

 Finance and Audit 7th February 2017		Agenda Item No. 7
Title	Welfare Reforms	
For further information about this report please contact	Andrea Wyatt ext 6831	
Wards of the District directly affected		
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number		
Background Papers		

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality Impact Assessment Undertaken	No
This is an information report only.	

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	24/01/2017	Andrew Jones
Head of Service	24/01/2017	Mike Snow
CMT	24/01/2017	Andrew Jones
Section 151 Officer	24/01/2017	Mike Snow
Monitoring Officer	24/01/2017	Andrew Jones
Finance	24/01/2017	Andrea Wyatt
Portfolio Holder(s)	24/01/2017	Peter Whiting
Consultation & Community Engagement		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
Final Decision?		Yes/No
Suggested next steps (if not final decision please set out below)		

1. **Summary**

- 1.1 This report has been prepared at the request of Finance and Audit scrutiny committee to provide an update on welfare reforms.

2. **Recommendation**

- 2.1 That the content of this report is noted.

3. **Reasons for the Recommendation**

- 3.1 This is a briefing report only and therefore there are no recommendations.

4. **Policy Framework**

4.1 **Policy Framework –**

- 4.2 **Fit for the Future** – The report is an information only report regarding the Government welfare reforms and therefore largely outside of the control of the authority. The Council can however seek to mitigate the effects of these changes through the use of discretionary payments, job clubs, budgeting support and continuing to refer to specialist agencies such as Citizens Advice.

- 4.3 **Impact Assessments** – The changes are legislative and therefore cannot be influenced by Local Government.

5. **Budgetary Framework**

- 5.1 In most cases the authority receives 100% subsidy from the Government for any Housing Benefit which is paid out, however there are a few areas such as housing benefit paid for temporary accommodation, for which reduced subsidy is received and is therefore a direct cost to the general fund.

6. **Risks**

- 6.1 As income from benefit reduces, claimants may struggle to meet their financial commitments and could ultimately put their home at risk.
- 6.2 For the Council, rent arrears and council tax arrears could increase and there could be an increase in people presenting as homeless.

7. **Alternative Option(s) considered**

- 7.1 There are no alternative options – the decision to implement changes to the welfare system are the responsibility of the Government.

8. **Background**

- 8.1 The Government prescribes how much it considers a household should be able to live on depending on their circumstances through a system of premiums and allowances in order to calculate the amount of means tested income related benefit and housing benefit a person might receive. So for example, a couple with two children would attract a couple allowance, two child premiums and prior to May 2016 a family premium. Additional premiums are granted if someone in the family is disabled or has caring responsibilities. The total

amount of these allowances and premiums form the basis of the benefit calculation, generally if a person's income is below this total, they can claim a DWP benefit to ensure they receive an income of at least this amount. Housing benefit is calculated using the same principle, so if a claimant has an income of the calculated amount or below, they will receive maximum eligible housing benefit, if they receive an income above this amount a 65% taper is applied to the difference between the calculated amount and their actual income to calculate entitlement. Claimants who are working can claim working tax credits and generally receive an income of above the calculated minimum amount. It should be noted that Housing benefit can also be reduced by the benefit cap and this is explained later in this section.

8.2 Changes to allowances and premiums

Restriction on increases

In November 2015, the Government announced that there would be no increase to working age social security benefit rates until at least the 5 April 2020. In order to achieve this, the allowances and premiums used to work out benefit entitlements have remained at the same level since April 2015.

Family premium

The following table shows the weekly allowances and premiums used in the calculation of benefit for a couple with two children.

Allowances and Premiums	Amount
Couple both over 18	£114.85
Child premium	£66.90
Child premium	£66.90
Total	£248.65

So if neither of the couple were working they could claim out of work benefits of £248.65 per week, they would also receive £34.40 child benefit per week and maximum eligible housing benefit.

Prior to May 2016, a family premium of £17.45 would have also been included in the above calculation meaning that the total out of work benefits would have been £266.10 plus £34.40 child benefit per week. This change only affects new claims made after May 2016, any continuous claims starting prior to May continue to include the premium.

Child Premium

There are currently no restrictions on the number of child premiums included in the benefit calculation, so if the couple in the above example had 3 children their income from benefits would be £315.55 per week plus child benefit of £48.10 per week and so they would qualify for maximum housing benefit. From April 2017, the Government have proposed that there will no longer be an allowance included in the benefit calculation for the 3rd or subsequent child born after 31st March 2017. This effectively restricts the maximum out of work benefit to £248.65 regardless of the number of children a claimant has. The premium will be removed for the purposes of calculation housing benefit entitlement but in the above example the claimant will still receive maximum eligible housing benefit.

Maximum housing benefit.

Private tenants

Since 2008, all new claims from private tenants have been assessed using the local housing allowance (LHA). The LHA is the maximum amount of housing benefit a person can receive and is based on the number of rooms needed for the size of the family. Two children of the opposite sex are expected to share a room up until the age of 10 and the same sex up to the age of 16 unless there is a medical reason why sharing is not possible. The shared room rate was extended from under 25's to under 35's from January 2012, and this is the maximum housing benefit a claimant under 35 can receive unless they are severely disabled. The LHA rates have not been increased since April 2015 and they are expected to remain at the current levels from April 2017.

Current weekly LHA rates.

	1 bed shared	1 bed self contained	2 beds	3 beds	4 beds
Solihull	£69.05	£116.53	£149.59	£172.60	£230.14
Warwickshire	£69.77	£119.09	£150.36	£181.80	£246.50
Coventry	£65.65	£92.05	£111.48	£128.19	£170.67

The broad rental market area (BRMA) is used to determine LHA rates and this differs from the District boundaries therefore Solihull and Coventry LHA rates apply to some of our claimants, eg Baginton is in Coventry BRMA.

LA tenants and tenants of registered providers

Prior to April 2013, the maximum housing benefit for tenants renting from the LA or a registered provider, was their total rent less any charges for ineligible services, regardless of the size of the property and the number of occupants. From April 2013, size restrictions apply in line with those which were already in place in the private sector. This reduces the maximum housing benefit by 14% where a claimant is under-occupied by one bedroom and 25% by two bedrooms. There are currently 621 claimants whose maximum housing benefit is restricted by under occupancy.

Under occupancy restrictions

	One room	Two room
LA	353	66
Registered Providers	187	15

From 1st April 2016 all LA's and registered providers were required to reduce their rents by 1% a year for 4 years.

The maximum rent is further reduced for all claimants, regardless of tenancy type, who have a non-dependant living in the property. Whilst Benefit rates have been frozen, non-dependant rates have increased each year, non-dependant deductions do not apply if a claimant or partner is in receipt of disability living allowance or personal independence payment.

Weekly Non dependant deductions – April 2016

Non dependant circumstances	Non dependant deduction
Under 25 & in receipt of a prescribed benefit.	Nil
Over 25 & in receipt of a prescribed benefit or working less than 16 hours.	£14.65
In receipt of pension credit.	£14.65
Over 18 and working over 16 hours	
• Gross income: less than £133.00	£14.65
• Gross income: £133.00 to £194.99	£33.65
• Gross income: £195.00 to £252.99	£46.20
• Gross income: £253.00 to £337.99	£75.60
• Gross income: £338.00 to £419.99	£86.10
• Gross income: £420.00 and above	£94.50

Non dependant deductions – April 2017

Non dependant circumstances	Non dependant deduction
Under 25 & in receipt of a prescribed benefit.	Nil
Over 25 & in receipt of a prescribed benefit or working less than 16 hours.	£14.65
In receipt of pension credit.	£14.65
Over 18 and working over 16 hours	
• Gross income: less than £136.00	£14.80
• Gross income: £136.00 to £199.99	£34.00
• Gross income: £200.00 to £258.99	£46.65
• Gross income: £259.00 to £345.99	£76.35
• Gross income: £346.00 to £429.99	£86.95
• Gross income: £430.00 and above	£95.45

Benefit cap – The Benefit cap was introduced in April 2013. The cap was applied to housing benefit where total income from out of work benefits exceeded £350.00 for single people and £500.00 for couples and families, from 7th November this has reduced to £257.69 per week for single people and £384.62 for couples with or without children. Some claimants are exempt from the effects of the cap, such as those with disabilities. The intention is to encourage claimants to find work for at least 16 hours and claim working tax credit so that the cap does not apply. All existing claimants were contacted prior to the cap being applied and appropriate advice was provided including details of how they could apply for discretionary housing payments. There are currently 46 capped housing benefit claims, of these 21 are local authority, 12 renting from registered landlords and 13 renting from private landlords. Amount of Benefit lost due to Benefit cap by tenure types.

Amount of Benefit lost £'s	LA tenants	Registered providers	Private tenants
0.01 to 9.99	5	1	1
10.00 to 19.99	2	0	4
20.00 to 29.99	3	2	0
30.00 to 39.99	1	2	0
40.00 to 49.99	0	3	1
50.00 to 59.99	1	1	0
60.00 to 69.99	3	0	0
70.00 to 79.99	2	0	2
80.00 to 89.99	2	1	1
90.00 to 99.99	1	0	2
100 +	1	2	2
Total	21	12	13

Affect of the Benefit cap on housing benefit.

Benefits in payment before 7th November 2016		Benefits in payment from 7th November 2016	
Income Support	£73.10	Income Support	£73.10
Child Tax Credit	£223.86	Child Tax Credit	£223.86
Child Benefit	£61.80	Child Benefit	£61.80
Housing Benefit	£140.00	Housing Benefit	£140.00
Total Benefits in pymt	£498.76	Total benefits in pymt	£498.76
Cap level	£500.00	Cap level	£384.62
Total cap to housing benefit	£0.00	Total cap to Housing Benefit	£114.14
Housing Benefit payable	£140.00	Housing Benefit payable	£25.86

Effect of Benefit Cap on WDC tenants	
No arrears	6
Reducing arrears	6
Arrears increase by less than £100	3
Arrears increase by £100 to £250	2
Arrears increase by £250 to £500	3
Arrears increased by £500+	1

Universal Credit – Universal Credit is gradually being rolled out to Job Centres across the Country and replaces income based job seekers allowance (JSA(IB)), income support, working tax credit, child tax credit, income related employment and support allowance and housing benefit. Leamington Job Centre, can currently only accept claims for Universal Credit from single claimants who would have claimed JSA(IB) with full roll out for other benefits expected from June 2018. From this date all claimants who would have claimed one or any of the benefits noted above will have to claim universal credit. Current housing benefit claims will be transferred at trigger points dictated by changes in their circumstances. The remaining caseload will be

transferred after September 2018 and further information is awaited to advise how this will be done.

Housing benefit is currently paid 4 weekly for tenants who rent from private landlords and in the majority of cases payments are made direct to the tenants, however, in some circumstances payments can be made direct to the landlord such as when a claimant is over 8 weeks in arrears. Payments to council tenants are currently paid weekly direct to their rent account. Universal Credit is paid monthly, but claimants have to wait at least 6 weeks before receiving their first payment. It is paid direct to the claimant, however in some circumstances, such as when a claimant falls into arrears, the landlord can apply to receive the payments.

All claims for Universal credit must be made online and the local authority are required to provide support for those unable to make their claim and provide budgeting support for those claimants who may struggle to manage their money. The local authority will still receive discretionary housing payment funding for claimants who have a rental liability and are struggling to pay their rent.

Discretionary housing payments

Discretionary housing payments, are additional payments which can be paid in addition to Housing Benefit, to assist claimants who are struggling to pay their rent. The authority is responsible for designing its own scheme, within the parameters prescribed by Government. In 2015/2016, we received £140,259.00 of discretionary payment funding and this increased to £167,306.00 from April 2016. Claimants are expected to provide information and evidence which supports their assertion that they are unable to meet their rental payments and generally non essential expenses are disregarded. Awards for discretionary payments are time limited, and the period over which they are awarded is dependant on their circumstances, once a claim has ended, a claimant can re-apply.

Financial Inclusion Group

The group consists of officers from Housing, Benefits, Community Partnership Team and Economic Development and is now chaired by Andrew Jones. The group meet to discuss financial inclusion and how this might drive initiatives to help our residents and how we can work with our partners to improve financial capability.