



To: Executive Councillor for Finance and Resources  
Report by: Alison Cole, Head of Revenues and Benefits  
Relevant scrutiny committee: Strategy and Resources  
Date: 20 October 2014  
Wards affected: All Wards

## **Welfare Reform Update**

Not a Key Decision

### **1. Executive summary**

1.1 This report provides an update on the progress with Welfare Reforms.

### **2. Recommendations**

The Executive Councillor is recommended:

- 2.1 To note the areas of welfare reform and their continued impact on residents of Cambridge.
- 2.2 To agree that the additional 2014/15 DWP New Burdens funding of £20,307, which was paid towards the costs of implementing welfare reform changes (and any subsequent New Burdens welfare reform payments), be ring-fenced to the Revenues and Benefits service in order to be fully utilised for the intended purpose.

### **3. Updates on key issues**

#### **Universal Credit**

- 3.1 Housing Benefit will eventually be incorporated into Universal Credit, but implementation delays mean that local authorities will now continue to administer Housing Benefit for much longer than previously anticipated.
- 3.2 From the point of introduction, new claimants for Jobseekers Allowance (income related), Income Support, Employment & Support Allowance (income related), Child Tax Credit, Working Tax Credit and Housing Benefit will claim Universal Credit.

- 3.3 The current intention is that residents will be paid directly, and will receive calendar monthly payments, in arrears, administered centrally by the DWP. Pensioners continue to be excluded from these arrangements at present.
- 3.4 In some cases an alternative payment arrangement might be available for those who genuinely cannot manage their monthly payment. This could take the form of a more frequent payment, split payment across the household or a managed payment direct to the landlord. Universal Credit will always be calculated based on a 52 week year.
- 3.5 The current intention is that Universal Credit will be fully available during 2016 with the majority of the remaining Housing Benefit caseload moving to Universal Credit during 2016/17. Local support will be available to help support claimants and will be provided through local partnerships.

### **Direct Payment Demonstration Project**

- 3.6 The DWP has published some research into the results from the first 12 months of the direct payment demonstration project initiated to identify potential impacts from direct payment of Universal Credit.
- 3.7 In order to learn lessons from the direct payment demonstration project, the DWP commissioned the Centre for Regional Economic and Social Research at Sheffield Hallam University to monitor and evaluate the projects. The evaluation began in November 2012 and will conclude later in 2014.
- 3.8 A DWP report published in May 2014 revealed that, where tenants were paying their rent, the contact, advice and collection was a very resource intensive exercise, resulting in other landlord services being compromised.
- 3.9 A further publication in June highlights the following main findings:
  - There was an overall increase in rent arrears in terms of the number of tenants in arrears and the overall level of arrears. Much of those arrears accrued in the early stages of the programme with improvements by the end of the 12 month period but not such that the arrears were re-paid and total arrears continued to rise, albeit at a slower pace.
  - The reasons tenants got into arrears remained unclear as the assessment processes that were trialled to identify those ready for direct payments and those unlikely to manage without support were not effective.

- There was some evidence to suggest that direct payment was impacting on tenants' attitudes and behaviour.
- There was also evidence to suggest a change in landlords' behaviour by changing the way they operated, including introducing new ways of working and new roles and responsibilities for their staff.
- Payment behaviour fluctuated, with tenants underpaying by different amounts and moving between underpayment, non-payment and full-payment over time.

## **Removal of Spare Room Subsidy**

- 3.10 At the end of June 2014, approximately 415 Cambridge HRA residents were affected by the under-occupation deduction, with an estimated 80% of those residents affected paying the additional rent due. It is estimated that £37,500 of arrears relate to households affected by the removal of the spare room subsidy.
- 3.11 The DWP has published an interim report on the impact of the removal of the spare room subsidy that shows that nationally just 4.5% of affected claimants have downsized and that overall rent arrears had risen by 16%.
- 3.12 In some cases, tenants have registered with Homelink, and are actively looking to downsize to a property which suits their household size in terms of this reform. DHP can be awarded to meet the additional rent payments whilst this takes place, but in certain cases where DHP is awarded due to a disability, awards are made on an annual basis with a light touch review where circumstances are known to be the same.

## **Benefit Cap**

- 3.13 The Benefit Cap, (a cap of £500 per week for families, and £350 per week for a single person), introduced from 15th July 2013, currently impacts 15 City Council tenants, based upon the cases notified to us by the Department for Work and Pensions (DWP) at the time of writing this report.

## Discretionary Housing Payment

3.14 Discretionary Housing Payments (DHP's) continue to be used to reduce or mitigate the effect of the Welfare Reforms for some customers, with 293 claimants being helped during 2013/14 for the following reasons:

- 4 Benefit cap
- 44 Local Housing Allowance
- 239 Removal of the Spare Room Subsidy
- 6 Other reasons, usually one off payments

3.15 Total amount of DHP paid for the current financial year 2014/15 is £97,819.19 with a further £44,291.41 committed for the remainder of the year.

3.16 At the same point last year, the amount spent was £66,793. However, this year we have been proactive in reviewing cases and all reviews have been carried out. This has the effect of front loading the expenditure to the early part of the financial year and we have seen only a slow increase in new claims during the year.

3.17 At a meeting of Strategy and Resources on 17 March 2014 it was agreed to transfer the additional contribution from the DCLG homelessness prevention fund that was unspent from prior years to the DHP allocation for 2014/15, which is in addition to the government contribution. The amount was £129,520 and there is a further allocation of £41,000 for 2014/15 from this DCLG funding.

3.18 For 2014/15, there have been 260 claimants who have been awarded DHP, with 73 of these awards being for the whole of the financial year. The most common reason for an award is for the removal of the Spare Room Subsidy, which accounts for 187 claimant awards so far.

3.19 Benefit Assessment, Customer Services and City Homes officers continue to be proactive in ensuring customers claim at the appropriate time.

3.20 The Council works with Cambridge & District CAB to undertake Welfare Benefit Appeals work at regular drop-in sessions at the Customer Service Centre at Mandela House, with a high number of appeals currently being for Employment and Support Allowance and Job Seekers Allowance issues. On a very positive note, there were only 10 Housing Benefit appeals submitted by Cambridge to the Tribunals Service in 2013/14.

3.21 Whilst the government has announced that DHP funding targeted at people affected by the removal of the spare room subsidy would be maintained in 2015/16, the DHP allocation for 2015/16 has not been announced and is not expected until later in the year and the overall grant could be reduced.

### **Council Tax Support**

3.22 The Welfare Reform Act 2012 abolished Council Tax Benefit as a national scheme and local authorities were instructed to prepare and implement a local scheme to replace Council Tax Benefit.

3.23 In compliance with the Local Government Finance Act 2012, the Council introduced its own local Council Tax Reduction scheme at Full Council on 9 January 2013 where it was agreed that Cambridge City Council would preserve equivalent support levels to council tax benefit, as this would support the widest group of vulnerable people in Cambridge, including families, disabled and those starting work.

3.24 Analysis of data collected by the New Policy Institute (NPI) has concluded that council tax arrears rise fastest where support is cut most.

3.25 Using DCLG figures, the NPI highlights that whilst more than £1 billion extra council tax was collected in England in 2013/2014, in-year arrears increased by £145 million. A 20% increase on 2012/13, the last year of council tax benefit.

3.26 In Cambridge, by continuing with this level of support for 2014/15, the impact of the changes on the customer and those services that support them has been greatly reduced.

3.27 It has also been recognised that the scheme does not raise a large number of small debts that are difficult and costly to recover from households that still receive an amount of support.

3.28 In recognition that there is Member support to continue with this level of support for 2015/16, officers will bring a report to Members in early 2015.

## Team Performance

### Council Tax collection

- 3.29 We continue to strive to maximise our collection rates and to reduce arrears. Authorities achieved a national average in-year council tax collection rate of 97% (a decrease of 0.4 points over 2012/13) and Cambridge exceeded this by one half of a percent and there is additional greater success to note in relation to collection rate for business rates.

In-year collection rates	Council Tax 2013/14	NNDR 2013/14
National Average	97%	97.9%
Cambridge	97.5%	99.2%

- 3.30 This performance by the teams is really encouraging given the changes that we faced with the introduction of the new council tax reduction scheme that replaced council tax benefit and the introduction of localised discounts, which were implemented to enable equivalent levels of council tax support to be preserved.

### Cambridge Local Assistance Scheme (CLAS)

- 3.31 A review has taken place by Cambridgeshire County Council, who administers the scheme, looking at its effectiveness to date along with the future of the scheme when central government funding ceases from April 2015.
- 3.32 The scheme started in April 2013 and after an initial slow start awards have significantly helped many vulnerable people within the county. The budget for the 2014/15 financial year is £750k and is likely to be overspent unless changes are made in year.
- 3.33 Referrals are made via referring agents as these agents have the required knowledge of the background surrounding the needs of the individuals.
- 3.34 By the end of the first year, 775 applications were received, of which 28.13% were for city residents. Over 93% of applications were successful with over 72% of awards being for white goods such as cookers, fridges, washing machines etc. Awards are made using a voucher scheme and do not offer cash.

- 3.35 The review has concluded that the scheme is meeting its aims and is an effective tool in helping those in crisis.
- 3.36 The challenge going forward is that the recent review demonstrated that there is a need for a local welfare assistance scheme, but current spending on the scheme is exceeding £750k pa and more significantly there is an intention by central government to withdraw funding from April 2015.
- 3.37 Options that are being considered by Cambridge County Council include limiting future awards with probably just two possibilities; to cease altogether from next year or to significantly reduce the awards and seek support from the already stretched voluntary sector.
- 3.38 However, it is understood that as a result of a recent judicial review challenge (*R(Christian Jump) v (1) Secretary of State for Work and Pensions and (2) Secretary of State for Communities and Local Government CO/1838/2014*) the Government has agreed to reconsider its decision to cease funding for local welfare provision.
- 3.39 The Order requires the DWP, DCLG and the Treasury to:
1. Complete the ongoing review of local welfare provision;
  2. Conduct an “appropriate” consultation;
  3. Consider the impact on equality and discrimination; and
  4. Make a new decision on funding for local welfare provision for 2015/16.
- 3.40 The above steps must be completed by the time of the provisional local finance settlement (i.e. by December 2014).
- 3.41 Officers will continue to work with Cambridgeshire County Council to explore options for the future of CLAS.

### **DWP New Burdens funding**

- 3.42 Each year the Council receive a subsidy grant from central Government towards the cost of administering Housing Benefit and Council Tax Support. In addition to this the Government has provided New Burdens funding to assist with the cost of implementing welfare reform changes.
- 3.43 Whilst the New Burdens funding is not ring-fenced, the Department has indicated that the funding is intended to meet the costs arising from welfare reform changes, including:

- changes to Local Housing Allowance (LHA) (including the move to an annual up-rating cycle and changes to the shared accommodation rate)
- the Removal of the Spare Room Subsidy (RSRS) (including the unintended exemption for certain pre-1996 cases)
- the benefit cap

3.44 The New Burdens funding referred to in the report is intended primarily to meet the costs of administering additional applications for Discretionary Housing Payments and for ongoing communications with claimants to help them consider their options.

3.45 Additionally, it is intended for software costs such as the costs of the reporting measures being introduced to monitor how DHPs are supporting people affected by the welfare reforms, along with IT costs of enhancements to Single Housing Benefit Extract reporting. These costs can be the largest share of funding paid under the new burdens doctrine and are agreed by the DWP with software suppliers.

3.46 The funding is also intended to cover the costs of the additional unintended consequences due to the exemption for certain pre-1996 cases from the spare room subsidy removal and the Local Housing Allowance changes and benefit cap implementation costs.

3.47 This report seeks approval to ring fence the New Burdens welfare reform changes funding (along with any subsequent payments for the same purpose) to the Revenues and Benefits service.

## **4. Implications**

### **Financial Implications**

4.1 The 2013/14 government contribution for Cambridge was £182,340 and a total of £190,545 DHP was paid.

4.2 The 2014/15 government contribution for Cambridge City is £182,516 and the overall limit is £456,290.

### **Equality and Poverty Implications**

4.3 The Equality Impact Assessments (EqIA) for Council Tax Support and Discretionary Housing Payment will be reviewed after the end of the financial year.



## **Environmental Implications**

4.4 There are no environmental implications from this proposal.

## **Procurement**

4.5 There are no additional procurement implications from this proposal.

## **Consultation and communication**

4.6 No consultation required.

## **Community Safety**

4.7 There are no additional implications from this proposal.

## **5. Background papers**

None

## **6. Appendices**

None

## **7. Inspection of papers**

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