



West Lothian Council

COUNCIL EXECUTIVE

WELFARE REFORM AND ASSOCIATED MATTERS

REPORT BY HEAD OF FINANCE AND ESTATES

A. PURPOSE OF REPORT

To advise the Council Executive of the current position in relation to Welfare Reforms, including action taken to date to mitigate the impact, and to consider how the council can further develop a proactive response to the Welfare Reform changes.

B. RECOMMENDATION

It is recommended that the Council Executive:

1. Notes the current position with regard to Welfare Reforms, including the range of actions already taken by the council to mitigate the impact on communities in West Lothian.
2. Agrees that officers should:
 - I. Carry out an impact assessment of the Welfare Reform Act 2012 changes;
 - II. Develop the council's approach to financial inclusion.
 - III. Review Corporate Debt Policy, including processes for collection of council house rent and council tax.
 - IV. Review Housing policies and procedures to take account of Welfare Reform changes.
 - V. Consider any other appropriate actions in relation to Welfare Reforms.
3. Agrees that officers should report the results of the impact assessment and reviews, and any recommended actions, through the Policy, Development and Scrutiny Panels.

C. SUMMARY OF IMPLICATIONS

I Council Values

Focusing on our customers' needs
Being honest, open and accountable
Providing equality of opportunities
Making best use of our resources
Working in partnership
Developing employees

II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)

The Welfare Reform Act 2012 provides for significant changes to Housing and Council Tax benefits, the introduction of a new Universal Credit system, abolition of the Social Fund to be replaced by the Scottish Welfare Fund and the abolition of Disability Living Allowance to be replaced by Personal independence Payments.

III Implications for Scheme of Delegations to Officers	No implications at this stage.
IV Impact on performance and performance Indicators	Corporate and service Performance Indicators will be reviewed as implications of the reforms become clearer
V Relevance to Single Outcome Agreement	Outcome 5 – Our children have the best start in life and are ready to succeed Outcome 6 – We live longer healthier lives Outcome 7 – We have tackled significant inequalities in West Lothian society Outcome 8 – We have improved the life chances for people at risk Outcome 13 – We take a pride in a strong, fair and inclusive society
VI Resources - (Financial, Staffing and Property)	The Working Group on Welfare Reform is assessing the potential financial implications for the council.
VII Consideration at PDSP	A number of progress reports on the impact of Welfare Reform were reported to the Partnership and Resources Policy Development and Scrutiny Panel on 13 May 2011, 21 September 2012, 7 December 2012 and 1 March 2013.
VIII Other consultations	With affected services, through the Welfare Reform Working Group, including ongoing consultations with the voluntary sector and other partners on specific issues arising.

D. TERMS OF REPORT

1.0 Overview

The UK Government is undertaking a major programme of Welfare Reform which will have a significant impact on local authorities and the communities in West Lothian. Overall it is estimated that people in West Lothian will lose £17 to £20 million per year in benefits.

The council has set up the Working Group on Welfare Reform, with membership from those services most affected by the reforms, including Area Services, Finance and Estates, Housing, Construction and Building Services, and Social Policy.

The Welfare Reform Act 2012 provides for the introduction of six major changes to the welfare system:

1. The introduction of size restrictions in the social rented sector with a consequent loss of Housing Benefit for those affected.
2. The abolition of Council Tax Benefit and its replacement with a local scheme of Council Tax Reduction with a 10% reduction in funding.
3. The introduction of an absolute benefit cap on how much claimants can receive per week. Any excess above this cap is to be deducted, by local authorities, from the Housing Benefit award.

4. The introduction of a new Universal Credit which will, by 2017, replace many existing benefits including Housing Benefit and Job Seeker's Allowance.
5. The abolition of the Discretionary Social Fund and replacement of its two main elements, Crisis Loans and Community Care Grants, with the Scottish Welfare Fund a scheme of localised support to be administered by local authorities.
6. The abolition of Disability Living Allowance and the introduction of a new Personal Independence Payment.

The welfare reform changes will result in a reduction in benefits income for a significant number of West Lothian residents. As a result, the council will face a changing context in relation to collection of housing rent and council tax. Under the terms of the council's Corporate Debt Policy and Financial Regulations, the council has a duty to ensure that all reasonable actions are taken to collect outstanding housing rent and council tax arrears.

2.0 Corporate Debt Policy

The council has a significant income base which it depends on to help fund a wide range of services to the community. The council's commitment to maximising the collection of income for the benefit of all citizens within the community is set out within the aims and objectives of its Corporate Debt policy.

The Corporate Debt Policy relates to the collection of Council Tax, Housing Rent, Business Rates, Sundry Debt, Residual Community Charge and Commercial Rents. The policy sets out the way the council will deal with debt for those who do not pay timeously. The aims and objectives of the Corporate Debt Policy are to:

- Enforce collection of debt against debtors who can pay.
- Provide all reasonable assistance to those debtors who have difficulty in paying so they can pay what they are due.
- Make effective use of all recovery measures available to the council.
- Provide a point of contact debt service for debts due to the council.
- Prevent the spiral of debt at an early stage by dealing effectively with small debts.
- Provide appropriate advice and assistance to debtors to maximise their income.
- Ensure officers work with debtors and their representatives to set realistic repayment arrangements that are regularly reviewed.

The Head of Finance and Estates is responsible for ensuring that proper arrangements are in place for the billing and recovery of debt. Authority for the write off of debts is set out in the council's Financial Regulations and Scheme of Delegation to Officers.

3.0 Financial Regulations for debt write off

3.1 Housing Debt

The Depute Chief Executive – Corporate, Operational and Housing Services is authorised to write off any amount of HRA rent arrears of up to £3,000 where the council has tried all reasonable means of debt collection and there is no prospect of recovery.

In addition, the Depute Chief Executive – Corporate, Operational and Housing Services is authorised to write off any amount of HRA rent arrears that cannot be recovered where the debtor:

- Is a debtor in bankruptcy or sequestration and a suitable claim has been made; or
- Cannot be traced; or
- Is deceased and there are no funds in the estate; or
- The debt is prescribed (i.e. outwith the legal time for collection).

3.2 Council Tax, Non Domestic Rates and Community Charge Debts

The Head of Finance and Estates is authorised to write off:

- Any balances claimed in liquidation, receivership, administrative receivership, dissolution, struck off companies or sequestration where a suitable claim has been made or the debtor cannot be traced or the debtor is deceased and there are no funds in the estate, or if the debtor is prescribed;
- Council Tax, Non Domestic Rates, and community charges debts up to £3,000 in any one case.

4.0 Housing Arrears and Evictions

The council provides a 'firm but fair' service to any council tenant in West Lothian who falls into arrears with rent payments. Tenants who experience problems paying their rent are encouraged to get in touch with their Housing Officer immediately, even if it is only a temporary difficulty that they are experiencing.

In line with the council's Corporate Debt Policy, council officers make every effort to help tenants deal with rent arrears. This involves provision of advice and assistance to allow debtors to maximise their income and pay what they are due. This may involve working with debtors to set realistic repayment arrangements that are regularly reviewed.

If attempts to reach agreement with tenants on housing arrears fail or if an agreement to pay arrears is broken, the council may need to consider further action. This may involve:

- Deducting payments from Department of Work and Pension benefits
- A bank or wage arrestment
- Taking court action for eviction

In all cases these methods are used as a last resort when all other methods to deal with rent arrears have failed.

5.0 Specific Issues in the Welfare Reform Act 2012

5.1 Size Criteria in the Social Rented Sector

From 1 April 2013, tenants of working age who rent from the Council or from other social landlords such as Housing Associations have had their Housing Benefit reduced if they are living in a property that has been assessed as being too large for their needs.

This change will not affect tenants who have reached the age for state pension credit.

Those households found to be "under-occupying" the dwelling which they rent, i.e. the property has more bedrooms than their household composition warrants under the new restrictions, have lost a part of their Housing Benefit entitlement.

- Claimants with one bedroom “too many” have had the eligible rent used to calculate the Housing Benefit award reduced by 14%.
- Claimants with two or more bedrooms “too many” have had the eligible rent used to calculate the Housing Benefit award reduced by 25%.

Impact on West Lothian

Analysis of the current Housing Benefit caseload found that 2,492 council tenants are being adversely affected by the size criteria changes. Of these tenants:

- 1,972 households have had a 14% reduction in housing benefit – an average weekly loss of £9.58
- 520 households have had a 25% reduction in housing benefit – an average weekly loss of £18.37

In total, this represents a Housing Benefit shortfall to affected tenants of approximately £1.36 million.

Similar analysis was undertaken with the Housing Associations in the area which has indicated that a further 800 households in this sector are being adversely affected, resulting in a Housing Benefit loss of £750,000.

Face to face interviews completed to date suggest that 31% of affected tenants are looking to move to smaller tenancies. Under the current Allocations Policy, many of these tenants do not have sufficient priority to be offered a transfer and therefore mutual exchanges are likely to be the best option for tenants wishing to move. There are currently 187 WLC tenants looking to a mutual exchange to a smaller house registered on the Home Swapper website; 165 of these are under occupying by one bedroom, and 22 are under occupying by two or more bedrooms.

5.2 Introduction of an absolute benefit cap

The UK government is introducing a cap on the total amount of benefit that working age people (16-64) can receive. The cap has been set at the average earnings of a UK working household and will mean that people of working age will receive up to a maximum amount, even if their full entitlement is higher. The proposed cap will be £350 per week for a single adult with no children and £500 per week for a couple or lone parent, regardless of the number of children they have. Local authorities will then be obliged to deduct any excess from the claimant’s Housing Benefit award.

The benefit cap has been introduced in four London boroughs from 15 April 2013 and is to be introduced in Britain in September 2013.

5.3 Council Tax Benefit Abolition

Under the Welfare Reform Act, Council Tax Benefit has been abolished and replaced by localised schemes of support. Unlike Council Tax Benefit the new scheme is not fully funded by the DWP, with a 10% reduction in funding, equivalent to a £40 million reduction at a Scottish level. For Scotland, an interim Council Tax Reduction Scheme has been put in place by the Scottish Government for 2013/14 which ensures that the 10% DWP shortfall is being funded by the Scottish Government and local authorities. Council Executive has previously agreed to allocate £500,000 from the general fund balance to meet our share of the 2013/14 shortfall. At this stage, no further information is available on what scheme will be put in place by the Scottish Government for 2014/15 onwards.

5.4 Introduction of Universal Credit

Universal Credit will mean the integration of six core benefits and tax credits into a single payment. It will bring together: Income Based Job Seekers Allowance; Income Support; Income Related Employment Support Allowance; Housing Benefit; Child Tax Credit and Working Tax Credit. The plan is to make one single monthly payment to the household. This will mean that the housing support element of Universal Credit will be included in this single payment and paid to the claimant and not the landlord. Universal Credit will be introduced in a staggered manner across the UK. The process will start with new claimants and then move on to the existing caseload and is due to be completed in 2017. In West Lothian, new claimants of working age will be directed to apply for Universal Credit from April 2014.

5.5 Scottish Welfare Fund

The Scottish Welfare Fund (SWF) was introduced from 1 April 2013. This replaced the DWP's Social Fund which consisted of Community Care Grants and Crisis Loans for Living Expenses. The SWF will offer a range of support including goods in kind as well as cash. The council's SWF allocation for 2013/14 is £1.066 million.

5.6 Personal Independence Payments

Disability Living Allowance (DLA) will be replaced by a new benefit called Personal Independence Payment (PiP) from June 2013 for new claimants and thereafter existing claimants will migrate over to the new benefit from January 2014. PiP will be based on a point scoring system and there will not be a level of entitlement in PiP for claimants who presently receive the lowest rate of care in the present Disability Living Allowance. It is estimated that about 2,300 current recipients of DLA in West Lothian will lose income when PiP is introduced, with a loss of £20.55 per week.

6.0 Actions taken to mitigate Welfare Reform Act 2012 changes

The council has undertaken a number of positive actions designed to advise and provide support to residents in West Lothian who could be affected by the various Welfare Reform changes. These include:

- An "early warning" letter issued to all tenants during November 2012, who based on information held, would be affected by the size criteria restrictions. The purpose of the letter was to highlight to the tenants that, due to the size restriction criteria, they were facing a reduction in their Housing Benefit from April 2013; to give tenants the opportunity to correct any misinformation regarding their household composition and house size; and to offer the opportunity to engage with the council, mainly via the local area housing offices, and to explore the various options open to them.
- Housing Construction and Building Services are working in close partnership with the Revenues Unit, the Advice Shop, and Social Policy to identify and engage with those tenants who will need support.
- A programme of face-to-face interviews is ongoing with local Housing Offices, or the Housing Association staff, contacting the tenants concerned to discuss the options available.
- A Welfare Reform communication strategy is in place which to date has included a number of publications highlighting welfare reform changes, training events for council staff and the third sector, and various Advice Shop events.

- Additional time limited resources of £1.024 million have been approved by Council Executive for the following:
 - Additional advice shop support to provide assistance and advice to people affected by Welfare Reform changes
 - Additional support to provide advice shop representation at Social Security Tribunals for anyone wishing to appeal against full or partial loss of disability living allowance
 - Additional Housing Needs staff support
 - Increased Revenues and Benefits staff support to manage the benefits caseload
 - Top up funding for a three year period towards the Discretionary Housing Fund (see separate heading below).

Other actions already in place include the set up of a dedicated Scottish Welfare Fund (SWF) team within the Revenues and Benefits unit who will assess SWF applications and administer the fund. Additional call centre staff have also been employed on a fixed term basis to handle SWF enquiries.

In relation to size criteria, officers are currently considering the mix of housing for the new build council house programme.

7.0 Discretionary Housing Payments Fund

The Department of Work and Pensions (DWP) provides local authorities with a Discretionary Housing Payment Fund (DHP) to help people who face real hardship, as a result of not being able to meet their housing costs, and where Housing Benefit does not meet those costs in full. The original fund provided a temporary hardship scheme which was used to meet a temporary shortfall in housing support for those with the least income and most pressing needs. For 2013/14, the council has been allocated £27,000 for the temporary hardship scheme.

As a result of specific welfare reform measures the scheme has now been expanded into a further three areas. The expansions are:

- Funding to help tenants in receipt of Local Housing Allowance who rent from private landlords. The council will receive £53,000 in 2013/14.
- Funding to support certain groups affected by the size criteria restrictions. The council will receive £40,000 in 2013/14.
- Funding to provide short term support for those affected by the introduction of an absolute benefit cap from September 2013. The council will receive £119,000 in 2013/14.

In addition to the £239,000 the council will receive from the DWP in 2013/14 for the four parts of the DHP fund, the council has agreed additional time limited top up funding of £180,000 for the DHP fund for each of the three years 2013/14 to 2015/16. This means the council will have a total DHP fund of £419,000 in 2013/14.

The £180,000 council contribution to the DHP fund will be used for claimants affected by size criteria restrictions who are prioritised using the 'hardship' test.

It is anticipated that the demands of the fund will however be significantly higher than the funding available. The size criteria changes alone will result in a total housing benefit loss of over £2 million for council and housing association tenants.

8.0 Impact Assessment of Welfare Reform

As highlighted in this report, the council has already allocated significant time limited resources towards providing advice and support to people affected by the welfare reform changes.

The largest financial risk to the council will be in relation to its ability to continue to collect rent and council tax. The amount of housing benefit that will be lost to current council house tenants through the introduction of the size criteria restrictions is estimated to be £1.36 million. However, at this early stage it is not possible to accurately estimate the impact that this might have on council house rent arrears.

Work is ongoing to identify solutions for those tenants who have indicated that they are willing to downsize their property to avoid the loss of benefit. Work is also ongoing with tenants to discuss the options available to continue to pay housing rent.

In addition, the introduction of the benefits cap, the move to universal credit, the Council Tax Reduction Scheme and the introduction of Personal Independence Payments will each have an effect on people's current benefits entitlements, and therefore could have an effect on Rent and Council Tax Arrears. At this stage it is not possible to assess the financial impact this may have on the council and our communities.

I would therefore recommend that officers undertake a comprehensive impact assessment of all of the welfare reform changes, to assess the potential impact on the council and our communities.

9.0 Further Actions to continue a proactive response to Welfare Reform

In order to ensure the council is taking as proactive an approach as possible to help mitigate the effects of Welfare Reform changes, it is recommended that as well as the financial impact assessment, officers carry out reviews of the following areas:

- Financial Inclusion – consider how to develop the council's approach to financial inclusion for vulnerable people, including provision of financial services and products that aid financial capability and budgeting in our communities.
- Corporate Debt and Income Collection - The review to include the administration of multiple debts due to the Council, including housing rent and council tax, and provision of debt support through the Corporate Debt Policy.
- Housing Policy and Procedures – Review of the councils housing policies and procedures, taking into account consideration of Welfare Reform changes.

Any proposed actions and recommendations from the impact assessment and reviews will require to be subject to consultation with tenants and other interested parties, and subject to equality impact assessment. Officers will report back through the Policy Development and Scrutiny Panels with their findings and any proposed recommendations or actions from the impact assessment and reviews.

E. CONCLUSIONS

The Welfare Reform programme will have significant consequences for people in West Lothian, and will present significant challenges to our customers, communities and to the council itself.

To date the council has implemented a number of positive interventions aimed at advising and providing support to those who will be affected by the Welfare Reform

changes.

The loss of income may have implications for debt owed to the council through Housing Rent and Council Tax. The Council has a responsibility to maximise the collection of all income owed to it for the benefit of the entire community and has policies in place to provide all reasonable assistance to those struggling to pay on time. Review of the impact of the various Welfare Reform changes on our communities will assist in assessing the financial consequences to the council, and will help determine the best way to help manage the collection of rent and council tax debt, and will enable further options to be identified to assist people affected by the welfare reform changes.

F. BACKGROUND REFERENCES

Welfare Reform: Quarterly Update – Report by Head of Finance and Estates to P&R PDSP
1 March 2013

Appendices/ Attachments: None

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