

WIRRAL COUNCIL

COUNCIL EXCELLENCE OVERVIEW AND SCRUTINY COMMITTEE

16 MARCH 2011

SUBJECT	HOUSING BENEFITS REFORM AND THE BENEFITS BUDGET
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR JEFF GREEN
KEY DECISION	YES

1.0 EXECUTIVE SUMMARY

1.1 This report advises Members of the changes to Housing Benefits (Local Housing Allowance) which come into effect from April 2011; outlines proposals to reform the welfare system by creating a new 'Universal Credit' under the Welfare Reform Bill; provides information on the Lean Review of Benefits; presents the budget for 2011/12; and reviews the reserves and provisions.

2.0 RECOMMENDATION

- 2.1 That the legislative changes planned for 2011/12, and proposals for future changes, to Housing Benefits be noted.
- 2.2. That the preliminary outcome of the Lean Review of Benefits be noted.
- 2.3. That the saving of £1.2 million in the Benefits Service in 2011/12 be noted.
- 2.4. That the Benefits Budget for 2011/12 be noted.
- 2.5. That the release of £0.2 million of the Housing Benefit Provision and £2 million of the Housing Benefit Reserve to General Fund balances be noted.

3.0 REASON/S FOR RECOMMENDATION/S

- 3.1 Housing Benefit spend is the largest individual budget within the Council Budget. Members are advised of any changes which impact upon this whilst the budgets, including sums set aside in provisions and reserves, are kept under review to ensure sums no longer required are released.
- 3.2 This report was requested by Council Excellence but could not be presented to the meeting on 31 January 2011 as the financial implications were not agreed until Budget Cabinet on 21 February 2011 and the initial presentation on the Lean Review did not take place until 25 January 2011.

4.0 BACKGROUND AND KEY ISSUES

HOUSING BENEFIT CHANGES 2011

- 4.1 The Department for Work and Pensions (DWP) has announced changes to Local Housing Allowance (LHA) which come into effect from 1 April 2011.
- 4.2 The changes affect people claiming Housing Benefit (HB) or Local Housing Allowance (LHA) who are claiming from a private sector landlord who made their claim on or after 7 April 2008, or who make a new claim for benefit, or move home, from 1 April 2011. The DWP have announced, since making the original proposals, that existing claimants, with the exception of those receiving the £15 'top-up' payment, will be afforded transitional protection meaning that for many claimants the impact of the changes will be deferred until 1 January 2012.
- 4.3 The following changes are effective from 1 April 2011:-
- Removal of the LHA £15 'top-up' allowance. Claimants will no longer be able to retain any excess LHA allowance (previously being able to keep up to £15 weekly) where the LHA rate is higher than their rent liability.
 - Restriction of the 'room rate' – there will no longer be a five bedroom LHA rate; the maximum level will be for a four bedroom property.
 - Capping of all LHA rates – restrictions will be applied to all bedroom rates. This will not affect Wirral claimants and probably only affect claimants in London.
 - Revised calculation of LHA rates – this change has been brought forward to April 2011 from October 2011. Rates will be set at the 30th percentile of rents in the area rather than the median. It is anticipated that approximately 3 in 10 properties in an area would be affordable to people on HB rather than 5 in 10. The change in the way LHA rates are calculated is expected to bring about a reduction of approximately 10% when compared to current rates.
 - Additional bedroom for non resident carer- previously there was no provision in the HB/LHA assessment to include a room used by a carer who is required to stay overnight. This has now been addressed and a room is allowed for the purposes of deciding size criteria in considering the claim.
- 4.4 Existing safeguards have been broadened with a temporary extension of the LHA 'direct payment' (to landlords) provisions. A key 'default' of the original LHA scheme was that benefit would be paid to the customer rather than to the landlord. In principle this remains in place, although provision has now been made for payment to be made to the landlord where the local authority considers it will assist the customer in securing or retaining a tenancy. Significantly, this is intended as an incentive to landlords to reduce rents to a level that is affordable to customers.
- 4.5 The DWP has committed a further £50 million to the Discretionary Payment scheme for the duration of the period leading up to the transfer to Universal Credit. It is likely to be actively accessed, particularly given the amendments to the basis of the LHA rate calculation. The DWP is to issue guidance on its administration. As such it is likely that I will need to undertake a review of the current allocation policy.

- 4.6 The DWP has issued guidance on the changes. Officers will be considering this guidance as they make the necessary preparations, which will include working closely with staff at the One Stop Shops and Call Centre as the changes will generate significant numbers of new enquiries. Provision will be made for the following:-
- Communicating with customers and external stakeholders.
 - Staff awareness and training.
 - Software changes.
 - Liaising with Landlords.
 - Internal communications.
 - Publicising the changes including on the website.
 - Money advice.
- 4.7 To support the preparations for the changes the DWP have also issued an implementation package which the Authority can use and adapt to suit local need. As soon as the regulations are laid it is intended to commence a local promotion campaign which will include making contact with all existing LHA claimants to advise of the potential changes to their benefit. I will also use the normal communication methods to make landlords aware of the scheme changes.

LONGER TERM WELFARE REFORM

- 4.8 In November 2010 the Government published a White Paper (*Universal Credit : Welfare that Works*) concerning the future of the welfare benefit system and this has now been progressed to the Welfare Reform Bill published in February 2011. Over time the financial support delivered by local authorities through Housing Benefit will be replaced by Universal Credit.
- 4.9 The DWP has written to Local Authority Benefit Managers outlining the key implications for the service. It is important to note that there will be a long transition to Universal Credit (UC) and that it is not anticipated to be operational for all existing customers until 2017, although the process will start in 2013.
- 4.10 As with the April 2011 changes it is expected that the DWP will develop implementation and publicity strategies that can be accessed by local authorities. It is likely that there will be some form of pilot of UC, potentially commencing October 2013 which will probably involve new claims being the first to be considered for UC.
- 4.11 The following amendments to the Housing Benefit / Local Housing Allowance scheme are proposed from April 2013;
- The Government intends to change the way in which LHA rates are set. From April 2013 therefore, the LHA rates will be uprated on the basis of the Consumer Price Index in the same way as other claim elements are uprated. This means that local rents within the Broad Rental Market Areas will no longer be used.
 - The 'single room rate' for LHA will be extended to single claimants under the age of 35, currently claimants over the age of 25 are not restricted to the single room rate of LHA.

- Size criteria rules for accommodation will be introduced for working age claimants living in the social rented sector and further consultation on how this will be applied will be undertaken by the DWP.
- Deductions from Benefit in respect of non dependant adults living in the household will be increased. Rates which were originally uprated annually have not been reviewed since 2001.

UNIVERSAL CREDIT

4.12 Universal Credit will replace the current system which is considered to be too complex and can trap people into benefit dependency. UC will incorporate out-of-work benefits, in-work support and appropriate amounts for housing, disability and families for people of working age.

4.13 UC is intended to replace: Working Tax Credit, Child Tax Credit, Housing Benefit, Income Support, income-based Job Seekers Allowance and income-related Employment and Support Allowance. It will be accessed on a household basis and is intended to ensure that anyone starting work will be better off than they would have been on benefits. Five of the six benefits are personal based with Housing Benefit being the only one in respect of housing costs. This is the only one currently administered by the Authority. There are a number of other Government benefits that have not been included within the Universal Credit proposals such as Child Benefit.

4.14 At this time the main matters are:-

- HB will not be administered as it is now and will largely be abolished. The DWP may leave some residual parts of HB with local authorities as more complex claims such as Supported Accommodation do not fit well with the proposals and their administration remains with local authorities. It is expected that local authorities will administer some form of HB for the next six years.
- In the main it is intended that UC claims will be taken on- line or through what is expected to be centralised contact centres. There may be a residual role for local authorities to help administer UC particularly on local customer contact. This could include 'take-up' work for customers who are unable to access the proposed digital services. There will be a national IT solution to facilitate administration of UC.
- Council Tax Benefit will be replaced by a local rebate scheme as part of this wider reform. The Government has not decided how this will be administered
- It is proposed that for persons of pensionable age that payment of Housing Benefit will be made directly through Pension Credit administered by HMRC.
- There may be a role for local authorities in administering elements of the Social Fund which is currently within the DWP auspices, for example Crisis Loans and certain Discretionary Payments.
- During and after transition Housing Benefit overpayment will remain the responsibility of local authorities to collect.
- The introduction of a new single, centralised Fraud Investigation Service, potentially from 2012/13 would include Local Authority HB fraud functions. Local Authority Benefit Fraud Investigative staff will form part of this new service, which will be administered by the DWP

LEAN REVIEW OF THE BENEFITS SERVICES

- 4.15. The DWP, through the Performance Development Team, is currently assisting with a lean review of the benefits services in the Authority. The initial presentation of recommendations was made on 25 January 2011. It is intended that implementation of the recommendations will be achieved over the period 2011 to 2013.
- 4.16. The main issue in preparing the budget for 2011/12 is the transfer of workload, and thus resources, from the Housing Benefit and Council Tax offices to the One Stop Shops and the Call Centre. At this stage I anticipate the transfer of £1 million from the Benefits Budget to the One Stop Shops Budget together with a reduction in the net budget of £1.2 million in 2011/12, including £0.3 million to be achieved from staffing reductions achieved through EVR/Severance.

5.0 RELEVANT RISKS

- 5.1 The proposed changes may impact upon the accurate and timely processing of benefits which could result in hardship and arrears for claimants or landlords or impact upon the grant and subsidy received by the Authority. These risks are addressed as part of planning for the introduction of any change which occurs regularly in respect of Housing Benefits.
- 5.2. Any change needs to be understood by current and potential recipients. The need for ongoing communication and publicity will be delivered both nationally and locally by the Government and the Authority as well as through advice and voluntary agencies. Landlords need to understand the changes and levels of LHA that prospective tenants can expect to receive and so the Authority will work closely with those who represent local private sector landlords.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 The welfare reform changes are statutory and so no options exist for their implementation.
- 6.2. The Authority volunteered for the lean review, which the DWP was keen to facilitate. Wirral has a good reputation for the efficient delivery of benefits services and the DWP welcomed the opportunity to assist in the delivery of further efficiencies.

7.0 CONSULTATION

- 7.1 As outlined in the preceding sections consultation involves national and local government as well as with landlords, voluntary and advice sectors in the area.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 There are no direct implications arising from this report.

9.0 RESOURCE IMPLICATIONS – FINANCIAL

9.1 In 2010/11 Wirral is estimated to pay out £154.2 million in Housing & Council Tax Benefits to over 41,000 claimants with the vast majority funded by the DWP. In terms of administration there is a grant from DWP of £3.4 million and overall the net cost to the Council of the service is budgeted at £10.5 million in 2010/11.

9.2 For 2011/12 Benefits payments are expected to rise to £163.9 million as the number of cases is increasing by around 150 per month. The DWP Administration Grant is being reduced by £152,761 (4.4% reduction) which is part of a continuing annual grant reduction. Although the Provisional Local Government Finance Settlement was for the two years 2011-13, the DWP has not yet announced the Administration Grant for 2012/13.

Housing Benefits	Base Estimate 2010/11 £	Current Estimate 2010/11 £	Base Estimate 2011/12 £
Administration			
Expenditure			
Employees	3,613,900	3,557,100	3,306,900
Transport	26,400	27,400	27,400
Supplies and Services	281,200	281,200	281,200
Third Party Payments	63,700	63,700	63,700
Support Services	4,096,500	4,107,000	4,107,000
Total Expenditure	8,081,700	8,036,400	7,786,200
Income			
Government Grants	-3,416,500	-3,416,500	-3,263,700
Net Expenditure	4,665,200	4,619,900	4,522,500
Payments			
Expenditure			
Transfer Payments	147,497,800	154,200,000	163,900,000
Income			
Government Grants	-141,672,200	-148,363,000	-159,103,000
Net Expenditure	5,825,600	5,837,000	4,797,000
Benefits Total	10,490,800	10,456,900	9,319,500

9.3 I reported to Cabinet on 9 December 2010 a review of resources held on the Council Balance Sheet in the form of balances including those identified as provisions and reserves. The Constitution and Financial Regulations require that any provisions and reserves are established, monitored and used in accordance with statutory financial guidelines. These are managed and controlled and subject to a twice yearly review to ensure relevance and adequacy. The review of the Housing Benefit provision and reserve was to be reported separately.

9.4. Housing Benefit Provision	At 1 April 2010 £ million	Required £ million	Release £ million
For payment received 2001	2.1	2.1	0
For settlement of claims to 2005	0.9	0.9	0
For settlement of claims 2005/08	0.2	0.0	0.2
Total	3.2	3.0	0.2

9.5. Whilst the long outstanding claims have now been agreed by the DWP the amounts have still to be recovered. The more recent claims have been agreed, and recovered, and therefore £0.2 million can be returned to general balances.

9.6. Housing Benefit Reserve	At 1 April 2010 £ million	Required £ million	Release £ million
For supported accommodation	7.3	7.3	0
For settlement of claims	4.5	2.5	2.0
For recession and bad debts	1.7	1.7	0
For system developments	1.8	1.8	0
Total	15.3	13.3	2.0

9.7. At the start of the financial year the claims for 2008/10 remained to be resolved by the DWP and formal confirmation is still awaited. An earlier review by the Audit Commission highlighted potential concerns over elements of the claim which may have resulted in a significant liability for the Council and, as these have been resolved, the reserve can be reduced by £2 million. The economic position has raised the likelihood of an increasing level of potential bad debts in recovering overpayments and £1.7 million was set-aside for that purpose. The £1.8 million has been provided to meet the on-going development of the Integrated Housing Benefit and Council Tax Systems and the closely related technology issues to ensure the continuance of what is an effective and efficient service.

Staffing

9.8 There is limited change to staffing requirements in respect of the April changes. The Early Voluntary Retirement / Voluntary Severance Scheme has reduced the staff numbers. Implementation of the recommendations of the lean review will result in the transfer of staff to the One Stop Shops and the Call Centre. In terms of Universal Credit this will be a wholesale change to the welfare system and will have a significant impact on staffing at local authorities. Roles and responsibilities will change although at present the extent of this is unknown but there will be further changes as the system develops.

10.0 LEGAL IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 EQUALITIES IMPLICATIONS

11.1 As the changes to be implemented under Universal Credit have the potential to affect certain protected groups of people, the DWP has detailed Equality Impact Assessment as part of a broader set of Impact Assessments included in the Welfare Reform Bill.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising directly from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising directly from this report.

FNCE/39/11

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APPENDICES

None.

REFERENCE MATERIAL / SUBJECT HISTORY

The Welfare Reform Bill published February 2011
<http://www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/welfare-reform-bill-2011>

Information regarding the April 2011 changes to Local Housing Allowance are also available on the DWP website:-

<http://www.dwp.gov.uk/local-authority-staff/housing-benefit/claims-processing/local-housing-allowance>

Council Meeting	Date
Cabinet	4 February 2010