

**OVERVIEW AND SCRUTINY WELFARE  
REFORM TASK AND FINISH GROUP REPORT  
(Phase 1)**



## RECOMMENDATIONS

1. That more is done to promote the use of the Borough's Credit Union as a mechanism to encourage people to use as an alternative to payday loans and loan sharks.
2. That Green Vale Homes and the Council's Strategic Housing team develop a Rent Arrears Protocol for Vulnerable Householders in order to bring in early intervention measures. Explore the possibility of using the protocol with all Registered Providers and private landlords within the Borough.
3. That the Housing Options Team in consultation with Green Vale Homes investigate potential schemes to meet the current shortage of suitable rented property within the borough to include:
  - A scheme to encourage homeowners with large properties to rent out a spare room or portion of their property
  - Identifying other schemes that will increase the number of affordable rented properties within the borough
4. That the provision of support within Rossendale for non-priority needs homelessness is reviewed to identify what additional support or resource is required to meet this demand.
5. To ensure that even if a family is forced to move or is placed in bed and breakfast accommodation, children should wherever possible remain at the same school.
6. To work across Council departments and other partners, and continue to build upon the good work currently being undertaken by the Financial Inclusion Group to support our residents through the Welfare Reforms.
7. The Task and Finish Group ask that Lancashire County Council consider a review in six months on the impact the withdrawal of the customer service advisors may have on customers.
8. That the Task and Finish Group applaud the dedication and commitment of the Housing Options Team for their work, especially with vulnerable people.
9. That Cabinet provide a written response to the above recommendations within two months of the report being presented.

## 1. Background:

The Welfare Reform Act (2012) represents the biggest change to the welfare benefit system in 60 years. The welfare reforms are being implemented nationally, with the aim of creating a simpler and fairer system and creating the right incentives to assist more people into work. The reforms cover a whole spectrum of welfare and housing benefits and will pave the way for the introduction of Universal Credit, which will replace means-tested benefits for people of working age from October 2013.

The Welfare Reform Act (2012) also brings changes to the way benefits are currently administered by local authorities. Council Tax Benefit (CTB) has been abolished from April 2013 and all Local Authorities have had to devise and implement a new scheme for working age customers that want to claim help with Council Tax. Housing Benefit will also be gradually replaced by the introduction of Universal Credit. It also devolves key functions of the discretionary Social Fund to local authorities (Lancashire County Council).

The Welfare Reforms may be beneficial to some residents, but there are others who may experience reductions in support and increased financial hardship. Poverty is a multi-layered and complex issue and relating it to income is too simplistic. Living in poverty is more than just living on a low income; it impacts on health, housing, education and skills, self-esteem and the ability to participate in social activities and longer term life chances.

The timetable of reforms is taking place during a time when councils are seeing a reduction in local authority spending. Due to the scale of the changes, it is important to consider the potential impact on residents, voluntary and statutory services and the potential financial impact on the local economy.

The changes to the Welfare Reform will affect those of working age only. Anyone who is pension credit age will not be affected by the changes.

### 1.1 Setting the Scene

#### **Phase 1 we are looking at the following:**

- a) Council Tax Support Scheme -
- b) Under Occupancy
- c) Social Fund

These are explained individually within the report.

#### **Phase 2 we will look at the following:**

- a) Benefits Cap – from 1 September 2013, the Government is setting a limit on the amount of benefit that working age people can get. The cap will be set at £350 per week for single people and £500 per week for couples, couples with

children and single parents. The Council has identified 23 families who would be affected.

- b) Implementation of Universal Credit – From 1 October 2013 the Government will introduce a new more simplified benefit system which sees a number of benefits being replaced by a single Universal Credit.
- c) Pension Credit - is an income related benefit made up of 2 parts - Guarantee Credit and Savings Credit. As a result of the introduction of Universal Credit, customers over pension age will get help with rent through a new element of Pension Credit called Housing Credit instead of Housing Benefit.
  - Guarantee Credit tops up of weekly income if it's below £142.70 (single people) or £217.90 (couples).
  - Savings Credit is an extra payment for people who have saved some money towards their retirement, eg a pension.

## 1.2 The Process

At the first meeting an Officer from the Service Assurance Team provided information on the proposed changes and what this would mean to both the Council and its customers and this formed the basis of our review.

At following meetings the Group received evidence from the following people

- The Service Assurance Officer – who assisted the Group throughout their investigations.
- Service Assurance Officer who works with Capita, gave the Group detailed explanation of the Council Tax Collection Procedure.
- Lancashire County Council provided information on the proposals within the reform for Discretionary Social Fund currently administered by the Department of Works and Pensions, but was being replaced with discretionary local provision and administered by LCC from April 2013. This would be called the Care and Urgent Needs Support Scheme.
- A presentation was received from the Welfare Benefits Adviser, Green Vale Homes outlined the work being undertaken by GVH in preparation of the new reforms.
- The Group heard from the Health, Housing & Regeneration Manager and the Housing Strategy and Partnership Manager on the Bond Scheme and Homelessness within the Borough.
- The Group would then finalise an interim report as part of the overall review and make recommendations for consideration by Cabinet.

## 2. Local Council Tax Support Scheme

From 1st April 2013, the Government abolished Council Tax Benefit. Every Council has had to replace it with a new local scheme. This would be called Council Tax Support Scheme. The government is giving councils less money to pay for their new schemes. The cut will be 10% (approximately £600,000) of the current expenditure and will not be increased if the number of people claiming or the council tax charge goes up.

As pensioners are unaffected by the proposed changes, and make up just under 50% of the current caseload for council tax benefit; effectively the money available to support current council tax benefit recipients of working age has reduced by approximately 20%.

### Who will these changes affect?

All current working age Council Tax Benefit claimants will be affected by these changes and will see their benefit reduce. Although pensioners will move onto the new benefit, they will be protected and will not have their benefit reduced under the new scheme.

### 2.1 What this means for Rossendale

Rossendale Council went out to public consultation with their preferred scheme and other options for consideration and the following was agreed by Council in December 2012.

Option A - It is proposed that Council Tax Support be calculated as a means tested discount, defined by the terms of the existing Council Tax Benefit Scheme. Under the existing Council Tax Benefit regulations, Rossendale Borough Council doesn't count income from war pensions. It is proposed to continue with this approach under the Council Tax Support Scheme. The only proposed change to the existing scheme is identified below:

The initial Council Tax Support entitlement is calculated according to existing arrangements and then subject to a 20% reduction in order to calculate the final Council Tax support entitlement.

In effect all customers of working age will have to pay at least 20% of their Council Tax Bill (i.e. their maximum entitlement to Council). The Department for Communities and Local Government (DCLG) published details of a transitional grant scheme in mid-October 2012.

The grant is payable to Authorities who adopt schemes that comply with criteria set by Government. To apply for the grant, billing authorities must adopt schemes which ensure that:

- Those who would be entitled to 100% support under current council tax benefit arrangements pay between zero and no more than 8.5% of their net council tax liability;
- The taper rate does not increase above 25%;
- There is no sharp reduction in support for those entering work.

The Council decided to adopt these measures in order that it can receive the transitional funding. Consequently, those affected by the changes should pay no more than 8.5% of their net council tax liability in the first year. This still results however in a deficit gap to the Council of some £202,000, of which approximately 16% (£32k) in RBC and the remainder County and others.

Task and finish group members were presented with an update on the work being undertaken by the Council to minimise the impact of the reforms, and the action plan of work to help tenants adapt to the new payment regimes.

Of those who receive benefits, there are 35% (1,360) of the 3,900 working age people in the Borough who already pay partial council tax, with 65% (2,540) who previously had nothing to pay.

Court costs are £95 and a Band A would now have to pay £85. Therefore, the council tax is going to be difficult to collect and therefore, the recovery process is being reviewed to ascertain if parameters used to determine when the formal recovery process begins need changing.

Also if a person on Band A had to pay £85, and they pay this at £2 per week, looking at the council share after the preceptors (fire, health and police), the Council get 16p per week but the transactional costs would be 43p per week.

The cost of issuing reminders is part of the overall contract with Capita. The Council has agreed a contract payment with Capita for £22k for the additional work required to get the local council tax support scheme up and running.

Negotiations are on-going with Capita re the additional workload arising from the introduction of local council tax support, and at this stage it is not clear if there will be any additional costs to the council for such things as reminders, postage etc.

The Council are trialling 'text' reminders – these are not legal reminders, but this way gives the Council the opportunity to notify the customer instead of going through the reminder stages.

### 3. Under-occupancy

From 1 April 2013 there will be a reduction in housing benefit to tenants living in accommodation considered too large for them.

What do the changes mean?

The size criteria in the social rented sector will restrict housing benefit to allow for one bedroom for each person or couple living as part of the household, with the following exceptions:

- Children under 16 of same gender expected to share
- Children under 10 expected to share regardless of gender
- Disabled tenant or partner who needs non-resident overnight carer will be allowed an extra bedroom

### 3.1 Who will be affected?

All claimants who are deemed to have at least one spare bedroom will be affected, this includes:

- Separated parents who share the care of their children and who may have been allocated an extra bedroom to reflect this. Benefit rules mean that there must be a designated 'main carer' for children (who receives the extra benefit)
- Couples who use their 'spare' bedroom when recovering from an illness or operation
- Parents whose children visit but are not part of the household

Following a campaign by the National Housing Federation and Housing Associations the following concessions on under occupancy have been agreed:

- Foster carers will be allowed an additional room, whether or not they are between placements, so long as they have fostered a child, or become an approved foster carer in the last 12 months
- In relation to disabled children, local authorities should allow an extra bedroom for children who are unable to share because of their severe disability. It will be for the local authority to determine whether there is a need for an extra bedroom. It does not provide for an extra bedroom in other circumstances, for example, where the claimant is one of a couple who is unable to share a bedroom or where an extra room is required for equipment connected with their disability
- Adult children who are in the Armed Forces but who continue to live with parents will be treated as continuing to live at home, even when deployed on operations. This means that the size criteria rules will not be applied to the room normally occupied by the member of the Armed Forces if they intend to return home. In addition, Housing Benefit recipients will not be subject to a non-dependent deduction, ie the amount that those who are working are expected to contribute to the household expenses, until an adult child returns home.

### 3.2 How many will be affected in Rossendale?

- 390 claims will be affected by the changes
- 330 under occupancy by 1 bedroom (reduction of 14% of housing benefit – approximately £14)
- 60 under occupancy by 2 bedrooms (reduction of 25% of housing benefit – approximately £22)
- 350 properties that are not Greenvale but registered social landlords (RSLs)

The Council are in the process of writing to all affected customers and has collected 'bedroom' information from Registered Social Landlords. They are also speaking to Housing Associations and sharing information of occupancy details on the following:

- How many bedrooms in a property?
- How many in the household?

Last year 272 units of one or two bedroomed accommodations became available compared to the total of 390 which are affected.

Tenants are able to do a mutual exchange in certain circumstances, but generally all transfers into smaller accommodation would be via the Choiced Based Letting Scheme – BwithUs. The BwithUs Allocation Policy had already been changed to give priority to households who were affected by the change and who wanted to move to smaller accommodation.

However, this change was likely to exacerbate the existing shortage of one bed accommodation for applicants who were seeking to move into social housing. Due to recent changes to the Local Housing Allowance, which meant that under 35 year olds are only eligible for a shared room rate of housing benefit for private rented accommodation, which is approximately half of the normal rent paid for one bedroom property. There are a number of under 35s wanting 1 bedroom apartments within social housing as they cannot afford private sector accommodation.

Across the whole of Pennine Lancashire a total of 700 households had already registered to downsize.

### 3.3 Green Vale Homes - 'what has been done so far'

The Welfare Benefits Adviser from Green Vale Homes was employed to go through the list of tenants of working age, to make contact with those tenants to make sure they know how the changes would affect them, explain how much their housing benefit would reduce and help them to maximise their income.

Within Green Vale Homes there were 316 affected homes, with 51 being 2 bedroom properties that all need to be visited. Of those already visited 80% indicated they wanted to stay in their home and pay the shortfall rent, although they didn't want to be in a position that they could not control.

Initial findings were that some were no longer under-occupying as their circumstances had changed. These people need to inform the housing benefit office otherwise their housing benefit would be automatically reduced from April 2013.

Tenants who want to move to smaller property by transfer or mutual exchange can go through 'homeswapper' or move to a property provided by another housing association or private landlord.

Properties that have had major disability adaptations, and there would be no suitable property for the tenant to move to, would still be affected. Also severely disabled people who have a carer staying regularly overnight would need to inform the housing benefit office, so that a bedroom was included for the carer and not counted as 'spare'.



Green Vale Homes have been proactive with customers under the pension age (61 years) with potentially 1,400 Green Vale properties receiving housing benefit under pension age. They would only visit those on the under occupancy list.

#### 4. Housing Benefit

There are 1500 customers claiming housing benefit/getting some form of Disability Living Allowance (DLA).

Discretionary Housing Payment (DHP) provides discretionary support where a housing benefit claimant has a shortfall between their housing benefit entitlement and the rent they must pay. The scheme is funded by DWP and administered by local authorities.

For 2012/13 the budget was £17,000-£46,000 with additional funds to local authorities for customers affected by rent restrictions.

Rosendale's allocation for 2013/14 has now been agreed and increased to £118,986.

In Rosendale there has already been an increase in DHP, with a majority of these being affected by 'under occupancy'. The money cannot be provided on a long term basis, and if people cannot meet the shortfall they would need to look for cheaper accommodation.

The Council has introduced a one day budget advice service for customers affected by reductions in council tax/housing benefit, funded by transitional funds provided by the Department of Works and Pension for 3 years for managing money problems.

#### 5. Discretionary Social Fund (DSF)

At the current time this is administered by the DWP, but will be replaced with discretionary local provision, administered by Lancashire County Council.

LCC's new scheme will be called 'Care and Urgent Needs Support Scheme', which will be delivered by One Connect Limited.

Since April 2013, LCC has withdrawn all its customer service advisors from front line services throughout Lancashire and therefore there is no longer face to face contact at the one stop shop. Access to this service is by telephone claim only.

Rosendale Borough Council has decided to provide a 'free' telephone access to the claim line within the one stop shop, which has the designated numbers programmed into it. The process is that the customer rings to register their details and then LCC ring them back within 24 hours. The 'free' telephone can only be used to register their claim.

Concern was raised by Members as they felt a mechanism was needed to allow the customer to receive the 'call back' at a designated time as not everyone had access to a phone line. Members were also aware that other services no longer had face to

face contact, for example the NoW Card and Blue Badge Scheme, with libraries taking on this role in an advisory capacity.

The Government believes that it is not sustainable to increase the money it invests in the DSF and has taken steps to reduce this amount before the system is transferred in April 2013.

In Lancashire, this means an allocation of funding of £2.9million for 2013/14. The last full year's data available was from 2010/11, which indicated that in Lancashire there were around 50,000 applications and that expenditure by the DWP equated to just under £5.2m. More recent data for April to September 2011 indicates that this may reduce to 39,000 and just under £3.4m per annum

The elements of the DSF that will be replaced with local provision are:

- 5.1 Crisis Loans – these are to meet immediate needs such as, general living expenses or items needed following a disaster and entitlement is not dependent upon receipt of a benefit.  
The Council work with Community Solutions for essential items such as beds, fridges, cookers etc. No cheques are given for such goods as the items are delivered to the household with no face-to-face contact with customers.  
The turnaround for crisis loans is usually 2 days for urgent needs, whereas it used to be by giro the same day.  
If people need urgent access to cash, this is available through trans cash arrangements with a local post office.
- 5.2 Community Care Grants (CCGs) are non-repayable grants to enable vulnerable customers to live in the community and are conditional upon receipt of an income related benefit. Budgeting Loans are also part of the Social Fund, but will not transfer and will be replaced by new arrangements under Universal Credit.  
Members received information on the type of CCGs and Crisis Loan applications for Rossendale during 2011/12 as follows:
  - Total Community Care Grant spend was £124,000
  - Total Crisis Loan for living expenses spend was £66,900

These are not driven or controlled by Rossendale Borough Council.

## 6. The Bond Scheme

The aim of the scheme is to offer people who are at risk of homelessness, or those to whom the Council does not owe a full homelessness duty, another option for resolving their housing situation by helping them to secure accommodation in the private sector. The Council guarantees a sum of money (average £350) payable to the landlord if the tenant causes damage to the property.

The Housing Options Team approved 22 new bonds in the 4<sup>th</sup> quarter of 2012/13 (Jan-March 2013). This compares to 10 in Q3 (Sept-Dec 2012).

## 7. Homelessness

The Council has a duty to provide temporary accommodation in certain circumstances and in 2011/12, 12 households or single people were placed in temporary accommodation, and in 2012/13 there were 26, with a majority of these being young people.

There is a lack of affordable accommodation in the private rented sector, especially smaller units.

At the moment the Council are not seeing the full impact of the new benefit reform, as the changes will come into force from April 2013 and therefore the full effects will take some time to work through the system into homelessness, but that there had been an number of independent studies nationally that suggest that a substantial increase in homelessness will occur later.

The Housing Options Team received approaches as follow:

2011/12 - 1163 approaches

2012/13 - 1147 approaches

Projections for this year are similar. Some of the applications would change to statutory homelessness applications if the person became homeless within 28 days. If a longer period, then preventative work would be undertaken to avoid a crisis situation.

Emergency access supported housing is available for homeless young people aged between 16-25 years in Rossendale. The Council work with M3 project and No 1 Queen Street (which has 5 emergency access placements). For people over 25 years, there is temporary accommodation outside the Borough (East Lancashire).

Rough sleeping increased to 4 in 2012. In January/February 2013 there have been 2. The Council has a duty in the cold weather to place these people in temporary accommodation.

## 8. Empty Properties

There are 700 empty properties in Rossendale and of these 170 have been empty for 2 years or more. A further 120 are to be brought back into use in the next 3 years through Pennine Lancashire LinkedUp Scheme – 30 through GVHs and 90 through a social lettings agency.

Some of these properties were being used as special projects to house ex-offenders and those under probation and also as a pilot safe house project for victims of domestic abuse.

9. Conclusion

The Task and Finish Group found through its work and evidence gathering sessions that there is going to be increased pressure on Council services as a result of welfare changes, at the same time as decreasing resources across the public sector.

10. Special Thanks

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11. Looking Ahead

The changes that have been examined in this investigation are the first stage of the proposed changes to the Welfare system, culminating in the roll out of the Universal Credit from October 2013.

The Task and Finish Group will continue to look at the welfare reforms throughout 2013/14.