

<b>6 September 2011</b>		<b>ITEM 4</b>
<b>Health and Well-Being Overview and Scrutiny Committee</b>		
<b>Welfare Reform Proposals (including Housing Benefit changes) and the Dilnot report on the long term funding of Adult Social Care</b>		
<b>Report of: Councillor Tony Fish – Adult Social Care</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Yes	
<b>Accountable Head of Service:</b> Roger Harris – Head of Strategic Commissioning and Resources		
<b>Accountable Director:</b> Lorna Payne – Corporate Director, Community Well Being		
<b>This report is Public</b>		
<b>Purpose of Report:</b> To brief members on the proposed changes to the welfare benefits system and proposals to fundamentally change the way that adult social care is funded.		

## **EXECUTIVE SUMMARY**

The Welfare Reform Bill is currently going through Parliament and is expected to become law later in the Autumn with an implementation date of April 2013.

In addition the government appointed review on the funding of long term care and support (the Dilnot review) published its report in July of this year.

Both will have significant long term funding and service implications for people receiving benefits and how adult social care is funding. This report provides Scrutiny Committee an update on the changes proposed and to assess their implications for Thurrock.

### **1. RECOMMENDATIONS:**

Members are asked:

#### **1.1 To note and comment upon the proposed changes;**

**1.2 To establish a member Task and Finish group that will assess the potential impact on service users / carers and Thurrock residents of these proposals.**

## **2. INTRODUCTION AND BACKGROUND:**

### **2.1 Welfare Reform Bill :**

The government have proposed a significant number of changes to the Welfare Benefit system.

The Welfare Reform Bill is currently going through Parliament and provides for the introduction of a 'Universal Credit' to replace a range of existing means-tested benefits and tax credits for people of working age, starting from 2013. The Bill follows the November 2010 White Paper, 'Universal Credit: welfare that works', which set out the Government's proposals for reforming welfare to improve work incentives, simplify the benefits system and tackle administrative complexity.

The Universal Credit will be accessible for claimants aged 18 and over not receiving education until eligible for state pension credit. The following benefits will be abolished :

- Income-based Jobseeker's Allowance (JSA);
- Income related Employment and Support Allowance (ESA);
- Income Support;
- Housing benefit;
- Council Tax benefit;
- Child Tax Credit and Working Tax Credit.

New claimants will go straight to Universal credit from October 2013 with a transfer of all existing claimants to follow and to be completed by October 2017. Abolition of benefits will only take place once all claimants have migrated to Universal credit

Besides introducing Universal Credit and related measures, the Bill makes other significant key changes to the benefits system.

Through the Housing Benefit regulations the government has already implemented a number of changes that are already impacting on residents. These are the Local Housing Allowance (LHA) rates and caps and non dependent deductions.

#### **2.1.1 Key changes :**

- Introduces Personal Independence Payments to replace the current Disability Living Allowance. The DLA is a tax-free, non means-tested benefit to help with the extra costs faced by people with disabilities, not based on their disability but the needs arising from it. There will be 2 components to the PIP – the daily living component and the mobility component;
- Restricts Housing Benefit entitlement for social housing tenants whose accommodation is larger than they need

- Up-rates Local Housing Allowance rates by the Consumer Price Index from April 2012
- Amends the forthcoming statutory child maintenance scheme
- Limits the payment of contributory Employment and Support Allowance to a 12-month period
- Caps the total amount of benefit that can be claimed – the exact figures are still to be finalised;
- Introduces the concept of a “claimant commitment” which will be a basic condition for entitlement for Universal credit. Claimants responsibilities will include work focussed interviews; work preparation, work search and work availability.

During the Committee Stage, the Government have amended the Bill to provide for the establishment of a Social Mobility and Child Poverty Commission.

The key changes to the Housing Benefit regulations are:

- Changes to Local Housing Allowance (LHA) for private sector tenants
- Reduced the maximum level bedroom rate to a four bedroom property.
- Caps for each property size so LHA rates cannot exceed.
- Increased the age limit of single people who will get the local rent for a room in a shared house from 25 to 35 years old.
- Non-dependent deductions
- Discretionary payments grant increased

### **2.1.2 Potential Implications for Thurrock :**

This section explores the likely impact of each of the policy changes and the resulting effect on our services. This is the preliminary view of officers. Clearly the final Bill has yet to be agreed by Parliament and some of the changes will require further guidance. The final section highlights some activity the council should be taking and or considering to minimise the impact of the welfare changes.

#### **HB Cap**

The maximum cap for each property size did not have an impact on Thurrock as our Broad Rental Market area, (BRMA) is below the cap level.

However the removal of the five bedroom LHA rate to the maximum level for a four bedroom property had an immediate impact on a number of families as their anniversary to renew their claim was on or around April 2011. While all families have a nine month transitional relief the Housing Benefit and Housing team worked together providing a visiting officer, giving joint information, offered to negotiate with their landlords on their behalf and gave out the Housing Options team contact details.

By April 2012 the transitional arrangement will cease for all tenants.

#### **LHA and link to Consumer Priced Index**

From 2013 the LHA rate will be up-rated by the consumer price index (CPI). Over the past 10 years rent inflation has risen 2.57% above the CPI level. If the trend continues, LHA will not keep pace with the increase in rent inflation. This will further reduce the pool of properties available to rent to claimants in receipt of Housing Benefit.

### **25-35 year olds**

From January 2012 all claimants who are single and age 35 and under will have their rent fixed at the local rent for a room in a shared house. The age threshold was 25 and under. Care leavers, severely disabled and social rented landlords are excluded from these rules.

The shared accommodation rate is approximately £76. This is a deduction of £40 per week when compared to a one bedroom rate which is £126. Tenants who are already in private sector accommodation will have to make up the shortfall in their rent themselves or find cheaper accommodation.

### **Non-dependent deductions**

All tenants living with an adult 'non-dependant' receive reduced levels of HB, whatever contribution the non-dependent actually makes to the rent. The rate has been frozen since 2001 and the aim is to increase the rates over a period of time.

#### **Housing Benefit to reflect household size**

From April 2013 the HB for working age claimants in social housing will be limited to the size of accommodation they are deemed to need. It will allow for one bedroom for each person or couple living as part of a household with the following exceptions:

- Children under 16 of same gender expected to share
- Children under 10 expected to share regardless of gender
- Disabled tenants or partners who need non-resident overnight carers, will be allowed an extra room.

Some of the people this policy will affect are:

- Separated parents who share the care of their children and who may have been allocated an extra room to reflect this
- Foster carers as foster children are not counted as part of the household for benefit purposes
- Families with disabled children

Reductions will be at a fixed percentage of the Housing Benefit eligible rent. It will initially be 13% cut for one extra room and 23% cut for two or more extra bedroom.

Our allocation scheme supports council tenants who wish to downsize. The new size criteria will bring greater financial imperative into downsizing.

While the percentage deduction may change, it is important to note that currently Housing Benefit (HB) do not hold bedroom numbers on their IT system. The Council will need to have in place an interface between the HB IT system and the Housing IT

system. The HB team will also need to draw up protocols with all Social Landlords so the bedroom sizes of properties are held by the HB team to help them make the correct determination on the level of benefit.

### **Deduction from HB after year on JSA**

The Government is proposing that tenants who claim JSA form more than one year will lose 10% of their HB entitlement from April 2013.

### **Universal credit**

The Government intends to restructure the benefit system, to create one single income-replacement benefit for working age adults which unifies the current system of means-tested out of work benefits, Tax Credits and support for housing.

The cap means that no family will be able to claim more in benefits than the average household income of a working family. By 2013 this is projected to be £26,000 per year (£500 per week). There will also be a cap for single people of £18,200 (£350 per week).

This cap will operate by reducing the amount of benefit paid to cover housing costs i.e. it is housing benefit that is reduced once the total gets to £500)

A large housing association ran a pilot to test the implications of paying benefits directly to tenants found it increased the arrears from 3% to 7%.

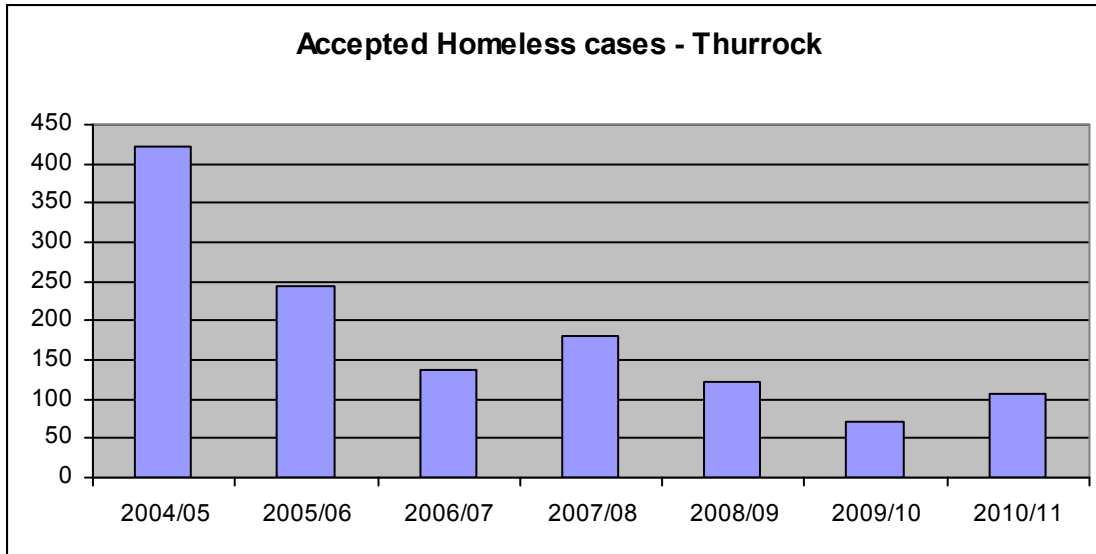
We would expect our arrears rate for council houses, which was 9.12% (2010/11) and in the top quartile, to dramatically increase.

By 2017 it is expected that all claims will be centralised and administered by DWP. The Council would no longer need a local Housing Benefit team.

### **Homelessness**

Following a national long-term downward trend since 2004, homelessness acceptances have now increased nationally in two consecutive quarters for the first time since 2003.

This position is mirrored locally in Thurrock with an increase in acceptances over the past year. However the increase is greater at 50%. If this trend were to continue, we could expect to be dealing with over 500 cases accepted as homeless in 2014/15.



The most successful tool in preventing homelessness in Thurrock has been the use of private landlords. In 2009/10 our homeless team achieved 853 homeless preventions of which 53% were through accessing alternative accommodation via private landlords.

Although the service has made good use of the private rented sector, there has been a 2% increase in the use of temporary accommodation over the same period and we expect this to continue as access to this sector is reduced by the changes to the Local Housing Allowance.

The national policy expects to see a decrease in the private rented sector rents levels, but many national organisations predict a reduction of the number of landlords willing to accept households on HB i.e. lower rents.

### **Preparing for the changes**

Below are some things the Council should have in place to minimise the impact of these changes. This is not an exhaustive list.

- Inform residents and tenants of the proposed changes through various mediums
- Improve housing tenant profiling
- Close liaison and information sharing between Housing and Benefit Teams and the wider Council
- Use information from tenant profile to target debt management, income maximisation and financial inclusion work
- Review incentive available for tenants who under occupy
- Review allocation and transfer policies

### **Overview of timetable**

Change	Date	Comment
Single Room Rate for 25-35 year	January 2012	Single room rate applies with no transitional relief
The Cap	April 2012	All transitional arrangement will cease. Private sector families living in 5 bedroom or above will receive the 4 bedroom rate.
Non-dependent deduction	April 2012	Next increase
Discretionary Housing Payment	April 2012	Expected increase in DHP grant.
Local Housing Allowance	April 2013	Consumer Price Index applied.
Bedroom to reflect household size	April 2013	Claimants benefit to reflect bedroom need.
Deduction HB for tenants on JSA	April 2013	
Universal Credit	April 2013	All new claimants will receive up to £26,000 per year. Housing Benefit will be paid directly to the tenant.

## 2.2 The Commission on the Funding of long term care and support (the Dilnot Review) :

Following the general election last year the government set up a Commission to look into the different potential ways of funding long term care and support in light of the growing concerns over funding pressures now and in the future on adult social care. The Commission was chaired by Andrew Dilnot and has been taking evidence over the past year. In July it published its final report and its main recommendations are listed below:

- A cap on the lifetime contribution of individuals to their social care costs (residential or home care) – the review suggests a range between £25,000 and £50,000 and proposes £35,000. Once they have paid this amount, individuals would be eligible for full support from the state.
- For residential care, the level of assets which people should be able to retain while being eligible for full state funding should increase from £23,250 to £100,000.
- People with care and support needs from childhood cannot be expected to plan for their future care needs and should be eligible for free state support.
- Universal disability benefits for people of all ages should continue, but the government should consider how to align benefits with the social care funding system and Attendance Allowance should be re-branded to clarify its purpose.
- People should contribute a standard amount to cover their food and accommodation in residential care - £7,000 to £10,000 a year is proposed.
- Eligibility criteria for service entitlement (i.e. FACS) should be set on a national basis with an improved framework. In the short term the report suggests a national minimum threshold of 'substantial'.

- The Government should invest in an awareness campaign to inform people about the new system and encourage them to plan ahead.
- The Government should develop a major new information and advice strategy to help people when care needs arise.
- The report supports the Law Commission's proposals to give carers new legal rights to services and to improve assessments.
- The Government should review the scope for improving the integration of adult social care with other services in the wider care and support system, particularly health.

### **3. ISSUES AND/OR OPTIONS:**

- 3.1 Above is detailed some of the implications for Thurrock. Because of the very wide ranging and potentially significant nature of the proposed changes it is suggested that a member Task and Finish group is established to look at this in more detail and in particular how the Council should respond.

### **4. CONSULTATION (including Overview and Scrutiny, if applicable)**

- 4.1 The Task and Finish group will need to consult with people on benefits and groups that represent their interests.

### **5. IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT**

- 5.1 This will need to be examined as part of the work of the Task and Finish Group.

### **6. IMPLICATIONS**

#### **6.1 Financial**

Implications verified by: **Roger Harris**  
Telephone and email: **01375.652192**  
**rharris@thurrock.gov.uk**

These will all need to be addressed as part of the work of the Task and Finish Group.

#### **6.2 Legal**

Implications verified by: **Roger Harris**  
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These will all need to be addressed as part of the work of the Task and Finish Group.



### 6.3 **Diversity and Equality**

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These will all need to be addressed as part of the work of the Task and Finish Group.

### 6.4 **Other implications** (where significant) – i.e. **Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental**

N/A

## 7. **CONCLUSION**

- 7.1 The changes proposed to welfare benefits, social care funding and housing benefit are very far reaching. They are intended to reduce bureaucracy, simplify the system and ensure there are no disincentives to people accessing paid employment. They will have direct impact on the Council – e.g. around homelessness or how adult social care is funded - as a result it is felt we need to establish a cross Council response which the member task and finish group will help formulate.

### **BACKGROUND PAPERS USED IN PREPARING THIS REPORT:**

- Various briefing documents from Local Government Information Unit on the proposed changes.

### **APPENDICES TO THIS REPORT:**

- None

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