

Housing benefits

Purpose of report

For discussion and direction

Summary

This report summarises the current position on benefits: following the Emergency Budget; the publication of '21st Century Welfare Reform' and other LGA policy initiatives

Recommendation(s)

Members are recommended

- To discuss and agree our position on the emergency budget measures affecting housing benefit;
- To discuss the LGA's position on '21st Century Welfare'; what do we see as the option for the benefits system as a whole, and for housing and council tax benefit in particular, which both maximises real local choice, offers value for money and reduces duplication;
- To discuss the ideas for more radical reform; such as council procurement of housing and reform of council tax benefit as outlined in this paper.

Action

To be agreed at the meeting

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**Environment & Housing
Programme Board
Housing Benefits Meeting**
13 September 2010, 2pm

Housing Benefits

Introduction

1. The Environment Board at its meeting on 5th July decided that a smaller group should meet to discuss Housing Benefit in detail. Since that time the Government have published their paper on 21st Century Welfare reform; LGA officers have also been thinking about the future of benefits; in particular arguments for councils to have much more discretion over centrally determined budgets.
2. It is therefore suggested that the task group consider the following
 - The measures in the Budget
 - 21st century Welfare Reform
 - Housing and council tax benefit within wider LGA policy

Emergency budget measures

3. As reported to the Board, the 2010 emergency budget included the announcement of reforms aimed at saving £1.8bn in housing and council tax benefit costs.
4. The majority of the measures affect the private sector, hence local housing allowance (LHA). From April 2011 there will be new upper limits for the maximum LHA payments; the maximum payable will be £400 a week for a 4 bedroom property or larger. Tenants whose actual rent is lower than LHA will no longer get to keep the first £15 excess. From October 2011 rents will be set based on the lowest thirty percent of the market in each of the Broad Rental Market Areas, rather than on the median, that is the rent at the mid point. From April 2013 the Government proposes to update LHA rates in line with the Consumer Price Index rather than market rents; this will require primary legislation.
5. Other measures requiring primary legislation also affect housing benefit customers in the social housing sector. This includes limiting housing benefit in the social rented sector if the size of the household is smaller than is appropriate to the property occupied. And Housing Benefit for those customers who are also claiming jobseekers' allowance will be reduced by 10% after 12 months on JSA.
6. In addition there will be a steeper rate of deductions in housing or council tax benefit to take account of non-dependants such as adult children, relatives or friends who live with benefit customers. This has not risen in line with rises in

rents or council tax and the government now propose that it should rise in stages from April 2011 to April 2014 to reach the point where it would have been had it so risen.

7. Finally there are two measures where the government is planning to provide more money. In local housing allowance, the size criteria will take account of the need of disabled customers for overnight care. And the government will increase the sum allocated by Government for Discretionary Housing Payments, currently at £20m by £10 million in 2011 and by £40 million a year thereafter. The government stated that this is aimed at giving more flexibility to local authorities to help a greater number of new and existing customers who face a shortfall in rent because of changes to the Housing Benefit rules.
8. The Government's Housing Benefit policies are part of an overhaul of the benefits system as a whole, expected to save eventually £11 billion per year – totalling a quarter of the annual target of £40 billion of spending cuts per year. It is understood that the DWP and the Treasury have clashed over the severity of the cuts, with the DWP advocating some benefit rises and tapered benefit cuts for people returning to work, and the Treasury far more stringent, instant cuts. The Liberal Democrats support the argument for benefits cuts at Government level, though there are reports of backbench disquiet over some of the measures taken. There is not expected to be any significant difficulty in pushing financial reforms through Parliament due to the Government's majority.
9. Housing benefits have long been a *bête-noire* of the Conservatives and right-wing press. David Cameron stated in Prime Minister's Questions in July that "The idea that a family should be able to claim £2,000 a week for their house I think is an outrage for people who go to work every day, pay their taxes and try and do the right thing for their family." The cuts expected, resulting from benefits caps, will total £1.8 billion a year, 7% of the total housing benefit spend. The Labour Party oppose cuts, highlighting the effects they could have on the most poor and vulnerable, especially those in the private rented sector. Labour will oppose large-scale benefits cuts across the board and are likely to use this platform as the centrepiece of their opposition to the Government's programme.
10. Initial LGA comment has been on the lines of the previous submission to the Work and Pensions Select Committee;
 - Although we did not want the LHA to have an effect of distorting the rental market locally, we equally warned against measures that would increase homelessness through making renting to housing benefit customers less attractive to the private rented market. We said that the private rented sector has played a crucial role in tackling homelessness and we would not like to

see this reversed, particularly as extra homeless acceptances will lead to more expenditure for councils.

- We also opposed the plans to remove the £15 excess when they were proposed by the previous government as a measure which would impact on the poorest in society.
- On the other hand, we do welcome a greater government contribution towards discretionary housing payments and for more flexibility on size limits for disabled customers. We had called for both of these.

11. The room cap limit will adversely affect those in high value areas, such as London and the South East. It will make access to the private rented sector extremely difficult in these areas. This is an issue of concern for many of our members, particularly at a time when the economic climate is likely to mean homelessness increases.

12. The LGA submission to the Work and Pensions Select Committee, which was submitted in time to meet the deadline of 6th September; is attached. Please note that it is not a public document as the Committee, in common with other select committees, specifies that evidence to it should not be published.

13. On the basis that the changes go ahead as proposed, there are implications for LG Group work with councils on both benefits and housing; councils are likely to be under tremendous pressure. Councils won't be able to prevent all the consequences, but there may be ways they can do their best to mitigate, and there may be an appetite for sharing ideas and knowledge about that. The LG Group will be able to offer a channel for this, for example via our Local Housing Knowledge web resource and associated communities of practice.

21st Century Welfare

14. The consultation document on 21st century welfare was published on 30th July. It can be found at <http://www.dwp.gov.uk/docs/21st-century-welfare.pdf>

15. It presents a number of options for reform. Most of these propose a single working age benefit/credit - from a single universal credit, incorporating tax credits, working age benefits and some options from other organisations - a single working age benefit (proposed by IPPR), the Mirlees model (proposed by IFS) and a negative income tax model. Another model 'called the single universal taper' proposes keeping the main benefits and tax credits but having a single delivery system.

16. The document leaves all options on delivery open. It says more work will be needed to identify the most cost-effective system. It envisages a single application and only one claim and pension per household.

17. On delivery channels it says "We would also need to consider carefully the current organisation of work between the Department for Work and Pensions, HM Revenue & Customs and Local Authorities. We will work with all delivery agencies to establish how delivery can best be integrated and what this might mean in practice not only for all individuals but also for all types of business." (chapter 5; para 6)
18. It also raises the possibility of localisation - "The UK has a highly centralised system of benefit design and delivery. There are a number of advantages to this, not least in terms of economies of scale and ensuring national safety nets. However, a number of other countries, including Switzerland, the Netherlands and the United States, operate more devolved welfare systems, which can stimulate innovation and ensure that systems are more aligned to local circumstances. There are a number of options for moving to a less centralised welfare system. In terms of incremental reform there could be more discretion to advisers at the local level – currently there are limited funding streams (the Adviser Discretionary Fund) and little wider autonomy at Jobcentre Plus district level. (Chapter 4; paras 8 and 9).
19. The LGA has not so far commented on the consultation document. However the following may be considerations:
 - To what extent does local government see itself as able to make the case for us to be the delivery agent of the universal credit / benefit? To make such a claim it would be necessary to make a case for cost savings drawing on the Total Place work in Luton and Central Beds as well as DWP figures, as well as a better customer experience. The District Councils Network has been working on similar ideas. Some, such as the Institute for Rating, Revenues and Valuation, which speaks for the professional staff in this area, have a long held position in favour of this approach.
 - On the other hand, others within the sector may consider that local government has little discretion in the current housing and council tax benefit regime, and that in an atmosphere of overall service reductions the service might not be a priority. A focus on value for money might suggest a centralisation of all benefit payments to maximise the economies of scale associated with online claims processing and telephony. If local councils were to take on benefit processing in its entirety they would need to be clear that they could undercut the delivery costs of Job Centre Plus.
 - Additionally, some of the costs and risks of administering benefits fall on councils and in the case of districts the gap between benefits paid and council tax levied is large. So small errors can fall disproportionately on council tax. In one year Oxford (and several others) ended up having to pay for benefit

finances, In Oxford's case this £3m, which represented 30% of annual council tax yield.

- The choice might not have to be 'either /or' in the event of a single benefit/credit. Some DWP officials may make the case for a single credit but more multiple channels, of which local authorities could be one especially in dealing with more complex cases where councils have a comparative advantage. This would fit in with local authorities' experience with face to face contact with local residents and a wider experience in payments, such as (in unitary areas) social services and free school meals, but take away the responsibility for online and telephone applications and for benefit processing. The case could also be made for a central database to which all delivery channels have access.
- What does 'localisation' of benefits mean in practice - if it is different rates for different areas, this is likely to be highly contentious and we might not have universal agreement in the LGA, although some would argue that the economic logic points towards varying rates in line with local wages rates.
- This is all about working age benefits and removing the disincentives to work in the benefits system where some people moving from unemployment to low paid work, especially the under 25s, ineligible for tax credits and in receipt of housing benefit, are not much better off in work . What about pensioners, who are covered by both HB and CTB and who have higher disregards?
- How does this fit with the reform of council housing finance and the move to self financing? Will this impact negatively on councils self financing business plans?

LGA internal discussions

20. This leads onto consideration of how both housing and council tax benefits could be reformed in line with the overall LGA policy offer.
21. One idea would be for housing benefit, at least in the private sector to be paid to councils as opposed to individuals. Councils would then commission housing for people not able to pay for it themselves from social and private landlords.
22. This would fit it with the LGA's arguments on area based budgets and follow on from our Place Based Budgeting work, where we call for greater local authority control of budgets which are currently determined centrally and beset by regulations. On the other hand different arguments might apply to housing benefit in the social sector, due to the link between housing benefit in the social sector and housing finance.
23. As far as council tax benefit is concerned, the case could be made for it to be paid as a discount rather than a benefit. Within the wider context of council tax reform, we might argue for councils to have much more discretion over all council tax discounts, including the universal single person discount.