

Potential effects on Somerset of Welfare Reform

The Government's Welfare Reform Bill finally received Royal Assent on 8th March 2012 and marks the biggest welfare revolution in more than 60 years. The Act will significantly impact on the administration of benefits and housing related issues in Somerset with the:

- Abolition of Council Tax Benefit as a social security benefit;
- Restriction of Housing Benefit entitlement for social housing tenants whose accommodation is larger than they need;
- Capping of the total amount of benefit that can be claimed;
- Introduction of Universal Credit and associated measures;
- Up-rating of Local Housing Allowance rates by the Consumer Price Index.

The following measures will also have a significant impact on residents in Somerset:

- The introduction of Personal Independence Payments to replace the current Disability Living Allowance;
- Amendments to the forthcoming statutory child maintenance scheme;
- Limitations to the payment of contributory Employment and Support Allowance to a 12-month period
- Transfer of funding for Crisis Loans & Community Care Grants from DWP to Somerset County Council.

In this section we aim to provide an insight into the impact of some of the above changes in Somerset along with some of the other changes already introduced and having an impact on Somerset households.

1. Housing Benefit

From April 2013 Housing Benefit for working age households living in Council or Housing Association properties will be restricted if they occupy a larger property than their household size and structure would warrant. The Government's intention to introduce the size criteria for working-age Housing Benefit claimants is in order to contain growing Housing Benefit expenditure, encourage mobility within the social rented sector, strengthen work-incentives and make better use of available social housing. The size criteria in the social rented sector will replicate the size criterion that currently applies to Housing Benefit households in the private rented sector.

In summary this allows one bedroom for each person or couple living as part of the household with the following exceptions:

- A child aged 15 or under would be expected to share with one other child of the same gender;
- A child aged 9 or under would be expected to share with one other child aged 9 or under, regardless of gender.

The size criteria will apply to both existing and new tenants from April 2013. It is expected that maximum Housing Benefit will be reduced by 25% if the household under-occupy by two bedrooms and 14% if under-occupying by 1 bedroom. At present in the Somerset area more than 1,100 working age council tenants and a further 14,300 working age housing association tenants receive help towards their rent payments. In preparation for these changes the Councils' Benefits Teams will shortly be commencing an exercise to establish households that are under occupying their home according to Government specifications. The teams will also be talking with social housing providers & housing advice to ensure these households are given advice as to their options from April 2013.

Nationally the Government expects this to affect an estimated 670,000 households, equivalent to 32% of all working age Housing Benefit customers living in social housing. In Somerset this would equate to around 3,500 households. Households facing reductions in help received for rent payments will be expected to meet the shortfall created or to seek alternative suitable accommodation. There is no doubt these changes will add to the pressure on availability of suitable accommodation for single working age people. These issues are discussed further in this section as part of the strategy for dealing with the pressures being experienced by single working age people. Households facing such shortfalls may also be considered for a Discretionary Housing Payment as their counterparts already do in the private rented sector. However these payments are cash limited and designed to assist in the short term only, giving the customer time to find a suitable housing solution.

The current system of support 'Council Tax Benefit' will officially end from 31/03/2013 as a result of the Welfare Reform Act. Somerset Councils will be required to consult with the major precepting authorities (Somerset County Council, Avon & Somerset Police Authority and Devon & Somerset Fire & Rescue) and the wider public before adopting a local scheme to provide support for council tax in their area from April 2013. National provisions will ensure pensioners will see no change to the current level of support received with their council tax payments. Regulations will be available in late spring alongside indicative funding arrangements.

Under the current scheme Somerset Councils are reimbursed in full by Central Government for all correctly made benefit payments. From April 2013 funding will be replaced with a fixed annual grant to the major precepting authorities. Local

Authorities will now individually face risk of expenditure increasing in excess of grant rates.

It is also Central Government's intention to reduce the current level of spending on Council Tax Benefit by 10% although no formula has yet been provided. Somerset Councils currently spend approximately £37million per annum on Council Tax Benefit and in advance of indicative spend levels due to be advised in the spring are planning to find approximately £4.1 million of savings under any new scheme introduced.

Within the Somerset area 42,746 households receive help towards their Council Tax payments in the form of benefits, almost half (around 21,000) of them are pensioner protected households.

In addition Central Government has provided that Local Authorities will also need to ensure support for other vulnerable groups and that any scheme should support work incentives, and in particular avoid dis-incentives to move into work. Council officials are already discussing options in order to meet their legal obligations and to find a scheme for the working age households that will provide sufficient savings.

There is no doubt central government has placed a significant challenge to Local Authorities in delivering a 'local' scheme which will be both delivered on time and within budget. A major software supplier has described the Government's timetable to deliver by April 2013 as impossible!

The following is some of the parliamentary conclusions & recommendations of the Communities & Local Government Select Committee in regards to Council Tax Support and clearly identifies the issues & concerns.

"We agree that it is desirable for local authorities to be able to, in the Minister's phrase "control their destiny", but the Government should not pretend that control over diminished resources, within centrally-imposed constraints, is unproblematic. Nor can it be considered a great advance for the policy of localism. The proposals for the localisation of council tax support seem to us to provide an illusion of delegation with a minimum of real discretion, virtually guaranteeing that the funds available to support working-age unemployed people will be squeezed."

"We have seen little evidence to support the hope that new and better-paying jobs for individuals, immediately sufficient to off-set the 10% reduction in the benefit budget, will inevitably follow from these incentives; the means of economic growth are never solely in the gift of individual local authorities. We have commented in a previous report that councils would have welcomed more involvement in the development of the Work Programme to improve their capacity to tackle worklessness. It is not at all clear that the supposed incentives of the

new council tax support system will make local authorities feel that they are partners with central government in the achievement of economic development.”

“We are concerned about the financial risk to local authorities from assuming responsibility, within a fixed budget, for a means-tested benefit for which demand could increase as well as decrease. Collaboration between councils may share but not remove the risk, at a time when most council budgets will already be stretched to their limit. We recommend that the Government provide some means to access flexible funding to ensure that there is no possibility of local authorities either rationing support or raiding other budgets in-year to fulfil the terms of their council tax support scheme. Furthermore, fixed grants will discourage efforts by local authorities to improve take-up among those groups who at present under-claim Council Tax Benefit.”

“By the time the Department’s response to the consultation is published, there will be little more than a year for local authorities to design and implement their council tax support schemes, which is an extremely challenging timeframe. Too much time has been lost. The Government needs to consider that, even if local authorities prove technically capable of establishing new schemes to the original timescale, it might not be wise to press ahead so hastily. Reform of Council Tax Benefit will affect a huge number of households, and it is vital that the systems used to deliver it are robust.”

“We recommend that the Government delay the introduction of the new council tax support system by year or more, if consultation with local authorities indicates that this would reduce the risks inherent in introducing many complex changes concurrently.”

2. Household Benefits Cap

From April 2013 the Government will introduce a cap on the total amount of benefit that working-age households can receive so that no household on out-of-work benefits will receive more in benefit than the average weekly wage earned by working households. The cap will apply to the combined income from:

- Out-of-work benefits (Jobseeker’s Allowance, Income Support and Employment & Support Allowance, except where the Support Component is in payment);
- Housing Benefit;
- Child Benefit and Child Tax Credit;
- Universal Credit (from October 2013); and
- Other benefits such as Carer’s Allowance and Maternity Allowance.

One-off payments, for example, Social Fund Loans and non-cash benefits, for example Free School Meals, will not be included in the assessment of benefit

income. Council Tax Benefit (and its local replacement) and payments for child care costs will also be excluded.

The cap will not apply where someone in the household:

- Obtains work and becomes entitled to Working Tax Credit;
- Is in receipt of War Widows or Widowers Pension, Disability Living Allowance (Personal Independence Payment from April 2013), Attendance Allowance, Constant Attendance Allowance or the support component of Employment Support Allowance.

In the first instance this cap is likely to be delivered by Local Authorities as part of the administration of Housing Benefit payments. In the longer term it will be administered under Universal Credit. It is expected the cap will be set around £350 per week for single adults and £500 per week for couples and lone parents. The DWP has been writing to 67,000 households potentially affected by this change from May 2012. Local Authorities will also be advised of households potentially impacted by the changes. A detailed Impact Assessment of these changes can be found on the DWP website: www.dwp.gov.uk

3. Community Care Grants, Crisis Loans & Budgeting Loans

Community Care Grants and Crisis Loans for general living expenses will be abolished from April 2013 and replaced by new local assistance. The new assistance will be administered by local authorities in England and the devolved administrations in Scotland and Wales.

Crisis Loan Alignment Payments

Also from April 2013 Crisis Loan alignment payments and other Crisis Loans paid due to issues with benefit, for example Tax Credit delays, will be replaced by a new national scheme of Short Term Advances. This will be administered by the Department for Work and Pensions.

Budgeting Loans

Budgeting Loans will continue to be available until Universal Credit is fully rolled out. As people migrate across to Universal Credit they will have access to a new system of Budgeting Advances that will replace Budgeting Loans for Universal Credit recipients.

4. Universal Credit

Universal Credit is the cornerstone of the government's welfare reform agenda. Universal Credit aims to simplify the benefits system by bringing together a range of working-age benefits into a single streamlined payment. The new Universal Credit aims to:

- Simplify the system, making it easier for people to understand, and easier and cheaper to administer;
- Improve work incentives;
- Smooth the transition into and out of work;
- Reduce in work poverty;
- Cut back fraud and error

Features of Universal Credit (UC) include::

- Working age customers will get help with rent payments through UC rather than Housing Benefit;
- New claims for Housing Benefit from customers who are out of work will move to UC from October 2013;
- New claims for Housing Benefit from customers who are working will move to UC from April 2014;
- Existing customers in receipt of Housing Benefit will move to UC between October 2013 and October 2017;
- From October 2014 pensioners will get help with rent payments through a new element of Pension Credit called Housing Credit;
- Claims for UC will be predominantly made via the Internet and the DWP expects that most subsequent contact will also be conducted online;
- Both members of a couple will be expected to claim UC and the youngest partner will determine working age or pension age status;
- Earnings data to be supplied by all employers to HMRC monthly which will link to UC to determine award levels;
- Payment will be made direct to customers one calendar month in arrears.

There is no doubt the introduction and migration to UC will be the most significant change to the welfare system ever seen. There are many issues that will no doubt be faced by the DWP, Local Authorities, social landlords and, more significantly, customers over the next few years.

The following statistics for Somerset, with relatively small rural local authorities, during the last year can reflect the magnitude of transferring the administration of help for housing costs to the DWP over the next few years:

- Over 38,000 customers in receipt of Housing Benefit at any one time;
- Over 26,000 new claims each year;
- Around 150,000 changes in benefit processed each year;
- Over 70,000 visitors to our offices;
- Over 160,000 telephone calls made to our offices;
- Nearly 15,000 Housing Benefit payments currently made direct to landlords;
- Nearly £143million paid in Housing Benefit annually

Summary of Housing Benefit (HB) and Council Tax Benefit (CTB) changes - past, present and future

Date	Change	Impact	Analysis
April 2011	Local Housing Allowance capped at: 2 bed (£290), 3 bed £340) and 4 bed (£400). 5 bed abolished. CUT of £165 million p.a.	Reducing the amount going to low income households to help pay their rent, especially those who need a larger home.	Caps mainly affected London and the South East. Scrapping the 5 bed rate affected larger families everywhere. Fewer than 40 Somerset households were affected with a majority negotiating rent decreases.
April 2011	Non-dependant deductions - large increases over next 3 years to make up ground since last increase 10 years ago. CUT of £210 million p.a.	Affects tenants with non-dependant adults (e.g. parents, grown up children) living in the home. Non-dependants may not always be willing, or be asked, to make up the shortfall.	A major cause of rent arrears, family disputes and potential homelessness. Significant impact in Somerset with nearly 1,800 households having substantial reductions in benefit entitlement.
April 2011	Local Housing Allowance (LHA) rates will be set at the 30th percentile of local private rent prices, not the 50th. CUT of £475 million by 2014/15.	Only 1/3 (instead of 1/2) of available private rented housing locally will be affordable to Housing Benefit (HB) claimants.	Nearly 9,000 households affected in Somerset.
April 2011	LHA: Additional room if needed for a carer. INCREASE of £15 million p.a.	A gain that supports caring, but still ignores needs within a family (e.g. Separate room for a disabled child, partners needing separate rooms because of a disability).	Limited impact in Somerset but has provided for care requirements to be met where appropriate.

April 2011	No longer keep up to £15 if rent below Local Housing Allowance.	Will only affect tenants whose rent was below the Local Housing Allowance.	2,760 households in Somerset affected with losses of up to £15 pw. Tenants may have got used to extra income and will feel the loss.
Jan 2012	LHA single room rent restriction for single people (not lone parents) under 25 extended to people aged under 35. CUT of £215 million p.a by 2014/15	Further extends restriction for single people in private sector tenancies, increasing marginalisation. Exempt groups remain.	Over 1,300 households affected in Somerset and are being supported through change with housing advice/support.
April 2013	Handover of responsibility for CTB schemes to local authorities within a 10% reduced budget. CUT of £490 million by 2014/15	A cut in support for those on low income to help pay Council Tax. Pensioners protected.	Somerset authorities will need to establish local schemes that deliver approx. £4.1 million p.a. in savings.
April 2013	Rent restriction to working age households living in social housing if deemed to be under occupying (already happens in private rented housing). CUT of £490 million p.a. by 2014/15.	Applies to 'working age' families. If a family is in a larger home than they are deemed to need, benefit will reduce, causing a shortfall in rent. Insufficient suitably sized accommodation.	Estimated 670,000 households affected nationally with average loss of £13 pw. On basis of national assessments, well over 2,000 households will be affected in Somerset.
April 2013	HB to be used to apply a cap on total benefits income (unless on DLA or WTC) at median income (£350 for single adult, £500 for couples). CUT of £270 million p.a.	Likely to risk homelessness.	Savings on Housing Benefit may be offset by increases to housing and social services.

April 2013	Local Housing Allowance rates up-rated in line with the consumer price index not average market rents. CUT of £290 million by 2014/15	Housing Benefit will no longer be based on what rent actually costs.	Shortfalls in rent will have to be found out of other income. Debt and evictions are likely to increase.
Oct 2013	<p>Proposal to merge all means tested benefits and tax credits into a single Universal Credit:</p> <ul style="list-style-type: none"> • New claims from October 2013. Migration to UC by October 2017 with transitional protection. • Common system of allowances/additions. • Includes amounts for rent or mortgage interest. • A single 65% taper as people earn, with disregards for e.g. lone parents and those with disabilities, to encourage a few hours work. 	Aims to reduce barriers into work and complex interactions between in work and out of work benefits.	Idea widely seen as having potential, but some real issues especially around transition, administration and housing costs.

Consultation on Council Tax Benefit schemes

Somerset's five lower tier local authorities have recently (August-September 2012) consulted with the public on their individual proposals to recover the initial 10% budget shortfall from central government with regard to housing tax benefit. Each of Somerset's district councils are proposing slightly different solutions.