

## A quick guide to Welfare Reform and questions councillors might want to consider asking

### Introduction

The government has introduced major changes to the welfare environment mainly through the Welfare Reform Act 2012. These measures are complex and will in the main be introduced from April 2013. They will have a significant impact on councils.

This handy guide aims to provide a simple summary of the measures that will have the greatest impact on councils and to suggest some questions that councillors might like to explore when considering their own council's readiness for the changes ahead. It doesn't pretend to cover the full scope of the reforms, the detailed regulations for which are still in the main being formulated.

The majority of the questions are aimed at portfolio holders and members of scrutiny committees.

### Portfolio Holders and Scrutiny Committee members

#### Localised support for council tax

*What is this?*

*The Welfare Reform Act made provision for the abolition of Council Tax Benefit and the Local Government Finance Act makes provision for its replacement by local support schemes from April 2013.*

*Each billing authority is required either to have in place by 31 January 2013 an agreed plan for delivering local support, or to adopt the DCLG default scheme, which fundamentally works to the same criteria as council tax benefit. Support schemes will be funded by government grants to the major precepting authorities as a proportion of their overall council tax take. Grants will be the equivalent of forecast council tax benefit expenditure less 10%. Because the default scheme won't deliver a 10% saving, councils that haven't approved a local plan for delivering support by 31 January 2013 will have to find the saving from elsewhere within their budgets. In developing schemes councils are obliged to continue providing full support for pensioners and to bear in mind their statutory responsibilities towards the vulnerable. They are also exhorted to remember that work should always pay. While councils may be able to make up some of the 10% saving by adjusting council tax discounts for such things as empty and second homes, in most areas the working poor will end up paying more council tax than under the current council tax benefit system.*

*In October 2012, the government made available an additional £100m for one year to those councils, which adopt schemes that comply with criteria set by the government. A key requirement is that those who would be entitled to 100% support under current rules will pay between zero and no more than 8.5% of their current net council tax liability. Applications for the grant have to be made between 31 January and 15 February 2013.*

<http://www.communities.gov.uk/documents/localgovernment/pdf/2239262.pdf>

Questions:

- Have we consulted with and received the agreement of other precepting authorities on our plans for localised support for council tax? (Billing authorities)
- Have we been consulted by our billing authority on plans for localised support for council tax? (Major precepting authorities)
- Have we conducted a full public consultation on our localised support plans? (Billing authorities)
- Is our billing authority intending to develop a localised plan? If it isn't what is the financial impact on the council of having to go with the DCLG default scheme? (major precepting authorities)
- Will we have the IT in place to be able to administer our localised plan? If we won't what is our fallback plan? (Billing authorities)
- What will be the impact on unprotected groups, in particular working households and working single people, from the localised plans?
- What plans have we got to ensure that we continue to meet our council's tax collection targets?
- What is the likely financial impact on the council?
- Are we planning to apply for funding under the government's transitional grants scheme and if we are what impact will it have on our plans?

Localised welfare support (upper tier councils)

*What is this?*

*From April 2013, elements of the discretionary Social Fund budget - Community Care Grants and Crisis Loans, which provide finance for emergency expenditures and transition into the community, will be devolved to upper tier local authorities, which will then be free to determine how it is spent. This new legislation places no new duties on councils.*

*The DWP website has data showing expenditure and patterns of activity in each upper tier council area over the previous few years. (<http://www.dwp.gov.uk/local-authority-staff/social-fund-reform/localisation-data/>) Indicative budgetary allocations have been announced by the government.*

Questions:

- What are our plans for the delivery of welfare support?
- Are we intending to provide support in cash, in kind or a mixture of the two?

Item 4  
Appendix A

- Will we be issuing loans? If we are what arrangements will we have for recovering them?
- Which department will be responsible for administering this support?
- Is there any scope for developing a shared service with a neighbouring authority?
- How will we assess claimants; against what sort of eligibility criteria and with what target response time?
- How will we deal with disputes?
- How will we respond to a large scale emergency eg riots, floods?
- Bearing in mind current patterns of activity and expenditure and our indicative grant allocation what impact do we assess our plans will have generally, and more specifically on particularly vulnerable groups of people (eg victims of domestic violence)
- Do we have a feel for the likely key drivers of demand and if so what can we do to try and stem demand?
- Do we need to allocate the entire grant to the provision of welfare support or could we use part of it more effectively elsewhere?
- What do we estimate will be the cost of setting up and delivering the scheme?
- How will we assess the effectiveness of the use of the grant?

Universal credit and the introduction of the benefit cap

*What is this?*

*Universal Credit (UC) replaces a number of individual tax credits and benefits including housing benefit. It will be digital by default, with a target of at least 80% of transactions on line, and be paid monthly in arrears directly to claimants. It will be rolled out between October 2013 and 2017. UC will not apply to pensioners, instead housing benefit will be migrated into a modified pension credit between October 2014 and 2017. At present councils have no formal role on the delivery of UC, though it is likely they will be invited to participate in face to face delivery for those people unable or unwilling to transact on line. DWP intend to run a series of face to face delivery pilots next year with a further set in 2015.*

*The benefit cap will be introduced from April 2013 and is designed to ensure that no household or individual in receipt of benefits receives more than average earnings after tax and national insurance. As such it is being set at £500/week for a couple and single parent households and £350/week for single adult households. Pending the roll out of UC the cap will be delivered by councils through housing benefit. DWP will advise councils of the maximum housing benefit a household can be awarded*

Item 4  
Appendix A

*without exceeding the cap. Every household will be entitled to a minimum weekly payment of 50p in order to enable access to Discretionary Housing Payments (DHP), if this is justified. Pensioners, households in work and entitled to working tax credit and a number of other groups such as people in receipt of Disability Living Allowance (to be replaced by Personal Independence Payments) are exempt from the cap. There will be a grace period whereby the benefit cap will not be applied for 39 weeks to those who have been in work for the previous 12 months*

Questions:

- How many households and single people within the council boundaries will be affected by the introduction of the benefit cap?
- Will the introduction of the benefit cap have any impact on our troubled families programme?
- Will we have the necessary arrangements in place to be able to administer the cap, once it is introduced in April 2013?
- What are we doing to help prepare households and individuals, who may be affected by the cap, for its introduction?
- What is the likely impact of the introduction of universal credit on the council:
  - a. If councils have a role in the delivery of face to face services?
  - b. If councils have no role in the delivery of universal credit?
- What provision are we making to cover potential redundancy and pension strain costs if there is to be no TUPE of staff to DWP to deliver UC?
- What is the overall impact on the council likely to be if the introduction of UC leads to a dramatic reduction in the size of our Revenues and Benefits department?
- What arrangements are we putting in place to provide advice and help to benefit claimants with managing household budgets following the introduction of the direct payment of benefits one month in arrears?
- What are we doing to discourage loan sharks and to persuade vulnerable people not to take advantage of high interest pay day lenders, both legal and illegal?
- What arrangements are we putting in place to cover the risk of increasing levels of rent arrears arising from the application of the benefit cap and direct payments?

Introduction of social housing size criteria and other housing reforms

*What is this?*

*From April 2013 size criteria guidelines for social rented housing will be based on those for the private rented sector. That is one bedroom for each of the following:*

**Item 4**  
**Appendix A**

- A couple
- A person who is not a child (age 16 and over)
- Two children of the same sex
- Two children who are under 10
- Any other child
- A non-resident overnight carer

*For those deemed to be under occupying there will be a reduction in housing benefit of 14% for under occupation by one bedroom and 25% for under occupation by two or more bedrooms.*

*The under occupation measure doesn't apply to pensioners, exempt supported accommodation and temporary accommodation. It does however apply to foster carers, who will be able to claim DHPs to cover the cost of the additional room(s) they need for their foster children.*

*The Local Housing Allowance (LHA) paid to people living in the privately rented sector is already capped at the 30<sup>th</sup> percentile of rents in the locality. From April 2013 increases in LHA will be restricted to no more than CPI.*

Questions:

- How many of our tenants are going to be affected by the introduction of the social housing size criteria?
- What are we doing to help those likely to be affected to prepare for the introduction of the size criteria?
- Do we have sufficient data on properties and occupancy to implement the size criteria regulations?
- Is there a need to update our allocations policy to work alongside the new size criteria regulations?
- Do we have sufficient properties of the right size available to enable tenants to move to avoid facing reductions in housing benefit due to under occupancy? If we don't what are we going to do about it? Are we talking to our housing providers to develop a strategy?
- When it is appropriate, what can we do to incentivise people under occupying to move? For example could we offer practical support such as help to declutter or help with removal costs?
- What impact are the already implemented LHA reforms having? Are we seeing increases in homelessness and use of temporary accommodation?
- What role might the new flexibility to discharge our homelessness duty in the private sector play?
- If we are seeing an increase, what is the financial impact on the council?

Item 4  
Appendix A

- Are landlords responding to the restrictions in LHA by reducing rents or at least not increasing rents?

Introduction of Single Fraud Investigation Service (SFIS)

*What is this?*

*The SFIS will bring together the investigative services of DWP, councils and HM Treasury into one service operating under a single policy and operational procedure for investigating all benefit and tax credit fraud and to conduct a single investigation covering the totality of the fraud. Council staff transferring into the SFIS will remain employees of the council. SFIS will only be tasked to investigate tax credit and benefit fraud. Councils will need to make other arrangements to investigate other fraud such as that associated with tenancies or council tax. The SFIS will come into being at some point during 2013.*

Questions:

- How many staff are we transferring into the SFIS?
- What will our arrangements be for investigated tenancy, council tax and other fraud once the SFIS is up and running?

General

Bearing in mind the increasing risk to councils of legal and other challenge, councillors might like to seek reassurance not only that a comprehensive assessment of the impact of locally devised schemes (welfare and council tax support) on vulnerable and disadvantaged groups in the locality has been conducted, but also that there is a clear audit trail available for public scrutiny of the consultation and decision making processes.

**Ward members**

Ward councillors might particularly want to know:

- a. How many households/single people are liable to be impacted by the benefit cap in my ward
- b. How many households are going to be affected by the social housing size criteria in my ward?
- c. To whom do I send constituents, who come to me needing some kind of emergency financial support?