

 <b>Overview &amp; Scrutiny Committee</b> <b>Finance &amp; Audit Scrutiny Committee</b> <b>9 July 2013</b>		<b>Agenda Item No. 9</b>
<b>Title</b>	<b>Welfare Reforms and Discretionary Housing payments</b>	
<b>For further information about this report please contact</b>	Andrea Wyatt Benefits and Fraud Manager 01926 456831 e mail: andrea.wyatt@warwickdc.gov.uk	
<b>Wards of the District directly affected</b>	N/A	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	Executive March 2013	
<b>Background Papers</b>		

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality &amp; Sustainability Impact Assessment Undertaken</b>	No

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	27/6/13	Chris Elliott
Head of Service	27/6/13	Mike Snow/Jameel Malik
CMT	27/6/13	
Section 151 Officer	27/6/13	Mike Snow
Monitoring Officer	27/6/13	Andrew Jones
Finance	27/6/13	Andrea Wyatt
Portfolio Holder(s)	27/6/13	Andrew Mobbs Norman Vincett
<b>Consultation &amp; Community Engagement</b>		
<b>Final Decision?</b>		

## 1. **SUMMARY**

- 1.1 This report has been prepared at the request of members to provide information regarding those living in social rented accommodation who are classed as being under occupied and as a result are no longer subject to the spare room subsidy.
- 1.2 Alongside these changes, the Government increased the funding for Discretionary Housing Payments available to assist those on housing benefits. This report is to update members on how this funding has been used in the year to date.

## 2. **RECOMMENDATION**

- 2.1 The report is for information only.

## 3. **REASONS FOR THE RECOMMENDATION**

- 3.1 N/A

## 4. **POLICY FRAMEWORK**

- 4.1 The Discretionary Housing Payments Policy was updated in March 2013 so as to ensure that it continued to support the sustainable community strategy and the cross cutting themes and in particular narrowing the gaps.

## 5. **BUDGETARY FRAMEWORK**

- 5.1 Paragraphs 7.2 to 7.4 below detail the Discretionary Housing Payments funding available and how much of this has been used in the year to date. The use of this funding is being closely monitored, especially in view of the introduction of the Benefits cap shortly which is expected to result in some large applications for DHP funding.
- 5.2 In terms of the Housing Revenue Account, the additional rent that is now due from tenants with the changes in under occupation amounts to approximately £450,000. Whilst many tenants are making payment towards their rent in this respect (as referred to in paragraph 7.3), some tenants affected are now further in arrears. Whilst recovery action is being taken, there is the possibility of increased write-offs in due course which will present a cost to the HRA. The HRA Business Plan from 2013/14 has been based on assumed increased bad debt provisions.
- 5.3 Up to date Housing & Property Services data shows that the weekly loss of benefit due to under-occupation is £8,400. If none of WDC tenants paid the additional charge the potential arrears due to under-occupation by week -27/6/ending 2nd June the potential arrears due to non-occupation would be £75,500. However by 2nd June the under-occupying tenants' arrears had increased by £19,500. Therefore the percentage of tenants paying the charge based on this information is 74%.
- 5.4 There has been an increase in rent balance collected compared to the projected decrease if tenants did not pay the charge. This may be attributed to the following:-
  - the redesign of the rental income system which has lead to more customers paying their rent in advance
  - an increase focus on financial inclusion support and advice
  - customers may be affording to pay the gap in the short term
  - the payment of Discretionary Housing Payment.

5.5 The HRA Business Plan assumed a bad debt provision from 2013/14 of 2.87%. This has been increased from 0.84% budgeted in the business Plan for 2012/13 in anticipation of increased collection issues relating to the various welfare reforms.

## 6. **ALTERNATIVE OPTION(S) CONSIDERED**

6.1 As no recommendations are proposed from this report, no alternative options are considered.

## 7. **BACKGROUND**

### 7.1 **Discretionary Housing Payments**

The budget for discretionary payments was increased significantly in April 2013 by Central Government to enable the Council to provide additional assistance to those affected by the Welfare Reforms. The discretionary housing payment policy was revised and presented to members in March 2013 to reflect these changes. Members requested a further report be presented to Committee to provide an update following the first quarter of the financial year in respect of both discretionary payments and the effects of the changes to the spare room subsidy.

7.2 From the 1<sup>st</sup> April 2013 to the 28<sup>th</sup> June 2013, 233 applications for discretionary payments have been received and 102 awards have been made totalling £35,935. When considering a request for discretionary payments, details of both the actual income and expenditure of the claimant are considered together with the individual circumstances applicable in each case. Of the 87 awards which were refused, 72 were considered to have sufficient income to afford to make the up the shortfall between their rent and housing benefit payments. Others have significant capital available or their circumstances have changed since their application and no longer require additional help. The length of each award varies depending on the particular circumstances of each case. When an award ends, re-applications are not discouraged, however, we would expect some evidence of what a claimant is doing in order to help themselves.

7.3 As at the close of business on the 28th June 2013, 30 applications are waiting to be looked at and 14 applications are pending due to further information being requested to enable a decision to be made. A further tranche of applications is expected from council tenants as arrears letters are continuing to be being sent out.

7.4 The funding for Discretionary Housing payments was increased from £81,707 in 2012/13 to £168,556 in 2013/14 to help those most affected by the welfare reforms. This funding can only be used to assist claimants in receipt of housing benefit who are in difficulty meeting their rental liability.

### 7.5 **Under Occupation**

Analysis work was undertaken in 2012 to identify those who were considered to be under-occupying and therefore affected by removal of the spare room subsidy, so that both the landlords and the tenants could be notified of the reduction in their Housing Benefit. There were 1,043 households originally affected and they were all offered advice and support by both the Benefit department and their respective landlords.

Latest figures show that the number affected has reduced to 957, however this reduction is as a result of changes in household circumstances, rather than people moving to more suitable accommodation.

7.6 Early analysis undertaken by Housing and Property Services suggests that of the 611 local authority tenants currently affected, around 74% are paying the shortfall. Appendix 1 shows the percentages of council tenants affected by geographical area and the percentage of tenants who are making up the shortfall. However 74% of tenants under occupied were already in arrears prior to implementation of the charge and of the 26% not in arrears, 75% are currently making up the shortfall. Over 400 letters have sent to tenants to advise that they had accrued arrears due to under occupancy and the number now making up the shortfall is around 74%.

## **7.7 Benefits Cap**

From 15 July 2013 the Benefits Cap will be commence in this area. This is expected to affect 33 households in this area, these being:-

12	Private Sector
3	Social landlord
18	Local authority

All of these households have been contacted in respect of the cap by both the DWP and the benefits department, however some of those affected currently receive full housing benefit and they will no longer receive any help with their rent. This will place additional demand on the fund and whilst the emphasis is about helping them back to work, for some single parent families with young children this could be impractical until their children are in school.

## **7.8 Universal Credit**

Universal Credit is a single benefit that will be paid to claimants if their income falls below a certain level. Universal Credit will eventually replace most existing benefits and tax credits. So far the Universal Credit is undergoing pilots in parts of the country, replacing some welfare benefits. Eventually it will replace all welfare benefits, including housing benefit, but not council tax support (previously council tax benefit). The intention with Universal Credit will be for the new system to ensure that "work pays".

7.9 Individuals will in future receive a single monthly payment in place of all the separate benefits. This is to encourage claimants to manage their finances and budget for their expenditure, the same as those employed are expected to. In future, it will be tenants' responsibility to pay their rent to their landlord out of their Universal Credit rather than the landlord receiving this directly from the local authority. For social landlords, including local authorities, this is perceived as a significant risk to future rent recovery.

7.10 The timing of the rollout of Universal Credit to include all benefits, and across the country has yet to be confirmed by DWP. It is possible that it may not be until 2017 until the full rollout is complete. Alongside this, there is great uncertainty as to what support the new system will require from local authorities, and how this may impact upon funding. Within the Council, the change will impact not only upon the Benefits service, but also front line services, notably the One Stop shops and Customer Service Centre. The lack of information and uncertainty is creating problems for any definitive planning for these services.

## 7.11 Support for Welfare Reforms

A number of initiatives have been undertaken in order to try and assist those who are struggling. In March, housing strategy arranged an upsize / downsize event in partnership with other social housing providers to encourage tenants to "houseswap". The feedback was extremely positive and over 102 tenants attended, further analysis needs to be collated from providers to determine the success of the event, but requests have been received from tenants to host other events in Warwick and Kenilworth.

- 7.12 Support with budgeting advice is available to council tenants by dedicated financial inclusion officers working within the housing department and tenants of other providers can be referred to the Coventry and Warwickshire Development Agency. In addition tenants are encouraged to join home swapper where they can register to swap houses and increased priority is given to those who are under occupied and who register on home choice which is the Council's choice based lettings system.
- 7.13 Housing & Property Services offer one to one support to those tenants who are in financial difficulty and this includes help with applying for Discretionary Housing Payment and applying for additional benefits , along with Debt Management Advice.
- 7.14 Targeted events are being held in those areas identified as having a greater number of tenants who are not paying the charge and who are falling into rent arrears. There are also regular articles in the tenants newsletter.
- 7.15 All Council tenants affected by the changes to under occupancy have been visited by a Financial Inclusion Officer and offered one to one support to assess how we can support them into work.
- 7.16 A Welfare Reforms Group has been created comprising of officers and Finance/Housing & Property Services Portfolio Holders. The purpose of this group is:-
- To plan and prepare for the introduction of universal credit, benefit cap, council tax reduction and the existing under occupancy to ensure all aspects of the Council are ready in terms of policy and activities to an agreed timescale.
  - To raise awareness to both the Council and residents
  - To plan and implement any support activities and function to assist residents in dealing with these changes and in aiding residents in improving their individual circumstances.
  - To be aware of, and implement any changes following in national welfare policy.
- 7.17 A joint event was recently organised by Warwick District Council to bring together local DWP representatives with Warwickshire local authority benefits and economic development officers. This highlighted the good work that is on-going, and the uncertainties over Universal Credit.
- 7.18 Part of the council's overall strategy is to help local people into jobs. Initiatives here include local job clubs, some of these having been financed from S106 agreements from local developments.