

WIRRAL COUNCIL

CABINET

10 FEBRUARY 2015

SUBJECT	WELFARE REFORM UPDATE
WARD/S AFFECTED	ALL
REPORT OF	HEAD OF BUSINESS PROCESSES
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR PHIL DAVIES
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides Cabinet with an update on areas of change within the Government Welfare Reform agenda, the impact on the residents of Wirral and how Council services are responding. The report is for noting.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Government published the White Paper “Universal Credit: welfare that works” on 11 November 2010 which set out proposals to reform the welfare system and each area is dealt with below.

COUNCIL TAX SUPPORT SCHEME (CTS)

- 2.2 The local scheme to support those on low income in meeting their Council Tax liability replaced Council Tax Benefit in April 2013, with a corresponding 10% reduction in Government grant. The Government requirement to protect pensioners and the vulnerable by maintaining the previous 100% support levels translated the 10% grant reduction into a 22% reduction for the non-protected working age claimants.
- 2.3 The Wirral Local Council Tax Support Scheme for 2014/15 was approved by Council in January 2014. The Scheme has to be reviewed annually and agreed before 31 January. For 2015/16 the Scheme agreed by Council on 15 December 2014 was largely unchanged and included the inflationary uprating to allowances in line with uprating to housing benefit.
- 2.4 The next review will be in January 2016 (for the 2016/17 Scheme) and will need to include the impact of Universal Credit (UC) both on claimants and any non dependant resident adults in the household. By then it is expected that the UC roll-out programme will see the numbers of recipients increase and that the likely impacts on income, together with the rate of change in income and circumstances as people move in and out of work, will be better understood and thus inform the Local Scheme.

- 2.5 Presently 36,954 claimants receive £27.5 million through the Scheme which compares to 37,970 claimants in receipt of £28 million in January 2015. The reduction in numbers is, in the main, a result of a reduction in live claims in respect of pension age claimants whose liability ends, together with entitlements ending as a result of non-dependant adults joining the household.
- 2.6 Presently 15,599 pensioners and 8,499 vulnerable claimants are protected up to the maximum 100%. By keeping claimants under review the vulnerable claimants have increased by 2,609, reducing working age claimants to 12,856. The non vulnerable, working claimant group are responsible for paying a minimum of 22% of the Council Tax charge. To meet the previous level of support of 100% for all non-vulnerable, working age claimants would cost in excess of £2.6 million.
- 2.7 The key issue is payment of the 22% to the authority. Present projections show that the target collection of 66% these charges will be met. As in 2013/14 this will not be collected in year but spread over two financial years which impacts on the Council's collection position. As an example a Band A property is expected to pay £220.66 per year. A large number of these payments will be collected post liability order via deductions from weekly benefit of around £3.85 per week made via the Department for Work and Pensions. This reduces weekly cash available to claimants.
- 2.8 Section 13a of the Local Government Finance Act 1992 makes provision for granting of discretionary discounts for Council Tax. The Council Tax Reduction Scheme Regulations 2012 provide for each Council to have discretionary relief support where a claimant shows they cannot meet their liability. This will be due to exceptional reasons such as poverty, personal or household circumstances including vulnerability issues and a policy is in place along with a £50,000 budget for discretionary relief.

UNDER OCCUPANCY REGULATIONS - SOCIAL SECTOR CLAIMANTS

- 2.9 Introduced in the Welfare Reform Act 2012 this has seen Registered Social Landlord (RSL) properties defined as under occupied and having a set reduction in Housing Benefit payment. This equates to 14% for one room and 25% for two or more where the occupiers are working age.
- 2.10 At 12th January 2015, 3,332 Social Landlord properties (of the 16,634 on Wirral) are affected with 2,694 having a one room reduction and 638 having the two or more room deduction. These numbers fluctuate as the claimant profile or claimant circumstances change. The shortfall in rent now faced by RSL's on all such cases is around £3 million.
- 2.11 Commonly known as the Bedroom Tax this has caused most public concern thus far. Key issues have been designation of a room as a bedroom and personal exemption categories. It is known that RSL's are now taking recovery action and repossession proceedings where there is non-payment

although it is clear that the majority, if not all, landlords are taking positive steps to try to resolve non payment before taking such action. Average weekly sums deducted are £13 and £23 and the individual debt soon builds and as these are working age cases most have also been faced with having to meet Council Tax bills of £4 per week as Council tax Support does not meet their full liability (see CTS).

- 2.12 In late 2013/14 a temporary loophole in the legislation exempted certain long term tenants from the impacts of this reform. These tenants had to have been in continual receipt of Housing Benefit since 1996. Whilst the DWP rectified the legislative position, in the interim some 368 had their benefit claims restored and deductions made in respect of under occupying accommodation removed. This unplanned increase in workload impacted significantly on service delivery with 747 cases being reviewed and was further complicated by the fact that many of the claimants had already been awarded DHP on the basis of the reduction in Housing Benefit. Many cases were then considered again upon receipt of a challenge to the outcome.
- 2.13 Despite the recent hearing of cases in Fife at Upper Tribunal, the position that there is no criterion for the size of a bedroom in Housing Benefit remains. However the fact that the judge in the case in question did find that that under certain circumstances a room should not be counted as a bedroom 'may' now have some influence on future English Tribunal hearings, particularly at the lower First Tier Tribunal. If this does influence local cases then Members will be advised.
- 2.14 Exempt categories remain unaltered and are in respect of properties such as Temporary and Supported Accommodation while personal categories are Pensioners, Parents of Students, Bereaved (with a one year limit), Foster Carers, Armed Forces personnel, Disabled Children and Carers.
- 2.15 There is however no exemption for disabled couples when not sharing a bedroom. For HB purposes they are considered as needing one room. The High Court case brought by disabled claimants was lost and an appeal is expected to go the Court of Appeal. The Government, on the issuing of the decision, detailed additional sums available to authorities via Discretionary Housing Payment.

DISCRETIONARY HOUSING PAYMENT (DHP)

- 2.16 DHP has been available to all claimants for a number of years supporting Housing Benefit claimant with exceptional circumstances almost exclusively in the private rented sector. The Under Occupancy changes now see a focus on this centrally expanded fund by the Registered Social Landlord sector. The national rules state that this is for short term exceptional circumstance support. However many RSL tenants are longstanding and face longer term issues so will not see a top-up as a short term option.
- 2.17 Central Government give a direct grant to the authority and allow an authority to use its own funding up to an absolute maximum it cannot exceed. 2013/14

saw Wirral spend 98% of its £917,214 Government grant by mid-March 2014. Additional funding of £64,000 was provided by DWP, a further £150,000 secured by the Benefits Service through a funding bid and £50,000 through the non-ring fenced Local Welfare Assistance grant. The total funding for 2013/14 was £1.12 million.

- 2.18 In 2013/14 the entire initial Government grant was used, although an amount of the additional funding, £28,390 could not be spent solely due to the late timing of the award and volume of claims to be considered within very tight timescales. Regrettably, despite officer's efforts, the DWP declined to agree to the amount being carried forward.
- 2.19 2014/15 saw the grant increase to £995,795 with a permitted maximum of £2.4 million. Given Wirral's' financial position no contribution to provide funding to the maximum level has been made, nor has provision been made for a contribution in respect of 2015/16.
- 2.20 Therefore for 2014/15 it is likely that the available fund will not support provision of support through DHP until the end of the financial year. At 12th January 2015 the fund was 98% spent, with £17,300 remaining. 2,557 awards have been made and applications received average 300 per month.
- 2.21 To make the most prudent use of monies available officers are faced with increasingly difficult decisions and requiring awards to be made in cases which face the greatest risk of hardship. 976 claims to date have been declined and it is likely that in early 2015, this will increase significantly based on a greater application of the policy. Many applications are made on the basis of negating RSL recovery and repossession action. Awards are not at present being made where there is any reasonable indication of alternative sources of assistance.
- 2.22 Thus far we are aware that RSL's have been unable to consider any reduction in rent accepted without consequential recovery action and this is unlike the expectation in the private sector for negotiation in rent levels where it is evident that this has occurred for some time.
- 2.23 An important issue, which remains for Wirral, in respect of the decision making process is how it recognises those in most need, the amount of any award and the period of payment. As referred to in section 2.21 officers will be focussing more on the interpretation of the eligibility criteria and level of award. As with any change in interpretation and its outcome of creating more rent arrears there has to be a level of concern of a potential risk of challenge to the position.
- 2.24 An issue for every authority is the Government push to support disabled applicants with DHP. In many cases authorities are finding that these applicants have a high level of benefit in payment set against those who have only the lowest level of weekly benefit in payment. This puts an authority in the position of balancing competing needs and the likely ability of claimants to amend their expenditure and outgoings.

- 2.25. In January 2015 it was increasingly likely that this fund would have been exhausted in the month and no further payment available to any claimant until April 2015. Given this situation a sum of £70,000 will be used from the Council Tax Discretionary Hardship Relief Fund and Cabinet are asked to note this and consider if an additional sum should be considered to be made available for DHP from this fund in 2015/16.

LOCAL WELFARE ASSISTANCE

- 2.26 In April 2013, this emergency support was transferred from the DWP as part of the welfare reform changes and saw a non-ring fenced grant of £1.345 million given to Wirral for 2013/14 with the same amount for 2014/15 which is the second and final year of the scheme and associated grant.
- 2.27 The scheme is for emergency crisis support and focuses on food, fuel, white goods, clothing and travel. This is paid via voucher or payment card with very limited cash availability. The process requires a one day turn round and a one day appeal period administered within Housing Benefits. Staff administer the scheme and ensure the application process is monitored and applied properly and ensure future cases are handled as fairly as possible.
- 2.28 During 2013/14 the Government grant was not fully utilised and the unspent £625,000 was transferred to a reserve. Members are considering how best to use this funding as from 31 March 2015 the scheme will end as there will be no ongoing specific Government grant.
- 2.29 The position for 2014/15 is quite different from the initial year. 9,977 payments have been awarded at 31 December 2014, paying out £697,233, which is significantly more than in the previous year. Applications continue to be made on line and this has been highly successful. Payment is largely received in person allowing the opportunity to offer and signpost financial advice. During the period between Christmas and New Year, 18 claimants were awarded £1,330 in emergency payments for food and utilities.
- 2.30 A key consideration for the authority is whether or not to continue to make provision for some level of support given the cessation of Government funding as this would mean funding any such provision through the General Fund. As it is unlikely that Wirral, given its financial position will have capacity to do this, officers are readying to communicate the end of the scheme during the latter part of 2014/15 and where to signpost potential recipients such as the local food bank service.

BENEFIT CAP

- 2.31. The Benefit Cap was introduced in the summer of 2013 and is based on total annual benefits received with some benefits excluded from the calculation. The limit is £26,000 pa for couples and £18,200 pa for single claimants. At 31 December 2014, Wirral has 64 cases (compares with the original DWP projection of 130 and the 96 reported in August 2013). Of these 54% have a

cap of £50 or less, 31% between £50-£100 and 15% where the cap is £100 or more with the main impact on large families in larger properties.

UNIVERSAL CREDIT (UC)

- 2.32 This is the flagship Welfare Reform change that sees several Department for Work & Pensions (DWP), Revenues & Customs (HMRC) and Housing Benefits (HB) payments move into one monthly payment, in arrears, for working age claimants. This does not cover temporary or supported accommodation or pensioners, who will be subject to later changes via Pension Credit, which is not likely to begin prior to 2016/17 and may be later than originally projected.
- 2.33 UC is applied for via on line application and received as a direct payment to claimants to promote financial awareness and management of individual finances in readiness for the work environment. Locally the authority supports access to claim online at Customer Access points with support available in some locations where the applicant has no other means of assistance.
- 2.34 Universal Credit (UC) was introduced in the North West, including Wirral which saw the initial move on 7 July 2014 for some single claimants (without children) and extended soon after to some couples (again without children). Generally people claiming UC in these early stages are those who have recently finished work or changed benefit type, are work ready and are householders or, reside in rented accommodation, provided the accommodation is not part of a supported accommodation scheme.
- 2.35 From 24 November 2014 the UC expansion moved forward to include UC claims from some families. The extended roll out is being undertaken incrementally and families are being trialled nationally in two areas, Wirral and Warrington. DWP estimate that no more than 30 Wirral families per month will move over to UC as part of this extension.
- 2.36 The Delivery Partnership Agreement (DPA) which Wirral signed with DWP in mid 2014 has recently been reviewed and it is likely that a similar arrangement will be sought at least until October 2015 in lieu of the planned Universal Credit Support programme which remains in development. Officers are discussing this with DWP as thus far there is only an agreement in Wirral to support this until March 2015 and an extension will likely depend on the level of DWP funding available.
- 2.37 The DWP report that take up for support, particularly in respect of Personal Budgeting is low and as a consequence their working practices are under review to address this as they want to ensure that more people are aware of and access this support. Increased demand will directly impact on LA front line services as the Job Centre plus / UC Service Centre will refer to authorities for such support.
- 2.38 UC is predominately claimed on line and assessments are made at a number of countrywide UC Service Centres. Communicating UC change data with

Local Authorities is presently being managed via a manual process (the national automated system is due to go live in autumn 2015) and is causing some administration delays. Merseyside LA's are liaising with DWP colleagues for early resolution to these issues. The delay in automation has an impact on UC claimants and to an extent on landlords in respect of rent collection.

- 2.39 Nationally DWP estimate that 20% of UC claimants have housing costs to be met and the remainder are non householders, for example living with families.
- 2.40. UC claims are increasing at an average of 100+ weekly and Wirral's Benefits Service has to week commencing 17 November 2014 dealt with 452 cases with UC connections; either the claimant themselves migrating to UC or a claimant's non dependant moving to UC.
- 2.41 Claims for UC are paid calendar monthly in arrears. The first payment of UC takes slightly longer and is issued approximately five weeks after the claim is made. Advances of UC are available if claimed up to 21 days after the UC claim date.
- 2.42 UC claimants can access Local Welfare Assistance although they will in the first instance be signposted to claiming an UC Advance. To date 76 UC claimants have made a claim for Local Welfare Assistance. UC claimants are also entitled to apply for Discretionary Housing Payment, although the DWP expect there to be relatively little need. The aim being to ensure that no one is worse off under UC. In practice there are conditions where this currently might not be the case, Wirral is helping DWP with its experience on how this is addressed in the future.
- 2.43 On 11 December 2014 the Director General for DWP confirmed outline planning arrangements for the ongoing development of UC. This will start with national roll-out in January 2015 for single people and then the commencement of transition from 2016, anticipating that the service will be established across Britain for all claimant types by the end of 2019. Migration would then commence culminating in an end to legacy benefits such as HB. This effectively puts the originally communicated timeline back by two years and it is expected that this will continue to be kept under national review as the programme develops.
- 2.44. The impact of Universal Credit and the other issues outlined in this report have seen an increase in processing work for the authority at the same time as the Council is seeking reductions in its staffing spend across all services to meet its financial challenge. The combination of these factors has seen deterioration in processing times and this adversely impacts on the overall subsidy position. This is being addressed by a temporary increase in staff resources within the service for the rest of the financial year and into 2015/16. A detailed report will be given after year end of the financial impact on the final subsidy claim and how this is being addressed to mitigate any impact for 2015/16.

3.0 RELEVANT RISKS

- 3.1. The timely delivery of the national welfare reform programme, in the wider view of practitioners and professionals, continues to be at some risk in terms of legislative, IT and procedural readiness. However timescales are not within local authority control and each authority as well as representative bodies continue to work with the DWP in mitigating these risks as much as possible.
- 3.2. The whole programme of welfare reform continues to present many risks to local authorities in the delivery of existing, residual services, and through income loss to customers all of which will likely impact in a variety of ways on the local economy and services provided. The implications are wide ranging and significant and include in regard to the areas covered in this report:-
 - 3.2.1. Localised Council Tax Support Scheme - Collection issues will continue as many charge payers receive less support and are expected to pay more Council Tax, and in many cases where they have not previously paid. The existence of a hardship fund mitigates this risk of meeting the needs of exceptional cases
 - 3.2.2. Discretionary Housing Payment - the capacity of this cash limited fund is a key risk, as seen in the increased spend in 2014/15. There is no local top up budget available to extend provision to the permitted maximum and support those most in need beyond the direct grant level. Officers ensure that the allocation practices and policies are fair and able to support those most genuinely in need. This presents difficulties as the reforms progress given that it is likely there is a wider expectation that the fund will be the source of support.
 - 3.2.3. Local Welfare Assistance - The grant is cash limited, the risk of having insufficient funds is key and this will extend to having no direct funding to offer this facility beyond March 2015.
- 3.3. General Fund - The effect on budgets as the grant for Council Tax Support is reduced and the capacity of the local authority to be able to directly fund any increase take-up along with the benefits to the fund if the level of support reduces. The impact of deteriorating processing times can affect the overall subsidy position as is projected for Wirral in 2014/15 and remedial action is being taken to limit this situation.
- 3.4. The authority having adequate staff resources to administer all elements of the reforms it is responsible for and impacted by and being able to mitigate the impacts as they take place. This will be similar for other organisations and bodies and most significantly is the risk to individuals themselves coping with change and in many cases reduced levels of welfare support.

4.0 OTHER OPTIONS CONSIDERED

- 4.1. In respect of the Local Council Tax Support Scheme the authority has the

option to vary the present 22% paid by working age claimants. A decision on the 2015/16 Scheme was taken by Council on 5 December 2014.

- 4.2 The authority can allocate additional resources to support the Discretionary Housing Payment and Local Welfare Assistance schemes. However this would have to be found from reductions elsewhere in the Council budget.

5.0 CONSULTATION

- 5.1. The Council corporately is in regular contact with the DWP, other local authorities and the voluntary sector over the implications of the reforms. Specific consultation is undertaken with claimant in respect of changes.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 None related to this report which provides an update on the progress of the government welfare reform agenda.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 7.1 The authority will continue to engage with relevant organisations given the impact on them of all these areas of change.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 8.1 The financial implications are contained within the relevant sections of this report with the main areas being:-

8.1.1. The Local Council Tax Support Scheme sees non vulnerable working age claimants meeting 22% of the Council Tax bill and the authority seeks to recover £2.6 million from this group. A hardship fund is available. To provide the previous 100% support would cost £2.6 million per year. An additional sum of £265,000 for inflationary increase of the scheme for 2015/16 was approved at Cabinet (9 December 2014 Minute 108).

8.1.2. Discretionary Housing Payments are funded from a Government grant which was almost £1 million in 2014/15. Support is provided in line with the Council DHP policy. The authority can allocate additional funding but has not provided any for 2014/15.

8.1.3. Local Welfare Assistance Grant has been provided by the Government for 2013/14 and 2014/15 of £1.3 million per year but no funding has been provided for 2015/16. The Government has indicated in the Provisional Local Government Finance Settlement for 2015/16 that £1.2 million could be used for LWA but has not provided any funding. The Council presently holds £0.6 million in a reserve from the unspent 2013/14 grant allocation.

8.1.4. Benefit Subsidy Grant - The impact of reduced processing will see the level of subsidy attracted on delayed processing at a lower than 100% subsidy. The level of subsidy loss will be known after year end and work is underway to

ensure resources are maintained to limit the financial impact. Provision is made annually to meet consequential subsidy amendment as these are made in the following financial year that the claim is made on.

8.2. Staffing resources are provided from within the Benefits and Revenues sections. From 2013/14 the increasing demands through the implementation of the changes to welfare reform have been met from a reducing level of resources. Additional temporary resource is to be sought to specifically help address the overall benefits position.

8.3. There are no direct IT or asset implications arising from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising directly out of this report.

10.0 EQUALITIES IMPLICATIONS

10.1 Equality Impact Assessments (EIA) were undertaken as part of Wirral's development and design of relevant schemes and are shown through the link; <http://www.wirral.gov.uk/my-services/community-and-living/equality-diversity-cohesion/equality-impact-assessments/eias-2010/finance>.

10.2 A national Impact Assessment for many areas of Welfare Reform can be assessed through the DWP link: - <http://www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/welfare-reform-act-2012/impact-assessments-and-equality/>

11.0 CARBON REDUCTION IMPLICATIONS

11.1 There are none arising out of this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising out of this report.

13.0 RECOMMENDATION

13.1 The report is noted and that further reports be given on how Welfare Reform.

1.3.2. Cabinet approve the £70,000 transfer to the Discretionary Housing Payment fund for 2014/15 to help address the rent shortfalls that continue to be identified and require support.

14.0 REASON FOR RECOMMENDATION

14.1 That Members are aware of development in each area of Welfare Reform.

REPORT AUTHOR: Malcolm Flanagan
Head of Business Processes
0151 666 3260
Malcolmflanagan@wirral.gov.uk

SUBJECT HISTORY:

Council Meeting	Date
Transformation & Resources Policy & Performance Committee	14 April 2014
Co-ordinating Committee	01 April 2014
Scrutiny Programme Board	19 Feb 2013
Council Excellence Overview & Scrutiny	30 Jan 2013
Cabinet	24 Jan 2013