

<b>Report To:</b>	<b>Policy and Resources Committee</b>	<b>Date:</b> 21 September 2010
<b>Report By:</b>	<b>Corporate Director Organisational Improvement and Resources</b>	<b>Report No:</b> POL/22/10/PWFB
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<b>Subject:</b>	<b>Proposed Welfare Reforms and Response to Consultation</b>	

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## 1.0 PURPOSE

- 1.1 The purpose of the report is to inform Committee of measures proposed by the UK Government to reform Housing and Council Tax Benefit and the likely impact on the Council and the Communities of Inverclyde.

## 2.0 SUMMARY

- 2.1 Councils have been administering Housing Benefit since 1986 and although the scheme has been subject to a great deal of change, changes have been incremental and have generally improved the financial circumstances of individuals or groups of individuals.
- 2.2 The Chancellor announced in the Emergency Budget on 22 June 2010 a range of proposed reforms of Welfare Benefits including significant changes to Housing Benefit. The objectives for the proposed changes are to reduce expenditure, remove barriers to work imposed by welfare benefit conditionality, make work pay for working age claimants as well as addressing the inequality with those not in receipt of welfare benefits.
- 2.3 These proposed measures will undoubtedly have an effect on residents of Inverclyde, landlords and a subsequent knock on effect on the local economy.
- 2.4 The detail of the measures will be outlined in the Comprehensive Spending Review on 20 October 2010.
- 2.5 Secondly, a Consultation paper published by the Secretary of State for Work and Pensions' paper ('21st Century Welfare') on 31 July 2010, requests responses by 1 October 2010 on the reform of the assessment and payment of most welfare benefits for working age people, including Housing and Council Tax Benefit. The paper can be seen at:  
<http://www.dwp.gov.uk/consultations/2010/21st-century-welfare/>
- 2.6 A corporate response will be made lead by Finance Services, including comments from Social Care and Regenerations and Planning.

## 3.0 RECOMMENDATIONS

- 3.1 (a) It is recommended that the Committee note the impact the proposed measures will raise for Inverclyde Council in term of initially communications with customers, landlords and customers, staff training and IT system changes.
- (b) Considers the wider impact on the community resulting from reduced levels of Housing Benefit income for claimants, the management of rent arrears by housing associations and private sector landlords and the pressures on council services such as debt management, homelessness and social care as well as the profitability of and subsequent availability of property provided by private landlords and the pressures that this may have on housing association stock.

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- 3.2 It is also recommended that the Committee note that a corporate response will be made to the consultation paper '21st Century Welfare'.

**Paul Wallace**  
**Corporate Director Organisational Improvement and Resources**

## **4.0 BACKGROUND**

- 4.1 The Chancellor announced at the Emergency Budget on 22 June 2010, a number of proposed measures to reduce Housing Benefit expenditure to be introduced between April 2011 and April 2013. The detail of the measures will be outlined in the Spending Review on 20 October 2010.
- 4.2 '21st Century Welfare' has been informed by a number of papers including The Centre for Social Justice 2009 report 'Breakthrough Britain, Dynamic Benefits, Towards Welfare that Works' which identified that high benefit withdrawal rates trap millions in worklessness and dependency, and outlined proposals to:
- Address Britain's unacceptable levels of poverty and social exclusion,
  - Boost employment and earnings over the long term.
  - A new approach that recognises how claimants respond to benefit withdrawal rates.

## **5.0 PROPOSED CHANGES TO WELFARE BENEFITS**

- 5.1 The Emergency Budget proposes:

From April 2011:

- Local Housing Allowance (LHA) will be restricted to a maximum of the four bedroom rate. LHA rates will be capped however rates within the Renfrewshire and Inverclyde BRMA are significantly lower than the proposed caps therefore Inverclyde claimants will not be affected.
- Claimants with a disability and a non-resident carer will be entitled to funding for an extra bedroom in the calculation of their household's accommodation needs.
- There will be staged increases in the rates of deductions made from claimants' entitlement in respect of the income level of other adults sharing their home. By April 2014, these increases will bring the rates to the level they would have been had the rates not been frozen in 2001.

From October 2011:

- LHA rates will be reduced from the fiftieth to the thirtieth percentile of rental market evidence gathered by the Rent Service Scotland.
- Child Benefit will be frozen for 3 years from 2010-12.

From April 2013:

- LHA will be uprated in line with the Consumer Price Index rather than based on market evidence. Estimates from the Institute of Fiscal Studies suggests that the change is likely to be in the region of a 2% cut each year.
- People, who have been on Jobseeker's Allowance (JSA) for 12 months or more, will have a 10% reduction in their Housing Benefit.
- Lone parents may have to claim JSA and look for work when their youngest child is age 5. The regulations will allow a parent to limit job-search to work that fits around school hours which will restrict the employment opportunities and after one year will be subject as above to a 10% reduction in housing Benefit.
- The Government aims to reduce the Disability Living Allowance caseload and expenditure in respect of working age customers by 20%.
- Further changes are planned to reduce Working Tax Credits entitlement and by 2012 removing Child Tax Credit from families whose joint income exceeds £30,000. Health in Pregnancy Grants will be stopped and Sure Start Maternity Grants will also be affected. All of these measures will have a direct financial impact for families.
- Working age HB claimants who are living in a social housing property that is too large for their household size will have their benefit capped.

To help the most vulnerable people who could be affected by these changes, the Discretionary Housing Payments budget will be tripled to £60 million a year.

- 5.2 The detail of the measures will be outlined in the Spending Review on 20 October 2010 and legislation is expected to be laid in November 2010 with a Welfare Reform Bill early 2011.

- 5.3 '21<sup>st</sup> Century Welfare' outlines the Government's plans to address welfare dependency by integrating and reforming income related benefits and Tax Credits for people of working age, including Housing and Council Tax Benefit, along with changes to conditionality. Welfare benefits are currently assessed and paid separately by the Department for Work and Pensions (DWP), Local Authorities (LA) and HM Revenues and Customs (HMRC); 21<sup>st</sup> Century Welfare' proposes a range of approaches including welfare benefits being assessed and paid as one 'universal credit'.
- 5.4 The paper asks for views on how the Government should reduce costs of the welfare system, how to drive down administration costs, reduce welfare dependency and poverty and asks for views on the eligibility and entitlement conditions to the proposals.
- 5.5 The '21st Century Welfare' consultation period ends on 1 October 2010. An impact assessment, including an equality impact assessment, will be produced as part of the policy development process for any proposals that follow.

## **6.0 IMPACT OF HOUSING BENEFIT REFORM IN INVERCLYDE**

- 6.1 The impact of the Local Housing Allowance measures is based on Housing Benefit caseload data at March 2010. The impact of the other proposals that are quantifiable at this time based on information released is based on caseload data at June 2010. It does not take into account changes in claimant and landlord behaviour such as reduction in market rent levels, change in household composition and employment levels.
- 6.2 All 1300 private rented sector Local Housing Allowance recipients in Inverclyde will be worse off with the measures planned to be introduced by October 2011. Losses will range from £7 to £18 per week and will reduce the council's £33m Housing Benefit subsidy claim by £499,720 (approximately 1.75%).
- 6.3 Currently 56% of the Private Sector available rental properties are affordable to people dependant on Housing Benefit. Following the implementation of the new measures this will reduce to 39% of privately rented accommodation being affordable for those on Housing Benefit. Many landlords in Inverclyde rely on Housing Benefit tenants to avoid their properties being void. Some landlords may reduce rental charges in line with the new measures in order to retain tenants but it is too early to measure the full impact these changes will bring.
- 6.4 On the whole the level of monetary loss for Inverclyde recipients will be less than overall in Scotland as the level of LHA for smaller properties in Inverclyde is currently less than the Scottish average. Those however in the larger properties will likely have a greater weekly monetary loss as the current LHA rates for Inverclyde are higher than the Scottish average.
- 6.5 Due to the changes in the rates of deductions made from claimants' entitlement in respect of the income level of other adults sharing their home, 150 households (social as well as private sector tenants) will experience a higher level of reduction in their entitlement from April 2011. This reduction may result in people coming off benefits completely.
- 6.6 195 working age claimants (social as well as private sector tenants) in receipt of Job Seekers Allowance will have their housing benefit reduced by 10% from April 2013. This reduction is likely to be in the region of £7.50 per week.
- 6.7 There is insufficient information available at this time to calculate the impact of housing benefit capping in the social sector proposed for introduction in April 2013.
- 6.8 The increase in the national Discretionary Housing Payment budget is likely to meet the needs of those authorities most affected by the impact of the budget proposals. Inverclyde is unlikely to gain based on the comment at 6.3.

## **7.0 21<sup>st</sup> CENTURY WELFARE – Consultation Paper**

7.1 There is a commitment to consider the current organisation of work between the DWP, HMRC and LA to establish how delivery can best be integrated and what this might mean in practice. The introduction of a new system would need to align with existing plans to move 1.5 million claimants' incapacity benefits to benefits with more work-focused regimes. This is planned over a three-year period commencing October 2010.

7.2 '21<sup>st</sup> Century Welfare' objectives include achieving the most cost effective approach to service delivery as well as simplification for working age claimants. Proposals are being developed which outline a simpler Benefit system condensing all Working Age Benefits into a single Benefit with two components:

Universal Work Credit for those out of work and

Universal Life Credit to cover additional living expenses for all those on low incomes.

This credit will combine all welfare benefits such as Jobseekers Allowance, Employment and Support Allowance, Housing and Council Tax Benefit, Disabled Living Allowance, Working Tax Credit and Child Tax Credit. It is also expected that all Benefits will be paid in full by a single agency based in the Department for Work and Pensions.

## **8.0 PROPOSED RESPONSE TO CONSULTATION PAPER**

8.1 '21<sup>st</sup> Century Welfare' questions the extent of localisation of welfare benefit service delivery. The necessity to keep delivery local includes providing appropriate customer service, sharing information with other council services and having access to local housing knowledge. Furthermore, Local Authorities have demonstrated the capability of delivering what is widely regarded as a highly complex HB/CTB scheme at the same time as reducing fraud and error. It is also acknowledged that moving to one Benefit will require significant IT changes.

8.2 If this proposal is put into practice the future of Councils delivering Housing and Council Tax Benefit services for working age customers is questionable. This will have an impact on staff as well as financial issues through loss and control of DWP subsidy. Current research suggests that this change process is likely to take up to 10 years to come to fruition and will also have to go through lengthy consultations as well as be passed by successive Governments. A close watching brief will be kept in this area and CMT kept abreast of any relevant issues.

8.3 The proposals to service delivery changes do not affect pensioners' claims therefore the implication is that this will remain with Councils.

8.4 As mentioned at paragraph 5.5 the Department for Work and Pensions paper - 21<sup>st</sup> Century Welfare consultation period ends on 01 October. The Council lead by Finances Services with input from Social Work Services has completed a draft response. The Paper and draft response to the questions asked in the consultation are attached as Appendices.

8.5 The main thrust of the questions in the consultation is asking for opinions on how the cost of the welfare system can be reduced while reducing welfare and poverty and encouraging people into work. It also asks views on the proposal to streamline to one Universal credit and to suggest what options would work in order to achieve the above.

8.6 The overarching theme throughout the consultation response is while reform is welcomed, to try and emphasise the effect on people in terms of homelessness, the impact this will have on individuals, landlords and the effect this will have on the public purse as well as making employment opportunities for individuals more difficult. The response also advises that without local knowledge and networking fraud and overpayments are likely to increase which also puts a further strain on the public purse.

8.7 COSLA have also been consulted on the 21<sup>st</sup> century Welfare document and endorse the fact that the cost and structure of the Welfare System needs reformed to reduce bureaucratic processes and to make the system more accessible to individuals and communities. COSLA however opposes any suggestion that centralising Housing and Council Tax Benefit into one Universal Credit is in the interest of Communities nor would it deliver in any financial savings. As identified by the Council, COSLA also acknowledge that such changes run the risk of increasing homelessness by making access to the private rented sector unaffordable. They site that the proposals being made are radical yet the supporting detail is sparse. It is

likely that the UK Government will consult further with Local Government before progressing to any decisions.

## **9.0 IMPLICATIONS**

- 9.1 Financial – The changes from April 2011 onwards following the budget announcement will have an impact on Housing Benefit levels payable to customers which in turn will affect the level and control of subsidy received from the DWP as well as the financial impact for customers, landlords and the local economy. Proposed changes for the longer term if passed will have a financial impact for the Council in terms of staff cost.
- 9.2 Legal – none imminent
- 9.3 Human Resource - Investment will be needed in training and system development for the changes in the legislation. Longer term, if passed the proposals to move to one Benefit delivered by the DWP will have implications for the Benefit Service in terms of possible re-deployment or release of staff.
- 9.4 Consultation – as noted at paragraphs 7.6 - 7.9
- 9.5 Background papers – Consultation Paper – 21<sup>st</sup> Century Welfare