
WELFARE REFORMS AND UNIVERSAL CREDIT

SUMMARY REPORT

Purpose of the Report

1. To provide an update on the Government's welfare reforms, the implementation of Universal Credit and the potential impact on residents and Council services.

Summary

2. A number of significant reforms to welfare benefits have been implemented since April 2013, and further reforms are proposed for 2015-16 onwards.
3. Universal Credit will replace a number of existing means tested benefits for working age people, including Housing Benefit administered by the Council.
4. Universal Credit began roll out in Darlington on 23 November 2015. However, the numbers initially expected to claim UC in Darlington will be low, with full rollout of UC not expected to be completed until 2021.
5. The Council has undertaken a number of actions in the preparation for the implementation of UC, including signing a Partnership Delivery Agreement with the DWP, to enable residents receiving UC to access personal budgeting support.

Recommendation

6. It is recommended that Scrutiny Members note the contents of this report.

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Director of Neighbourhood Services and Resources

Background Papers

No background papers were used in the preparation of this report.

Anthony Sandys: Extension 6926

MAIN REPORT

Information and Analysis

Welfare Reforms – Current Impacts

Council Tax Support

7. From April 2013, the Government replaced the national Council Tax Benefit scheme with new local Council Tax Support (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 over 10% from previous expenditure levels.
8. Since 2013, the CTS scheme has included a 20% reduction in the amount of Council Tax relief available for working age people on low incomes. This reduction for working age people will continue in 2016-17. Pensioners are protected from any cuts under a national set of regulations.
9. Table 1 below provides details of the number of Darlington household receiving CTS and the overall expenditure each year. Table 2 summarises the Council Tax collection rates in Darlington for people receiving CTS.

Table 1: Number of people receiving CTS and expenditure

Year	Number of pensioners	Number of working aged	Total number of CTS recipients	Total CTS expenditure (£m)
2013-14	4,914	6,445	11,359	7.568
2014-15	4,688	6,252	10,940	7.391
2015-16 (to November 2015)	4,525	6,273	10,798	7.402

Table 2: Council Tax collection rates for people receiving CTS (as at November 2015)

Year	Council Tax liability (£m)	Council Tax collected (£m)	Council Tax outstanding (£m)	Percentage collected
2013-14	2.371	2.098	0.273	88.49%
2014-15	2.441	1.988	0.453	81.44%
2015-16 (to November 2015)	2.378	1.452	0.926	61.06%

Social Fund

10. 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.

11. Since 2013, the Council has operated a local Social Fund scheme, offering:
 - (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, and
 - (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.
12. The table below summarises the number and value of Social Fund awards since the scheme began.

Table 3: The number and value of Social Fund awards

Scheme / year	Applications	Awards	Value of awards (£,000)
Crisis Support			
2013-14	2,055	1,370	75.47
2014-15	1,646	1,172	73.70
2015-16 (to November 2015)	842	654	31.14
Community Care Support			
2013-14	528	423	261.29
2014-15	639	394	238.13
2015-16 (to November 2015)	378	239	79.33

Social Rented Sector Size Criteria

13. From April 2013 the Government introduced a size criteria for social rented sector tenants claiming Housing Benefit (also referred to as the "bedroom tax" or "removal of the spare room subsidy"). The change only affects working age people renting from the Council or a registered Housing Association. Pensioners are not affected by this change.
14. Those people considered to be under-occupying their accommodation have had their Housing Benefit reduced as follows:
 - (a) 14% for one spare bedroom
 - (b) 25% for two or more spare bedrooms
15. 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.

16. The table below summarises the number of tenants affected since the criteria was introduced and the amount of Discretionary Housing Payments made to affected tenants.

Table 4: The number of tenants affected by the Social Rented Sector Size Criteria and the amount of Discretionary Housing Payments made to affected tenants.

Year	Council tenants affected	Housing Association tenants affected	Total Social Sector tenants affected	Discretionary Housing Payments made (£,000)
2013-14	545	264	809	107.9
2014-15	494	198	692	86.1
2015-16 (at November 2015)	466	226	692	29.1

Benefit Cap

17. From 15th July 2013 the Government 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 currently:

- (a) £350 each week for single adults (or £18,200 annually)
- (b) £500 each week for couples (with or without children) and lone parents (or £26,000 annually)

18. 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

19. The DWP notifies the Council of households affected by the benefit cap and the Council applies the cap by reducing the amount of Housing Benefit. People receiving Universal Credit from the DWP (see below) will have their Universal Credit award reduced.

20. The table below summarises the number of households affected since the benefit cap was introduced and the amount of Discretionary Housing Payments made to

affected households. The Benefit Cap currently affects most households with 5 or more children, unless one of the exemptions applies.

Table 5: The number of households affected by the Benefit Cap and the amount of Discretionary Housing Payments made to affected households.

Year	Households affected	Discretionary Housing Payments made (£,000)
2013-14	21	7.3
2014-15	32	3.1
2015-16 (at November 2015)	24	1.8

Welfare Reforms – changes from 2016

Summer Budget 2015

21. Working age benefits rates will be frozen for the next four years from April 2016. This does not include certain disability benefits, such as Disability Living Allowance and Personal Independence Payment, but does include Housing Benefit. The CTS scheme for 2016-17, approved by Council in November 2015, also includes this change. This change will only affect approximately 18% of all Housing Benefit and CTS recipients as most are either pensioners (42%) or already receiving maximum entitlement to benefit (40%).
22. Local Housing Allowance rates for Housing Benefit recipients in privately rented accommodation will also be frozen for the next four years from April 2016 (see table 5 below).
23. The Family Premium will be removed from new claims for Housing Benefit from May 2016 and from existing claims for Housing Benefit where the Family Premium would have applied because of a change of circumstances from the same date (for example where the first child is born on or after May 2016). Existing Housing Benefit claims where the Family Premium is already received will be unaffected, unless they have a change in their circumstances. The CTS scheme for 2016-17 also includes this change. This change will only affect approximately 4% of all Housing Benefit and CTS recipients.
24. The period by which a claim for Housing Benefit can be backdated will be limited to one month from April 2016. The current rules allow Housing Benefit to be backdated for a maximum period of 6 months, where good cause is shown for failing to make a claim earlier. The CTS scheme already has a maximum backdating rule of one month.
25. The Benefit Cap will be reduced from £26,000 annually to £20,000 (for couples, families and lone parents) and from £18,200 annually to £13,400 (for single people). It is expected that this change will be introduced between October 2016 and March 2017. The DWP are responsible for identifying households affected by

the Benefit Cap and will notify the Council on an individual basis, for those people receiving Housing Benefit. People in receipt of Universal Credit from the DWP will have their Universal Credit award reduced.

26. At this stage we have identified that the number of households in Darlington that will be affected by the reduced Benefit Cap will increase from 24 to around 200. This will affect most households with 3 or more children, unless one of the exemptions applies.
27. From April 2017, new claimants of Employment and Support Allowance (ESA) who are placed in the work-related activity group will receive the same rate of benefit as those claiming Jobseekers Allowance and the equivalent in Universal Credit. Existing ESA claimants will be unaffected by the change.
28. Families with a third or subsequent child after April 2017 will not receive additional Tax Credits, Housing Benefit or Universal Credit for this child. Those starting a family after April 2017 will no longer be eligible for the Family Element in Tax Credits, nor will new births or new claims be eligible for the first child premium in Universal Credit.
29. From April 2017, the Housing Costs element for new claims to Universal Credit will be removed for 18 to 21 year olds who are out of work. However, there are likely to be some exemptions to this change for vulnerable young people. These may include, care leavers, people in supported accommodation and people who have responsibility for a child.

Autumn Statement 2015

30. From April 2016, the basic State Pension will be increased to £119.30 each week, in line with the 'triple lock' guarantee. The new single tier basic State Pension will be increased to £155.65 each week.
31. From April 2016, the single rate of the standard minimum guarantee under State Pension Credit will be increased by £4.40 each week to £155.60. The couple rate will increase by £6.70 each week to £237.55. The Pension Credit awards for those currently receiving Savings Credit will be frozen where income is unchanged. The Savings Credit threshold for single people will increase to £133.82 each week for a single pensioner and to £212.97 for a couple. This will reduce the single rate of Savings Credit maximum by £1.75 each week to £13.07 and the couple rate by £2.68 each week to £14.75.
32. From April 2016, the income increase disregard in Working Tax Credit will be reduced from £5,000 annually to £2,500. Other changes to Working Tax Credits announced in the Summer Budget were reversed in the Autumn Statement.
33. From April 2016 the Universal Credit minimum income floor for the self-employed will be uprated in line with the national living wage, instead of the national minimum wage.
34. For new social sector tenancies signed after April 2016, Housing Benefit entitlement will be capped to Local Housing Allowance levels from April 2018,

which are the rates used to pay Housing Benefit to people in the privately rented sector. This will include the shared accommodation rate for single people under 35 who do not have dependent children. Table 6 below shows the current Local Housing Allowance rates for Darlington.

Table 6: Current Local Housing Allowance Rates for Darlington

Local Housing Allowance rate	Maximum weekly amount
<ul style="list-style-type: none"> • Single people or couples in shared accommodation • Single people under 35 	£59.28
<ul style="list-style-type: none"> • Couples in self-contained accommodation • Single people in self-contained accommodation aged 35 and over 	£75.00
<ul style="list-style-type: none"> • Households who need 2 bedrooms 	£90.90
<ul style="list-style-type: none"> • Households who need 3 bedrooms 	£107.11
<ul style="list-style-type: none"> • Households who need 4 or more bedrooms 	£149.17

35. From April 2016, Housing Benefit and Pension Credit payments will be limited for a maximum of 4 weeks for people who are outside of Great Britain. The current rules allow Housing Benefit and Pension Credit payments to be paid for people who are abroad under the temporary absence rules for a maximum of 13 weeks.
36. Additional Discretionary Housing Payment funding will be made available to Councils, to enable them to top-up payments of Housing Benefit and Universal Credit, to help meet shortfalls in rent. There are no details yet as to how much will be paid. The funding available for 2015/16 is £150,935.
37. From April 2017, the management fee for temporary accommodation that is payable with Housing Benefit, will be removed for those households placed in temporary accommodation. Councils will instead be given funding directly, to enable them to manage temporary accommodation and homelessness pressures as they see fit. There are no details yet as to the amounts that will be paid or the administration arrangements.

Universal Credit

38. Universal Credit (UC) will replace six existing means tested (legacy) benefits currently administered by the Department for Work and Pensions (DWP), Her Majesty's Revenues and Customs (HMRC) and Local Authorities. These are:
 - (a) Income based Jobseekers Allowance
 - (b) Income Related Employment and Support Allowance
 - (c) Income Support
 - (d) Housing Benefit
 - (e) Child Tax Credit

(f) Working Tax Credit

39. The key features of UC are as follows:

- (a) It only applies to working aged people. It does not apply to people who have reached the qualifying age for state Pension Credit, who will continue to claim Housing Benefit.
- (b) UC will include a housing costs element, which replaces the amount currently paid via Housing Benefit.
- (c) People in supported housing will be able to claim UC, but will continue to have their housing costs met by Housing Benefit.
- (d) There will be one single award of UC for each household (currently one person can claim Housing Benefit, for example, and their partner can claim Tax Credits).
- (e) UC will be paid monthly in arrears. There will also be a seven day waiting period before entitlement to UC begins.
- (f) UC can be awarded to people in work and out of work. The idea is to make the transition into work as easy as possible, with no reclaiming of benefits or rules about the number of hours worked.
- (g) UC will be claimed on-line (in most cases). The claimant will then have to attend the Job Centre to sign their claim and agree a claimant commitment. Failure to comply with the work-related part of the claimant commitment may result in a sanction.
- (h) UC will be administered by the DWP, but recipients will still have to claim Council Tax Support separately from the Council.
- (i) The Council will still operate a Discretionary Housing Payment scheme to top-up payments of Housing Benefit and UC to those experiencing shortfalls in their rent.
- (j) Once a person claims UC, they cannot go back onto one of the legacy benefits unless they move into supported housing or reach the qualifying age for state Pension Credit.

40. UC was due to commence roll-out in October 2013, but the timescales have been changed. Since June 2014, there has been a slow roll-out of simple cases:

- (a) All Job Centres in the North West of England have been live with UC since January 2015.
- (b) This only applies to single claimants who would otherwise have made a new claim for Jobseekers Allowance, although there are some exceptions (see **Appendix 1**).

- (c) Couples and families can claim from some Job Centres.
- (d) At November 2015, 70% of all Job Centres were handling some UC claims.
- (e) A digital service, expected to replace the way UC claims are currently being processed, is being tested in certain parts of London.
- (f) From May 2016 the digital service will begin national roll-out and will go to 5 Job Centre areas each month. In those areas there will be no legacy benefits available, and therefore no exclusions as to who can make a UC claim.
- (g) UC is expected to be expanded to all families and couples by the end of 2017.
- (h) All existing claims on legacy benefits will be migrated to UC from 2018 with a projected completion date of 2021.

Universal Credit in Darlington

41. UC went live at Darlington Job Centre on 23 November 2015. We do not have any reports at this stage as to how many Darlington residents are currently receiving UC, although the numbers are expected to be low.
42. Preparation for the roll-out of UC in Darlington commenced in April 2015 with the formation of a UC implementation working group and regular meetings with representatives from the DWP. The following actions were considered and implemented by the working group:
 - (a) A training plan was implemented to ensure that front-line Customer Services staff had the knowledge to deal with general customer queries about UC. In addition, specific training has been delivered to Housing Services staff to support Council tenants in receipt of UC and training for Revenues and Benefits staff to process claims for Council Tax Support, where the customer is in receipt of UC.
 - (b) A review of partnerships was undertaken to ensure that all the partners working with the Council and DWP understood the implications of UC and how it could affect their clients. In particular these included Darlington Partnership's Financial Inclusion Action Group, CAB, other voluntary sector support groups, private landlords and Registered Social Landlords. A specific private landlord's forum was held in October 2015 and training has been delivered to the YMCA, 700 Club and Darlington First Stop. A meeting between the DWP and voluntary sector organisations was held in December 2015.
 - (c) A review of the availability of on-line computer access was undertaken to identify the opportunities for residents to claim UC on-line. In the first instance, customers will be directed to the Job Centre in Bondgate, where computers are available to customers, together with staff for support.
 - (d) A Delivery Partnership Agreement is in place between the DWP and the Council to provide personal budgeting support to UC customers. Customers will be referred to the Customer Contact Centre and the support will be

provided by the CAB. Payments will be made by the DWP for any customers referred for advice and support.

- (e) Money Advisors based in Housing Services have also been trained to support Council Tenants claiming UC. Meetings and job shadowing between Council staff, CAB staff and DWP work coaches has taken place.
- (f) The new Darlington Advice Network now includes links to UC information, advice and support.
- (g) It was decided that a full publicity campaign was not required at this stage, as the number of residents in Darlington initially claiming UC is expected to be low. Feedback from other Councils where UC had been rolled out suggested that high profile publicity was not required and would cause many residents, unaffected by UC, to worry and make unnecessary contact with the Council.

Universal Credit qualifying conditions

Claimants who meet all the 'gateway' conditions below can make new claims for UC the claimant must:-

- be single
- not be responsible for a child or for a young person under 20 who is in non-advanced education or training
- be aged between 18 years and 60 years and six months
- live at their usual address, in an area where Universal Credit is available
- not be homeless, in supported or temporary accommodation, nor a homeowner
- be a British citizen with a National Insurance number
- be fit for work
- not have applied for a fitness for work note
- consider themselves fit for work
- not be pregnant nor have given birth within the last 15 weeks
- not be receiving Jobseekers Allowance, Employment and Support Allowance, Income Support, Incapacity Benefit, Severe Disablement Allowance, Disability Living Allowance or Personal Independence Payment
- not be awaiting a decision on a claim for Jobseekers Allowance, Employment and Support Allowance, Income Support, Housing Benefit, Child Tax Credit or Working Tax Credit
- not be appealing against a decision of non-entitlement to Jobseekers Allowance, Employment and Support Allowance or Income Support
- not be awaiting the outcome of an application to revise a decision of non-entitlement to Jobseekers Allowance, Employment and Support Allowance, Income Support or Housing Benefit
- not have any caring responsibilities (such as for a disabled person)
- not be self-employed, a company director or part of a limited liability partnership
- not be in education or on a training course of any kind
- not have a person acting on their behalf over the claim
- have at least one suitable account that DWP can pay the money into (including any form of credit union account)
- not live in the same household as a member of the regular or reserve forces who is away on duty
- have lived in the UK for the last two years, and not have been abroad for more than four weeks continuously during that time
- not be required to pay child maintenance via the Child Support Agency
- not have savings in excess of £6,000
- not be an approved foster parent (even if they currently have no foster children)
- not be expecting to adopt a child in the next two months
- not expect to receive take home pay of more than £338 in the next month
- not expect to receive any earnings from self-employment in the next month