Dec-16 | Hartlepool Borough Council | Hartlepool JCP |
| | Hastings Borough Council | Hastings JCP |
| | London Borough of Hammersmith & Fulham | Fulham JCP |
| | London Borough of Hammersmith & Fulham | Shepherds Bush JCP |
| | Stratford District Council | Stratford-upon-Avon JCP |
| | Swindon Borough Council | Swindon JCP |

Appendix 3 – examples of households affected by the benefit cap

A single claimant aged over 25 could receive the standard personal allowance (Jobseekers Allowance / Universal Credit) of £318 per month plus £400 per month housing element and be well below the £1,116 cap. However, if they were also entitled to the £316 per month for limited capability for work and work-related activity, this would take their UC up to £1,034, leaving them potentially vulnerable to rent increases.

For a family, particularly those with 3 or more children and possibly disabled members of the household, we are likely to see more people affected by the benefit cap. For example, a family with neither parent working and 4 children would receive £499 per month basic allowance plus £973 per month for the children. This is £1,472 per month, leaving only £194 per month for the rental element, so they would be affected by the benefit cap by around £200 or more per month. This does not allow for any additional UC elements, for instance if one or more members of the household are disabled, or have caring responsibilities.

A single parent who is not working, with 3 children, one of whom is severely disabled, in a property with rent of £110 per week (£460 per month), would, without the benefit cap, receive £499 basic allowance, £460 housing element, £740 for the three children and £368 disabled child allowance. In total this is £2,067, or £401 per month over the benefit cap. Again, the maximum UC this family would receive will be £1,666 per month.

While claimants remain on legacy benefits (Jobseeker's, Housing Benefit etc), the impact of the benefit cap will be limited as it is only deducted from housing benefit. So if a family's benefits are £300 per week over the benefit cap level, but their rent is £90 per week, currently only £89.50 will be deducted from their housing benefit. This would mean that they would retain a notional entitlement of 50p per week housing benefit, to maintain them on the system, but they would have to find the money to pay their rent from their other benefit payments. When UC is introduced, this family would see their total benefit capped at the maximum level, and they would see a reduction of the full £300 per week.