



## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>The Welfare Reform Bill – Further update</b>
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**AGENDA STATUS: PUBLIC**

<b>Audit Committee Meeting Date:</b>	5 <sup>th</sup> November 2012
<b>Policy Document:</b>	No
<b>Directorate:</b>	Resources
<b>Accountable Cabinet Member:</b>	Cllr Alan Bottwood

### 1. Purpose

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- 1.1 The purpose of the report is to highlight further welfare benefit reforms which take effect from 2013, with particular emphasis on the changes to the Housing and Council Tax Benefit Schemes.
- 1.2 The report also seeks to provide an overview to the Committee on how these changes may affect tenants, landlords and residents in Northampton.

### 2. Recommendations

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- 2.1 That the Committee note the forthcoming changes to Housing Benefit and Welfare Reform proposals contained in this report.
- 2.2 That the Committee notes the potential risks and service delivery implications for the council arising from these changes.

### 3. Issues and Choices

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#### 3.1 Report Background

- 3.1.1 The government remain committed to further transformational changes to the welfare benefit system, with the aim of managing rising costs, delivering fairness and increasing employment. Consequently, further significant welfare reforms are due to take effect from 2013.

3.1.2 The key changes planned for 2013 are highlighted below.

### **Universal Credit**

3.1.3 The main feature of the Bill is Universal Credit, which is set to replace the present benefit structure by bringing together a range of working-age benefits, including Housing Benefit, into a single streamlined payment. The timetable for implementation of the Universal Credit commences in October 2013 and will apply to all new claimants who are out of work. This will be followed by the gradual closure of existing benefits and Tax Credit claims and their transfer to the new system, with full transfer completed by October 2017.

### **Administrative arrangements**

3.1.4 The preferred administrative arrangements are that the Universal Credit (UC) will be administered centrally by the Department for Work and Pensions (DWP). However, the DWP has indicated that they are keeping all options open for approaches to delivery in the longer term.

3.1.5 The DWP have established a universal credit learning network, with the aim of sharing knowledge and promoting good practise. Over the next few months the DWP intend to highlight the key activities all authorities need to undertake in order to be UC ready.

### **Universal Credit Pilots**

3.1.6 Local authority led pilots are to run for a year and will explore how LAs can use their expertise to provide local support to future Universal Credit claimants. The pilots will allow the LAs to investigate ways of promoting digital inclusion to claimants, including internet access and improving online skills.

3.1.7 Pilots will also test how claimants can manage housing benefit monthly payments ahead of the introduction of Universal Credit from October 2013. The pilots will also look at the appropriate level of safeguards needed to help secure landlord income streams if tenants fall behind on their rent. This will entail testing out different elements of the project, including testing different trigger points when social landlords should receive direct payments if tenants fall into specified levels of arrears.

3.1.8 The projects will also inform how best to communicate the changes to claimants, provide assistance with budgeting to successfully pay their rent. The council continues to work closely with the DWP regarding the introduction of the Universal Credit and is looking at the provision of support to those claimants who need additional help in accessing on line services

### **Supported Housing and Universal Credit**

3.1.9 The Government has decided that help with housing costs for those vulnerable claimants living in supported housing will not be included in their claim for Universal Credit when it is introduced in 2013.

Instead:

- In the short-term, there will be an interim system that is broadly similar to current arrangements- i.e. whilst claimants living in supported accommodation will receive their income from Universal Credit, they will continue to claim help with their rent from their Local Authority in the form of Housing Benefit.
- In the medium term, the DWP will design, develop and potentially pilot a more localised system for managing these costs.

3.1.10 The Government see this as the best way forward to ensure the new benefit system is flexible enough to cover the various costs within 'supported housing'.

### **Local Council Tax Reduction Scheme**

3.1.11 Council Tax Benefit will be abolished to be replaced by a new system of support from April 2013.

3.1.12 Under the new arrangements the Government will provide the Council with 10% less than the anticipated level of expenditure on Council Tax Benefit. This will equate to around £2 million.

3.1.13 This means that the Council has to decide whether to find an extra £2 million from its finances to bridge the funding gap created by the new grant or whether to reduce its expenditure on Council Tax Support. Council Tax Benefit is available to people on low incomes including those in low paid employment. It should be noted that pensioners will be protected so any reductions would fall on people of working age, increasing the reduction in support to this group from 10% to around 20%.

3.1.14 Under the new scheme local authorities are allowed to decide how support, discounts and exemptions are applied to Council Tax. Twelve options are being suggested as to how the cost of the scheme could be funded. Because these are such important changes, residents and stakeholders are being asked how the shortfall should be covered within the Council's financial constraints.

3.1.15 The consultation runs until the 22<sup>nd</sup> October, as it is very important that the Council understand how any proposed changes may affect people before deciding on a final policy.

3.1.16 We are working to a very demanding timetable and, following considered analysis of the consultation feedback, aim to have a scheme approved by full council by the 31<sup>st</sup> January 2013. Anybody who receives Council Tax Benefit prior to April 2013 will be automatically assessed under the new local scheme rules adopted by the council and households will be advised of the amount they will need to pay when we send out annual Council Tax bills in Feb/March 2013.

## **Local Council Tax Reduction Scheme Support – new £100 million transition fund**

3.1.17 The Department for Communities and Local Government (DCLG) acknowledge that many authorities are proposing to deliver savings using their local flexibilities with discounts and exemptions, without unfairly increasing the burden on those who are currently on benefits. However, the DCLG has expressed concern regarding the fact that some authorities are asking for very large additional contributions from those on benefits.

3.1.18 The DCLG is also of the view that councils can make savings in the new localised system from cutting fraud and error. However, the DCLG appreciate these savings may not be delivered immediately in the first year.

3.1.19 In view of the above concerns and to further assist the transition process, the DCLG has recently announced an additional £100 million of funding for councils to help support them in developing well-designed council tax support schemes, which maintain positive incentives to work.

3.1.20 This voluntary grant will be available to councils (billing and major precepting authorities) who choose to design their local schemes so that:

- Those who would be on 100% support under current council tax benefit arrangements pay between zero and no more than 8.5% of their council tax liability.
- The taper rate does not increase above 25%
- There is no sharp reduction in support for those entering work
- There is no large additional increase in non-dependent deductions.

3.1.21 The DCLG also suggest that councils will want to avoid collecting small payments and that it may consequently be better value for money for councils to avoid designing schemes which seek to do so. They anticipate that those councils seeking additional funding will make applications after 31 January 2013 and that funding will be paid in March 2013.

### **Council tax on empty homes**

3.1.22 The Local Government Finance Bill includes provisions that will allow a billing authority to charge an empty homes premium on empty dwellings. Individual billing authorities will design their own schemes for applying the premium in their local area including the circumstances in which it may be charged, and the level at which it will be set. The government recently announced that it considered that there are circumstances in which it would be inappropriate for the premium to apply. It has therefore launched a consultation on possible exemptions which closes on 9 November 2012.

### **Localisation of the Social Fund**

3.1.23 Community care grants and crisis loans will be replaced by localised support from April 2013. Crisis Loans are for anyone needing help in an emergency or because of a disaster. Community Care Grants support vulnerable people on benefits to return or stay in their community.

- 3.1.24 The County Council is leading on Social Fund Reform, having recently received details on the transfer of funding for a new provision from the DWP. They are currently seeking information and views of partners regarding current emergency provision, local schemes and demand / need in the area, etc.
- 3.1.25 Engagement and consultation with key stakeholders, including the Borough Council, on emerging policy and scheme design options is high priority. Councils are required to develop systems that meet the needs of local people and this could be through payment in kind, i.e. the granting of second-hand furniture or white goods rather than cash payments. It is anticipated that the County Council will want to consider how to support vulnerable people without increasing pressures in budgets.
- 3.1.26 It is proposed that options will be submitted to County Council members in November 2012, with final scheme implementation in April 2013.

### **Household Benefit cap**

- 3.1.27 From April 2013 the Government will put a limit on the total amount of benefit that working age people can receive. This means that households claiming out of work benefits will no longer receive more in benefits than the average wage paid to those who are working. Total benefit payable will be limited to a maximum of £500 each week for couples and lone parents and £350 for single people, though entitlement to certain other benefits will exempt claimants from the Household Benefit cap.
- 3.1.28 Local authorities will be responsible for applying the Household Benefit cap to new and existing claims from April 2013, through Housing Benefit deductions closely supported by DWP colleagues. From October 2013 new claims will start to be taken through Universal Credit and the cap will be applied directly to those claims.

### **Introductions of the Size Criteria in the Social Sector**

- 3.1.29 From April 2013 there will be a restriction on housing benefit paid to working age claimants living in social sector tenancies who are under occupying their property.
- 3.1.30 The restriction is to be levied at two rates, 14% of rent for under occupancy by one bedroom and 25% for 2 or more bedroom under occupancy. The shortfall between the rent and housing benefit will be payable by the tenant. The restriction is to be based on the number of bedrooms a claimant's household requires measured against the current size criteria applied in relation to HB claims for private tenants. The DWP impact assessment indicates that around 30% of social tenants will be impacted by this change.

## **3.2 Issues**

3.2.1 It is anticipated that, as a result of these changes, the council may see, particularly in the short - term:

- The possible migration of families to cheaper localities;
- An increase in the use of bed and breakfast and temporary accommodation;
- Overcrowding in lower cost, but smaller properties.
- Direct payments to individuals could affect rent/debt collection
- Higher demand for debt counselling services
- Higher demand on homelessness and housing options services
- Increased enquiries for assistance in obtaining alternative accommodation
- Increased applications and demand from young people
- Increased transfer applications and bidding via choice based lettings
- Increased levels of council tenant rent arrears
- Potential impact on the council tax collection rate and recovery of wider Council debts

## **3.3 Choices (Options)**

3.3.1 These changes relate to national reforms across the welfare system and require the Council to implement the new system in line with the planned transitional arrangements.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 Welfare Reform changes could impact on revenue collection by the council either as a result of reduced funding or income, additional expenditure or increases in rent and council tax arrears.

4.1.2 The Collection of tax and debts from people on minimum income used to receiving full benefit is expected to be very challenging. This will necessitate a review of the Council's collection targets and possible increases in staffing costs on recovery.

4.1.3 The council recognises that the next few years of transition to the new welfare benefit system will potentially transform current working practices as many of the reforms will impact on both the council and our stakeholders. We are therefore working together with key stakeholders to consider the role respective organisations could play going forward in terms of the help and support we offer our mutual customers.

## **4.2 Resources and Risk**

4.2.1 The timeline for delivering Local Council Tax Reduction schemes could pose an issue in terms of assessing the financial implications of a chosen scheme. The timeline for implementation in terms of creating, amending systems and going live with a new scheme are also very challenging.

## **4.3 Legal**

4.3.1 The Council will have a statutory duty to comply with the provisions of the new Welfare Reform Bill.

4.3.2 Any local scheme will require full review to ensure that the local regulations created to support the scheme are compliant with prescribed legislation.

## **4.4 Equality**

4.4.1 The Government has carried out equality Impact Assessments and screening for equalities group impacts will be undertaken once service changes are known. An equality screening has been made available on our website as part of the Local Council Tax Support consultation and a full assessment will be conducted based on the scheme chosen.

## **4.5 Consultees (Internal and External)**

4.5.1 Internal – The Councils Revenues and Benefits service have been working closely with the Councils Housing Directorate in order to develop both reactive and pro-active support for those most affected.

4.5.2 External - We will continue to consult and work closely with all stakeholders on all matters relating to the welfare reform agenda.

## **4.6 Other Implications**

4.6.1 N/A

## **5. Background Papers**

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5.1 N/A

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