

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO HEALTH AND HOUSING COMMITTEE

Agenda Item No.

meeting date: 2 AUGUST 2012
title: WELFARE REFORM ACT
submitted by: CHIEF EXECUTIVE
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1 PURPOSE

- 1.1 To inform Committee of the Welfare Reform Act and the implications for residents claiming housing related benefits and the housing service.
- 1.2 Relevance to the Council's ambitions and priorities:
- Community Objectives – To meet the identified housing needs across the borough.
 - Corporate Priorities – None.
 - Other Considerations – None.

2 BACKGROUND

- 2.1 The Welfare Reform Act received Royal Assent on 8 March 2012 following 18 months of discussion, lobbying and debate. The Act sets out in law fundamental changes to the welfare system aimed at improving the benefit system to reduce the dependency on welfare, improve incentives to work, making work pay and reducing overall spend. This includes the introduction of a single working age benefit 'Universal Credit' which draws together the existing elements of means test support for employment, housing and child care into a single award that is paid direct to the claimant rather than the landlord. A total benefits cap and reduced housing benefit awards of social tenants deemed to be under occupying social rented sector properties, and local housing allowance rates to be calculated using existing awards uprated by CPI rather than actual market rents. For pension age claims, a new housing credit element was in the existing pension credit and will replace housing benefit for pensioners who need help with their rent.

3 ISSUES

- 3.1 The main welfare reform changes affecting the housing sector over the next five years.

Universal Credit – phased in from October 2013 Universal Credit will provide support for those of working age, those in and out of work. From October 2013 new claims for those out of work will receive Universal Credit and from April 2014, new claims who are working will receive Universal Credit. This means regardless of tenure, Universal Credit will replace housing benefit, income based Job Seekers allowance, income support, income related employment and support allowance, working tax and child tax credit. The separate benefits will no longer exist when you claim and all existing claims will be converted by October 2017. Consequently, Universal Credit will cover housing and support costs for income and children in one stand-alone single benefit depending on

the claimant's income level and family circumstances. There will be no separately identifiable payment made exclusively for housing costs. The information of Universal Credit will be administered by a centralised IT system; this means the majority of claims will be dealt with online with a back up national telephone call centre for all the cases. The result is that local authorities will no longer administer support for help with housing costs, although the intention is that local authorities will eventually provide face to face support for some claimants with complex needs, but this is still to be determined.

- 3.2 Pension Credit – For claimants over pension age, pension credit is also changing, so rather than claiming housing benefit, help with rent will be incorporated into a new element of pension credit called housing credit. New claimants will claim pension credit without housing credit from October 2014. Existing housing benefit customers over pension age will be transferred to the modified pension credit between October 2014 and October 2017.
- 3.3 Direct Payments – once in receipt of Universal Credit, payments will be calculated and paid directly to the claimant on a calendar monthly basis in arrears, which means the current practice of housing benefit to the landlord will end. This moves the receipt of benefit to be similar to a salary received in work, with the aim that this will aid recipients in transition to and maintenance of work and promote claimants effective budgeting. Those deemed vulnerable will still be able to have their payments paid direct to the landlord. How this mechanism will work or how the vulnerable is defined are yet to be announced. Pension Credit Claimants will be able to opt to have their housing credit paid direct to the landlord.
- 3.4 Household Benefit Cap – from April 2013, a total cap will be introduced on the amount of benefit any couple or individual is entitled to. The cap is set at £26,000 per year per household, for couples with children and lone parents, and £18,200 for single people and couples without children. Regulations anticipated in summer 2012 will set out these amounts in due course. The housing benefit cap will apply to housing benefit, income based job seekers allowance, income support, income related employment and support allowance, child tax credit, child benefit and council tax benefit. A number of exemptions apply to household benefit cap if a person is in receipt of working tax credits, disability living allowance, employment support allowance, attendance allowance, war widows pension or war widowers pension.
- 3.5 Size Criteria/Under Occupancy – the size criteria is the only element of the current welfare reforms which will apply to the social rented sector alone. It will apply to new and existing working age housing benefit claimants from April 2013. Existing claims will have their accommodation assessed from the date when their claim was first assessed. This means claimants will be assessed to establish the size of accommodation they reasonably need. Housing benefit will be restricted according to the number of bedrooms each person/family requires. Those who are assessed as under occupying their home will have their housing benefit reduced by a percentage rate set at 14% for a tenant with one extra bedroom, 25% two or more extra bedrooms. An estimated 670,000 households in the social rented sector will be affected losing around £776 per year. This means one bedroom will be allocated for a tenant and their partner if living as one; two children under 10 will be expected to share regardless of gender; two children under 16 of the same gender will be expected to share; one bedroom will be awarded for anyone else not included in the above. For disabled tenants requiring a non-registered carer to stay overnight, the tenant will be allowed one extra room. As qualifying agents

state pension credit will be 61 from April 2013; tenants that age and over will not be subject to size criteria. Apart from claimants over pensionable age there are no exceptions to the measure regardless of the claimant's circumstances. Housing benefit assessors will rely on information provided by the claimant and on the landlord to advise how many bedrooms there are in their property. Therefore, how a bedroom is defined, whether it is a sufficient size for the children to share and who determines how many bedrooms a property may have will be locally determined. The size criteria means that anyone under occupying will need to move or face reduction in their benefit. This feature will also be replicated in awards of Universal Credit. An additional criteria is related to non-dependants. A person of the age of 16 is entitled to a room on their own, however once they reach 18 they are no longer classed as part of the claimants family. For benefit purposes resident adults who therefore share accommodation that are not reliant on the claimant for financial support are classed as non-dependant. Housing benefit is reduced for every non-dependant residing with the claimant.

- 3.6 Discretionary Housing Payment – these provide financial assistance to tenants in receipt of housing or council tax benefit where the local authority considers the household needs help with their housing cost. The government has allocated additional support to local authorities to aid households requiring support on a temporary basis due to the potential implications of the size criteria and household cap. In particular, the increase funding for 2013/2014 aims to support those who live in properties adapted for disabled people and who may on the size criteria need additional support to remain in their existing households and foster carers who may need an additional room for when they are fostering or between placements. It is important to note the increased allocation will not be ring fenced, so local authorities will be free to allocate the resource locally as they see fit.

4 RISK ASSESSMENT

- 4.1 The reforms will have the following implications:

- Resources – Housing needs will be engaged to support households who fall into arrears.
- Technical, Environmental and Legal – Registered Providers will look to secure smaller units of accommodation.
- Political – No implications identified.
- Reputation – No implications identified.
- Equality & Diversity – No implications identified.

5 CONCLUSION

- 5.1 There has been a visible campaign against many of the welfare reform measures. Some changes are already here whilst others will be introduced in the coming years. The briefing provides an overview of the main changes affecting the housing sector and the preparation needed to adapt to these changes.

5.2 There will be significant impact on delivering the housing service and re-housing households.

- Reduced housing benefit will further reduce the amount of affordable accommodation for households in receipt of benefit. This will put further pressure on temporary accommodation and the length of stay.
- No direct payments to landlords will discourage investment in the private sector and further discourage acceptance of tenants in receipt of benefit.
- All registered social landlords will incur additional costs of collection of rent which may ultimately reduce investment in development.

5.3 Under occupancy is another concern for all housing providers. There is limited availability of accommodation to allow households an option to downsize. Housing providers will need to consider developing/purchasing smaller units.

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BACKGROUND PAPERS

None.

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REF: RS/EL/H&H02081203