

TONBRIDGE & MALLING BOROUGH COUNCIL

STRATEGIC HOUSING ADVISORY BOARD

10 January 2011

Report of the Director of Finance

Part 1- Public

Matters for Information

1 **BENEFITS UPDATE**

A report advising Members of current issues arising in the benefits field that may assist in the wider consideration of the response to the CLG Consultation on “Local Decisions: A Fairer Future for Social Housing”.

1.1 **Introduction**

1.1.1 At the Finance & Property Advisory Board on 5 January, Members received an information update on the latest reforms to Housing Benefit, and the phased introduction of the Universal Credit over the next few years.

1.1.2 Naturally, during discussion, linkages were made to the consultation paper “Local Decisions: A Fairer Future for Social Housing” which is being presented to the special meeting of the Strategic Housing Advisory Board. Following the meeting, the Cabinet Member for Housing asked whether it would be possible for the same update to be presented to your Board, as she felt that Members’ response to the CLG consultation could be informed by an understanding of the reforms to housing benefit.

1.1.3 I was happy to accede to the Cabinet Member’s request, and subsequently the Chairman of the Advisory Board agreed to take this as a late item of business for your meeting on 10 January 2011.

1.1.4 The Principal Benefits Officer and I will attend the meeting on 10 January to talk Members through the reforms (as far as we can).

1.2 **Reforms to Housing Benefit**

1.2.1 At the meeting of Finance & Property Advisory Board in September 2010, I updated members on the proposed changes to housing benefit announced in the Government’s emergency budget. Since then some amendments have been made to the proposals and **the first set of regulations were laid before Parliament on 30 November.**

1.2.2 The proposed regulations now include:

- The £15 weekly Local Housing Allowance (LHA) excess provision will be removed.
- There will no longer be a five bedroom Local Housing Allowance rate. The maximum level customers can get is for a four bedroom property.
- There will also be overall cap on 1 to 4 bedroom properties so that the maximum that anyone can get on each of these bedroom sizes is restricted to the following weekly rates:
 - £250 - 1 bedroom
 - £290 - 2 bedroom
 - £340 - 3 bedroom
 - £400 - 4 bedroom
- Local Housing Allowance rates will be set at the 30th percentile instead of at the median as currently.
- Provision for an additional bedroom within the size criteria where a disabled claimant or their partner (with a long term health condition), has a need for overnight care that is provided by a non-resident carer.
- Temporary extension of the direct payments safeguard provision to give wider discretion to make payments directly to landlords if it will help claimants secure or retain a tenancy.

1.2.3 **All measures to reduce LHA rates will come into effect for new claims in April 2011** (including setting rates at the 30th percentile). Aligning the implementation date will avoid some claimants seeing a further reduction in benefit the following year and may help communicate the changes more effectively. The changes were previously announced to take effect from various dates.

1.2.4 LHA claims are reviewed annually on the anniversary of the claim, at which time the current LHA rate applicable to the claimant's household is applied to the claim. For existing claimants, there is a transitional protection of up to nine months following the claim review date (apart from the LHA excess provision which will be removed when claims are reviewed). The transitional protection means that many existing customers will not be affected until January 2012 and some will see no change until December 2012.

1.2.5 LHA is one scheme of many in the complex housing benefit system. These changes affect only LHA claims. Of the 8,000 households in the Borough receiving housing benefit only 811 receive help through the LHA scheme. In general, LHA is applied to private rental claims as opposed to socially rented claims.

1.2.6 The removal of the weekly £15 'excess' payments that some claimants receive, if their rent is £15 or more below the appropriate LHA rate, will affect approximately 186 households in the Borough.

- 1.2.7 The effect of restricting anyone in accommodation with more than four bedrooms to the four bedroom LHA rate will significantly impact on a small number of claimants. Details of these cases will be passed to the Council's Housing Service to provide assistance where necessary.
- 1.2.8 Maximum limits on Local Housing Allowance (LHA) rates for one to four bedrooms will have little impact on our Borough because our LHA rates are below the restricted levels.
- 1.2.9 The reduction in LHA rates from the median point to the 30th percentile is anticipated to cause a decrease, in the region of 10%, to housing benefit entitlement for all LHA claimants, in time. **Theoretically this will mean that one in three homes available to rent in the private sector will be affordable to housing benefit claimants instead of the current 50%.**
- 1.2.10 Provision for an additional room, within the size criteria of LHA, for disabled claimants needing care will undoubtedly aid some households in the Borough. At this time it has not been possible to estimate just how many, but numbers are small.
- 1.2.11 The temporary extension of direct payments to landlords will be welcomed.
- 1.2.12 The Government also announced that non-dependant rates will increase from April 2011. These rates are deductions to housing and council tax benefit entitlement due to one (or more) adult living in the household who is not the claimant or partner, e.g. an 18 year old son. The rates will increase by almost 30%.
- 1.2.13 The changes to LHA and non-dependant deductions will initially bring about the decrease in the ability of tenants in the private sector, who claim housing benefit, to pay their rent; a direct decrease in the availability of affordable private rented homes; and an increase in the reluctance for landlords to let to tenants known to be in receipt of housing benefit. **In the longer term, the Government believe these changes will help control market rent levels.**
- 1.2.14 As Members will have noted from my opening paragraphs above, the Borough is experiencing a considerable increase in households reliant on housing and council tax benefits to support their day-to-day living costs. **The changes I have outlined above will cause financial difficulty for some of these households, particularly if a combination of these changes applies.**
- 1.2.15 **The changes will, no doubt, impact on the Borough's housing need and the associated services provided by the Council. I, together with my Principal Benefit Officer, am working with your housing professionals to establish the likely impact and assess ways to manage the consequences of these changes.**

- 1.2.16 The Government also announced it will increase the award of Discretionary Housing Payment (DHP) to Councils from April 2011 to enable them, where appropriate, to soften the impact of the changes. DHP allows the Council to make top-up payments, on a temporary basis, of housing benefit and council tax benefit in cases where benefit entitlement is less than rent and/or council tax liability. At the time of writing this report the proposed increase is not known.
- 1.2.17 A programme of local publicity is essential for these matters and will commence in the new year.

1.3 Universal Credit

- 1.3.1 At the meeting of Finance & Property Advisory Board in September, Members of that Board agreed a response to the Government's consultation document '21st Century Welfare'. The outcome of the consultation exercise has been the publication of a White Paper, '*Universal Credit: welfare that works*'. The full document can be found on the internet at:

<http://www.dwp.gov.uk/docs/universal-credit-full-document.pdf>

- 1.3.2 I have not attempted to summarise the document but have drawn out some of what I consider to be the more important and relevant substance.
- 1.3.3 The Government's intention is to introduce Universal Credit, described as an '**integrated working age credit**' to replace tax credits, housing benefit (but not council tax benefit), Income Support and income conditional forms of Jobseekers Allowance and Employment Support Allowance. It will merge out of work benefits and in work support.
- 1.3.4 **Overall administration of the credit will be managed by the DWP.** The Government will adopt a phased approach to its introduction, with the first individuals expected to enter the system from 2013, completing the transfer of cases by October 2017. The Government aims to introduce a Welfare Reform Bill in January 2011 to give effect to these changes.
- 1.3.5 The Government has announced that Local Authorities will be given a greater say in decisions on helping people on low incomes pay their Council Tax alongside a 10 per cent reduction in Council Tax Benefit expenditure from 2013-14. The present system for providing help with Council Tax bills is Council Tax Benefit, which is administered by Local Authorities but on the basis of rules set centrally.
- 1.3.6 The White Paper states:

'The introduction of Universal Credit provides the opportunity to sweep away some of the centrally imposed complexities of Council Tax Benefit that make it difficult for people to understand. There is more work to be done on the practicalities of the new approach and the Department for Communities and Local Government and the Department for Work and Pensions will work closely together

with local government and the devolved administrations to develop detailed proposals. In doing so the Government will aim to protect the most vulnerable, particularly pensioners, and should not undermine the positive impact of Universal Credit on work incentives’.

- 1.3.7 **Universal Credit will replace Housing Benefit and Child Tax Credit for people of working age.** The Government will consider how best to support pensioners with the cost of rent and dependent children. It plans to make some changes to Pension Credit. These changes will consolidate support for rent with the help available for other housing costs within Pension Credit, and add a further element to provide income-related help for pensioners with dependent children.
- 1.3.8 The White Paper recognises that Pension Credit may not be appropriate for all pensioners. Pension Credit is designed for the needs of the majority of low-income pensioners and is not intended to provide in-work support. As pensioners will no longer be able to access help from Working Tax Credit, the Government is considering an option of allowing those pensioners who choose to extend their working lives to claim Universal Credit, rather than Pension Credit, so that they can take advantage of the tailored in-work arrangements.
- 1.3.9 Otherwise, the upper age limit for Universal Credit will be the age at which people are eligible for Pension Credit, which is currently linked to State Pension age for women and, on current plans, will be 65 for both men and women in 2018.
- 1.3.10 A cap placed on household benefit payments, announced in the Spending Review, will mean that the award of Universal Credit cannot exceed a maximum amount when combined with Child Benefit and other non-Universal Credit payments such as contributory Jobseeker’s Allowance and Employment and Support Allowance. This maximum will be set on the basis of median earnings after tax and National Insurance for working families. Disability Living Allowance recipients and War Widows will be exempt from this cap.
- 1.3.11 The introduction of Universal Credit will have dramatic effects on many residents of the Borough as well as areas of the Council’s operations. I will keep Members informed of developments on this topic via the Finance & Property Advisory Board.

1.4 Legal Implications

- 1.4.1 Changes to LHA and introduction of Universal Credit will be statutory.

1.5 Financial and Value for Money Considerations

- 1.5.1 Considerable changes are required to the Council’s benefit processing system to enable implementation of the changes to LHA. There will be costs from the system supplier for these. Previously, the DWP has provided funding to Councils for such changes and I hope to see similar financial arrangements this time.

1.6 Risk Assessment

- 1.6.1 The additional ad hoc project work will be difficult to accommodate in a service where resources are already stretched on account of the high volumes of work. I will be carefully monitoring progress and performance over the coming months to ensure we meet deadlines

Background papers:

contact: Andrew Rosevear

White Paper: Universal Credit: welfare that works

Draft Statutory Instrument re: LHA as held in Finance

Sharon Shelton

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