

26 March 2012		ITEM	7
Health and Well-Being Overview and Scrutiny Committee			
Welfare Benefit Reforms – Report of the Member Task and Finish Group			
Report of: Roger Harris – Head of Commissioning, People Services. Janice White – Service Manager, Housing Strategy			
Wards and communities affected: All		Key Decision: N/A	
Accountable Head of Service: Roger Harris			
Accountable Director: Jo Olsson, Corporate Director – People Services			
This report is Public			
Purpose of Report: To receive and endorse the report of the member task and finish group that was set up to look at the implications of the proposed changes to the welfare benefit system.			

EXECUTIVE SUMMARY

At its meeting in September 2011, HOSC received a report on the proposed changes to the Welfare Benefits system as outlined in the Welfare Reform Bill then before Parliament. Due to the wide ranging nature and significance of the proposals HOSC agreed to set up a member's Task & Finish Group to review the proposals and report back. The members appointed were:

Cllr Prevost (Conservative)

Cllr Veryard (Conservative)

Cllr Hale (Labour) At its first meeting Cllr Hale was appointed as chair.

Cllr Holloway (Labour)

The terms of the reference for the Task & Finish Group are detailed at **APPENDIX A**.

(N.B. The original HOSC meeting also considered a briefing note on the Dilnot Review which reported on proposals to change the way that long term care was funded. Although linked it was felt that Dilnot would not form a central part of the work of this Task and Finish Group as it was going to be subject to a separate government announcement later in April 2012).

The Task & Finish Group has met on four occasions:

1st November
12th January
18th January
22nd February

The two sessions in January were open “evidence gathering” sessions where relevant organisations were invited to submit evidence on the likely impact of the reforms.

1. RECOMMENDATIONS:

- 1.1 The whole issue of the potential impact of these changes needs to become a whole Council priority and so reflected in the Corporate Plan for 2012/13 and the Corporate Risk register.**
- 1.2 Because of the significance of this issue and the need to ensure it has senior political and officer oversight a lead member and a lead Director for Welfare Benefit reforms should be appointed.**
- 1.3 An officer, Welfare Benefits Task and Finish group, should be established – reporting into the Resources Board – to oversee and assess more fully the impact of the proposed changes. The membership should be reflective of the wide range of Council functions potentially impacted – Council Tax, Housing Benefit, Adult and Children’s social care.**
- 1.4 A temporary post (approx 18 months) should be established to lead the work of this group and undertake a full impact assessment. This will not necessarily be a benefits expert but someone who can lead and have an oversight of the whole project. It could be open to a secondment.**
- 1.5 Further work should be undertaken to ensure that there are sufficient welfare benefits advice and information services available for people in the community.**
- 1.6 The Bill received Royal Assent on 8th March. However, a lot of the final details are yet to be confirmed. In order to understand the implications for Thurrock residents a full impact assessment should be commissioned by the Council.**
- 1.7 A full report should come to Cabinet later in the year, once the impact assessment has been complete about the implications for Thurrock residents and the Council – this should include a full risk assessment of some of the IT and staffing implications.**

2. INTRODUCTION AND BACKGROUND:

The drive behind the proposals

The government's stated aims as part of these reforms are threefold:

- To simplify a process that has become too bureaucratic and too difficult to understand. As a result people may be deterred from getting the benefits they deserve and the costs of administering the system have grown.
- To reduce the dis-incentives for work whereby benefits drop off too steeply as soon as someone gets into paid employment. As a result people are put off looking for work as they feel they will be better off staying on benefits.
- To reduce the overall welfare benefits bill as part of the national strategy to reduce the overall burden of debt and so reduce government spending.

Current spend

The overall spend on welfare benefits and pensions is the single largest area of public expenditure :

- Welfare and pension payments : £ 201 billion
- Health : £ 121 billion
- Education : £ 91 billion
- Defence : £ 39 billion

Within the figure of £ 201 billion the biggest areas of expenditure are :

- Disabled Living Allowance : £ 12.1 billion
- Housing benefit : £ 22 billion
- Working age benefits : £ 22 billion

3. ISSUES AND/OR OPTIONS:

The Act makes a number of proposed changes to the current benefits system:

3.1 The introduction of Universal Credit (UC). This new benefit is intended to be a new payment which –

Will replace:	Will not replace
<ul style="list-style-type: none"> • Child Tax Credit • Housing Benefit • Income related employment support allowance • Income based job seekers allowance • Income Support • Social Fund budgeting loans • Working Tax Credit 	<ul style="list-style-type: none"> • Attendance Allowance • Bereavement Benefit • Carers Allowance • Contributory JSA • Council Tax Benefit • Disability Living Allowance (see below) • Child Benefit • Statutory Sick Pay • Statutory Maternity Pay

3.2 The Act proposes significant changes to the way Housing Benefit is calculated and paid (some of which have already commenced):

Summary of the changes to Housing Benefit		
Change	Date	Comment
Maximum cap for each property size	April 2011	£250 pw for 1 bedroom £290 pw for 2 bedroom £340 pw for 3 bedroom £400 pw for 4 bedroom+ No impact for our area
Reduced the maximum bedroom	April 2011	Claimants who currently live in 5 bedroom property can claim up to a maximum of 4 bedroom up to £400 pw
Reduction in Local Housing Allowance	April 2011	LHA reduced to 30th percentile of market rent. Three in 10 properties affordable to HB household.
Single Room Rate for 25-35 year	January 2012	Single room rate applies to all adults under 35.

removed		
The Cap	April 2012	All transitional arrangement will cease. Eg Private sector families living in 5 bedroom property or above will lose their protection and receive the 4 bedroom rate.
Non-dependent deduction	April 2012	By 2014 NDD will return to the level if the annual increase had been applied.
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	Social Housing tenants HB will be reduced for each spare room.
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.
Local Council Tax Benefit Scheme to be set up	April 2013	Savings of 10% on the current Council Tax Benefit scheme expected by central government

3.3 The replacement of Disabled Living Allowance (DLA) by a new benefit called the Personal Independence Payment (PIP).

The exact details of this changed as the Bill went through Parliament and the government have made some concessions e.g. the mobility element of DLA will **not** now be removed from people in residential care. However, there is a clear aim to reduce the overall amount of spend on this area of benefit by up to 20% by targeting it on those most in need. During the evidence gathering sessions we heard from current service users who were concerned by the assessment agency who it was alleged were unfair in some of the assessments being undertaken. It is difficult to assess whether this is the case but it certainly was reported on more than one occasion.

Again here it will only be when the exact details are known that we will be in a position to make a final assessment on the impact to individuals and the Council.

3.4 Certain payments will move from the Department for Work and Pensions (DWP) and be transferred over to local authorities for payment and administration. These will include:

- Community Care Grants;
- Social Fund payments;
- Crisis Loans.

It is not clear whether there will be national criteria or whether local criteria will be required. Either way it will require some form of local assessment process and a further system for payment (and chasing non-repayment if necessary). This would potentially cause a further financial strain on the local authority.

Again here it will only be when the exact details are known that we will be in a position to make a final assessment on the impact to individuals and the Council.

3.5 The main concerns raised with the panel:

a. Impact of Housing benefit changes

A significant number of people rely on accommodation in the PRS (private rented sector), an expanding sector. The people who use the PRS usually cannot access social housing and are not in a position to be home owners. A large proportion of economic migrants are reliant on PRS, which allows them to access job opportunities and support the labour markets in various areas. The private rented sector is also the main route to discharge homeless duties. The condition and standards within this sector are determined by the actions taken by the local private housing service. Together with the various benefit caps and restrictions and the affordable rent plans, the overall effect of the government plans will lead to pressure on housing registers and result in more shared accommodation such as Houses in Multiple Occupation (HMO's). This will, in turn, create pressure on Local Housing Authority's (LHA's) private housing services.

No stock or desk top surveys have been carried out to estimate the number of HMO's within the borough, but based on information known to the private housing service, there are an estimated x400 HMO's listed by the service.

Concerns were expressed that landlords can achieve a better rental in the private market due to the decrease in the local housing allowance rate. The homeless service explained they now hold a waiting list for HMO.

Some private landlords are moving away from tenants who rely on housing benefit. Landlords who use to work with Essex Probation Service are no longer working with them because of the changes in the single person room rate.

This will only be made worse as from 2013 LHA rates will be linked to the consumer price index (CPI) instead of being based on local market evidence. As rent rise, there will be smaller proportion of the market available to tenants claiming LHA.

Over the past 10 years rent inflation has raised 2.75% 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.

Households may decide to move to less expensive rental areas outside of London. Thurrock has good transport links to London and is a natural migration pathway from east London.

Social landlords who have allowed tenants to have an additional bedroom for their growing families will no longer be encouraged to permit this for those households on housing benefit, if the benefit does not cover the rent.

The most obvious areas where the changes are likely to be felt are : homelessness and housing advice (including temporary accommodation); schools in areas where there are high numbers of privately rented properties that could meet additional demands from low income families moving to the area and debt advice services.

It was difficult to get figures from all the services but the following actions are proposed as part of the impact assessment in the main set of recommendations :

- The council needs to assess the number of people affected within the age category and identify areas that have decent and affordable shared accommodation.
- Monitor local area activity in terms of internal migration and increased demand for affordable housing options. A better understanding of our property sizes, occupants and forecast demand will assist to analyse the impact.
- Monitor the rental inflation and the impact they will have for private tenants and the costs associated with using the PRS to house homeless households.

3.6 Localisation of council tax benefit.

The government plans to transfer the administration of the benefit from Whitehall to councils. Every local authority in England will set its own rules for how to implement council tax benefit. This scheme will need to deliver a saving of 10 per cent on the current council tax benefit expenditure bill. While vulnerable groups e.g. pensioners and vulnerable groups will not see their entitlement decreased, other groups e.g. 18 – 65 years old receiving Council Tax Benefit (CTB) on low income may see their council tax benefit decrease. There are currently 13,865 council tax claimants in Thurrock. There is also the potential risk of higher levels of unpaid Council Tax.

Thurrock, with Southend BC and Essex CC are designing a local scheme of support for council tax, replacing council tax benefit. Thurrock is working with ECC and Southend on an agreed approach and definition of vulnerable.

3.7 Effect of the introduction of Universal Credit :

Critical to this will be the rate at which people “pass over” and what level of UC they find themselves on. This was one of the most difficult things to assess because at this stage the details on the level at which people will enter UC and how this compares with what level of benefit they are currently getting is very unclear.

Lone parents and families with savings of more than £16,000 will be among the biggest losers while couples, particularly those with children, will benefit the most. The poorest six-tenths of families across the income distribution will be better off and the richest ones will lose out slightly, making the reform ‘progressive’.

Social landlords will be impacted by their rents being paid to the tenant rather than directly to the landlord. Landlords will expect to see their rent arrears increased, at a time when registered providers need to borrow to build more affordable homes and stock retained authorities take on a significant debt arising from the HRA self-financing.

4. CONSULTATION :

4.1 The Task & Finish Group received evidence in person from:

- Essex Probation
- Thurrock Housing Needs Team
- Thurrock Housing Benefit Service
- Thurrock MIND
- Thurrock MOAT
- Family Mosaic Housing Association
- Thurrock Transitions Group
- Tree Tops Parents Group
- Thurrock over Fifties Forum
- Thurrock Citizens Advice Bureau
- Sanctuary/Carr Gomm Housing Association

In addition written responses were also received from:

- DIAL – Basildon & South Essex Disability Helpline
- Thurrock Private Sector Housing Team
- Thurrock CAB
- Thurrock CVS
- Thurrock Coalition of Disabled People

Members also considered a number of national briefings as part of their evidence gathering.

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

5.1 It was clear from the work of the task and finish group that the welfare reforms will have significant impact on a number of areas of the Council. In particular :

- Plans re localisation of Council Tax benefit;
- Housing policy in relation to the changes in Housing benefits;
- Adult and children's social care in relation to the changes in DLA and other benefits;

6. IMPLICATIONS

6.1 Financial

Implications verified by: **Funké Nana**
Telephone and email: **01375 652 451**
fnana@thurrock.gov.uk

There are no direct implications arising from this report. Any resources required to staff the Task and Finish Group will be met from existing budget provision. Any future additional costs or any future savings requirements identified will be reported to Cabinet and will be considered as part of the 2013/14 budget process with all other competing budget pressures and in the light of the Council's financial circumstances at the time.

6.2 Legal

Implications verified by: **Lee Bartlett**
Telephone and email: **01375 652167**
lbartlett@thurrock.gov.uk

There are no direct legal implications arising from this report. It is noted that when this legislation is enacted and Thurrock, Essex and Southend Authorities have their agreed protocols/definitions in place challenges may be received.

6.3 Diversity and Equality

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

The proposed changes will affect a large number of people many of whom by the very nature of the benefits will be deemed "vulnerable". The government has not completed a full equality impact assessment but it has said that it will do so before the final proposals are confirmed.

As part of the impact assessment to be undertaken by Thurrock Council, that is recommended within this report, it will need to ensure that the diversity impact of the proposed changes are fully addressed.

A number of benefits will also now be passed over to the Council for assessment and award – e.g. Council Tax benefit; crisis loans. The Council will need to devise its own local scheme for these. When the criteria and process are devised, again a full equality impact assessment will need to be undertaken.

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 work of the Task and Finish Group started out trying to assess the impact on individuals and how the Council may want to respond. However, as the meetings developed and in particular through the evidence gathering sessions it became obvious that the implications would only become apparent over time as the exact details of the new system became clear. There would be both winners and losers but who and how many was not easy to assess at a local level because a lot of the details were not known and indeed the exact numbers of claimants was held by the DWP and not known to the Council.

As a result the task and finish group saw this very much as a Phase 1 report, commissioning further work but most importantly stressing the need for the whole Council to realise the significance of these reforms and gear itself up accordingly.

The recommendations are as follows :

- The whole issue of the potential impact of these changes needs to become a whole Council priority and so reflected in the Corporate Plan for 2012/13 and the Corporate Risk register.
- Because of the significance of this issue and the need to ensure it has senior political and officer oversight a lead member and a lead Director for Welfare Benefit reforms should be appointed.
- An officer, Welfare Benefits Task and Finish group, should be established – reporting into the Resources Board – to oversee and assess more fully the impact of the proposed changes. The membership should be reflective of the wide range of Council functions potentially impacted – Council Tax, Housing Benefit, Adult and Children’s social care.
- A temporary post (approx 18 months) should be established to lead the work of this group and undertake a full impact assessment. This will not necessarily be a benefits expert but someone who can lead and have an oversight of the whole project. It could be open to a secondment.

- Further work should be undertaken to ensure that there are sufficient welfare benefits advice and information services available for people in the community.
- The Bill received Royal Assent on 8th March. However, the details of start dates, full benefits changes etc are not fully clear. As a result a full impact assessment should be commissioned by the Council.
- A full report should come to Cabinet later in the year, once the impact assessment has been complete about the implications for Thurrock residents and the Council – this should include a full risk assessment of some of the IT and staffing implications.

BACKGROUND PAPERS USED IN PREPARING THIS REPORT:

- Briefing notes from DWP on the proposed changes

APPENDICES TO THIS REPORT:

- Appendix A : Terms of Reference for the Member T& Finish group

Report Author Contact Details:

Name: Roger Harris / Janice White

Telephone: 01375.652192 / 01375.652178

E-mail: rharris@thurrock.gov.uk / jawhite@thurrock.gov.uk

APPENDIX A

Welfare Reform Task and Finish Panel Terms of Reference

The Panel will achieve the following:

- I. Understand the impact of proposed welfare reforms on Thurrock residents and through its report, simplify the reforms into an easy to understand format.
- II. Devise a plan on how the Council can develop its response to the proposed changes.
- III. Ensure point ii) above is carried out in partnership with key external groups and partners to enable a co-ordinated response.

The review will include the following activities:

Meeting 1: Set up

- Agree Terms of Reference
- Receive and discuss information on the proposed changes
- Agree evidence gathering

Meeting 2: Evidence Gathering

- Send out relevant invitations to groups and individuals to make written representations and discuss responses at meeting.
- Hold a session to meet with groups and hear feedback on specific questions designed by the panel.

Meeting 3: Recommendation Setting

- Analyse evidence
- Make recommendations