

**Report To: Full Council**

**Date of Meeting: 6<sup>th</sup> November 2012**

**Lead Member / Officer: Hugh Irving / Paul McGrady**

**Report Author: Ken A Jones**

**Title: Welfare Reform update**

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**1. What is the report about?**

The current and likely future impact of Welfare Reform on Denbighshire.

**2. What is the reason for making this report?**

To provide an update on information already presented to Member Area Groups regarding the ongoing impact of changes to Housing and Council Tax Benefits as part of the overall implementation of Universal Credit.

**3. What are the Recommendations?**

That members note this report

**4. Report details.**

**4.1 Universal Credit**

The introduction of the Universal Credit (UC) is aimed at simplifying the benefits system by consolidating 6 main benefits including Housing Benefit into one single working age benefit, with the intention of “making work pay” and reducing the overall payment and administration costs of the benefits system.

The Welfare Reform Bill outlines the timetable for implementation of the UC with a pilot starting in April 2013 and all new claims starting from October 2013, or April 2014 at the latest. This will be followed by the gradual closure of existing benefits and Tax Credits claims and their transfer to the new system with full transfer intended to be completed by October 2017.

It is the intention that Universal credit will be a single payment to one claimant for the household which will be paid monthly in arrears, with the housing addition as part of the overall UC payment, this will mean the tenant will receive the housing benefit element and it will not be paid direct to the landlord, this will include Social Housing Tenants

Prior to the commencement of Universal Credit, significant reforms are being made with a view to cutting costs and making preparations for merger into Universal Credit.

Many of these reforms affect Housing Benefit, with major changes and reductions have already taken place and are shown in Appendix A. Appendix B shows further changes that will take place during 2013.

The impacts of reduction of Housing Benefit payable are dependent on the reaction of Landlords to a reduction in rental income and to date it appears that Landlords have, in the main, accepted the reductions for new claimants.

The Prime Minister recently announced that in addition to these changes a further £10 billion of cuts to benefits will take place in future years.

#### **4.2 Council Tax Support**

From 1 April next year, Council Tax Benefit will be replaced with a new system called Council Tax Support. Responsibility for paying this will move from the Department of Work and Pensions (DWP) to Local Government.

At the same time responsibility is transferred the funds available for the scheme will be cut. The government has announced that the budget will be cut by 10%. This, however, is based on an assumption that claims would fall from the 2010/11 figures used as a base.

The table below shows the reduction based on current proposed funding and forecast caseload for Denbighshire.

	11/12 Actual £m	12/13 Forecast £m	13/14 Forecast £m
Claims	8.98	9.3	9.6
Proposed Budget	7.94	7.94	7.94
Shortfall	1.04	1.36	1.66
Shortfall %	11.5%	14.6%	17.3%

Appendix C shows how the Council Tax Benefit caseload has changed over recent years.

In England the Department of Communities and Local Government has announced an extra £100m to reduce the impact of the change. Wales' proportion of this should be around £6m. WG has not announced whether this will be passed on to Councils. If it were, we would receive around £220k.

The reduction of benefit paid will result in the need to collect the difference from Tax payers who are currently in receipt of a means tested benefit, although there will be no increase in their income to match this loss in benefit. Therefore it is likely that there will be a drop in collection performance with reduced cash flow and an increase in bad debt for the Authority.

Denbighshire currently has the highest Council Tax collection rate in Wales. Last year that was 98%. This is likely to drop as a result of these changes. Initially it is assumed that the collection rate will drop to 97% which is the equivalent of a loss of

income of around £400k. A drop in collection rate will also affect the police and town and community councils as they also charge council tax payers.

In addition to the loss of income there will be additional administrative costs as there will be more recovery action. The Council has already had to pay £55k to have its IT system amended. The Welsh Government has already advised that there will be no additional funding for implementation of the scheme or ongoing pressures.

It is still difficult to forecast the financial impact as there are as yet, no clear proposals from the Welsh Government on what the new scheme will actually be. Draft regulations have been issued for consultation but they did not contain the proposed level at which claimants have to pay.

Legislation to implement these changes does not yet exist. It is currently being discussed in the House of Lords, with likely approval by Parliament in December with WG regulations following in January. The Chancellor's autumn statement in December should tell us the final amount of funding that will be allocated to the scheme.

#### **4.3 Other Significant Changes to Benefits**

Introduction of size criteria rules for claims in the social rented sector will result in social landlord properties being classified as under occupied with reductions in Housing Benefit paid. Appendix B shows the details of these. Previously there has been no need to record the number of bedrooms within a property and this is now underway. It will likely lead to problems for the Council as a landlord as some tenants' rents will effectively increase due to this change.

In addition to Housing costs there is a major implication of changes to Disability Living Allowance (DLA) which will require current DLA recipients to apply for and be assessed for Personal Independence Payments. This will be piloted from April 2013 and rolled out from October. At this stage the impact is not clear and will depend on the results of the pilot.

#### **4.4 Welfare Reform Group**

The risk of Welfare Reform has been recognised and a DCC Welfare Reform Group has been meeting since April 2012, this group is cross service to ensure that information is shared and pressures identified to support our customers.

A joint bid with Flintshire for WG funding for a HB / Housing options co-ordinator officer for 2 years has been successful.

Regular contact with Landlords (Private & Social) is being maintained

Letters are being sent to all affected customers advising of changes, with benefit visiting officers available for home visits. Work is ongoing to advise residents of the benefits they are entitled to claim.

At this stage it is difficult to update claimants on what the actual effect will be on them due to the significant uncertainties, numerous changes and the interdependencies and complexities of the benefits system.

**5. How does the decision contribute to the Corporate Priorities?**

Not Applicable

**6. What will it cost and how will it affect other services?**

There is an obvious loss of income through the changes to the Council Tax Benefits system. While the Council will attempt to collect all tax due it is unlikely to be able to collect a high rate. Assumptions around this loss of income have been built into the Council's Medium Term Financial Plan.

It is difficult to assess financial cost on service delivery until changes are in place however pressure points must be recognised. As a minimum - increased demands on enquiries to Benefit Department, Debt and Welfare advice centres.

There will be an increase in recovery action, which will require a review of current Revenues staff resource, there will also be a requirement to review Benefit department staff resources.

There will be an impact on the Housing Department on rent collection and potential homelessness.

There will be an impact on Social Services due to Disability Living Allowance changes which means that staff will have to take all relevant clients through the new process to see if they are eligible for the new Personal Independence Payments.

**7. What consultations have been carried out and has an Equality Impact Assessment Screening been undertaken?**

No consultation has been undertaken as this is a statutory requirement for compliance. The Welsh Government is undertaking an Equality Impact Assessment at a national level on its proposed changes to the Council Tax Benefit system. An internal working group has been set up to ensure departments are aware of proposals as they come forward and that appropriate action is taken.

**8. Chief Finance Officer Statement**

There are clearly significant financial risks attached to the change in the benefits system which is compounded by current uncertainties about the impact of changes and the short timescale for implementation.

**9. What risks are there and is there anything we can do to reduce them?**

9.1 There are a number of risks and these are being managed through the Welfare Reform Group and individual service business plans / risk registers.

## Appendix A

Reform change 1/4/2011	DCC impact			
Provision of an extra bedroom in the size criteria rules where a disabled person requires a live in carer	Positive impact to enable extra room			
Removal of the £15 excess element to the LHA	666 claimants (28%) that received an excess, which meant their Local Housing Allowance was more than their Rent liability. The excess ranged from £1 - £15 per week.			
Capping of Local Housing Allowance rates	No impact on Denbighshire as rates based on London rents			
Restricting the maximum size of dwelling on which HB is payable to 4 bedrooms	31 households affected, only five of the 31 had a shortfall between the 4 bedroom rate and their rent liability, three of which have a shortfall already			
Limiting the LHA rate of payments	Accommodation	March 2011	April 2011	Feb 2012
	Shared rate	£65.00	£55.00	£55.00
	1 Bed	£80.00	£75.00	£80.00
	2 Bed	£103.85	£94.62	£100.00
	3 Bed	£126.92	£114.23	£115.38
Increase in deductions from LHA for non-dependents	<p>1,509 customers claiming benefits with Non dependants in their household.</p> <p>Deductions from HB payment increased by 27% with reductions of £2 to £12.85 per week according to non-dependant's salary, these figures to increase again for 2012/13 at similar increased levels.</p>			
Increasing Discretionary Housing Payment (DHP) grant to allow LAs provide additional help in cases of housing hardship	<p>£54k 2011/12.</p> <p>£102k for 2012/13</p>			
Jan 2012	<p>Extending the shared room rate to those single people under 35</p> <p>Reduction of £25 per week in housing benefit payable.</p> <p>188 tenancies affected</p>			

## Appendix B

	<b>Changes to be introduced from 2013</b>	<b>DCC impact</b>
April 2013	Updating LHA rates by the Consumer Price Increase rather than annual review of the LHA	Rates up-rated in-line with the consumer price index (which excludes housing costs) rather than average market rents
April 2013	Introduction of size criteria rules for claims in the social rented sector	Rent restricted to the number of rooms 'needed' in social housing, pensioners exempt. Under occupying by 1 room – 14% reduction Under occupying by 2 rooms – 25% reduction
April 2013	Capping total benefit payments at average earnings levels	Housing Benefit to be the mechanism for household benefit cap limiting the total benefits paid, current figure is £26k per year. HB staff will assess total benefits received and reduce Housing Benefit if over level.
April 2013	Localisation of Council Tax Benefit (CTB)	
April 2013	Single Fraud Investigation Service (SFIS)	Delivery options still unclear
Sept 2013	Disability Living Allowance replaced by Personal Independence Payments	Implications still unclear
Oct 2013	Introduction of Universal Credit	Potential start April 2014, delivery options still unclear

## Appendix C

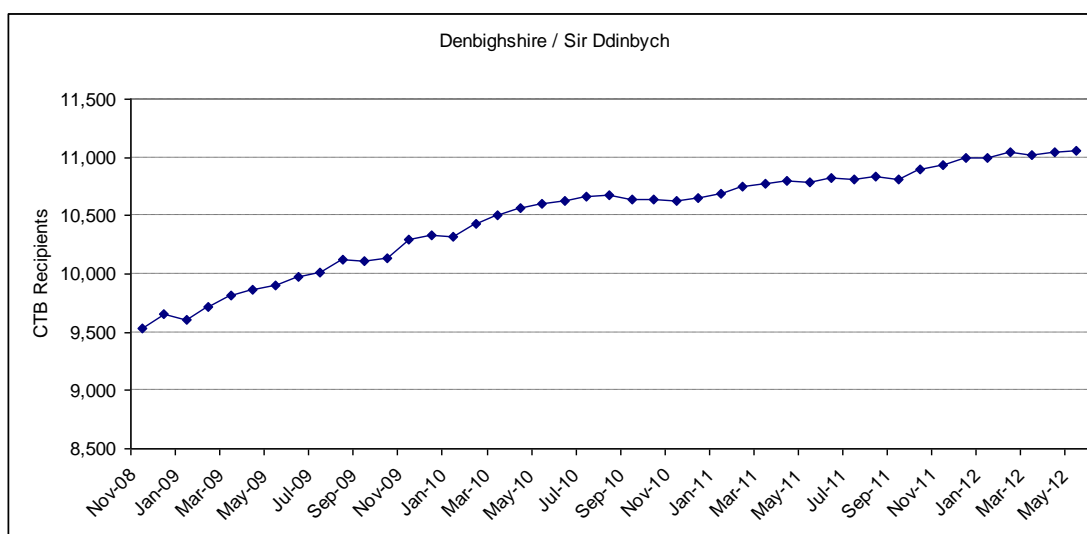
### 11/12 Caseload

Benefit type	Sector	Customers	Value
Housing Benefit	Private rented Local Housing Allowance (LHA)	3,086	£11.5 Million
Housing Benefit	Private rented Non LHA	805	£4.017 Million
Housing Benefit	Housing Association	1,604	£6.134 Million
Housing Benefit	Denbighshire CC Rents	2,325	£6.693 Million
Council Tax Benefit	Council Tax Benefit	10,820	£8.98 Million
	<b>Total</b>	<b>18,640</b>	<b>£37.2 Million</b>

### Break Down of Claimants

Claimant type	%
Pensioners	48%
Working Age & Unemployed	35%
Working Age & in Employment	17%

### Council Tax Benefit Claims



## Appendix D

### Estimated Total Benefit Reductions on pre April 2011 claimants in Denbighshire

Benefit change	Estimated Loss
Removal of the £15 excess element to the Local Housing Allowance (LHA)	£312k
Restricting the maximum size of dwelling on which HB is payable to 4 bedrooms	£457k
Limiting the LHA rate of payments	Initial impact was £884k however due to 9 months protection and increase in rental levels this has reduced to potential £400k at current LHA rates
Increase in deductions from LHA for non dependants	Actual statistics not available due to variances within scheme, however approx. £200k
Extending the shared room rate to those single people under 35	£244k
Total Housing Benefit deductions	£1.61m
Localisation of Council Tax Benefit (CTB)	£1.66m

### Potential Loss of Council Tax Benefit by Claimant Type

Claimant Type (can be included in more than 1 group)	Number	Benefit paid	Average Annual loss per household
Children all ages in household	2,800	£2,440,000	£148.14
Children under 5 in household	1,192	£1,038,000	£148.04
Lone parents (All)	1,746	£1,380,000	£134.36
Working Lone Parents	554	£353,000	£108.32
Over 60's	5,405	£4,736,000	£148.96
Attendance Allowance / DLA	4,124	£3,732,000	£153.84