



AGENDA ITEM: 5(n)

CABINET: 18 January 2011

Report of : Assistant Chief Executive

Relevant Portfolio Holder : Councillor D Westley

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SUBJECT: CHANGES TO HOUSING & COUNCIL TAX BENEFIT

Borough-wide interest

1.0 PURPOSE OF THE REPORT

1.1 To update Members on the implications of the Government's recently published White Paper *Universal Credit: Welfare that Works*.

2.0 RECOMMENDATIONS

2.1 That the current position, as outlined in the report, be noted.

2.2 That the Assistant Chief Executive report back when more details are known about the impact on the Council, its customers and staff.

3.0 BACKGROUND

3.1 On Thursday 11 November 2010, the Government published its White Paper on the introduction of the Universal Credit (UC) and intends to issue a Welfare Reform Bill in January 2011, which will provide more detail on these proposals and give effect to the changes.

3.2 The White Paper outlines the timetable for implementation of the UC with a pilot starting in October 2013 and all new working age claims starting from April 2014. This will be followed by the gradual closure of existing Benefits and Tax Credits claims and their transfer to the new system intended to be fully completed by October 2017.

3.3 The recent Comprehensive Spending Review provided £2Bn for the implementation and roll out of the UC. The implementation costs will include development of two IT systems, one for the assessment of the UC (probably

involving the enhancement of existing systems) and a second system to obtain real time Her Majesty's Revenues & Customs (HMRC) Pay As You Earn (PAYE) data.

- 3.4 The White Paper provides some detail on the Department for Work & Pensions' (DWP) preferred operational, assessment and delivery arrangements for the UC, however, there remain many elements which are still being considered, including the involvement, if any, of Local Authorities (LA's).
- 3.5 The White Paper's preferred administrative arrangements are that the Universal Credit (UC) will be administered centrally by the DWP. There is very little recognition within the administrative proposals of the Government's overall localism agenda and, although there has yet to be any final decision on the future role of LAs, there are few specific proposals for any involvement for LAs in the future arrangements for the assessment and delivery of the UC.
- 3.6 The DWP intends that the majority of claims will be made, assessed, and delivered electronically. Entitlement will be automatically adjusted as earnings vary, based on monthly income reports through the upgraded version of the PAYE tax system. Other changes in circumstances will have to be reported as now. Otherwise, the White Paper is very light on detail of customer services.
- 3.7 Currently, the responsibility for investigating Benefit fraud is with both LA's (Housing & Council Tax Benefit) and the DWP (other Social Security Benefits) and both organisations have worked closely where appropriate, for many years.
- 3.8 The Government has announced the creation of a single national fraud investigation service from 2013, which suggests that Local Authority responsibility for Benefit fraud investigation will transfer to the DWP from that date. We await further detail in this regard, particularly in relation to the impact on LA staff.
- 3.9 Impact on current Housing Benefit Scheme
- 3.10 Many of the announcements in relation to Housing Benefit (HB) and welfare reform (see Appendix 1 to this Report), contained in the summer budget and autumn spending review are intended as steps towards the eventual implementation of the UC, for example, the household benefit cap (initially to be administered by LAs).
- 3.11 Fundamentally, the proposals contained in the white paper involve the merging of existing income related benefits including Income Support, Job Seekers Allowance, Employment Support Allowance, Tax Credits and HB, into one benefit, but with the overall benefit amount payable remaining much the same for those out of work.
- 3.12 Essentially the new UC will involve the calculation of a maximum entitlement, consisting of a basic entitlement made up of a personal allowance which is based on existing personal allowance levels contained in existing applicable amounts used to calculate the above Benefits currently payable, with relevant additions relating to the other benefits the claimant qualifies for, added to this basic allowance.
- 3.13 These additions relate to extra costs associated with children, disabilities and housing costs, with eligibility rules that correspond to the benefits they previously would have been entitled to and which the UC additions replace.

- 3.14 The UC will be assessed on a household basis, with the income and capital of both members of a couple being taken into account. The UC will then normally be paid into the bank account of one member of the couple although the DWP are considering arrangement to 'split' payments to each member of a couple, so that the child support elements of the UC can be paid to main carer of the child(ren).
- 3.15 One of the key elements in the assessment of UC, and continued claim maintenance, is the proposal for earnings information to be obtained from HMRC PAYE system, providing for automatic assessment of the level of earnings and reassessment when those earnings reduce, for example, due to reduced or increased hours, overtime or salary increases. Under the current Housing Benefit arrangements, Local Authority Benefit Sections collect this directly from claimants.
- 3.16 The housing component of the UC i.e. due to the landlord (social or private) will be paid to individuals as part of the overall UC payment. The White Paper, however, says the Government recognises the importance of stable rental income for social landlords, and will develop Universal Credit "in a way that protects their financial position". Options for achieving this could include some ongoing use of direct payments to landlords, use of direct debits, and a protection mechanism which safeguards landlords' income.
- 3.17 It would seem likely that from 2013, LA's will no longer be responsible for investigating Benefit Fraud although some form of referral mechanism from remaining LA Benefit services to the new single fraud investigation service, will no doubt be required.
- 3.18 The White Paper also recognises there are many policy and operational issues to work through in respect of housing. The Government, it says, will work closely with Local Authorities and the housing sector as plans develop.
- 3.19 Impact on current Council Tax Benefit Scheme
- 3.20 Council Tax benefit (CTB) will not be part of the UC and its administration will be devolved to LAs. LAs will receive grants towards the costs of local CT rebate schemes which will be 10% less than current CTB costs. Much more work on this is required in discussion with Department for Communities & Local Government (DCLG), who will take over responsibility for CT rebates/benefit from the DWP.

4.0 CURRENT POSITION

- 4.1 The Council currently pays £13m pa Rent Rebate (Housing Benefit) to Council tenants, £11m pa Rent Allowance (Housing Benefit) to private tenants and £9m Council Tax Benefit to the above and house owner occupiers, approximately 98% of which it claims back directly from Central Government as these Benefits are classed as Social Security Benefits and therefore ultimately the responsibility of the DWP.
- 4.2 The Council employs 35.5 FTE staff within its Benefit Service to administer the above, at a cost of £1.6m. It currently receives £794,730 pa from DWP toward that cost.

- 4.3 Other than CTB, any involvement of LAs in delivery of the UC is not set out in the White Paper, other than in one paragraph, which says:-

“The potential implications and opportunities for Local Authorities are significant. The Department for Work and Pensions will hold further discussions with Local Authorities and their associations about the detail and implications of Universal Credit for their Housing Benefit operations and of the new approach to Council Tax costs. This will include considering whether there may still be a role for Local Authorities in dealing with non-mainstream Housing Benefit cases (for example, people living in supported or temporary accommodation). Local Authorities may also have a role to play in delivering face-to-face contact for those who cannot use other channels to claim and manage their Universal Credit”.

5.0 ISSUES

- 5.1 These proposals raise a number of significant issues for Local Authorities i.e.

- From 2013, the current HB administrative arrangements to process and pay HB to local customers, will start to be dismantled as elements of this Scheme are transferred to DWP;
- This will have significant implications for LA staff working within LA Benefit and Customer Facing Services, as resource requirements and funding will no doubt reduce throughout the transitional period to 2017, by when it is envisaged the full implementation of these proposals will be completed;
- LA`s will have to review future contractual arrangements with external partners e.g. software suppliers;
- LA`s will need to review future budget implications including internal dependancies e.g. corporate recharges;
- LA`s will be responsible for setting up and administering local Council Tax Benefit Schemes within finite funding thresholds and maybe for administering some remaining elements of the existing HB Scheme in relation to supported and temporary accommodation, as well as possibly handling some of the customer facing functions of the new UC;
- LA`s will need to take account of all of the above when considering future shared services/partnership arrangements involving Benefit Services, which are likely to feature prominently in many emerging LA business plans.

6.0 FINANCIAL AND RESOURCE IMPLICATIONS

- 6.1 As mentioned earlier in this report there will be significant financial implications for LA`s in relation to these proposals, which will need to be considered when more detail is known.
- 6.2 Perhaps the most immediate priority will be the pending Government announcement in relation to the annual Benefits Administration Grant that we receive i.e. how & by how much this will be reduced year on year from now on as these proposals start to take effect and how this impacts on the resources needed to continue to deliver the Benefits Service.
- 6.3 As noted above, there is likely to be a significant impact for the Council`s staff and the Council will need to develop a strategy to deal with these implications.

7.0 RISK ASSESSMENT

- 7.1 There is a risk associated with the implications of these changes to Benefit claimants, but Central Government have indicated that this will be mitigated as part of the transitional implementation arrangements of these changes.
- 7.2 There is a significant risk to staff working for the Council in Benefit related functions as it is apparent that Central Government funding is likely to be significantly reduced as the current HB & CT Benefit Scheme is dismantled and the new arrangements start to be implemented. A Council strategy to deal with this will be necessary.
- 7.3 There is a financial risk to the Council in relation to the reduction in Benefit Administration Grant received from Central Government. Officers await more detail in relation to this.

8.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 8.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder.
- 8.2 The report has no links with the Sustainable Community Strategy.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The Department for Work and Pensions has carried out an initial equality impact assessment on the proposal to introduce Universal Credit (and consequential reforms) to meet the requirements of equality legislation. At this stage there are still some detailed policy decisions to be taken and so this Equality Impact Assessment provides an indicative high level assessment of impacts. Final conclusions cannot be drawn until policy development is complete. A more detailed Equality Impact Assessment will be provided with the introduction of the Welfare Reform Bill. There is no evidence from an initial assessment of an adverse impact on equality in relation to the equality target groups.

Appendices

Appendix 1 – Other changes to Housing Benefit

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1. Local Housing Allowance (LHA) Scheme

From April 2011 for new claims; for existing claims, protected for 9 months after the claim anniversary date (12 monthly):-

- remove the five bedroom LHA rate so that the maximum level is for a four bedroom property.
- introduce absolute caps so that LHA rates cannot exceed:
£250 for a one-bedroom property,
£290 for a two-bedroom property,
£340 for a three-bedroom property,
£400 for a four-bedroom property.

From April 2011 for new claims; for existing claims, protected for 9 months after the claim anniversary date (12 monthly):-

- LHA rates will be set at the 30th percentile of rents in each Broad Rental Market Area rather than the median.

From April 2011 for new claims; for existing claims, after the claim anniversary date (12 monthly):-

- the £15 weekly excess that some customers can receive under the LHA arrangements will be removed.

From April 2011 for all claims:-

- the inclusion of an additional bedroom within the size criteria used to assess Housing Benefit claims in the private rented sector where a disabled person or someone with a long term health condition has a proven need for overnight care and this is provided by a non-resident carer(s).

2. Discretionary Housing Payments (DHP)

From 2011/12:-

The Government has also announced that it will triple its contribution to local authorities' funding for DHP's. This is currently £20 million a year, and will increase to £30 million in 2011/12 and then to £60 million a year.

The Council currently receives a Government DHP threshold contribution of £29,035, which is used to support claimants who are experiencing exceptional financial and/or personal circumstances that affects their ability to meet their housing costs, in accordance with the Council's DHP Policy.

3. Direct Payments

From April 2011:-

There will be a relaxation of the rules regarding the point at which an LA can consider changing Benefit payment from direct to the claimant, to directly to the landlord.

4. Non-dependant deductions

From 2011 – 2014

A non dependant is someone who normally lives with the Housing Benefit claimant such as an adult son, daughter, relative or friend. Non dependent deductions (NDDs) are the deductions made to a household's housing benefit when it contains a non dependent. Non-dependants cannot claim Housing Benefit for any payments they make for their keep.

There will be staged increases in NDDs to bring them up to the level they would have been had they been fully uprated since 2001 (charges have been frozen since then) and we await specific details to be contained in the Bulk Uprating Order which usually arrives in January.

5. Index linking of LHA

From 2013/14 (needs primary legislation)

LHA rates will be up rated on the basis of the Consumer Price Index (CPI), rather than on the basis of local rents as is currently the case.

6. Limiting working age HB entitlement to reflect household size in the social rented sector

From: 2013/14 (needs primary legislation)

Working age people in social housing will no longer be able to claim HB on a property deemed bigger than their needs. This already applies in the Private Rented Sector under LHA.

7. HB award reduced to 90% after 12 months for claimants of JSA

From: 2013/14 (needs primary legislation)

Any claimant on JSA for over a year will have their HB entitlement cut by 10%.