
UPDATE ON THE IMPACT OF WELFARE REFORMS

SUMMARY REPORT

Purpose of the Report

1. This report gives an update on changes to welfare benefits and Council Tax reliefs administered by the Council that have been implemented since April 2013 and their impact on Council services and residents.

Summary

2. A number of significant changes to welfare benefits and Council Tax reliefs administered by the Council were introduced from April 2013. These include:
 - (a) Introduction of a new local Council Tax Support (CTS) scheme to replace Council Tax Benefit (CTB)
 - (b) Introduction of a new local Council Tax empty property discount to replace certain empty property exemptions
 - (c) Introduction of a new empty property premium for long-term empty properties
 - (d) Introduction of a new local Social Fund scheme to replace certain aspects of the national Social Fund, which transferred from the Department for Work and Pensions (DWP)
 - (e) Introduction of a Housing Benefit size criteria restriction (under-occupancy rules) to tenants in the Social Rented Sector.
3. In addition, from July 2013 a Benefit Cap was introduced on the overall amount households can receive in Benefits and Tax Credits.

Recommendation

4. It is recommended that :-
 - (a) The Committee note the contents of this report and consider what further action can be taken to address the impacts of the welfare reforms.

Paul Wildsmith, Director of Resources

Background Papers

No Background papers were used in the preparation of this report
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S17 Crime and Disorder	There are no issues this report needs to address
Health and Well Being	The reduction in welfare benefits may be having an adverse impact on the health and well-being of low income groups
Carbon Impact	There are no issues this report needs to address
Diversity	Low income groups in receipt of benefits may be adversely affected by these changes
Wards Affected	All wards are affected, but in particular those with higher numbers of people claiming benefit
Groups Affected	Anyone on low incomes and claiming welfare benefits
Budget and Policy Framework	The issues contained within this report do not represent change to Council budget or the Council's policy framework.
Key Decision	This is not a key decision
Urgent Decision	For the purpose of the 'Call-in' procedure this does not represent an urgent decision
One Darlington: Perfectly Placed	This report has implications for the 'Healthy Darlington' and 'Prosperous Darlington' themes of the Sustainable Community Strategy.
Efficiency	The reforms to welfare benefits and Council Tax represent a significant financial challenge to the Council and other precepting authorities.

MAIN REPORT

Information and Analysis

Council Tax Support

5. From April 2013, the Government replaced the national CTB scheme with new local CTS schemes, designed and administered by local authorities. Grants are paid to local authorities to fund the new scheme, but the overall amount has been cut by 10% from projected expenditure levels.
6. The Council were required to design and publish a new scheme by 31st January 2013, in time to implement for annual Council Tax billing in 2013/2014. A full public consultation exercise and an equality impact assessment were undertaken on the proposed scheme.
7. On 24th January 2013, members approved the CTS scheme for 2013/2014, which included a 20% reduction in the amount of Council Tax relief available for working age people on low incomes. Pensioners are protected from any cuts under a national set of regulations. This meant that approximately 6,900 working age households liable to pay Council Tax would be affected, many of whom would be paying Council Tax for the first time.
8. It is the responsibility of the Council Tax payer, including those in receipt of CTS, to pay their Council Tax on time.
9. The position as at 31st July 2013 is as follows:
 - (a) The number of households in Darlington receiving CTS is 11,622 (by comparison the total number of households in Darlington receiving CTB in July 2012 was 12,192). As the CTS scheme is less generous than CTB, a number of people receiving small amounts of benefit have lost entitlement altogether.
 - (b) Included in the 11,622 households are 3,030 receiving full CTS with no Council Tax to pay. These will all be pensioner households where their CTS has been calculated on 100% of their Council Tax liability, and they are on a low enough income, such as Pension Credit (Guarantee Credit), to qualify for full CTS.
 - (c) The remaining 8,592 households will be:
 - (i) 6,589 working age households in receipt of CTS, as their benefit is calculated based on 80% of their Council Tax liability. This means that everyone will have to pay at least 20% of their Council Tax, and
 - (ii) The remaining pensioner households who will have their CTS calculated on 100% of their Council Tax liability, but do not qualify for full CTS due to their income, capital or other personal circumstances.
 - (d) For the 8,592 households where there is a net liability to pay Council Tax:
 - (i) 978 have paid their Council Tax in full.
 - (ii) 5,956 have made some payments towards their Council Tax.
 - (iii) 1,658 have not made any payment towards their Council Tax.
 - (e) From April 2013 to July 2013, 4,122 summonses have been issued for non-payment of Council Tax. This includes 2,013 accounts where CTS has been

- awarded. The remaining 2,109 summonses relate to non-CTS accounts. In comparison for April 2012 to July 2012, 2,158 summonses were issued in total.
- (f) As at 31st July 2013, the total net Council Tax liability in 2013/2014 for accounts where CTS has been awarded is £2,361,914. A total of £784,577 has been collected, representing a collection rate of 33.22%. This compares to an overall Council Tax collection rate of 35.86%.

10. Where a person has been summonsed for non-payment of Council Tax and a liability order has been obtained, the standard £80 costs will apply. However, for people in receipt of CTS, particularly those paying Council Tax for the first time, the Council will consider withdrawing these costs where the person makes a suitable arrangement to pay.
11. If the Council Tax payer does not to make a suitable payment arrangement with the Council, the Council will seek to recover the outstanding amount by deductions from their DWP benefits, or via an attachment of earnings, whichever is appropriate. Where the amount cannot be recovered by either method, then the Council will consider referring the debt to the Council's contracted bailiffs.
12. Additional staffing resource has been created to undertake the additional recovery work as a result of the introduction of the CTS scheme.

Council Tax empty property discount and premium

13. From April 2013, the Government made a number of changes to Council Tax empty property discounts and exemptions as part of the Local Government Finance Act 2012. These changes included:
- (a) Abolishing the class A (unoccupied properties undergoing major repair) and class C (unoccupied properties) exemptions
 - (b) Allowing billing authorities to set their own empty property discounts
 - (c) Allowing billing authorities the discretion to set discounts for second homes
 - (d) Allowing billing authorities the discretion to set a premium for long-term empty properties.
14. On 24th January 2013, members approved the following changes:
- (a) Setting a 100% empty property discount for a maximum period of one month from the date the property first became empty
 - (b) Reducing the discount for second homes to 0%
 - (c) Introducing a 50% premium for properties which have been empty for 2 years or more.
15. These changes were introduced to help reduce the number of empty properties and encourage property owners to bring them back into use as soon as possible. The changes were projected to generate additional income for the Council of £645,000 in 2013/2014.
16. The position as at 31st July 2013 is as follows:

- (a) The amount awarded in empty property discounts is £83,986 (plus £56,331 in backdated class A and class C exemptions). This compares to £840,037 awarded in class A and class C exemptions for the same period in 2012.
 - (b) The amount awarded in second homes discounts is £170 (backdated awards). This compares to £20,082 for the same period in 2012.
 - (c) The additional amount charged for the empty property premium is £106,091. The number of properties affected by this charge is 193.
17. Reducing empty homes, especially long term empty homes remains a firm priority for the council. Those priced at an affordable level and those returned to use as private rented properties provides greatly needed homes at a time of housing need. The council can also increase its income by reducing empty homes and collecting higher levels of New Homes Bonus. This is paid to councils who can demonstrate that they reduce their levels of empty homes by a net amount year on year.
18. However, the Council will seek evidence where a long- term empty property has been declared as occupied. A number of cases have been investigated since April 2013 where the owner has declared their empty property (where an empty property premium applies) is occupied and a visit has confirmed that the property is in fact still empty.

Social Fund

19. From April 2013 the Government made a number of changes to the national Social Fund scheme administered by the DWP. These included abolishing the Crisis Loan and Community Care Grant elements of the Social Fund and transferring responsibility for these to local authorities.
20. On 6th November 2012 members approved a local Social Fund policy, which provided for:
- (a) Crisis Support, which aims to prevent an immediate deterioration to an applicant's health by providing short-term access to food, gas and electric top-ups, clothing and baby consumables, such as nappies and milk
 - (b) Community Care Support, which aims to help applicants remain in the community or move back into the community after a period in supported or unsettled accommodation. It does this by providing access to a range of standard items such as beds, bedding, furniture and white goods.
21. In addition, the Social Fund Policy sets out qualifying criteria for the people who could access the scheme, given the limited funds available and made it clear that cash or payments into people's bank accounts would not be made.
22. The Social Fund is administered by the Revenues and Benefits service and access to Crisis Support can be made by telephone or face to face applications at the Town Hall. Community Care Support applications are made by e-form via the internet and support is available for applicants.

23. The position for **Crisis Support** for the period April to July 2013, is as follows:

- (a) 577 applications were received.
 - (i) 329 applications were successful where an award has been made.
 - (ii) 248 applications were unsuccessful.
- (b) Awards include:
 - (i) 261 vouchers for the food bank operated by the Kings Church
 - (ii) 173 top-ups to gas and electricity meter cards
 - (iii) 49 clothing vouchers
 - (iv) 22 vouchers for baby consumables
 - (v) 5 taxis arranged for emergency travel
- (c) Applications were refused for the following reasons:
 - (i) The applicant didn't meet the qualifying criteria within the Social Fund Policy
 - (ii) The applicant was eligible for support provided by the DWP in the form of budgeting loans or short-term advances on benefit claims
 - (iii) The applicant requested cash or other items not available through the Social Fund scheme.
- (d) Where the applicant is unsuccessful, advice and information will be given by staff on any other support that is available.

24. One of the key issues since April 2013 for the Council in operating Crisis Support has been the number of people incorrectly signposted to the Council by the DWP. These are people who qualify for a short-term advance or budgeting loan from the DWP and at one point represented 90% of all unsuccessful applicants. This problem has been identified as a national issue and has been addressed by the DWP through better scripting and training for front-line staff. However, whilst the situation has improved, the Council is still working with the DWP on addressing the issue of incorrectly signposted customers.

25. The position for **Community Care Support** for the period April to July 2013, is as follows:

- (a) 142 applications were received.
 - (i) 112 applications were successful where an award has been made.
 - (ii) 30 applications were unsuccessful.
- (b) Assistance is available through:
 - (i) Recycled furniture schemes operated by the Kings Church and FRADE
 - (ii) New furniture and furnishing packages, including carpets, curtains, bedding and kitchen utensils
 - (iii) New white goods packages
 - (iv) Assistance with removal costs
- (c) Awards include:
 - (i) 94 beds and cots
 - (ii) 68 sofas and armchairs
 - (iii) 35 cookers
 - (iv) 89 fridges and freezers
 - (v) 50 washing machines
 - (vi) 10 people assisted with removals

26. Feedback from customers and referral agencies has been on the whole positive.
- (a) Feedback from Family Help stated that families were moving out of the women's refuge quicker, due in part to the furniture packages being made available through the Social Fund and that the applications were being processed quickly.
 - (b) Similar comments have been made from referral agencies about the speed of the delivery of household items for individuals moving on from short term accommodation. It was felt that the current system was much more efficient and effective in addressing actual needs.
 - (c) The provision for specialist provider referrals has been very well received.
 - (d) Feedback obtained from a very vulnerable man who was residing in a homeless hostel. His presenting need to the Social Fund was for clothing and he expressed his initial dissatisfaction that cash was no longer available and that there were restrictions on the usage of the voucher card awarded. However, he did fully acknowledge that without this restriction he would have never actually purchased the clothes he required and his needs would have remained unmet, once he had obtained his clothing with the card, he was very pleased that this restriction was in place.
27. There have been some negative comments received about the Social Fund. Most of these have been from people requesting cash payments for Crisis Support, as this was previously available from the Crisis Loan service operated by the DWP.
28. There have also been some negative comments about the contents of the food parcels provided by the food bank and the limited scope to make a meal from some of the components of the parcel. These concerns have been fairly isolated and tend to reflect the expectations of some customers using this service, given that only basic emergency provisions are supplied.

Social Rented Sector Size Criteria (under-occupancy rules)

29. From April 2013 the Government introduced a size criteria for Social Rented Sector tenants claiming Housing Benefit. The change only affects working age people renting from the Council or a registered Housing Association. Pensioners are not affected by this change.
30. Those people considered to be under-occupying their accommodation have seen a reduction in their Housing Benefit as follows:
- (a) 14% for one spare bedroom
 - (b) 25% for two or more spare bedrooms
31. As well as pensioners, there are some exceptions to the under-occupancy rules including:
- (a) Disabled children who are unable to share a bedroom
 - (b) Spare rooms being used for foster children
 - (c) Spare rooms being used by non-resident carers

- (d) Spare rooms for non-dependant adults who are serving in the armed forces and who are away on operations.

32. The options available to people affected by the reduction in Housing Benefit are to:

- (a) Pay the shortfall in rent or ask family members to contribute
- (b) Move to more appropriately sized accommodation
- (c) Take in a lodger
- (d) Move into work or increase the number of hours worked

33. The position as at July 2013 is as follows:

- (a) 271 Housing Association tenants are affected by the under-occupancy rules in Darlington.
- (b) 618 Council tenants are affected by the under-occupancy rules in Darlington. Housing Services have attempted to visit all affected tenants, however 253 tenants have not responded to multiple attempts to contact them.
- (c) 98 Council tenants who have been contacted have applied for a transfer.
- (d) The number of Council tenants who are seeking a mutual exchange has noticeably increased. There were 21 mutual exchanges in April 2013 however numbers have begun to return to usual levels since then.
- (e) The under-occupancy rules have had a limited impact on Council tenant rent arrears so far, but the effect is likely to be accumulative. As at the end of June 2013, 398 tenants affected by the under-occupancy rules were in arrears with their rent totalling £90,770 although this includes arrears from before the introduction of the under-occupancy rules.

Benefit Cap

34. From 15th July 2013 the Government has introduced an overall benefit cap on the total amount of benefits to which working age people can be entitled. The level of the cap is:

- (a) £350 each week for single adults
- (b) £500 each week for couples (with or without children) and lone parents

35. Pensioners are not affected by the benefit cap. In addition, the cap won't apply where a member of the household qualifies for:

- (a) Working Tax Credit
- (b) Disability Living Allowance
- (c) Personal Independence Payment
- (d) Attendance Allowance
- (e) Industrial Injuries Benefits
- (f) Employment and Support Allowance (if it includes the support component)
- (g) Armed Forces Compensation Scheme Payments
- (h) Armed Forces Independence Payment
- (i) War Widows and War Disablement Pension

36. The DWP notify the Council of households affected by the benefit cap and the Council will apply the cap by reducing the amount of Housing Benefit.
37. 29 households will be affected by the benefit cap in Darlington and the amount of reduced benefit ranges from £4.05 to £149.50 each week. People affected by the benefit cap have been informed of the decision and an invitation to claim Discretionary Housing Payments (see below) included.

Discretionary Housing Payments (DHP)

38. DHP is a scheme, which aims to provide people receiving Housing Benefit with further financial assistance with their housing costs. The scheme is funded by a cash limited grant from the DWP.
39. From April 2013 the amount of DHP grant available to Councils has increased significantly to take into account the impact of the welfare reforms. In Darlington, the amount has increased from £101,761 in 2012/13 to £224,185 in 2013/14.
40. On 7th May 2013 members approved a new DHP policy, which set out the priority for awards. In particular, priority is given to those people who have been adversely affected by the welfare reforms, although each application is dealt with on its own individual merits.
41. The position as at 31st July 2013 is as follows:
 - (a) Between April and July 2013, 291 DHP applications have been received. This compares to 146 applications received for the same period in 2012 (a 99% increase in applications).
 - (b) 217 DHP awards have been made and amounts range between £2.80 and £122.63 each week.
 - (c) The period of the DHP awards are for anything up to 52 weeks, depending on the circumstances of each case.
 - (d) The overall expenditure between April and July 2013 is £48,176. This compares to £22,866 for the same period in 2012 (a 111% increase in awards).
 - (e) Unsuccessful DHP applications have mainly been due to the applicant having sufficient income or capital to meet their shortfall in rent, or not providing sufficient supporting evidence of their circumstances, such as debts etc.
 - (f) Included in the DHP awards made between April to July 2013 are the following:
 - (i) 100 awards made to Council and Housing Association tenants affected by the under-occupancy rules
 - (ii) 31 single people in privately rented accommodation affected by the Local Housing Allowance (LHA) restrictions for people under the age of 35.
 - (iii) 15 single pregnant females under 35 in privately rented accommodation affected by a LHA restriction.
 - (iv) 51 other people in privately rented accommodation affected by a LHA restriction.
42. DHPs are available to people affected by the benefit cap and we will continue to work with key internal and external partners to identify potential applicants affected

by the under-occupancy rules, particularly:

- (a) Tenants falling into rent arrears
- (b) Tenants waiting to move to more suitable alternative accommodation
- (c) Tenants where a household member is approaching a significant birthday, where the under-occupancy rules will no longer apply.

43. The aim is to maximise DHP expenditure for affected residents where possible, as any unspent grant has to be returned to the DWP at the end of the year. However, the Council also has to ensure that there are sufficient funds available to assist residents up to 31st March 2014.