

Report

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Report to:	Housing and Technical Resources Committee
Date of Meeting:	2 March 2011
Report by:	Executive Director (Housing and Technical Resources)

Subject:	Changes to the Benefits System including Universal Credits
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise Committee of future changes to Housing Benefit including the proposed implementation of Universal Credits
- ◆ advise Committee of the implications of these changes.

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the changes to the Benefits System, including Universal Credits, be noted.
- (2) that the proposal to hold a Members' Awareness Session, in conjunction with Regeneration Services, to highlight the changes and implications in greater detail for the benefit of all Members, be approved.

3. Background

3.1. Significant changes to the UK Benefits system have recently been announced by Central Government.

3.2. The proposed amendments will affect the way Housing and Council Tax Benefit is paid and administered and indeed the amount which can be claimed, affecting both public and private sector claimants.

3.3. The introduction of these changes will commence in April 2011 with the projected completion by 2017.

3.4. A full list of the changes and their timeline for introduction is provided in Appendix 1.

3.5. This report focuses on the main changes and how, where known, they will impact on South Lanarkshire Council and our residents.

3.6. Within South Lanarkshire 38,000 householders claim Housing and Council Tax Benefits to a total value of £103m (2009/10) and of this total, 17,500 (69%) of Council House tenants claim both benefits.

4. Summary of the main changes to the benefits system and implications for the Council and our residents

- 4.1. The main changes to Benefits announced recently are:-
- The introduction of Universal Credits from 2013/14.
 - The abolition of the Council Tax benefits scheme.
 - Significant changes to the Local Housing Allowance (Private Sector Housing Benefit) from April 2011.
 - Non dependent Housing Benefit deductions being increased from April 2011.
 - Housing Benefit in Council Housing being linked to family composition from April 2013 for all tenants except those of a pensionable age.
- 4.2. All of the above changes will result in an increased financial risk to the Council. This is due to both the reductions in benefits paid and the proposed change in payment method potentially affecting our ability to collect house rents and increasing the risk of homelessness in both the public and private sectors and consequently the demands on our homelessness service.
- 4.3. Other implications specific to individual changes are noted within each of the corresponding sections.

5. Universal Credit Scheme

- 5.1. The Universal Credit will dramatically change the welfare system for working age adults.
- 5.2. Universal Credit will be a single benefit which will replace Welfare and Housing Benefits as well as Tax Credits for working age adults.
- 5.3. The Universal Credit will be centrally administered by the Department for Work and Pensions and is scheduled to commence for new benefit claimants during 2013/14. It is anticipated that existing benefit claimants will migrate to the universal credit on a phased basis with full introduction by 2017. This will mean that Councils will no longer administer Housing or Council Tax Benefits. In South Lanarkshire Council we currently have in excess of 150 employees directly involved in Housing and Council Tax benefit administration and we receive more than £2.5m annually in administration grant for the processing of more than £100m of benefits each year to 38,000 residents.
- 5.4. It is also intended that the Universal Credit will be paid directly to claimants. Currently Housing Benefit is paid directly to the landlord. In South Lanarkshire Council we currently receive over £45m each year in Housing Benefit which is offset directly against council house rent charges. Under this proposal, tenants will receive one monthly payment for all their benefits and they will then be responsible for ensuring their rent is paid on time.
- 5.5. The introduction of these changes will introduce a substantial financial risk to the Council and specifically the Housing Revenue Account as it will make the recovery of rent far more difficult and may result in increases to rent arrears and evictions which in turn may result in an increase in the volume of residents requiring the use of the Council's Homelessness Service.

6. Abolition of the Council Tax Benefit Scheme

- 6.1. At present residents apply directly to Councils for Council Tax Benefit. In South Lanarkshire we currently process £23.1m worth of Council Tax Benefit to 38,000 residents.
- 6.2. If a tenant is in receipt of Housing Benefit they will automatically receive Council Tax Benefit and, as with Housing Benefit, this is automatically credited to their account.
- 6.3. Home owners can also receive Council Tax Benefit and, as with tenants, no monies are paid over and the benefit is credited directly to the resident's Council tax account.
- 6.4. The Government proposals are to abolish Council Tax benefits and whilst there are no details, they have indicated that it will be up to individual Councils to develop and administer schemes on a local basis to replace the current system. No further information is available at this stage. However, it should be noted that Housing and Council Tax Benefits are currently administered by the same staff and any separation of functions would result in additional costs. There is, however, insufficient information available from the Government to provide further detail on how this will be operated.
- 6.5. In relation to the financial impact of the transfer of the responsibility the proposals at present are that only 90% of the current Council Tax Benefit budget costs would be transferred to councils. This would equate to a potential shortfall of £2.31m (2010/11 figure) in funding for South Lanarkshire Council.

7. Changes to the Local Housing Allowance (LHA)

- 7.1. The Local Housing Allowance is paid to around 3,700 housing benefit claimants in the private rented sector in South Lanarkshire and was implemented in April 2008 to replace private sector housing benefit.
- 7.2. Significant changes have been announced which will reduce the amount of money paid in many of these cases.
- 7.3. The main changes specifically affecting private sector tenants are as follows:-
 - The abolition of what is known as the excess housing allowance. At present tenants receive a fixed sum in benefit for rent depending on the size of the house. If the rent the tenants actually pays is below this amount then the tenant can keep the balance of up to £15 per week. Tenants can then use this money for other purposes. Within South Lanarkshire approximately 1,640 tenants will be affected by this and by removing it the Department for Work and Pensions (DWP) will save £753,000 but this also represents reduced income to the customer and therefore to the local economy.
 - The proposals will also change the way the calculation is made to establish what the maximum levels of rent to which benefit will be applied. This calculation is undertaken by the Rent Registration Service which is an independent organisation funded by Central Government. This change will mean that the actual rent levels which they will pay benefit on will reduce and unless rent charges from private landlords reduce accordingly then tenants will be required to make up the shortfall. The potential weekly shortfall could be as much as £22 depending on the size of the property. This could result in increased evictions in

the private rented sector and reduced availability of properties to rent for benefit claimants resulting in additional burdens being placed on local authorities and, in particular the Homelessness services.

- Changing from age 25 to 35 the age above which a single Housing Benefit claimant can claim for a one bedroom property resulting in any single person only receiving benefit entitlement to the rate applicable to shared accommodation. The shared room benefit rate per week is £14 less than the 1 bedroom rate and the customer would have to pay this to avoid falling into rent arrears. This change currently affects around 400 private sector claimants within South Lanarkshire.

7.4. Whilst the above changes only affect tenants within the private rented sector the impact of them may result in additional demands from Councils in relation to both the provision of Housing and Homelessness Services.

8. **Increases to the deduction of Housing Benefits paid where a non dependant is staying in a household**

- 8.1. A non dependant is someone who lives in the household who is not the benefit claimant's partner and is 18 years or over.
- 8.2. A tenant who is claiming benefit and has a non dependant living with them will have the amount of benefit they receive reduced depending on the financial circumstances of the non dependant.
- 8.3. The current levels of non dependant benefit deductions are already high and exclude many claimants from entitlement to benefit.
- 8.4. Local authorities already struggle to recover rent arrears which arise as a result of non dependant benefit deductions. The increase of 25% or more from April 2011 will compound this problem and levels of rent arrears and homelessness could increase as a result.
- 8.5. Both tenants and non dependants will be disadvantaged and may be at risk of losing their home. Many tenants may also ask their non dependants to leave the household and, therefore, this could further increase the levels of homelessness.

8.6. Examples of the impact include:-

Non dependant earnings	current benefit deduction	new benefit deduction	reduced benefits
£120 per week	£7.40	£9.40	£2
£150 per week	£17	£21.25	£4.25
£250 per week	£38.20	£48.45	£10.25

9. **Council Housing Occupation Restrictions**

- 9.1. This change comes into effect from April 2013 and involves restricting Housing Benefit for tenants where they occupy a house which is larger than their family needs. This proposal will not be applied to tenants of a pensionable age. Further detail is awaited on the specific reductions.
- 9.2. The proposed changes will affect single person households and couples living in properties with two bedrooms or more as housing benefit will no longer cover the full rental charge. This will discourage people from accepting an offer of a larger property which may exceed the current needs of their household but would in the

future meet their needs as their household composition increases. It will also increase demand for smaller properties from existing tenants and those on the waiting list and increase demand for housing management services.

- 9.3. The impact of these changes will be more significant in areas where the stock profile is predominantly larger properties. This will also have implications for the Council's Housing Allocation Policy and future new build programmes and proposals.

10. Next Steps

- 10.1. It is proposed that in conjunction with Enterprise Resources (Regeneration Services), a Members' Awareness Session is organised with the objective being to detail in full the proposed changes and their implications for both the Council and specific groups of residents.

11. Employee Implications

- 11.1. The employee implications may be significant due to the proposed transfer of all work relating to Housing Benefits to the DWP. However, the impact of abolishing Council Tax Benefit and the staff requirements to implement a new scheme mean that the full implications cannot be quantified at present.

12. Financial Implications

- 12.1 It is anticipated that the main financial impact of these changes relative to the Housing Revenue Account Business Plan will begin during financial year 2012/2013 and as such additional provisions for rent arrears will be factored into the future HRA Business Plan. As noted above, at present there is a risk of a projected shortfall in the current funds received for Council Tax Benefits of £2.31m.

13. Other Implications

- 13.1 The proposed changes detailed above will result in an increase in risk to the Council both in relation to the recovery of Council House rents and the additional operational responsibilities and financial constraints placed on our Council Tax administration, Housing Management and Homelessness services. These risks have been added to the Resource Risk register.

14. Equalities Impact Assessment and Consultation Arrangements

- 14.1 There is no requirement to carry out an impact assessment or consultation in terms of the information contained within this report as the proposals are outwith the control of the Council.

Lindsay Freeland
Executive Director (Housing and Technical Resources)

11 February 2011

Link(s) to Council Values/Improvement Themes/Objectives

- ◆ Improve the quality, access and availability of Housing and Technical Resources
- ◆ Tackling disadvantage and deprivation

Previous References

- ◆ None

List of Background Papers

- ◆ None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

Patrick Murphy, Head of Support Services

Ext: 4065 (Tel: 01698 454065)

E-mail: patrick.j.murphy@southlanarkshire.gov.uk

Changes to Benefits Legislation

Details of the change	Effective Date
LHA rates will be limited to a maximum of four bedroom rate regardless of family composition	April 2011
LHA rates will be capped as below: £250 per week (one bedroom property) £290 per week (two bedroom property) £340 per week (three bedroom property) £400 per week (four bedroom property)	April 2011
LHA excess of up to £15 per week will be removed (this is the money tenants can keep if their rent is below the LHA level). This will be applied to new claimants from April 2011 and existing claimants by April 2012	April 2011- April 2012
Non-dependant deductions up-rated, for the first time since 2001/02	April 2011
HB claimants with a disability and a non-resident carer will be entitled to funding for an extra bedroom	April 2011
Discretionary Housing Payment (DHP) government contribution increased by £10m in 2011/12 and by £40m in each year from 2012/13	April 2011
LHA rates will be set at the 30 th Percentile of local rents, currently set using the 50 th Percentile. Existing recipients will be protected for up to 9 months after their LHA anniversary date.	April 2011
LA's discretion to pay HB direct to Landlords is extended to cases where LA's believe this would help the tenant to secure or maintain a tenancy	April 2011
Increase from age 25 to 35 the age below which a single person LHA claimant is entitled only to Housing Benefit to cover a room in accommodation with shared facilities	April 2012
LHA rates will be uprated in line with the Consumer Price Index as opposed to the current method using the Retail Price Index	April 2013
Housing Benefit entitlement in the social sector will reflect family size	April 2013
Introduction of the Universal Credit scheme	April 2013- 2017