



AUDIT COMMITTEE REPORT

Report Title	The Welfare Reform Bill
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AGENDA STATUS:PUBLIC

Audit Committee Meeting date:	2012
Policy Document:	No
Directorate:	Finance and Support
Accountable Cabinet Member:	Councillor

1 Purpose

- 1.1 This report highlights the potential risks and service pressures facing the council as a result of the current welfare reform agenda, with particular emphasis on the changes to the Housing and Council Tax Benefit Scheme, which is currently administered by the Council.
- 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

- 2.1 That the Committee notes the implementation of the April 2011 changes to Housing Benefit and the interim position with Welfare Reform.
- 2.2 That the Committee notes the potential risks and service delivery implications for the council arising from the welfare reforms, which have been described as the most significant changes to the benefits system in over 60 years.
- 2.3 That the Committee notes that further reports will be provided to the Committee as more detailed information becomes available.

3 Issues and Choices

3.1 Report Background

Hailed as the biggest shake up of the welfare system for 60 years, the Welfare Reform Bill plans to combine all out-of-work income-related benefits (including Housing Benefit) with tax credits to form one integrated source of help for all households that qualify. It aims to sharpen work incentives, remove complexity and reduce fraud and error. The welfare reforms announced to date include:

- A cap on Housing Benefit based on the under-occupancy of socially rented homes.
- A reduction in Housing Benefit payments for many private tenants.
- Reassessment of Incapacity Benefit and Severe Disablement Allowances.
- The replacement of all working age benefits with a Universal Credit.
- Localised Council Tax benefits and Social Funds.
- The cessation of local authorities power to investigate benefit fraud.
- A single direct payment of universal credit, including housing benefit supplement.

Some of these changes have already been implemented and will undoubtedly affect many tenants, landlords and a wide range of people in the community. The key changes are highlighted below and a summary of all relevant changes can be found at **Appendix 1**.

3.2 Key changes

Universal Credit

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 objective of the new Universal Credit is to create a streamlined approach to supporting working age households both in and out of work and to ensure that work pays by increasing the financial incentives to work and increasing the transparency of these rewards. This is backed up by tough conditionality rules to strengthen the link between people receiving benefits and meeting their obligations in finding or preparing for work where they are able to do so.

Timetable

The transition from the old benefit system to Universal Credit will take place in three phases over four years. 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 Credits claims and their transfer to the new system, with full transfer completed by October 2017.

Pensioners will, as a result of the introduction of Universal Credit, get help with rent through a new element of Pension Credit called Housing Credit, rather than claim Housing Benefit. On current plans this means that:

- New customers will have to claim Pension Credit to access help with their rent from October 2014.
- Existing Housing Benefit customers over Pension age will be transferred to modified Pension Credit, including Housing Credit, between October 2014 and October 2017.
- New claims to Housing Benefit from Pensioners received up to October 2014 will be dealt with as now.

Administrative arrangements

The preferred administrative arrangements are that the Universal Credit will be administered centrally by the DWP. However, there has yet to be any final decision on the future role of Local Authorities, although there are few specific proposals at this stage for their involvement.

Council Tax Benefit

The Government proposes to replace the current Council Tax Benefit Scheme with localised support through councils from April 2013. Council Tax Benefit will not be part of the Universal Credit and Local authorities will be given greater discretion on how they provide support for people on low incomes to pay their council tax. However, this will sit alongside a 10% reduction in Council Tax benefit expenditure announced in the Comprehensive Spending Review.

Changes to Housing Benefit

Major changes to the HB Scheme were introduced in April 2011, with the majority of existing claimants afforded transitional protection from immediate reductions in their HB entitlements. However, it is anticipated that, as a result of reductions in the level of HB payments, some private tenants will find their rent becomes unaffordable during the course of 2012/13 and will have to draw on other income to avoid rent arrears or move to cheaper accommodation. It is therefore anticipated that, in many cases rent arrears will develop and homeless presentations may start to increase. The Council has a full programme of work underway to address issues arising from reduced levels of benefit in 2012/13 and build on work completed in 2011/12.

Issues

3.3 Changes to Local Housing Allowance (LHA)

It is anticipated that, as a result of the reductions in LHA, the council may see:

- Higher demand for debt counselling services
- Higher demand on homelessness and housing options services
- Increased enquiries for assistance in obtaining alternative accommodation
- Potential impact on temporary and/or bed and breakfast accommodation if tenants are evicted, with corresponding financial implications
- Increased applications and demand from young people
- Increased transfer applications and bidding via choice based lettings

- Private sector landlords becoming unwilling to let to people on benefits because of fears of high levels of arrears
- Reduced supply of Private Rented accommodation (there is a national reliance on this form of accommodation to prevent 66% of all homeless preventions)
- Increased levels of council tenant rent arrears
- Potential impact on the council tax collection rate and recovery of wider Council debts

3.4 Progress

The HB changes are a cause of considerable concern for many claimants and landlords. A dedicated team of officers has therefore been established and is working closely with key stakeholders to ensure existing Housing Benefit customers who will be affected by these measures are notified well in advance of any change in benefit levels.

The team is currently reviewing all customer support options and is contacting specific claimants and Landlords who may be significantly affected by the changes.

The DWP is also currently working with local authorities on the implications of the introduction of the Universal Credit in 2013 in relation to resources and staffing, IT/Software contracts, the needs of customers and design and delivery model. They acknowledge that it is particularly important to address a range of local authority staffing and resourcing issues over the period of transition to Universal Credit, especially given the need to manage the current programme of reform of Housing Benefit alongside the moves to Universal Credit.

The DWP is therefore working with local authority advisory groups to resolve outstanding policy and design issues including greater clarity on the delivery model and the role that local authorities might play. They aim to define what face-to-face customer contact would be like and who would deliver it. They also recognise that local authorities deliver many services that are linked very closely to the Housing Benefit service and so would be affected by Universal Credit.

However, at this stage, there is still insufficient detailed information available to assess the full impact on services and customer groups.

3.5 Choices (Options

Awaiting full information upon completion of the welfare reform bills progress through the House of Lords and final royal assent.

4 Implications (including financial implications)

- 4.1 The changes affect most aspects of welfare provision and it is anticipated that there will be implications for the Council, its employees and Benefit clients generally.

The Council is likely to face a resultant increase in service and financial pressures as a result of the changes, most likely during the initial transition. In particular, it is anticipated that there will be implications in terms of increased levels of debt, increased homeless presentations, with a potential increase in actual homelessness. Demand for advice is also likely to increase, particularly in relation to the services of the Money and Debt advice team.

Pressure on the council's limited Discretionary Housing Payments budget is also likely to intensify during the course of 2012/13.

It is estimated that for those affected, benefits administered by the council will reduce by approximately £2million in 2012/13. Reductions in state benefits may also occur meaning households will have less disposable income to service debts they may owe to the council.

A reduction in Council Tax Benefit spending by 10% will mean that the council will face the challenge of devising a local scheme that best suits the needs of local council tax payers, while managing spending within lower limits and protecting the most vulnerable. The difficulty in achieving this objective is further compounded by the fact that the DCLG have prescribed that pensioner entitlement under the local scheme will be protected.

The proposed reduction in Council Tax Benefit spending by 10% equates to a around £1.5million in this Borough.

The bill also includes a response to ensure that Universal Credit mimics the world of work, with a single monthly payment for each household and Housing Benefit will no longer be paid directly to landlords.

Concerns have been raised about the impact of housing costs being paid direct to social housing claimants as it poses a risk to landlords' rental income. It is suggested that many more tenants might fall into arrears, meaning increased arrears management costs for social landlords. It may, in turn, prove necessary to review the council's bad debt provision.

It should also be noted that any significant increase in homelessness arising from the welfare reforms poses a considerable financial risk to the council. This is because the DWP only partially reimburses councils for HB payments in respect of Bed and Breakfast accommodation for homeless persons.

A comprehensive strategy to deal with a potential increase in homeless applications and thereby avoiding a reliance on B&B accommodation is at an advanced stage.

4.2 Legal

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

4.3 Equality

The Government has carried out equality Impact Assessments and screening for equalities group impacts will be undertaken once service changes are known.

4.4 Consultees (Internal and External)

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

External - We will continue to consult and work closely with all stakeholders on all matters relating to the welfare reform agenda. Presentations and a workshop were held in 2011/12 and we will continue to work with stakeholders throughout 2012/13.

5. Background Papers

N/A

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