

TONBRIDGE & MALLING BOROUGH COUNCIL
FINANCE, INNOVATION and PROPERTY ADVISORY BOARD

22 July 2015

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Information

1 BENEFITS UPDATE

A report advising Members of current issues arising in the benefits field, including an initial ‘headline’ assessment of the welfare changes set out in the Chancellor’s Emergency Budget on 8 July.

1.1 Performance and Workload of the Benefits Service

- 1.1.1 The average number of days taken to process new claims for housing benefit over the first quarter of this financial year was 14.6. Changes in circumstances took an average of 6.8 days.
- 1.1.2 Workload remains heavy, largely due to the continuation of the monthly Real Time Information (RTI) data-matching initiative. This national exercise compares data used in housing benefit calculations to that held by the tax office. Mis-matches are electronically referred from the Department for Work and Pensions (DWP) to the Council. The data relates to differences in pay or pensions and some cases stretch back over many years generating large overpayments of benefit.
- 1.1.3 The DWP has introduced a new scheme to encourage Councils to identify fraud and error in payments of housing benefit. The scheme, known as FERIS (Fraud and Error Reduction Incentive Scheme) funds activities targeting fraud and error, through a bidding process. All Councils have been set a baseline target and thresholds for the level of overpayments to be identified.
- 1.1.4 My Service has been awarded £12,455 from the fund and intends to implement new software to identify claims that have a higher risk of being overpaid benefit, and employ a member of staff to review those claims. A review will also take place of forms and stationery used in service. The work will take place in conjunction with Gravesham Borough Council.

1.2 Welfare Reform Budget Changes

- 1.2.1 The Chancellor outlined the following measures in his budget of 8 July:
- Lowering the benefit cap from £26,000 to £20,000 (£23,000 in London)

- Freezing working age benefits (including Local Housing Allowance) for the next four years
- A package of reforms to Tax Credits, creating an expectation that parents with a youngest child aged 3 must look for work if they want to claim Universal Credit
- Limiting Child Tax Credits to a maximum of two children from April 2017
- Restricting eligibility to housing support in Universal Credit for non-vulnerable or disabled single 18 to 21 year olds and introducing an 'Earn or Learn' conditionality
- An increase to Discretionary Housing Payments (DHP)
- Reducing social housing rents by one percent per year for four years
- Requiring social housing tenants with incomes over £30,000 (£40,000 in London) to pay near market rate rents
- Introducing a compulsory national 'living wage' from April 2016

1.2.2 At the time of writing this report, the Bill setting out these measures has not been published.

1.2.3 Without knowing the full detail relating to the announcements, as they stand, I estimate they will have the following :

- An increase to the number of households subject to the benefit cap from 17 to 50, effectively restricting housing benefit below Local Housing Allowance levels for non-working working age couples with two or more children and single parents with three or more children. Few, if any, private rentals and 'affordable' housing association rents would be affordable for families of this composition
- Freezing working age benefits and changes to Tax Credits will reduce incomes to approximately 12,000 households in the Borough. There may be difficulties for households paying bills, including council tax. For those claiming council tax reduction, awards will increase
- The incentive to be in work rather than out of work will increase. Parents with a youngest child aged 3, including lone parents, will be required to look for work if they want to claim Universal Credit. Free childcare will be doubled from 15 hours to 30 hours per week for working parents
- Fewer than 10 18 to 21 year olds make new claims to housing benefit each year. The restriction to this age group will take place to the housing cost

element of Universal Credit. There should be no impact on housing benefit but it may be that some individuals will face risk of homelessness

- DHP will continue to be carefully budgeted
- Reducing social sector rents will dramatically curb housing benefit expenditure. The measure may cause constraints to social housing providers in the development and provision of new homes
- I do not anticipate that social sector landlords having to charge near market rents to their tenants earning over £30,000 should burden my Service. It will create a further pinch to some households
- Introduction of the 'Living Wage' will increase earnings for employees receiving the minimum wage. This will cause a reduction to in-work benefits for some households, however, they will be overall better off
- There remains protection from reforms for benefits relating to disabilities and pensioners

1.2.4 I will provide Members with a more detailed analysis of the impact of the welfare reform changes on our Borough at our next Board meeting.

1.3 Legal Implications

1.3.1 The Service will need to comply with legislative changes once they have been set

1.4 Financial and Value for Money Considerations

1.4.1 Resources and performance will continue to be monitored to ensure the Service operates in an efficient and cost effective manner

1.5 Risk Assessment

1.5.1 Service adjustments required for statutory changes

Background papers:

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Nil

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