

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 16 OCTOBER 2012**

REPORT BY: **HEAD OF FINANCE & HEAD OF HOUSING**

SUBJECT: **WELFARE REFORM UPDATE**

1.00 PURPOSE OF REPORT

1.01 To provide an update to Cabinet of the work in progress. The aim is to implement a range of measures that will manage and mitigate, as far as practical, the impact of the Welfare Reforms upon our local communities and the local authority.

2.00 BACKGROUND

2.01 The Welfare Reform Act 2012 came into force on the 8th March 2012 and introduces significant and far-reaching changes to the social security welfare benefit system.

2.02 The welfare reforms will, if not effectively and proactively managed, have negative impacts upon residents, communities, businesses & the authority. Given the significant risks emerging from the welfare reforms a comprehensive Community Leadership (welfare reform) SARC has been produced. The SARC has identified a total of nine significant risks. These risks included:

- (i) loss of income to the local authority and to the local economy,
- (ii) lack of available resources to deal with demands from residents for access to advice and support services,
- (iii) increase in homelessness applications,
- (iv) the most significant impact – the welfare reforms are all being implemented within the same timeframe.

2.03 In January 2012, the (then) Executive approved a recommendation that a Flintshire Welfare Reform Strategy should be developed. The proposed strategy would comprise of four high scale projects that collectively aim, as far as practical, to mitigate the full negative impacts and enhance the positives of the welfare reforms upon our local communities and the local authority.

2.04 The four projects are:-

- (i) Welfare Reforms and Homelessness;
- (ii) Local Welfare Assistance Scheme;
- (iii) Council Tax Replacement Scheme;
- (iv) Implementation of the Universal Credit.

2.05 The development and successful implementation of the Flintshire Welfare Reform Strategy is being managed corporately by a Welfare Reform Programme Board. The Board is chaired by the Leader of the Council. Information on the membership and terms of reference of the Programme Board is attached in draft, subject to agreement at the next Board, at Appendix 1.

3.00 CONSIDERATIONS

3.01 An update of the work being progressed within the four projects is set out below.

3.02 Welfare Reforms and Mitigating Homelessness

3.03 The significant changes to welfare benefits, as set out in the Welfare Reforms Act 2012, have the potential to increase the number of households' who will become at risk of homelessness. If the threat of homelessness cannot be prevented the cost to the authority generated by fulfilling its statutory homeless duties could also increase.

3.04 A brief explanation of how one of the Housing Benefit (HB) reforms may reduce a household's ability to pay their contractual housing costs and the mitigating actions that are being implemented is set out below.

3.05 **HB & Social Housing Tenants:** Numerous proposals within the Welfare Reform Act 2012 were subject to intense scrutiny and debate. The reduction in the amount of HB paid to working age social housing tenants who are under occupying their home, (introduced in April 2013), will result in 1,008 FCC tenants losing Housing Benefit totalling £12,500 pw (£650,000 pa).

3.06 Work has been undertaken to profile these 1,008 tenants and this has enabled the Neighbourhood Housing Service to identify issues that may make some tenants more vulnerable than others. For example, a tenant may be subjected to the impact of further welfare reforms, e.g. they receive a disability benefit or they may already have rent arrears, etc.

- 3.07 All the tenants who are facing a reduction in their HB will be offered the opportunity to have a face-to-face meeting with a housing officer. At this meeting, the options available to the tenant can be discussed. An individual housing support plan will be completed for each tenant. The support plan will identify what advice and assistance the tenant can be offered in order to ensure their chosen option can be successfully implemented.
- 3.08 **Important note:** the reduction in Housing Benefit will also apply to tenants of all Registered Social Landlords, thus more households throughout the County will face themselves in a similar position to our tenants. Data is being collated with Housing Associations to establish the countywide impact of this welfare reform.
- 3.09 To help residents cope with the impacts from all the welfare reforms and reduce the risk of households becoming homeless a range of actions that aim to inform, educate; advise and support residents (and service providers) are being developed and implemented. For information, the Welfare Reforms and Mitigating Homelessness action plan, outlining objectives and expected success measures, is attached at Appendix 2.
- 3.10 Local Welfare Assistance Scheme
- 3.11 During 2009/10, the Department of Work and Pensions (DWP) spent £500,000, on awarding 3,760 Crisis Loans and 710 Community Care Grants to Flintshire residents. In April 2013, these two discretionary Social Fund payments are being abolished and the DWP will transfer to the Welsh Government the budget that was spent (in the current financial year) on awards of Social Fund grants and loans made to applicants in Wales.
- 3.12 The Welsh Government will become responsible for overseeing the establishment of 'local welfare assistance schemes' to help residents to meet expenditure that the DWP Social Fund used to meet. For example, purchasing essential items of household furniture or helping a household to meet expenses created by an emergency, such as homelessness.
- 3.13 Following an extensive consultation exercise, the Welsh Government has stated their preference for a 'single organisation' to be appointed to manage the Welsh scheme and to establish local consortia to deliver the assistance to households. The tendering period closed on the 30 September 2012 and information is awaited on the organisation who has been awarded the contract to manage the scheme in Wales. It will be critical that the authority is closely involved in the development of the local delivery arrangements with the organisation leading the Welsh Scheme to ensure those most in need in Flintshire's communities enjoy ease of access to the scheme.

3.14 Council Tax Benefit Replacement Scheme

3.15 This scheme will replace the current Council Tax Benefit scheme which FCC administers on behalf of the Department of Works and Pension from April 2013. There are approximately 13500 households who claim help with their Council Tax either in full or in part. This benefit helps support residents who are on benefit or who are working.

3.16 From April 2013 the administration of the scheme will be devolved to Wales Government. A different approach is being taken in Wales than in the rest of the UK. A Pan- Wales scheme is being devised. Due to the time scales involved the new scheme will be based on the existing scheme in the short term.

3.17 One of the main differences with the scheme from April 2013 is that each authority will receive a fixed budget to administer the scheme during any financial year. The current scheme allows for increases in caseloads when there is increased demand. Caseloads and expenditure have steadily increased over recent years. The new scheme will potentially not allow such flexibility.

3.18 The other major change is that the budget that FCC will receive in April 2013 is estimated to be potentially around 20% less than current expenditure. FCC currently spends approximately £11m per year in Council Tax Benefit.

3.19 In England where local schemes are also being devised Pensioners are being protected from any cuts in their Council Tax Support. This has not been replicated in Wales.

3.20 After a period of consultation which concluded in the spring of 2012 Wales Government decided that no one group would be protected per se in the main regulations and that the potential 20% cut in entitlement would be borne equally across all claimants.

3.21 In reality this could mean that everyone will have to pay some Council Tax in 2013/14. This will include groups who currently do not pay any contribution at the moment.

3.22 An exercise has recently been carried out to look at the likely impact of increased levels of council tax payments on current benefit claimants, many of which are not at the present time making any payment.

3.23 Introduction of Universal Credit

3.24 Universal Credit represents perhaps the most fundamental reform to working age benefits for 60 years.

- 3.25 It replaces Housing Benefit, Child and Working Tax Credits Income Related Employment Support Allowance and Income Based Job Seekers Allowances.
- 3.26 It is designed to ensure that work always pays and will be paid as a single monthly amount to a household.
- 3.27 It is expected to “go live” for new claims in October 2013 and it is expected that there will be a period of migration for residual claims over a number of years for other working age claimants. Details of how this will delivered have not been released by the Department of Work & Pensions.
- 3.28 Universal Credit will mean that one payment will be made to each eligible household. It does raise the issues of financial capability and budgeting for many customers. The scheme is designed to ensure that households are prepared for the time when enter into work. This will be challenging for many especially when it is expected that the Housing Cost element will also be part of the Universal Credit payment. In many cases now the Council pays Housing Benefit directly to the rent accounts of claimants. With the introduction of Universal Credit it will only be in exceptional circumstances that this will continue. Many households will be now responsible for the paying of the rent to their respective housing providers.
- 3.28 There is a potential risk to local authority Housing Benefit staff in the longer term as housing cost is migrated to “Universal Credit” but there has been little detail of any role of the local authority in the delivery of Universal credit e.g. face to face help. The Department of Works and Pensions do envisage that the majority of claims will be undertaken by the claimant on-line. Service delivery and planning is very difficult. The authority also runs the risk of losing experienced and skilled staff as the uncertainty continues when residual work and services still need to be delivered.

4.00 RECOMMENDATIONS

- 4.01 That Flintshire County Council continues to engage in local and national discussion on the issues arising from Welfare Reform and that Members and Officers are proactive through relevant government and professional groups to make representations to mitigate the impacts on the Council and the people in the community of Flintshire.

5.00 FINANCIAL IMPLICATIONS

- 5.01 The financial pressures upon the authority that could be created by the full impact of the welfare reforms are significant. These pressures range from an increase in expenditure upon temporary accommodation for homeless households through to a potential 20% reduction in the current level of Central Government revenue that will

be paid to the authority in respect of council tax rebate for low income households.

5.02 There are approximately 1008 Council tenants who will be affected by changes to Housing Benefit. This will mean that the Council will have approximately £650 000 more to collect in rent during 2013/ 2014.

5.03 The Council could potentially have an extra £2m to collect in Council Tax directly from taxpayers.

5.04 Full financial assessments are still being undertaken as more detail of the changes is issued.

6.00 ANTI POVERTY IMPACT

6.01 A Welfare Reform Strategy will naturally link up with the complimentary antipoverty initiatives that the authority and its partners are currently managing. For example, the Welsh Government's Child Poverty Strategy and the Children and Poverty (Wales) Measure 2010 introduced a new framework for action that seeks to eradicate child poverty which is being managed by North East Wales Families First Pioneer Area (includes Flintshire County Council) and the Maximising Opportunities: Poverty and Disadvantage in Flintshire, project, which is leading the development of a more coordinated approach to planning and delivery of advice services.

7.00 ENVIRONMENTAL IMPACT

7.01 None specifically associated with the content of this report.

8.00 EQUALITIES IMPACT

8.01 The impact of the welfare reforms will be felt across many of Flintshire communities; however, some groups within our communities will be harder hit than others. For example, single people aged under 35 years old, people of working age with long-term health problems/disabilities and families with four or more children. A Welfare Reform Strategy will need to ensure measures are put in place to ensure the impacts upon such groups are mitigated as far as practical.

9.00 PERSONNEL IMPLICATIONS

9.01 None specifically associated with the content of this report.

10.00 CONSULTATION REQUIRED

10.01 A Welfare Reform Member Briefing will take place during early November – the date to be confirmed. This will be an opportunity for all Members to be briefed on the Welfare Reform Agenda.

11.00 CONSULTATION UNDERTAKEN

11.01 None.

12.00 APPENDICES

12.01 Appendix 1 – Draft Welfare Reform Programme Board Terms
of Reference
Appendix 2 – Mitigating Homelessness Action Plan.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

None.

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