

Report of Director of Resources

Report to Scrutiny Board (Resources and Central Services)

Date: 19th November 2012

Subject: Welfare Reforms preparations

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. A number of key welfare reforms take effect from April 2013. The reforms relate to benefits administered by the council and this requires that not only is work required to prepare tenants and stakeholders for the reforms but also that the Council needs to take the necessary steps to ensure that the reforms are implemented in a timely and effective manner.
2. Council Tax Benefit is replaced by localised schemes of Council Tax Support based on reduced Government funding that in Leeds could exceed £5.5m. Councils are required to adopt local schemes by 31st January 2013 and are required by law to have carried out a public consultation exercise ahead of adoption of a scheme. In Leeds, the consultation exercise started on 17th September and ends on 8th November.
3. Other changes include the Social Sector Size Criteria changes which reduce Housing Benefit for ALMO and Housing Association tenants who are assessed as living in properties that have more bedrooms than they need, Benefit Cap changes that limit the amount of benefit a family can receive to £500 a week and changes to the Social Fund that see elements abolished and funding devolved to local councils for local welfare schemes.
4. A cross-sector Welfare Reform Strategy Board has been set up to oversee the preparations for the welfare reforms. The key aims of the Board include ensuring that affected tenants are aware of the changes and the impacts and that the most vulnerable tenants are identified for specific support.

Recommendations

1. That the Board notes the information in this report in relation to the changes coming into effect from April 2013;
2. That the Board requests a further report dealing with preparations for Universal Credit which is due to be launched by the Government in October 2013;

1 Purpose of this report

- 1.1** The report provides information on the preparations underway for the welfare reforms that come into effect from April 2013. Specifically, the report provides information on the process for developing a local Council Tax Support scheme and progress made in respect of a Discretionary Housing Payment policy and proposals for a local welfare scheme to replace elements of the Social Fund.
- 1.2** The report also provides information on the preparations for the implementation of the Social Sector Size Criteria changes that impact on ALMO and Housing Association tenants.

2 Background information

- 2.1** The Welfare Reform Act 2012 continues a programme of reforms that started with the Government's Emergency Budget in June 2010. The focus for the reforms is on benefits for working age customers with pension age customers largely unaffected by the reforms. A number of the reforms are due to come into effect from April 2013 and this report focuses on the four major changes involving Council delivered benefits.
 - 2.1.1** *Local Council Tax Support:* Council Tax Benefit is abolished from April 2013 to be replaced by local schemes of Council Tax Support decided by Councils. Government funding for local schemes is reduced by 10% in comparison to funding for Council Tax Benefit with the funding paid as a fixed grant rather than a subsidy that reflects actual spending. Local schemes will apply to working age customers only with the Government continuing to prescribe for a national scheme for pension age customers. The cost of both the local scheme for working age customers and the national scheme for pension age customers has to be met by councils from the reduced funding provided by the Government. This means that working age customers face a reduction in support of over 20% unless Councils put in additional funding. The exact reduction depends on a number of factors including the level of funding provided by the Government, changes in Council Tax levels and changes in the numbers claiming Council Tax Support.
 - 2.1.2** *Social Sector Size Criteria.* The Social Sector Size Criteria rules reduce Housing Benefit (HB) entitlement for working age tenants living in Council or Housing Association homes where tenants are deemed to have more bedrooms than they need. Pension age tenants are not affected by this change. The size criteria is set out below. Tenants under-occupying by 1-bedroom will have their HB worked out using a rent that is reduced by 14% for HB purposes only. Tenants under-

occupying by 2-bedrooms or more will have their HB worked out using a rent that is reduced by 25% for HB purposes only.

Size Criteria – Tenants will be allowed:

- § 1 bedroom for a single customer or a couple;
- § 1 bedroom for a child; or
- § 1 bedroom for 2 children under 10 of opposite genders; or
- § 1 bedroom for 2 children of the same gender up to the age of 16;
- § 1 bedroom for other single people or couples aged 16 or over.

A bedroom for a non resident carer will also be allowed (as it has been in Local Housing Allowance since April 2011).

2.1.3 *Social Fund changes.* The Community Care Grants and Crisis Loans for Living Expenses elements of the Social Fund are being abolished from April 2013. The funding for these schemes will be devolved to local councils with an expectation from Government that *'the funding be concentrated on those facing greatest difficulty in managing their income, and to enable a more flexible response to unavoidable need, perhaps through a mix of cash or goods and aligning with the wider range of local support local authorities/devolved administrations already offer'*.

The Benefit Cap.

2.1.4 From April 2013 the total amount of benefit a family can receive will be limited to £500 pw for working age families and £350 pw for single claimants. Not all tenants getting more than £500 pw are affected. Tenants working at least 24 hours a week are exempt from the cap as are tenants getting disability benefits and households where a child is getting a disability benefit. The latest data from the Department for Work and Pensions suggests that 517 families in Leeds are affected by the cap resulting a reduction of £2m in annual benefit entitlement (equivalent to an average of £75 a week for each family). A number of families will lose all but 50 pence of their Housing Benefit entitlement (50p is the minimum that must be kept in payment under the regulations).

2.2 There are other reforms taking place during 2013. Universal Credit is due to be launched nationally in October 2013 and Disability Living Allowance will be replaced by Personal Independence Payments starting with new claims in June 2013.

3 **Main issues**

3.3 It was recognised early on that preparations for the welfare reforms would require a cross-sector approach involving key partners. In October 2011, Executive Board approved the establishment of a Welfare Reform Strategy Board with membership from across the Council, Housing Associations, ALMOs, Advice Leeds Network, Leeds City Credit Union and Jobcentre Plus. Membership has recently been extended to include representation from the Voluntary Sector and

Elected Member involvement. The Terms of Reference for the Board are shown at Appendix 1.

3.4 The key elements of the approach to preparing for the April 2013 reforms are:

3.4.1 Developing a detailed awareness of the impact of the reforms across Leeds.

- Information is available at city and ward level showing the impacts of the major changes coming into effect from April 2013;
- This information, which is refreshed periodically, is available internally on the Council's Intranet with access for all elected members;

3.4.2 Preparing customers and stakeholders for the changes

- Direct mail-shots have been sent to customers affected by the changes with follow-up visits in many cases;
- A Welfare Reforms Booklet has been produced with an initial print of 40,000 copies printed and distributed across the city. A further 30,000 have now been printed and distributed;
- A series of Welfare Reform Roadshows has been arranged to provide more tailored information to members of the public;
- Welfare Reform Briefing sessions have been provided for frontline staff from the Council and key partners;
- Welfare Reform briefings have been provided for a variety of organisations including Advice Leeds Network, Voluntary Action Leeds, Cluster Boards and NHS colleagues with more being scheduled.

3.4.3 Arranging support for vulnerable customers

- Working with Families First to ensure that the Families First initiative takes account of the welfare reforms;
- Working with Children's Services to identify foster-carers affected by the changes for award of Discretionary Housing Payments;
- Working with Adults Social Services in relation to tenants with support workers to ensure a co-ordinated communication to vulnerable adults about the changes;
- Reflecting vulnerable customers needs in local Council Tax Support schemes, Discretionary Housing Payments policy and development of Local Welfare Scheme
- A commissioning exercise is underway for advice services for the City in recognition of expected increase in demand for advice;
- There is close working with Leeds City Credit Union on provision and promotion of budgeting accounts as well as innovative initiatives with individual ALMOs. Leeds City Credit Union will also be involved in the local welfare scheme that replaces elements of the Social Fund

3.4.4 Reflecting impact of reforms on Council Services and understanding the financial implications for the council

- A Welfare Reform sub-group is reviewing and analysing the likely level of increased customer contact and the resource implications for Customer Services in meeting this increased demand;

- Work is also underway to review the recovery processes in relation to tenants affected by both the social sector size criteria and reductions in Council Tax Support. The intention is to consider trigger points and options for dealing with vulnerable tenants unable to meet the additional financial demands as well as the resource implications;
- Resource implications are also being assessed in relation to dealing with increased Discretionary Housing Payment applications, dealing with applications under the local welfare schemes that replace the Social Fund;
- There will also be implications in relation to rent arrears and Council Tax arrears, although the extent of this will depend on the scheme that is adopted..

Local schemes of Council Tax Support

- 3.5** The Government's Local Government Finance Act 2012 received Royal Assent on 1st November 2012 and requires that councils put in place local schemes of Council Tax support by 31st January 2013. The short timescale for developing and designing schemes has meant that the focus has been on schemes that can be delivered and implemented within the timescale and this has led to scheme options being developed that retain most of the features of the current Council Tax Benefit scheme with the final entitlement reduced by an agreed percentage to fit the available funding.
- 3.6** An initial scheme proposal to restrict the reduction in support for working age tenants to 10% was presented to Executive Board in June 2012. This scheme, if adopted, would require additional funding from the council and major precepting authorities. Following consultation with West Yorkshire Police and the Fire and Rescue Service, who both stated their preference for a scheme that did not have financial implications for their services, a further scheme option was taken to Executive Board in September 2012. This option would see Council Tax Support costs contained within Government funding levels and would mean a reduction in support for customers of up to 30% - this is a 'worse case' scenario and the exact figure would be dependent on Government funding levels, Council Tax levels and estimates of caseload levels. Both options contain proposals to protect certain groups from any reduction in support. These groups are:
- Lone parents with children u5
 - Customers in receipt of severe or enhanced disability premium; and
 - Customers in receipt of a war pension or war widows pension.
- 3.7** Following the September 2012 Executive Board, a public consultation exercise was started. Consultation packs were sent to all 45,000 working age customers getting Council Tax Benefit and the Citizens Panel, Advice Agencies and Landlords were invited to comment. The consultation exercise was also reported in the Yorkshire Evening Post and posters were placed around the city to encourage members of the public to comment. The consultation exercise closes on 8th November 2012 and to date over 5,000 responses have been received. A copy of the consultation is attached at Appendix 2
- 3.8** Appendix 3 provides details of the costs of both scheme options. The costs assume a 10% reduction in funding and no change to current caseload levels.

The funding for councils will be based on Office for Budget Responsibility spending forecasts for 13/14 and previous forecasts have shown a reduction in spend in 13/14 that, if replicated in the latest forecasts, would equate to a greater than 10% reduction in funding. Two sets of figures are provided: one shows the cost implications of the schemes based on current levels of Council Tax; the other shows the costs implications based on a Council Tax increase of 2%. For information, scheme options for the Core Cities are attached at Appendix 4.

- 3.9** It should be noted that the Government recently announced that an additional £100m would be made available for Councils whose schemes met certain criteria with the key element being that reductions in support were capped at no more than 8.5%. Leeds would be eligible for £1.3m of the £100m fund if its scheme met the criteria.

Social Sector Size Criteria

- 3.10** The Social Sector Sized Criteria has a significant impact in Leeds. Initial analysis carried out in June 2012 showed that over 7,200 ALMO tenancies would be affected by the changes and around 1,300 Housing Association tenants. The reduction in Housing Benefit for the ALMO tenants alone was expected to be around £4m per annum. Letters were sent to all tenants likely to be affected by the change. The letters provided individualised information about the change and invited tenants to contact the Council if any details were incorrect. A more recent analysis has now been carried out and this has identified that around 1,300 tenants are no longer affected by the change; however, a further 800 tenants now fall to be affected by the size criteria rules. This means that the latest estimates for the number of ALMO tenants affected is 6,700 with an overall shortfall in HB of £3.8m. Appendix 5 provides more detail.
- 3.11** The ALMOs and Housing Associations have undertaken to contact tenants affected by the size criteria changes and a programme of home visits is underway. The purpose of the visits is to ensure that tenants are aware of the change and to discuss options and identify tenants intentions. It is expected that certain tenants will be revisited where there are deemed to represent a high risk. Appendix 6 shows the progress and outcomes from these visits.
- 3.12** There are no exceptions to the size criteria rules for working age tenants. In recognition of the impact the change will have, the Government is putting an extra £30m nationally into the Discretionary Housing Payment scheme to help with the size criteria changes, of which between £400k and £500k is likely to be made available to Leeds. This extra money is intended to help people living in properties that have been adapted for disability needs and also foster carers as foster children are not taken into account when assessing the number of bedrooms needed for benefit purposes. However, there are also other groups who will require support and demand for Discretionary Housing Payments is likely to exceed the available funding. A proposed policy on the award of Discretionary Housing Payments is to be presented for approval by Executive Board in November 2012. The proposed policy can be found at Appendix 7.

Benefits Cap

- 3.13** The Benefit Cap will be delivered by local councils in the first instance. However, the responsibility for identifying families affected by the Benefit Cap lies with the Department for Work and Pensions. Recent data from DWP suggests that over 500 families in Leeds will be affected by the Benefit Cap and DWP has written to all families likely to be affected. Notwithstanding this, a programme of home visits is being undertaken by Revenues and Benefits staff in respect of private sector tenants and ALMO staff in respect of ALMO tenants affected. The purpose of the visits is to ensure that families understand the implications, understand what tenants intentions are and identify vulnerable tenants for support.
- 3.14** The Government has announced it will provide additional funds for Discretionary Housing Payments with up to £75m nationally being provided in 13/14. The majority of this funding is expected to go to London and the South East where the majority of the cases are. The Discretionary Housing Payments policy (appendix 7) also details the approach to deciding awards for families affected by the Benefit Cap.

Social Fund

- 3.15** The government is changing the way in which the Social Fund is administered. From April 2013, the discretionary aspects of the Social Fund, namely Crisis Loans for general living expenses and Community Care Grants, are to be abolished and the budgets devolved to Local Authorities to administer. The budget will not be ring-fenced but Councils are expected to use the funds to 'give flexible help to those in genuine need'. DWP has said it expects to audit and publish details of how councils choose to do this.
- 3.16** Leeds has been given indicative funding figures of £2,886,082 per annum scheme funding for 13/14 and 14/15 and administration funding of £609,851 in 13/14 and £558,994 in 14/15. The final figures have yet to be announced. Funding is only guaranteed for 2013/14 and 2014/15.
- 3.17** Following engagement with the Voluntary and Advice Sectors, Housing Support Workers, Social Workers and other interested parties, proposals have been developed for approval by Executive Board in November 2012. The proposals are attached at Appendix 8. The key elements of the proposals are:
- The scheme will develop arrangements with key partners, both internal and external to the Council, who advocate on behalf of clients for Community Care Grants or Crisis Loans funds to deliver elements of the scheme and make referrals for awards;
 - The scheme will work closely with existing support schemes funded through the Homelessness Prevention fund and s17 payments to provide an overarching scheme of support accessed through a single route..
 - The scheme will look to further develop the relationships with key partners in the 3rd, voluntary and public sector to create an integrated and sustainable local welfare provision across Leeds. This will include support and assistance

in developing Food Banks and expanding Furniture Re-Use. It will over time support the creation of a clear map of local welfare provision across Leeds and the information and advice needed to access that provision. It will create clarity and reduce duplication.

The use of these resources is intended to create added value by working in partnership and supporting projects which are desirable, protect the environment and enhance the digitalisation of access to services.

- The council will work closely with Leeds City Credit Union, Post Offices Ltd and other appropriate providers to provide cash dispensing, pre-payment and financial services where required;
- The scheme will allocate funding to develop initiatives aimed at tackling fuel poverty, food poverty, financial exclusion and enhance budgeting and debt advice.

3.18 Subject to Executive Board approval it is intended to consult further on key initiatives to be supported as part of the overall scheme. Consultation with elected members will be a priority. A cross-sector Working Group has been set up to oversee the implementation of the Social Fund replacement scheme.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.5 Various consultation exercises have taken place in relation to a number of the welfare reforms. This has ranged from comprehensive public consultation exercises through to engagement activity with support workers, including voluntary and advice agencies.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 The welfare reforms impact on the majority of people claiming benefits. The design of local schemes and policies are intended to target support to the most vulnerable customers.

4.3 Council policies and City Priorities

4.3.1 The welfare reforms have a bigger impact in the more deprived wards in the city and need to be factored into activity around regeneration, anti-poverty work and financial inclusion activity.

4.4 Resources and value for money

4.4.1 There will be additional resource requirements falling on the council arising from the welfare reforms: additional customer contact, increased rent and council tax recovery activity and increased activity in relation to Discretionary Housing Payments and local welfare schemes. Additional funding is available for administration of local welfare schemes but there is no additional Government funding for the impacts of the other welfare reforms.

4.5 Legal Implications, Access to Information and Call In

4.5.1 There are no legal implications arising from this report

4.6 Risk Management

4.6.1 The level of activity in preparing for the welfare reforms reduces the risk that tenants and customers will be unaware of the reforms and their impact. The development of schemes and policies that target support to the most vulnerable reduces the impacts for some tenants but there remains a risk that other tenants will face financial hardship and pressures in adjusting to the new benefits system.

5 Conclusions

5.1 There are major changes coming into effect from April 2013. The focus of activity is on ensuring that tenants affected are aware of the changes and how they will be affected and that the limited support that is available is directed to those most in need.

5.2 A further strand of the preparatory work is on ensuring that Council services are carrying out the necessary work to deliver the right service to the right standard from April 2013. This is particularly relevant to Revenues and Benefits, Customer Services and ALMOs, all of whom are fully engaged in the preparations.

6 Recommendations

6.1 To note the expected impact of the benefit changes coming into effect from April 2013

6.2 To approve the policy for the award and assessment of Discretionary Housing Payments for 2013/14

7 Background documents¹

7.1 None

Appendices

- 1 Welfare Reform Strategy Board Terms of Reference
- 2 Consultation document
- 3 Local Council Tax Support scheme costs
- 4 Core City schemes under consultation
- 5 Details of ALMO tenancies affected by Social Sector Size Criteria (SSSC)
- 6 Progress with programme of home visits to tenants affected by SSSC
- 7 Discretionary Housing Payments policy presented to Executive Board
- 8 Local Welfare Scheme policy presented to Executive Board

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

Appendix 1

Welfare Reform Strategy Board - Terms of Reference

Introduction

The overall aim of the Board is to ensure that Leeds is the best prepared city for dealing with the implementation and implications of the Government's welfare reform programme. The key reforms include:

- reform of Housing Benefit affecting both the private-rented sector and the social-housing sector, including supported and specialist housing;
- reform of Council Tax Benefit, which is to be replaced by local schemes of support;
- reform of disability benefits with the replacement of DLA with Personal Independence Payments and the migration of Incapacity Benefit claimants to ESA;
- reform of elements of the Social Fund scheme with responsibility for administration of Social Fund and Community Care Grants passing to local councils;
- replacement of IS, JSA, HB and Tax Credits by a new Universal Credit which will be delivered by DWP, be 'digital by default' requiring claimants to apply online and where payments will be made directly to claimants instead of to social sector landlords.

The specific aims of the Board are:

- to ensure that all key partner organisations are fully aware of the programme of reform;
- to develop detailed intelligence and information on how the changes impact on different groups, different tenure types and different parts of the city;
- to develop and deliver a strategy that ensures that the implications and opportunities created by the welfare reforms are fully addressed with specific reference to impacts in the following areas:
 - o affordable housing, housing provision and homelessness;
 - o financial inclusion, budgeting support and advice to tenants;
 - o worklessness and support to claimants new to conditionality requirements;
 - o child poverty;
 - o independent living and personal choice; and
 - o customer services and communications
- to develop proposals and arrangements for engaging with DWP in relation to Universal Credit and its delivery including:
 - o developing the role of the council and partners in providing access to benefits for vulnerable tenants;
 - o developing arrangements for social sector housing providers to secure direct payments in appropriate circumstances; and
 - o exploiting Government funding streams for the implementation of Universal Credit.

Membership

The Group will be chaired by Steve Carey, Chief Revenues and Benefits Officer, and will include representatives from the following areas:

- E&N, Housing Services
- Employment and Skills
- Adults Social Services
- Customer Services
- Economic Development
- E&N, Strategy and Commissioning
- Business Transformation
- ALMOs
- Connect housing
- Leeds Federated Housing Association
- Leeds CAB
- Advice Leeds Network
- Communications and Marketing

Methods of working

The first meeting of the Group will be a workshop to develop a strategy for preparing for the reforms and thereafter the Group will meet on a cycle to be agreed. The Strategy will be shared with Executive Board for approval and it is intended to report progress against the strategy to Resources Leadership Team and Corporate Leadership Team on a regular basis.

Subsequent meetings will include:

- Focus on a specific aspect of the welfare reform programme;
- Updates from each board member on progress with actions arising from the strategy;
- Updates from meetings/forums relevant to the welfare reform programme;
- Discussions and next steps arising from updates
- Agreement on messages from the Board.

The Welfare Reform Strategy Board has no budget for arising actions and a key action will be to understand the budget implications of required activity and explore funding options.