

# BRIDGEND COUNTY BOROUGH COUNCIL

18 JANUARY 2012

## COUNCIL QUARTERLY DEBATE ITEM – WELFARE REFORM

### Background information

#### Welfare reform

The Welfare Reform Bill legislates for the biggest change to the welfare system for over 60 years. The Bill legislates for the abolition of Housing Benefit and introduces a wide range of reforms that the Westminster Government believe will make the tax and benefits system more fair and simple by:

- creating the right incentives to get more people into work
- protecting the most vulnerable in our society
- delivering fairness to those claiming benefits and to the tax payer.

The main elements of the bill are:

- the introduction of Universal Credit to provide a single streamlined benefit that will make work pay. There will be an amount included within Universal Credit for housing costs.
- a stronger approach to tackling fraud through tougher sanctions and improved investigation.
- a tough but fair approach, with clear levels of commitment expected of claimants, placing more responsibility on those who can work, while giving protection to those with the greatest needs.
- reforms to Disability Living Allowance, through the introduction of the Personal Independence Payment to meet the needs of disabled people today.
- creating a fairer approach to Housing Benefit to bring stability to the market and improve incentives to work.
- driving out abuse of the Social Fund system by giving greater power to local authorities.
- reforming Employment and Support Allowance to make the benefit fairer and to ensure that help goes to those with the greatest need.

Changes to Housing Benefit in relation to the Local Housing Allowance (LHA) came into effect from April 2011 but the most radical changes to the benefits system will be implemented, or commenced, in 2013. These changes are:

- Implementation of Universal Credit
- A localised Council Tax Rebate scheme to replace Council Tax Benefit
- A single integrated fraud investigation service

#### Housing Support - Local Housing Allowance changes

LHA arrangements are a way of calculating Housing Benefit for people who rent from a private landlord. Local authorities use LHA rates based on the size of household and the area in which a person lives to work out the amount of rent which can be met from Housing Benefit. The Government has changed the legislation with the intention of reducing the overall level of expenditure in relation to LHA claims, effectively reducing the amount of help that people will receive towards their rent.

The main changes to the scheme are as follows:

- Restricting LHA awards to the rent liability (previously, up to an additional £15.00 could be paid).
- Basing LHA rates on the 30<sup>th</sup> percentile of range of rents for the size of property (was 50<sup>th</sup> percentile) effectively meaning that claimants can only afford 30% of private lettings. Customers are protected from this change for 9 months from anniversary date; the first customers will lose their protection in January 2012.
- The maximum LHA rate is restricted to 4 bedrooms irrespective of size of household (currently £150.00 per week).

- From January 2012, single persons under 35 will be restricted to the shared room rate (from £87.69 to £54.00). This rule previously only applied to under 25s. There are exemptions from this rule e.g. eligible for disability premium with two new exemptions from January 2012:
  - Homeless people who have slept rough or who are at risk of sleeping rough
  - Ex-offenders who pose a risk of serious harm
- Non-resident overnight carer can be taken into account when calculating LHA rate (must have an actual bedroom for the carer).
- From April 2013:
  - Total household benefit payments will be capped on the basis of average take-home pay for working households (£500 per week).
  - LHA rates will be uprated on the basis of the Consumer Prices Index, rather than on the basis of local rents.
  - Benefit for working age social rented sector customers will be restricted for those who are occupying a larger property than their household size and structure would warrant

### **Mitigating the changes**

The Council's Benefits and Housing Options Services have undertaken a programme of raising awareness and providing information together with proactive work with private sector landlords. Activities include:

- General information/advice leaflets issued periodically to customers and targeted leaflets to potentially affected under 35s and customers affected by the restriction to the 4 bedroom rate.
- Discussing the changes with landlords at landlord forums, negotiating rents with landlords to reduce to lower LHA levels and offering direct payment to keep the tenant in their home.
- Working closely with homeless charities such as Wallich and Shelter.
- Close working with the Prolific Offenders Unit based at Bridgend Police Station who assist repeat offenders to rehabilitate and live in the community.
- Updated the Benefit Service's web pages to provide more detail of the changes.
- An open day for Councillors, landlords and interested/relevant staff to discuss these and future benefit changes.
- Writing directly to customers whose protection is due to end (commenced December 2011).

Bridgend Council has also benefited from two successful bids for the Department of Works and Pensions (DWP) funding which will assist with managing these changes:

- Cardiff CBC is devising a website to provide guidance and advice on the changes and also for people to advertise and find others willing to share rented accommodation.
- Cambridge City Council, in conjunction with Northgate Public Services, has developed a suite of reports that can be used to identify different customer groups for local authorities to target support.

In 2011, the Housing Options Team was successful in its bid for new Homelessness Grant to support local authorities in taking action to prevent homelessness as a result of the changes to the housing benefit system. Caer Las was successful in its bid to provide debt advice services on behalf of the Council from January 2012. Caer Las is a registered charity whose experience falls into three main areas; housing and preventing homelessness, personal development and advice and advocacy.

The Discretionary Housing Payment (DHP) scheme provides local authorities with power to pay discretionary amounts to top up the Housing and Council Tax Benefits statutory schemes. The Government has provided local authorities with additional DHP funds to assist the most vulnerable people with the changes. The grant for 2011/12 is £60,295 and for 2012/13 it is £118,999.

Efforts to bring more empty properties into use are being stepped up, and a collaborative bid for grant funding, with Swansea and Neath Port Talbot Councils is in progress. Work is underway with RSL partners to investigate opportunities to bring forward shared housing schemes, to meet the increased need for shared accommodation.

## **Universal Credit**

This is a key element of the Welfare Reform Bill. The government intends to redesign the system of means tested benefits and tax credits for working-age adults by replacing them all with a single benefit known as Universal Credit, to be administered by the DWP. Universal Credit will combine all out-of-work income-related benefits with tax credits (Income Support; income-based Jobseeker's Allowance; income-based Employment and Support Allowance; Housing Benefit; Child Tax Credit and Working Tax Credit)

New claims for Universal Credit will commence in October 2013 with existing claims transferred over a three-year period from April 2014; the majority of claims are expected to be transferred in 2017. Housing Benefit assessment of for pension age claimants will also be removed from local authorities commencing in 2014.

Local authorities are to retain the administration of Housing Benefit for supported and temporary accommodation. However, the future role, if any, that local authorities will have in assessing and distributing the Universal Credit is unclear.

The way that Universal Credit is paid could have financial implications for the housing market. For example, because payment will be made direct to the customer there is a risk that tenants will default on their rent payments. Consequently, rental income streams for landlords will suffer. This could de-stabilise the credit arrangements the social housing sector has with financial institutions and reduce the availability of private sector rented accommodation.

At a local level, the potential increase in rent arrears could result in an increase in homeless cases and impact on the Council's housing and social service functions.

Councils currently administer Housing and Council Tax Benefit and receive £462 million (2011-12) in administration grant. For 2011/12, Bridgend CBC will receive £1.268m. The transition to Universal Credit will have resource and budget implications in terms of council employees, IT systems and contractual arrangements with private suppliers.

## **Council Tax Rebate**

The Government announced plans to localise the allocation and administration of Council Tax Benefit from 2013–14, with the intention of giving Councils the discretion to target benefits on local priorities, while protecting the most vulnerable.

The Government remains committed to retaining council tax support for the most vulnerable in society and it will be taking forward plans to develop local rebate schemes. This is part of a wider decentralisation agenda which will give councils a greater stake in the economic development of their area. Work on the establishment of local schemes will be led by the Department for Communities and Local Government (DCLG) and the Government will discuss the devolved implications with the Welsh Assembly Government.

The spending review made a commitment to reduce expenditure on Council Tax Benefit by the equivalent of 10%. Presently, there is still limited information available to establish the financial and administrative impact that this will have on the Council. It is proposed that passported claims (such as Income Support recipients) and pensioner claims should be protected from these cuts; this effectively means that the cuts will fall disproportionately on those outside of these groups.

Localising Council Tax Benefit brings with it a number of financial risks, for example, an increase in the number of claimants or an increase in council tax levels will result in an increase in the Council's budget requirement to fund the Council Tax Rebate (CTR). There are also potential issues nationally about how to distribute the funding for Council Tax Benefit between Councils with different demographic make-ups.

In September 2011, Welsh benefit managers agreed to progress the development of a pan-Wales model for the local CTR scheme, as proposed at a meeting of the Welsh Local Government Association (WLGA) Benefit Advisors Group. The Society of Welsh Treasurers are supportive of this strategy and have indicated that the design options follow a framework approach that will allow scope for locally exercised discretions within the overall pan-Wales scheme. To progress this issue, the Welsh Benefits Managers have formed two sub-groups, a design group and a data capture group.

## **The single integrated fraud investigation service (SFIS)**

The coalition Government's new strategy for tackling fraud and error in welfare benefits committed to establish a Single Fraud Investigation Service (SFIS) from 2013 to investigate fraud in benefits and tax credits. The new SFIS will be formed by consolidating the benefit and tax credit fraud investigation teams across DWP, local authorities and HM Revenue and Customs (HMRC).

In September 2011, the Department for Works and Pensions (DWP) issued an options paper which is the start of wider consultation on SFIS and was devised after working with all affected government bodies. The option paper only deals with local government staffing options and was produced early in the DWP's project timetable to allow local government to plan effectively for next year and beyond.

The DWP favoured the option for local authority staff to remain employed by local authorities, but operate under SFIS powers, policies, processes and priorities. Ministers decided to progress this option but made it clear, however, that this is an interim option. Over the long term, the nature of fraud investigation operations will necessarily have to change once Universal Credit is substantially rolled out.

## **Implications of Welfare Reform**

The removal of the £15 weekly excess provision affected approximately 700 customers with the average loss totalling £9 per week. Over 200 have lost, or will lose, the maximum £15 per week. The move to basing LHA rates on the 30<sup>th</sup> percentile affects all 3,600 LHA customers with the reduction in award ranging from £0 to £11 per week. Potentially, up to 200 single claimants under 35, when restricted to the shared accommodation rate, will see the greatest cut in their benefit entitlement with the maximum loss ranging from £26 - £33 per week.

While it is very difficult at this stage to predict accurately the scale of impact resulting from the changes, there is a degree of certainty around the issues that are expected to arise:

- increasing homelessness as a result of rent arrears;
- increasing rough sleeping, and resultant community safety and health issues;
- increasing demand for emergency hostel accommodation;
- a mismatch between the housing stock available, and what can be afforded by individuals and families; and,
- the private rented sector becomes an increasingly unviable option for single people, increasing pressure on social housing.

The Housing service is attempting to reduce the impact of these changes through a variety of measures:

- providing additional finance and debt advice as part of the core homelessness service;
- developing a Common Allocation Policy and Common Housing Register, to make best use of the existing social rented housing stock;
- bringing forward new temporary and move on accommodation, as part of the Social Housing Grant Programme;
- reviewing Social Housing Grant schemes to ensure that new schemes take account of the impact of welfare reform; and,
- work with regional partners and property owners to bring empty properties back into use for rental purposes.