

30<sup>TH</sup> May 2013**REPORT OF THE PORTFOLIO HOLDER FOR HOUSING & VULNERABLE PEOPLE AND  
PORTFOLIO FOR OPERATIONS AND ASSETS****Welfare Benefit Reform Discretionary Awards****EXEMPT INFORMATION****PURPOSE**

To update Cabinet on the discretionary schemes provided by the Council to temporarily mitigate the impact of and support the transition for some vulnerable residents in implementing changes required by the Government's Welfare Benefit Reform programme.

To seek approval for a proposed Discretionary Award for Council Tax scheme to be introduced.

**RECOMMENDATIONS**

**That Cabinet approve:**

- 1. the implementation of the Discretionary Award for Council Tax Scheme;**
- 2. the landlord hardship fund as a separate fund available to council tenants, for the commercial interests of the HRA; and**
- 3. a Direction be sought from the Department for Communities & Local Government (DCLG) on this basis.**

**EXECUTIVE SUMMARY**

On 25<sup>th</sup> July 2012 Cabinet received a report detailing the impact of Welfare Benefit Reform. Members have also had the opportunity to attend two seminars on this subject.

It has been recognised that the implementation of Welfare Benefit Reform will lead to a significant change in circumstances for many households. This may require a period of transition for some households during which time it is envisaged that additional support may be required from the Council and other agencies to mitigate negative social and economic impacts.

It is important to note that any additional support provided does not undermine the intentions of Government policy in implementing the reforms but are measures which support the transition, particularly for the most vulnerable households.

As part to the Council's approach to this it is intended that there will be three areas where financial support will be provided.

Firstly, a 'hardship fund' has been established specifically for Council tenants. This limited resource is intended to mitigate particular impacts to Council tenants arising from Welfare Benefit Reform. By providing temporary support to qualifying tenants the fund is intended to mitigate social consequences from debt and potential homelessness and reduce costs to the Local Authority arising from court action and void costs. Current resources allocated for this

purpose are £20k. This scheme has been subject to a Scheme of Delegation item for approval and details of the Landlord Services Hardship fund are set out at **Annex One**.

In addition, through a Government funded scheme, the Council has the ability to make Discretionary Housing Benefit Payments (DHP) in certain circumstances. This represents a temporary topping up of housing benefit to reduce the gap between rental costs and the level of benefit awarded. In considering applications the Council will consider the individual circumstances of the applicant including health and wellbeing issues and impact of making an award. The majority of awards are made to private sector tenants where the risks of eviction are considered greater. The total amount available for this is £111k. The Discretionary Housing Payment policy is attached at **Annex Two**.

Approval is also now sought for a scheme to provide discretionary awards in relation to Council Tax. As a result of the Welfare Reform Act in 2012 the Government announced it's proposal to reduce the amount it would spend on Council Tax Benefit. They requested that Councils run their own Local Council Tax Support Schemes.

The Local Council Tax Support Scheme for Tamworth was endorsed by the Council on 13 December 2012.

On 1st April 2013 the new Local Council Tax Support Scheme replaced the Council Tax Benefit scheme for **working age** claimants. Reductions to Local Government grants means that the new scheme for **working age** claimants is not as generous as the old rules. The Government has said that Councils must protect pensioners in the scheme. Those of State Pension Credit age and not in receipt of any working age benefits are protected from any reductions to entitlement.

Under Section 13A(1)(a) of the Local Government Finance Act 1992 (as inserted by Section 76 of the Local Government Act 2003), the Council has the power to reduce liability for Council Tax in relation to individual cases or class(es) of cases that it may determine and where national discounts and exemptions cannot be applied.

The scheme is unconnected to Universal Credit and the Council does not expect to use Discretionary Council Tax awards as a general supplement to the level of Universal Credit paid.

The Council will only consider using its powers to reduce Council Tax liability for any Council Tax payer in exceptional circumstances. The Council will treat all applications on their individual merits. However, there must be evidence of financial hardship or personal circumstances that justifies a reduction in the Council Tax liability.

Any award given will reduce income levels for the Council and its preceptors and will therefore be granted sparingly. The Local Council Tax Support Scheme for Tamworth policy is attached at **Annex Three**.

In administering the above schemes the teams will coordinate activity and exchange information to ensure the best use is made of these limited resources. Qualifying criteria for the schemes have been developed to be complementary. For example households who have already received an award of discretionary housing benefit will not qualify for assistance from the Tenants Hardship Fund.

The funds available are limited and awards will be dependent on the availability of budget. As a result these resources will be aimed to mitigate the impacts for the most vulnerable households.

These funds are not intended to diminish the outcomes of Government policy or to subsidise reductions in the overall cost of welfare benefits. As a result the intention is that any support will be time limited to support a transition for the affected household.

In addition to the above, households who are affected by homelessness will have access to support through the Council's homelessness prevention services.

## **RESOURCE IMPLICATIONS**

A budget of £20k has been provided to fund awards to Council Tenants under the Landlord Services Hardship fund.

The Government has indicated that it will provide grant funding up to a maximum of c. £111k to fund Discretionary Housing Payments in 2013/14 – and costs in addition to this will fall on the Council's budgets, up to an overall limit set by the Department for Work & Pensions (DWP) of c. £279k.

Any awards given to reduce Council Tax liabilities will reduce income levels for the Council and its preceptors (through the Collection Fund) and will therefore be granted sparingly. Overall collection fund income levels are monitored regularly and any significant variances will be reported by exception as part of the Quarterly Performance Healthcheck report.

By making available discretionary awards to support households in making the transition required by Welfare Benefit Reform the Council is able to reduce other potential costs for example Void Costs, legal costs etc. In addition the Council is able to maintain the ability for the resident to make further payments in the future.

Correspondence has recently been received from the DCLG regarding the situation where some local housing authorities may wish to make payments under the Discretionary Housing Payments scheme, in exceptional cases, to tenants living in the council's own housing stock.

The legislation underpinning the operation of the housing revenue account is not clear on the issue of making such payments to the council's own tenants from the housing revenue account, though payments may continue to be made from the council's general fund.

It goes on to say that where a local housing authority wishes to make DHP available to its own tenants through the housing revenue account, the Department is prepared, upon receipt of a written application, to issue a Direction (under Item 9 Credit and Item 10 Debit), putting the matter beyond doubt for individual authorities. The view of the DCLG is that many Council's DHP funds are being exhausted and this Direction would allow Council's to formulate local arrangements.

It is not recommended that a Direction be sought to extend the DHP scheme using HRA funds, however, the landlord hardship fund was established by relying on existing legislation and such a Direction whilst considered unnecessary, is now prudent to support the delivery of a separate hardship fund within the HRA.

The Council would need to address issues of equity if it includes HRA subsidy of the DHP within its hardship schemes. However the HRA landlord Fund and DHP are separate funds available for those experiencing economic hardship. An additional test for the HRA funded scheme will be the commercial impact on the HRA also.

## LEGAL/RISK IMPLICATIONS BACKGROUND

There are some key risks related to the implementation of these schemes. Although the detailed risks vary between the schemes there are some consistent issues:

| <b>Risk</b>  | <b>Mitigation</b>   |
|--|---|
| There may be an expectation from customers that the Council will be able to entirely bridge any reduction in benefits.         | The qualifying criteria are clearly set out for each scheme to ensure that customers are clear of the circumstances which would result in an award. It will be made clear to applicants at every stage that any award is for a limited period.  |
| Some customers may receive two or more awards and keep coming back for more.   | For each of the schemes there will be no repeat qualification for support in the year. In addition although it may be that a customer may receive both support with Council Tax and support with rental payments no customer will be supported through both the Discretionary Benefit Payment and Landlord Hardship fund. |
| Some households will miss out because the available resources are limited.   | Unfortunately the Council has only limited resources available with which to seek to mitigate the impact of Welfare Benefit Reform. This will be communicated to customers and the Council will maintain discretion to target the resources to the most vulnerable.   |
| Even with these schemes in place some households will be impacted by Welfare Benefit Reform including even losing their homes. | It should be noted that these schemes will have a limited impact in reducing the impact of Welfare Benefit Reform. However it is not possible or desirable for the Council to seek to undermine the intentions of Government policy.  |
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## SUSTAINABILITY IMPLICATIONS

The impact of debt is well documented and the provision of these schemes is part of the Council's approach to mitigating some of these impacts. The risks to many households arising from the implementation of Welfare Benefit Reform includes homelessness which has a range of health and wellbeing impacts which undermine the Council's Corporate objectives. The provision of support to households will help to reduce these risks.

## BACKGROUND INFORMATION

### REPORT AUTHOR

Director Housing and Health, Director Finance

## LIST OF BACKGROUND PAPERS

### APPENDICES

Annex One: Landlord Hardship Fund Policy

Annex Two: Discretionary Housing Payments Policy



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