

REPORT TO: POLICY & RESOURCES COMMITTEE

REPORT ON: CHANGES TO HOUSING BENEFIT & WELFARE REFORM

REPORT BY: DIRECTOR OF FINANCE

REPORT NO: 167-2011

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to inform Members of the likely impact of the Government's changes to Housing Benefit (HB) and other Welfare Reform on both the tenants and landlords of Dundee.

2. RECOMMENDATION

It is recommended that the committee note:

- 2.1 The forthcoming changes to Housing Benefit and Welfare Reform proposals contained in this report.
- 2.2 That approximately 5,000 letters have been issued to claimants and landlords identified as being affected by these changes. Due to the difficulty in providing information and advice on a personal level, these letters are envisaged to generate a significant volume of enquiries within the Revenues Division.
- 2.3 There will be implications in terms of increased levels of debt, potential homelessness and demand for advice from various departments including Welfare Rights.
- 2.4 There will also be implications in respect of non-residential charging income for the Council as a result of the reduction in income amongst Social Work service users

3. FINANCIAL IMPLICATIONS

- 3.1 This report summarises the likely impact of the changes in benefits administration recently announced by the Government and the estimated financial affect these changes will have on the benefit claimants of Dundee. In respect of the changes to Housing/Council Tax Benefit effective from April 2011, the potential annual loss of Benefit to claimants is estimated at approximately £1.5m, with a further potential annual loss of approximately £0.5m estimated in respect of the change to Housing Benefit effective from April 2012.

4. BACKGROUND

- 4.1 In his budget of 22nd June 2010 the Chancellor of the Exchequer announced welfare reform savings of £11 billion. The October 2010 spending review identified a further £7 billion savings, together with proposals for 21st Century Welfare as outlined in the Government's White Paper issued on 11 November 2010. The Welfare Reform Bill 2011 was introduced to Parliament on 16th February 2011, heralding the biggest changes to the welfare system for over 60 years.

5. SUMMARY OF CHANGES - APRIL 2011

- 5.1 Withdrawal of the £15 per week Local Housing Allowance (LHA) excess. Currently, claimants who have a contractual rent which is less than the LHA rate, receive up to £15 per week of the difference between their contractual rent and the LHA rate.

This change will affect new claimants and existing claimants who change address immediately. All other existing claimants will be affected at their anniversary date. An anniversary date is set 12 months from the date of application for benefit to review the LHA rate and subsequent entitlement; i.e. if a claimant applied for benefit on 1 November 2010, their anniversary date will be 1 November 2011.

In Dundee we currently have 916 cases where claimants receive an LHA excess. Although this change will not impact on a claimant's ability to pay their rent, some claimants will have received this excess for 3 years and it will detrimentally impact on their household income. It will also have a detrimental impact on landlords as the excess is being used to reduce outstanding rent arrears in many of these cases.

193 claimants will lose up to £5 per week;
241 claimants will lose £5 - £10 per week;
482 claimants will lose £10 - £15 per week.

The annual loss of Housing Benefit to those affected by this change is estimated at approximately £466,000.

- 5.2 LHA rate capped at the four bedroom rate

A claimant's LHA rate is determined by a size criterion and is based on the number of people in the claimant's household.

Currently, we have 22 claimants who are entitled to the five bedroom rate, although the contractual rent for some of these claimants is less than the four bedroom rate.

This change will affect new claimants and existing claimants who change address immediately. All other existing claimants will have up to 9 months transitional protection from their anniversary date, although if there is a change in their household and they are entitled to a smaller category of dwelling, the change will apply immediately.

In Dundee, 11 existing claimants will be affected and based on current rates, will lose up to £38.66 per week, depending on the amount of their contractual rent.

The annual loss of Housing Benefit to those affected by this change is estimated at approximately £22,000.

- 5.3 LHA rates reduced from median to 30th percentile

Currently, LHA rates are set by the Rent Service using the median rent for private properties. The 30th percentile will be used from April 2011. Benefit claimants will now only have 30% of the private rental market available to them, as opposed to the current 50%.

This change will affect new claimants and existing claimants who change address immediately. All other existing claimants will have up to 9 months transitional protection from their anniversary date, although if there is a change in their household and they are entitled to a smaller category of dwelling, the change will apply immediately.

Based on current information, this change reduces the LHA rates as follows:

Shared room: reduced by £3.46 per week; 327 claimants affected;
1 bedroom: reduced by £5.77 per week; 1130 claimants affected;
2 Bedroom: reduced by £10.38 per week; 1006 claimants affected;
3 Bedroom: reduced by £20.77 per week; 302 claimants affected;
4 Bedroom: reduced by £12.69 per week; 63 claimants affected;

Based on current LHA rates, claimants will lose approx £8.00 per week.

The annual loss of Housing Benefit to those affected by this change is estimated at approximately £903,000.

5.4 Cap on LHA rates for all property sizes

Dundee's existing LHA rates are already significantly lower than the new cap levels and this change will not in itself affect claimants benefit entitlement.

5.5 Increase in rate of non-dependant deductions

Non-dependant deductions apply to a claimant's Housing Benefit and Council Tax Benefit entitlement, depending on the age and circumstances of the non-dependant.

These deductions have not been increased since April 2000. These are now being increased to bring the rates to the levels they would have been, had they been increased annually from April 2000.

The Housing Benefit non-dependant deductions have increased as follows:

£7.40 increased to £9.40 per week; 424 claimants affected;
£17.00 increased to £21.55 per week; 38 claimants affected;
£23.35 increased to £29.60 per week; 39 claimants affected;
£38.20 increased to £48.45 per week; 30 claimants affected;
£43.50 increased to £55.20 per week; 13 claimants affected;
£47.75 increased to £60.60 per week; 31 claimants affected.

The annual loss of Housing Benefit to those affected by this change is estimated at approximately £110,000.

In addition, there are currently 56 claimants who have more than 1 non-dependant residing in their households.

It should be noted that for Council tenants, the above deductions will be converted to a 48 week figure to reflect the rent charge being calculated over a 48 week basis.

The Council Tax Benefit non-dependant deductions have increased as follows:

£2.30 increased to £2.85 per week; 281 claimants affected;
£4.60 increased to £5.70 per week; 135 claimants affected;
£5.80 increased to £7.20 per week; 27 claimants affected;
£6.95 increased to £8.60 per week; 70 claimants affected.

The annual loss of Council Tax Benefit to those affected by this change is estimated at approximately £24,000.

It should also be noted that many claimants will have a non-dependant deduction applied to both their Housing Benefit and Council Tax Benefit entitlement.

5.6 Additional bedroom for overnight carers

Currently, when determining the Local Housing Allowance rate, no allowance is made where the claimant or partner is disabled and requires a carer to provide overnight care. From April 2011, an additional room will be allowed when determining the Local Housing Allowance rate in the above circumstances.

No information is available on the number of claimants affected, however based on current information, the increase in the Local Housing Allowance rates would be as follows:

1 bedroom requiring 2 bedrooms: between £ 23.08 and £28.85 per week;
2 bedrooms requiring 3 bedrooms: between £15.00 and £25.38 per week;
3 bedrooms requiring 4 bedrooms: between £27.69 and £48.46 per week.

5.7 Increase in Discretionary Housing Payment (DHP) funding

The aforementioned changes to benefit will have a severely detrimental affect on claimants. To assist these claimants in managing their rental commitments in the face of such reductions in benefit, the Government has increased both the Council's DHP funding and the overall permitted total that the Council can spend by way of DHPs.

For financial year 2009/10, Dundee was allocated £31,246 and was permitted to spend up to £78,115 by way of DHPs. The total amount actually spent was £71,531.

For financial year 2010/11, Dundee was allocated £37,597 and was permitted to spend up to £93,993. To date, the current amount actually spent is £23,896.

For the coming financial year 2011/12, Dundee has been allocated £69,850 and is permitted to spend £174,625.

It should be noted that there is no specific budget to cover any spending in excess of the funding allocated and it is anticipated that the funding will be insufficient in comparison with the number of applications expected.

5.8 Temporary extension to direct payments safeguard provisions

Currently, safeguard provisions are in place to allow a claimant's Housing Benefit entitlement to be paid directly to the landlord. These provisions include circumstances where a claimant either cannot or will not manage their financial affairs.

The measures introduced by the Government to reduce Local Housing Allowance rates are intended to exert a downward pressure on rents within the private rented sector.

To support this intention, the Government is temporarily extending the direct payments safeguard provisions to give Local Authorities wider discretion to make direct payments to landlords.

This discretion is expected to be limited to situations where a landlord is prepared to reduce a rent to a level that is affordable for a tenant.

This discretion is to be limited to situations where a direct payment will assist an individual in securing or retaining a tenancy and the landlord is prepared to reduce a rent to a level that is affordable for a tenant.

6.0 OTHER WELFARE REFORM CHANGE - APRIL 2011

6.1 This section highlights some of the main changes within the welfare system, but is not a comprehensive list.

6.2 Working Tax Credit (WTC)

There will be a freeze on the basic and 30 hour element of WTC for 3 years.

Currently, there are 1218 Housing/Council Tax Benefit claimants in receipt of the basic element and 381 Housing/Council Tax Benefit claimants in receipt of the 30 hour element.

There will be a reduction in the childcare element of WTC. The proportion of costs will be reduced from 80% to 70%.

Currently, there are 3 Housing/Council Tax Benefit claimants who will be affected by this change.

6.3 Child Tax Credit (CTC)

There will be an increase in the child element of CTC.

Currently, there are 2505 Housing/Council Tax Benefit claimants in receipt of the child element of CTC.

6.4 Pension Credit

There will be a freeze on the Savings Credit element of Pension Credit for 4 years.

Currently, there are 1807 Housing/Council Tax Benefit claimants in receipt of the Savings Credit element of Pension Credit.

7.0 SUMMARY OF CHANGES - APRIL 2012

7.1 LHA shared room rate extended from under 25s to under 35s

Currently, single claimants under 25 have their benefit restricted to the shared room LHA rate rather than the 1 bedroom LHA rate. The move to extend this to claimants under 35 would currently affect 353 claimants. The current 1 bedroom LHA rate is £80.77 per week. The current 30th percentile shared room LHA rate is £54.23 per week.

Based on current information, these claimants would lose up to £26.54 per week.

The annual loss of Housing Benefit to those affected by this change is estimated at approximately £487,000.

7.2 Increase in DHP funding

Extending the LHA shared room rate to under 35s will have a severely detrimental affect of this group of claimants. The Government have announced that there will be a further increase in both DHP funding and the overall permitted total the Council can spend by way of DHPs.

No further information regarding this increase is available at present.

It should be noted however, that the Council's DHP allocation for financial year 2012/13 will likely be set on the basis of spending for financial year 2011/12. Currently there is a backlog of approx 50 outstanding applications. Efforts are being made to clear this backlog before the end of the financial year, however it is likely that the overall amount spent will be considerably less than for financial year 2011/12.

8.0 OTHER WELFARE REFORM CHANGE - APRIL 2012

8.1 This section highlights some of the main changes within the welfare system, but is not a comprehensive list.

8.2 Employment Support Allowance (ESA) work component time limited to 1 year

ESA is a benefit available to those who are unable to work due to disability or ill-health. It can be paid on a contributory or income related basis and there are currently no time limits on how long this benefit can be received. It is proposed that a time limit of 1 year is imposed on contributory ESA for those individuals in the Work Related Activity Group. This change will not affect the support element of ESA.

Due to the current ongoing migration of existing Incapacity Benefit claimants onto ESA, it is difficult to estimate numbers affected.

8.3 Working Tax Credit (WTC)

Eligibility for WTC for couples with children is to change. Currently, at least 1 member of a couple has to work 16 hours. It is proposed that a couple must work 24 hours, with at least 1 member of the couple working 16 hours.

No details are available of the number of Housing/Council Tax Benefit claimants affected by this change.

8.4 Child Tax Credit (CTC)

There will be a further increase in the child element of CTC.

9.0 OTHER WELFARE REFORM CHANGE - JANUARY 2013

9.1 This section highlights some of the main changes within the welfare system, but is not a comprehensive list.

9.2 Withdrawal of Child Benefit from high rate taxpayers

Child Benefit is to be withdrawn from families with a high rate taxpayer. It has been suggested that anyone with a taxable income of approx £42000 and above will be affected.

It would be unlikely that anyone with such an income would be in receipt of Housing or Council Tax Benefit.

10.0 SUMMARY OF CHANGES - APRIL 2013

10.1 This section highlights some of the main changes within the welfare system, but is not a comprehensive list.

10.2 Size criteria for working age claimants in social housing

A restriction on benefit will apply to those claimants occupying a larger property than their household size and structure warrants. This will apply to both Housing Association and Council tenants.

No further details are currently available on how the size criteria will be applied.

At this moment, it is difficult to establish how many claimants may be affected.

10.3 Introduction of Universal Credit

The Government intends to amalgamate various existing benefits and tax credits including Income Support, Jobseekers Allowance (Income Based), Employment Support Allowance (Income Related), Housing Benefit, Child Tax Credit and Working Tax Credit into one payment, which will cover both a claimant's living expenses and housing costs. The details to support how Universal Credits will actually operate are not currently available.

It is anticipated that all new claims for benefit will be calculated as Universal Credit and will be administered by the Department for Work & Pensions (DWP). All existing Housing Benefit claims are expected to be migrated over to Universal Credits by approx 2017. It has been suggested however that certain Housing Benefit claims may continue to be administered by Local Authorities e.g. supported accommodation.

It has also been suggested that Local Authorities may have a role in helping administer Universal Credit through local offices, although the intention is that claims will be made on-line or through contact centres.

Pensioners will have their housing costs included within Pension Credit.

10.4 Overall cap on Benefit payments

An overall cap on Benefit payments made to a household is being introduced. Although full details of how this proposal will operate have not yet been released, it has been suggested that the cap will be approx £350 per week for single claimants and £500 per week for couples.

It has also been suggested that Local Authorities will be tasked with ensuring the overall cap is not exceeded. This would imply that entitlement to Housing Benefit will be reduced to ensure the total payment to a household will not exceed the cap.

10.5 Replacement of Council Tax Benefit

The Government intend to replace Council Tax Benefit with local schemes, subject to DWP parameters, in order for local Authorities to have a greater role in providing support for those who need help with their Council Tax bills.

No further details regarding this proposal are available at present.

It is expected however that only 90% of current expenditure will be available to each Local Authority. For Dundee, this would amount to a reduction in Council Tax Benefit of approx £1.6m per annum.

10.6 Introduction of a National Fraud Unit

A single Benefit fraud investigation service is planned to be introduced and placed within the DWP. This single service will include Housing Benefit and Council Tax Benefit fraud.

No further details regarding this proposal are available at present.

11.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty and Equality Impact Assessment and risk management.

There are no major issues.

It should be noted that an Equality Impact Assessment will have been carried out by the Government.

12.0 CONSULTATIONS

The Chief Executive, Deputy Chief Executive (Support Services), Assistant Chief Executive and Director of Housing have been consulted in the preparation of this report.

13.0 BACKGROUND PAPERS

None

M M Stewart Director of Finance	Date:	
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