

Report to	-	Overview and Scrutiny Committee
Date	-	27 November 2017
Report of the	-	Executive Director of Resources
Subject	-	Welfare Reform

Recommendations: It be **RESOLVED:** That:

- 1) the report be noted; and
 - 2) it be noted that the Housing Issues Task and Finish Group established elsewhere on this Agenda will include consideration of the issues raised within this report.
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Service Manager: Robin Vennard

Introduction and Background

1. Welfare reform started in 2012 by the previous Coalition Government. This report focuses on issues that have had the most impact in terms of housing; freezing of local housing allowance rates, the benefit cap, under occupation and Universal Credit (UC). In addition commentary on the Council Tax Reduction Scheme is included. For Members information the myriad of other changes to welfare benefits since 2016 has been included with the report at Appendix A.
2. To give the report some context, out of the circa 45,000 households in Rother, as at October 2017 4,670 households are claiming Council Tax Reduction and housing benefit and 2,400 are only claiming Council Tax Reduction. The total caseload is therefore around 7,070 households of which 3,658 are working age and 3,416 are of pensionable age. Members will be aware that pensioners have largely been protected from the welfare reforms although access to affordable rented homes is a universal issue as reported elsewhere on this agenda. Of the working age, around a third are engaged in some form of employment.

Local Housing Allowance

3. Local Housing Allowances (LHA) are the maximum amounts that will be paid under housing benefit for residents renting property in the private rented sector. Out of the 4,670 households claiming housing benefit, currently around 1,920 (41%) are renting in the private sector.
4. LHA rates were frozen for four years from April 2016 and will not increase above the rate that applied in April 2015; however, LHA rates can decrease below the rate that applied in April 2015 if local rents go down. In Rother we have three different LHA areas basically covering the east, west and north of the district. The majority of our rented housing stock is in the Sussex east

area which includes Hastings. Maps of the three areas are shown at Appendix B together with the relevant LHA rates. Since the freeze there has been a divergence of the cost of private sector rents and the LHA rates across the district. The table below gives an indication of the disparity:

Bedrooms	Monthly Rent Lowest	Monthly Rent Highest	Monthly LHA Rate
1	£475.00	£795.00	£399.98
2	£675.00	£900.00	£522.69
3	£825.00	£1,200.00	£695.02
4	£1,300.00	#	£850.02

Table 1: Comparison of Rents to LHA rate – Bexhill (Sussex Area East)

Source: Rightmove 2/9/17

only one 4 bed property available on this date

5. The reality for low income households in the private rented sector is that to remain living in Rother they need to meet the financial gap between LHA and actual rents from their other benefits/income or move to an area where there is no gap or it is lower and more affordable. The problem is exacerbated for single people under 35 where the legislation presumes they will live in shared accommodation. The shared room LHA rate in Bexhill is currently only £303 per month.
6. The social rented sector does not come within the remit of LHA. However as social rents are 60% of market rents generally they are below LHA rates and therefore affordability is less of an issue for the majority of households. However affordable rents charged by social landlords are at 80% of market rent and may therefore be above the LHA rate.
7. The Government also required social landlords to reduce their rents by 1% per annum from April 2016 for four years. The Government had intended from April 2018 to cap the benefit paid to social landlords at the relevant local housing allowance rate, aligning the rules to that of the private sector. This included capping supported housing which caused significant concern over the future viability of these schemes. However Marcus Jones, Minister of State for Local Government recently announced that the proposal would not go ahead in its current form. The Government will be consulting on revised proposals which aim to provide:
 - A system that leaves funding for housing costs for long-term and sheltered housing services in the benefits system.
 - A 'sheltered rent' for sheltered and extra care housing to keep rent and service charges at an appropriate level.
 - A new timetable, with the system starting from 2020.
 - Housing costs for short-term services to be paid through local councils.
 - Measures to ring-fence local funding and ensure local authorities assess local need.

Benefit Cap

8. There is currently a benefit cap in place restricting the total amount of certain benefits that a working age household can receive. Any household who were receiving more than the cap has had their Housing Benefit reduced to bring them back within the limit. This original cap of £26,000 per year has been

reduced to £20,000 for those living outside London. At present there are 50 families in Rother affected by the cap. In response, the social housing providers have been introducing affordability checks for prospective tenants including those referred to them by the Council under our nomination rights. We are currently piloting a scheme with Optivo (formerly Amicus Horizon) as our main social housing provider, to provide additional financial assistance via discretionary housing payments to ensure affected families can access social housing. In return for the top up money Optivo will provide support for the families to get them into work or prepared for work through training and education. Once in work, affected families are exempt from the benefit cap.

Under Occupation

9. Since 2013 the government has not allowed the Council to pay full Housing Benefit to anyone of working age living in the social rented sector if they are under-occupying a property. However, from April 2017 the regulations now allow an extra bedroom:
 - when a disabled child or disabled non-dependant adult requires, and has, overnight care from a non-resident carer (or group of carers); and
 - when a couple are unable to share a bedroom because of their disabilities.
10. The total number of properties in the social housing social stock that is under occupied in Rother is not known at present. The original under occupation restriction in social housing currently affects 233 families in Rother. This is not all social rented properties in Rother that are under occupied as it is thought that there will be a number of households over pensionable age who are exempt from these rules.
11. This issue warrants further investigation to see how people could be incentivised to move in this situation. Key will be the availability and location of suitable accommodation to downsize into.

Universal Credit (UC)

12. UC is a monthly payment that is replacing six legacy benefits: Housing Benefit; income-based Jobseekers Allowance; income-related Employment and Support Allowance; Income Support; Working Tax Credit and Child Tax Credit. It is for people of working age who are on low incomes whether or not they work.
13. The Government has adopted a geographically phased implementation process based on Job Centre areas. From December 2016, the eastern part of Rother (Hastings Job Centre) went live with UC and this was then expanded to include the majority of the remaining parts (Bexhill Job Centre) of the district from July 2017. These changes relate to new claims only, therefore, the authority can no longer accept new claims for housing benefit. Instead residents requiring help with their housing cost need to make a claim for UC. However there are still some limitations to individuals and families that can be accepted onto UC. In particular families with three or more children will remain eligible to apply for Housing Benefit for the time being.
14. Housing Support has been restricted for some young people (18-21 year olds) claiming UC. From April 2017 there is no automatic entitlement under the 'full'

(digital service) to help with rent for 18-21 year olds who are out of work and who request help towards their rent as part of their UC claim.

15. However, there are a number of exemptions and certain groups are still able to get help with their housing costs, including where the claimant:
- is responsible for a child or a qualifying young person;
 - was a care leaver before reaching the age of 18;
 - receives the care component of disability living allowance at the middle or highest rate or the daily living component of personal independence payment;
 - has been subject to, or threatened with, domestic violence by their partner, former partner, or a family member;
 - cannot live with their parents due to a serious risk to their physical or mental health and the Secretary of State considers it inappropriate to expect them to do so;
 - has earned income equal to or exceeding the monthly amount they would earn whilst working 16 hours per week at the National Minimum Wage; or
 - has earnings in each of the 6 months ending before the calendar month in which the claim for universal credit is made, that are equal to or more than the appropriate earnings threshold (in which case a six-month exemption will apply).
16. There is little evidence of the impact of this change in Rother and warrants further research.
17. Much has been reported nationally on the problems with UC, particularly the delays in receiving payment. However our local Department of Work and Pensions contact reports for the Hastings and Rother areas payments is made within six weeks between 92% and 94% of the time.
18. Whilst the Council has seen a fall in its benefit caseload since the introduction of UC there may have been other factors affecting caseload. In addition, as the amount of UC paid to claimants continually varies with changes in their income, the Council has seen a substantial increase in workload to deal with the impact on residents Council Tax Reduction Claims. As much as an additional 250 changes per week are having to be processed.

Council Tax Reduction Scheme

19. Council Tax Reduction (CTR) is sometimes called Council Tax Support and it provides help for people on a low income. It replaced Council Tax Benefit in April 2013. CTR schemes are run by local councils and as a result schemes will differ depending the Council area lived in. In East Sussex, save for Hastings, the schemes are very similar. An underlying principle to the Rother scheme is that every household should pay something towards the services provided by the Council. The current expectation is that as a minimum, households will pay 20% of their normal Council Tax charge.
20. The current East Sussex schemes are being reviewed with the expectation that a revised scheme will be in place for April 2019. The aim of the review is not to generate additional income but to make it simpler to administer and understand. However as with any change there may be winners and losers. Further reports will be made to Members as proposals are developed.

Community Support

21. The report makes clear the wide ranging impact of welfare reform on the poorest members of our community. Locally the importance of organisations such as Citizens Advice and the Hastings Advice and Representation Centre (HARC) cannot be underestimated in helping households secure all the financial help they are entitled to. In addition to the annual grant funding from Rother to these organisations, East Sussex County Council (ESCC) has provided specific funding as part of their welfare reform programme to support enhanced advisory services by HARC. ESCC also funds the Homeworks Service to provide support and guidance for households to help them maintain their tenancies. Our housing partners, Optivo, Orbit etc., also provide support for their tenants.
22. The Council continues to work with these agencies and government departments to manage the impact of Welfare Reform but ultimately there is less public money in the system to support households on low incomes.

Conclusion

23. Welfare reform is having a considerable effect on low income households in Rother and the country as a whole. The lack of accommodation at LHA rates in particular, causes considerable concern as households are expected to subsidise their rent from other benefits or income if they are to remain in the district.
24. The change in approach from the social housing providers through the introduction of affordability assessments is also a major concern. As the housing authority, Rother will remain responsible for these families and at present there are few options if households with a large number of dependents are unable to access social housing now and in the future. Obtaining positive outcomes from the pilot project with Optivo referred to earlier in the report is key.
25. Whilst the Government have put on hold a number of changes that would align benefits paid in the social and supported housing sector with the private sector, it is clear that this agenda will not go away. The proposed Housing Issues Task and Finish Group will need to spend some time on this consultation and make representations to the Government as necessary.

Malcolm Johnston
Executive Director of Resources

Risk Assessment Statement

Welfare reform impacts on households in the district which in turn impacts on the services that we provide. The reduction/restriction of benefits means that the Council is having a greater role in providing the safety net for the most vulnerable people in our community. This comes with a cost at the same time as government funding is disappearing. The Council need to ensure it delivers help to those most in need to ensure the best value from its resources. Failure to do so will increase the financial pressures on the Council.

OTHER WELFARE REFORM CHANGES

Housing Benefit backdating

1. From April 2016 the maximum backdate period for people of working age decreased to one month. Previously the Council could award up to six months of backdating.

Family Premium

2. The Family Premium (for people with a child or children) no longer applies in Housing Benefit from May 2016. Anyone who makes an application for benefit or has a child after 1 May 2016 does not qualify for the premium. The premium was worth £17.45 per week. This currently affects 346 households in Rother.
3. People who qualify for the premium before May 2016 will continue to get it unless they make a new application for Housing Benefit.

Temporary absences from the UK

4. The period of time for which Housing Benefit and Pension Credit can be paid for a claimant who is temporarily absent from Great Britain has reduced from 13 weeks to 4 weeks. This legislation came into force from 28 July 2016.

Changes to Child Allowance in Housing Benefit

5. The government introduced a two child limit into Housing Benefit, Child Tax Credit and Universal Credit from 6th April 2017. The regulations restrict the number of children or qualifying young persons in respect of whom the Child Element in Housing Benefit, Universal Credit and the Individual Child Element in Child Tax Credit is payable to a maximum of two. Universal Credit is not yet ready for the change so if someone claims UC and they have 3+ children they will be directed to claim Tax Credits and Housing Benefit.
6. The council must use the Child Tax Credit decision to base their decision on whether to include a third or subsequent child in the Housing Benefit applicable amount. There are exceptions to the restriction including:
 - Multiple births
 - Children living long-term with family or friends
 - Adopted from local authority care
 - Children likely to have been conceived non-consensually

Child Transitional Relief

7. Child transitional relief gives protection to all dependants who were on claims as at 5th April 2017, so they will retain the same number of dependant additions. This applies to claims made after this date but whose entitlement commenced on or before this date.

Ending of assessed income periods for state pension credits

8. Households on Pension Credit will need to report all changes in their circumstances that will affect their benefit as they happen. Pensioners aged 75 and over who have an indefinite assessed income period in place will not be affected.

New state pension

9. From 6 April 2016 the new State Pension replaced the existing state pension for men born on or after 6 April 1951 and women born on or after 6 April 1953. To get the new state pension your National Insurance (NI) record must have a minimum of 10 'qualifying years' of:
 - NI contributions if you were working or self-employed, or
 - NI credits if you were sick, unemployed, a carer or a parent, or
 - voluntary NI contributions.
10. People who qualify for the new state pension cannot get savings credit pension credit but may be eligible for guarantee credit pension credit.

Free school meals

11. Free school meals were introduced for all infant pupils (reception, year 1 and year 2) and some disadvantaged 6th form students.

Mortgage interest

12. From 1st April 2016 the 'waiting period' for new claims for help with mortgage interest given through Income Support, Income-Based Jobseeker's Allowance, Income-Related Employment and Support Allowance, Universal Credit or Pension Credit increased to 39 weeks (from 13 weeks), but the capital limit remained at £200,000.

National Minimum Wage

13. The National Minimum Wage, 'rebranded' as the National Living Wage increased to £7.20 per hour for those 25 or over from April 2016. It will reach £9 per hour by 2020.

Personal tax allowance

14. The Personal Tax Allowance, the amount you can earn before paying income tax, increased from £10,600 to £11,000 from April 2016. It will be further increased to £12,500 by 2020 and thereafter it will automatically be set at the same level as 30 times the National Living Wage (National Minimum Wage).

Working-age benefits

15. From April 2016 there is a four-year freeze to working age benefits; Pensioner benefits is excluded from this benefit freeze and will be protected.

Universal Credit: childcare element

16. From April 2016 the childcare element in Universal Credit is worth 85% of eligible costs. This was phased in from April 2016 as childcare support moves from tax credits into Universal Credit. Further details will be set out in future spending reviews.

Universal Credit: work allowance and earnings threshold

17. Universal Credit work allowances were reduced to £4,764 for those without housing costs, £2,304 for those with housing costs, and removed altogether for non-disabled claimants without children. 2015/16.
18. The level of earnings at which a household's Universal Credit award starts to be withdrawn for every extra pound earned (income threshold reduction) will be reduced from £6,420 to £3,850.

Decrease in tax credit income disregard to £2,500

19. The amount by which a tax credit claimant's income can increase in-year compared to their previous year's income before their award is adjusted (the income rise disregard) was reduced to £2,500. Currently, the first £5,000 of any income increase is disregarded when calculating an award.

ESA Work-Related Activity component (WRAC) abolished

20. From 3 April 2017, new ESA claimants placed in the Work-Related Activity Group receive the same rate of payment as those claiming Jobseeker's Allowance and the equivalent in Universal Credit. Where no WRAC is awarded in ESA, no equivalent component is awarded in Housing Benefit (HB). This maintains the policy that the HB applicable amount should reflect the structure of ESA.

Weekly Amounts

LHA Category	Sussex East	Eastbourne (FKA Sussex South)	High Weald
Shared Room	£69.77	£67.00	£77.39
1 Bedroom	£92.05	£116.53	£135.36
2 Bedroom	£120.29	£151.50	£176.56
3 Bedroom	£159.95	£182.45	£223.19
4 Bedroom	£195.62	£235.34	£336.82

Monthly Amounts

LHA Category	Sussex East	Eastbourne (FKA Sussex South)	High Weald
Shared Room	£303.17	£291.13	£336.28
1 Bedroom	£399.98	£506.35	£588.17
2 Bedroom	£522.69	£658.30	£767.20
3 Bedroom	£695.02	£792.79	£969.81
4 Bedroom	£850.02	£1,022.61	£1,463.56