



COUNCIL EXECUTIVE

CHANGES TO HOUSING BENEFIT

REPORT BY HEAD OF FINANCE AND ESTATES

A. PURPOSE OF REPORT

To inform the Council Executive of the likely impact on the West Lothian Community of the UK Government's changes to Housing Benefit.

B. RECOMMENDATION

It is recommended that the Council Executive notes the content of the report and agrees that further updates on the potential changes and the impact on West Lothian are provided to the Executive, as required in the period ahead.

C. SUMMARY OF IMPLICATIONS

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|---|---|
| I Council Values | Focusing on our customers' needs; being honest, open and accountable; providing equality of opportunities; making best use of resources; working in partnership. |
| II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment) | Universal Credit White Paper
Social Security Contributions and Benefits Act 1992
Social Security Administration Act 1992
Housing Benefit Regulations 2006
Council Tax Benefit Regulations 2006 |
| III Resources - (Financial, Staffing and Property) | There is a potential impact on all staff involved with Benefit Administration processing, appeal, advocacy scrutiny and audit. There will be implications for the benefit subsidy received by West Lothian Council. |
| IV Consultations | Consultation has been undertaken with the Department for Work and Pensions (DWP), the Convention of Scottish Local Authorities (COSLA), Housing, Construction and Building Services, local Housing Associations and the Voluntary sector. |

D. TERMS OF REPORT

This report comments on the likely impact of the further changes in benefits administration outlined in the Chancellor of the Exchequer's comprehensive spending review announced on 20 October 2010 and the proposals for Universal Credit outlined in the UK Government's White Paper issued on 11 November 2010.

1.0 Summary of Measures announced in June 2010 Emergency Budget

April 2011

1.1 Local Housing Allowance (LHA) capped at four-bedroom rate

Six cases in West Lothian will be affected - average loss of benefit £17.30 per week.

1.2 New upper limits at each property level to be introduced

West Lothian's existing LHA rates are already significantly lower than the cap levels and this change will not, in itself, affect our caseload.

1.3 Withdrawal of the £15 per week excess

Currently customers who have a contractual rent which is less than the LHA rate will receive up to £15 per week of the difference between their contractual rent and the LHA rate.

In West Lothian we currently have 647 such cases. Although this change will not impact on the claimants' ability to pay their rent it will detrimentally impact on the amount of income coming into their household.

A breakdown of cases by weekly loss is as follows:

Loss between £10 to £15 per week =	334
Loss between £5 to £10 per week =	224
Loss less than £5 per week =	89

1.4 Increase in rate of non-dependant deductions

There will be staged increases in the level of non-dependant deductions in the Housing Benefit and Council Tax Benefit from April 2011. By April 2014, these increases will bring the rates to the level they would have been had they been fully uprated since 2001. This will affect 1,966 households although until the Government announces the revised levels of deduction, the financial impact will not be known.

Of these cases:

397 are Housing Association tenants
888 are council tenants
509 are Owner Occupier
172 are Private tenants

- 2.0** Originally announced as being effective from October 2011
- 2.1 On 30 November 2010 the UK Government announced its decision to change the date of implementation of this change for new claimants from October 2011 to April 2011.
- 2.2 The Government will introduce a transition scheme for existing claimants that may last for a period of up to nine months. The details of this scheme have not been finalised as yet but the duration of relief is likely to be linked to the extent of the reduction in LHA. Breaks in benefit entitlement and other changes in circumstances will affect the extent of the transition period.
- 2.3 Details of the transition scheme are not known at present. Once details are known the Revenues & Benefits Manager will inform members.
- 2.4 LHA percentile figure reduced from 50% to 30%.

We currently have 1,896 cases where this change is likely to have an impact, reducing the amount of Housing Benefit payable. This includes 219 cases, which are also included in 1.3 above.

A breakdown of the cases affected by weekly loss is as follows:

Loss between £10 to £15 per week =	59
Loss between £5 to £10 per week =	1,701
Loss less than £5 per week =	136

3.0 April 2013

- 3.1 LHA will be updated by reference to consumer price index (CPI) rather than retail price index (RPI). Over the last 10 years rent inflation is 2.57% higher than CPI.
- 3.2 Size Criteria to be applied to working age benefit claimants in social housing

This will restrict benefit for around 3,000 households in West Lothian and applies to those occupying a larger property than their household size and structure warrants. This applies to both Housing Association and council tenants. Once again the detail on this is very limited so the extent of any exceptions to this rule are not known at present.

- 3.3 Claimants in receipt of Job Seekers Allowance for a period in excess of 12 months will have their entitlement to Housing Benefit reduced by 10%. If this change was introduced currently its impact on households would be as follows:

Almond Housing Association	117
Private Rented	356
Homeless	4
Council	889
Weslo Housing	87
Other Housing Associations	27
Total	1,495

4.0 Summary of Measures announced in 20 October 2010

Changes as from April 2012

4.1 The shared room rate will be extended from under 25's to under 35's

At present single people under 25 have their benefit restricted to an LHA rate equivalent to single room or "bedsit / studio" rates. For instance, the current LHA rate for this type of accommodation is £65.77 per week as compared to £98.08 per week for a one-bedroom property. The move to extend this to claimants under 35 years will impact on a further 297 households. This change may also have a wider social impact in that within this extended age range there is a greater incidence of males than females. Many of these will be separated and or, divorced and this change will adversely impact on their ability to have their children, who reside with their former partners, for overnight stays. The UK Government anticipates savings of £215m per year from this proposal.

4.2 April 2013

4.2.1 There will be an overall cap on benefit payments to a household, of around £500 per week. Local authorities will be placed in the position of reducing Housing Benefit and / or Council Tax Benefit payments to help achieve this. The Government believes this will generate savings of £270m per year.

As we do not currently have details of the amount of monies actually paid to individuals by way of all state benefits, it is difficult to predict with total accuracy the likely impact of this change. Based, however, on standard rate levels of state benefit payments the impact would be as follows:

10 private tenants average loss of HB / CTB £44 per week
4 council tenants average loss of HB / CTB £68 per week
3 owner occupier average loss of CTB £462 per year

4.2.2 Reducing spending on Council Tax Benefit by 10% and localising responsibility

Councils will be given flexibility to tailor the scheme locally. Details of these flexibilities have not been given by the UK Government. For West Lothian, a 10% reduction will amount to reducing the amount of Council Tax Benefit by £1.3m per annum. Putting it another way, if we were to decide to carry on with the current scheme, the council would potentially have to fund this shortfall.

4.3 Other Changes

4.3.1 Universal Credit (UC)

The Chancellor has confirmed that over the next two Parliaments the Government will introduce Universal Credits. This will 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. The Government plan to set up pilot areas for this to take place as from 2013. They have accepted there will be a lengthy transition period for existing cases and a full transfer is not anticipated before April 2017.

4.3.2 Fraud Investigation Service

A new service will start in 2013 to cover all aspects of benefit fraud (including HB / CTB). The impact on local authority investigation staff is as yet unclear.

4.3.3 Contributory Employment Support Allowance (ESA)

ESA is a benefit for those who are unable to work because of disability or health condition.

An individual on ESA can receive between £91 and £97 per week. ESA can be paid on a contributory or income related basis and there are currently no time limits on how long people can receive the benefit. It is proposed that a time limit of one year will be placed on contributory ESA for those in the Work Related Activity Group (WRAG). This measure will not affect those in the support element of ESA. It is anticipated this will achieve annual savings of £2bn by 2014/15.

4.3.4 Withdrawing Child Benefit from higher rate taxpayers

The Chancellor confirmed this already announced change that will come into effect from January 2013. The Government anticipates a saving of £2.5bn per year.

4.3.5 Freeze Working Tax Credit (WTC) for three years from April 2011.

At the end of the three year freeze, upratings will be applied annually by reference to the CPI rather than RPI as now. The 30 hour element of WTC is currently worth £790 pa and the basic £1,920 pa. A saving of £625m per annum is anticipated.

4.3.6 WTC Eligibility Changes

From April 2012, couples with children must work 24 hours between them, with at least one working 16 hours. Currently at least one has to work 16 hours. The Government anticipates a saving of £390m pa.

4.3.7 WTC Childcare Changes

From April 2011, the proportion of costs covered by the childcare element of WTC will be reduced from 80% to 70% of costs. A saving of £385m pa is anticipated.

4.3.8 Changes to Disability Living Allowance (DLA)

The DLA mobility component will cease for those claimants in residential care from April 2012. It is estimated this will affect 58,000 claimants throughout Britain.

4.3.9 Pension Credit Change

The maximum award of savings credit for those on Pension Credit will be frozen at £20.52 for a single pensioner and £27.09 for pensioner couples for four years as from 2011/12. Around 1.8m households will be affected and an anticipated saving of £330m identified by the Government.

4.3.10 Use of Real Time PAYE data for Tax Credits

The emphasis of relying on claimants to notify HMRC of income changes for tax credit purposes will be reduced. This is intended to reduce the incidence of tax credit overpayments.

5.0 Increased Benefits

5.1 Child Tax Credit (CTC)

The child element of CTC will be increased by £30 above indexation in 2011/12, with a further £50 above indexation in 2012/13. This is in addition to the changes announced in the June budget of £150 above indexation in 2011/12 and £60 in 2012/13.

5.2 Cold Weather Payment

The payment will increase permanently to £25.

5.3 Mortgage Interest

The temporary measure to reduce the waiting period for new working age claimants to 13 weeks and increase the eligible mortgage capital to £200,000 is extended for another year.

6.0 Universal Credit White Paper

6.1 The White Paper confirmed the UK Government's wish to introduce Universal Credit. Universal Credit will provide a basic allowance with additional elements for children, disability, housing and caring. It will replace Working Tax Credit, Child Tax Credit, Housing Benefit, Income Support, income-based Jobseeker's Allowance and income-related Employment and Support Allowance.

6.2 Over time, support for housing costs will move from the current Housing Benefit system to Universal Credit. This process will not start until 2013 and may take up to four years to complete.

6.3 All of the changes outlined previously in this report will be incorporated into the housing cost element of Universal Credit. An amount will be added to the Universal Credit award to help meet the cost of rent and mortgage interest. For those who rent their accommodation, this amount will be similar to the support amount that would have been provided, after taking account of the announced cuts, through Housing Benefit.

6.4 For council and housing association tenants the housing component will be based on actual rents in both housing association and local authority properties. The Government has already announced its intention to limit Housing Benefit payments to social-rented-sector tenants who under-occupy their properties.

6.5 The introduction of Universal Credit is a return to the situation that existed in 1982 when supplementary benefit payments included elements for housing costs. There are no precise details of the method of calculation or likely amounts that will be paid in Universal Credit. It will however be calculated according to claimants income / earnings taking into account allowances and disregards for their circumstances. This is a similar approach to that employed currently in the calculation of Housing Benefit. There will be a single taper of 65p in the pound applied where income exceeds the allowances that will be decided upon by the Government.

6.6 The Government has not ruled out the possibility that a scheme safeguarding landlords may be introduced where tenants in receipt of Universal Credit are in arrears with their rent. This however will fall well short of the current situation where council tenants have a rebate applied directly to their rent accounts.

- 6.7 There is a brief mention of the situation with Pensioners in the White Paper. The paper is however concerned with the introduction of Universal Credit to working age claimants. The situation regarding the amalgamation of Pension Credits and Housing Benefit will be the subject of a separate White Paper.
- 6.8 Universal Credit will be administered by the Jobcentre Plus, which is a DWP Agency and the successor to Pension Credits, which will include Housing Benefit will be administered by the Pension Service.
- 6.9 There is a considerable amount of detail still to become clear over the next few months. The Government has however stated that it will introduce a Welfare Reform Bill, which will provide the Primary Legislation which will allow many of the changes mentioned earlier in this report to take place. This Bill is anticipated prior to the Summer recess in 2011.
- 7.0 Impacts on West Lothian Prior to the Introduction of Universal Credit
- 7.1 HB / CTB Changes
- Only estimates can be made based on the current make up of the benefit caseload. An assumption has been made that the caseload will remain the same at the point of introduction of any change. This will undoubtedly not be the case but it is the most reasonable way to predict the future impact of the Government' At Appendix A the breakdown in terms of each multi member ward is attached.
- 7.2 The introduction of UC will impact on the 60.4 fte staff currently employed in benefits administration and will have a knock on effect elsewhere in the council in terms of collection of Council Tax and Housing Rents, as well as audit and accounting functions. The move towards a single Fraud Investigation Service will also impact on staff and Cosla has already raised with the DWP whether the provisions of TUPE will apply; a response is awaited.
- Any anticipated savings in staff costs have to be balanced against the accompanying loss of benefit administration subsidy paid to the council.
- 8.0 Impacts of the Introduction of Universal Credit
- 8.1 These are significant changes to the welfare system and they will have an impact on how local authorities operate. In turn, this is likely to affect the roles and responsibilities of many people working in this authority. Until the DWP has made further decisions on how the new system will be organised operationally, it is not possible to be precise about these impacts. As this work develops the DWP is undertaking to keep local authorities fully informed and involved.
- 8.2 As Council Tax Benefit will not be part of Universal Credit, the DWP believes that local authorities are in the best position to decide on how to support vulnerable households in their area and to deliver that support in line with existing rebate and discount schemes. The details of this change, and in particular how to ensure localised Council Tax Benefit is compatible with Universal Credit, will be discussed between the DWP and the Scottish Government.
- 8.3 The Social Fund will change as Universal Credit is introduced. The DWP currently expect some of the more straightforward elements of this to become part of Universal Credit. Other elements, including Community Care Grants and Crisis Loans, that would benefit from more local contact and discretion may be devolved to local authorities in Scotland. How this initially will be carried out is subject to discussion between the DWP and the Scottish Government.

- 9.0 What Next?
- 9.1 The changes raise a number of issues for the council. Not least amongst them is how we inform the public to the nature of the changes. This is not as straightforward as might be thought. The benefit caseload is itself ever-changing in terms of its number, and the individual circumstances of the claimants. In addition, the regular legislative and other changes that are a constant factor of benefit administration show no sign of abatement.
- 9.2 There is a need to inform all our stakeholders of the impact of these changes. This type of information provision is currently done by the Revenues Unit. The issue however arises in terms of the individual claimant who may in the future be affected by one or more of the changes over a period of time. It is clear already that the DWP expect individual cases to be dealt with by councils. Given the extent of the changes in terms of number of claimants they will impact upon, this will be a large piece of work. The other significant issue is that the detail of changes are not finalised. Those that require primary legislation will be subject to full Parliamentary scrutiny which may cause them to move away from their original policy intention.
- 9.3 Existing council policies may need to be reviewed. For example, in terms of housing allocation, there may be a need to inform prospective tenants in receipt of benefits that if they accept accommodation that exceeds their needs that they may have to pay any shortfall in rent not met in the future by housing benefit.
- 9.4 As the changes begin to be introduced, there will be a major requirement for extensive training of all frontline services to ensure that the public are properly informed of the factual position they will be facing. Addressing queries at the initial point of contact will provide a good service for the public and will assist in enabling the Revenues Unit to focus on maintaining target times for processing benefits.
- 9.5 A further policy development with regard to LHA was announced on 30 November 2010. The default position in LHA is that housing benefit payments are made directly to claimants / tenants rather than to landlords. This again, is an issue that has been raised by many local landlords. The Government measures (outlined earlier in this report) to reduce LHA rates are intended to exert a downward pressure on rents in the private rented sector. The Government wishes to encourage landlords to be responsible in setting rent levels. To seek to influence this, they are temporarily widening the discretion of councils to make direct payments to the landlord in some circumstances where it will support tenants in retaining or securing a tenancy. This provision is intended for use only in very specific circumstances where landlords are reducing rents to a level that is affordable for customers (which will generally be on or around the Local Housing Allowance rate). It is by no means an intention to revert to direct payments to landlords as a matter of course.
- 10.0 Council Tax Benefit
- 10.1 Council Tax Benefit will cease to exist as from 1 April 2013. At that time the Government will introduce new funding arrangements for councils to replace the money paid to them formerly by way of Council Tax Benefit subsidy.
- 10.2 The level of funding will be 10% lower than the current level of forecasted Council Tax Benefit expenditure for the financial year 2013/14. What that will mean to individual councils is not clear at present, but on a national basis the forecasted expenditure is £4.9bn and that will be reduced by £490m.

- 10.3 The Government will also change the funding arrangements for the replacement to Council Tax Benefit in effect meaning that it will not be a social security benefit. Funding will instead take place via the block grant mechanism, which provides general funding to councils. This breaks the link between the number of claims and their funding. The practical impact of this is that any further increase in the Council Tax Benefit claim load will not be taken into account in the funding arrangements for the replacement to Council Tax Benefit.
- 10.4 The change in funding arrangements will also remove the link between Council Tax Benefit payments from Government and the nature of the local tax in Scotland.
- 10.5 The Government have already stated that in moving away from Council Tax Benefit they have a policy that gives local authorities a greater say in the setting up of local benefit schemes. However, they have also stated that they expect local schemes to complement a welfare to work agenda and may introduce scheme parameters that must be followed in all cases.
- 10.6 What is however clear is that change will be required for all councils. Put plainly if West Lothian did not alter the current benefit scheme and assuming no further growth or increase in Council Tax, then a 10% cut in funding would leave a shortfall of £1.3m for the council to find in 2013/14.
- 10.7 The level of funding cut will necessitate a closer look at Council Tax reliefs and discounts in general and this is something that Cosla is discussing with the Scottish Government.
- 11.0 Other Issues
- 11.1 Throughout all the proposed changes, the Government has been unclear on a range of issues following the introduction of Universal Credit. These include the handling of benefit in respect of housing costs for the homeless, travelling people, hostel dwellers, local schemes for war widows, etc and those living in supported accommodation.
- 11.2 It is possible that the Government could enhance funding to councils to allow them to address these issues locally, but nothing has been confirmed in terms of policy in this regard.
- 12.0 The Future
- 12.1 Regular reviews of the impact of the situation will be provided to elected members. It is also quite clear that members, professional bodies, the public and Cosla still have the opportunity to lobby political opinion at least in the case of those measures that require primary legislation. It is however also clear that the Government is focused on the need for these changes and believes them necessary.
- 13.0 Impact From Elsewhere
- 13.1 If LHA levels in cities fall drastically, it is possible that claimants will seek accommodation in cheaper areas. This will then have impacts on council services in those areas, possibly increasing demand for school places, social work and housing services.

E. CONCLUSION

The changes that are planned to benefits are extremely wide ranging and will have major implications for West Lothian.

The Council Executive will be kept fully informed of how the proposed changes develop and officers will be assessing the changes on an ongoing basis so we can react in an appropriate manner.

F. BACKGROUND REFERENCES

Universal Credit White Paper

Emergency Budget June 2010

Comprehensive Spending Review October 2010

Appendices/Attachments: One

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Donald Forrest
Head of Finance and Estates
Date: 12 December 2010

Benefit Changes**Four Bedroom Rate Restriction (see 1.1)**

Area	Number of Households Affected
Bathgate	3
Livingston South	3

£15 Cap see 1.3

Area	Number of Households Affected
Armadale	52
Bathgate	84
Broxburn	63
East Livingston	97
Fauldhouse	72
Linlithgow	31
Livingston North	65
Livingston South	80
Whitburn	103
Total	647

Households to be affected by Non-Dependant Deduction Increase (see 1.4)

Area	Number of Households Affected
Armadale	187
Bathgate	215
Broxburn	173
East Livingston	237
Fauldhouse	202
Linlithgow	82
Livingston North	241
Livingston South	318
Whitburn	311
Total	1,966

LHA Percentile Shift (see 2.1)

Area	Number of Households Affected
Armadale	147
Bathgate	275
Broxburn	178
East Livingston	226
Fauldhouse	169
Linlithgow	87
Livingston North	268
Livingston South	265
Whitburn	281
Total	1,896

10% Reduction for JSA over 12 Months (see 3.3)

Area	Number of Households Affected
Armadale	145
Bathgate	222
Broxburn	146
East Livingston	186
Fauldhouse	162
Linlithgow	60
Livingston North	139
Livingston South	146
Whitburn	289
Total	1,495

Extension of the Shared Room Rate to under 35 years of age (see 4.1)

Area	Number of Households Affected
Armadale	9
Bathgate	45
Broxburn	22
East Livingston	100
Fauldhouse	11
Linlithgow	9
Livingston North	35
Livingston South	24
Whitburn	42
Total	297

£500 Cap (see 4.2.1)

Area	Number of Households Affected
Armadale	0
Bathgate	1
Broxburn	1
East Livingston	1
Fauldhouse	3
Linlithgow	0
Livingston North	5
Livingston South	2
Whitburn	4
Total	17

Change to Contributory ESA (see 4.3.3)

Area	Number of Households Affected
Armadale	15
Bathgate	25
Broxburn	17
East Livingston	15
Fauldhouse	12
Linlithgow	13
Livingston North	20
Livingston South	23
Whitburn	26
Total	166

WTC Eligibility Changes (see 4.3.6)

Area	Number of Households Affected
Armadale	19
Bathgate	20
Broxburn	15
East Livingston	23
Fauldhouse	21
Linlithgow	3
Livingston North	26
Livingston South	31
Whitburn	30
Total	188

WTC Childcare Changes (see 4.3.7)

Area	Number of Households Affected
Armadale	8
Bathgate	30
Broxburn	11
East Livingston	12
Fauldhouse	13
Linlithgow	8
Livingston North	21
Livingston South	32
Whitburn	26
Total	161