

## **Welfare Reform**

### **Purpose of report**

For discussion and direction.

### **Summary**

This paper provides an update on the LGA's work on welfare reform. It focuses particularly on:

1. localisation of council tax support;
2. developments in the preparations for the introduction of Universal Credit that affect councils; and
3. emerging evidence on the impact of reforms to Local Housing Allowance and other benefit changes.

The Executive last discussed these issues at its February meeting.

### **Recommendation**

The Executive is invited to give a steer on what approach to the Lords stages of the Bill will best serve the interests of councils and their communities.

### **Action**

Officers to proceed as directed.

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## **Welfare Reform**

### **Localisation of council tax support**

1. The Welfare Reform Act provided for the abolition of Council Tax Benefit (CTB) and the Local Government Finance Bill would establish a new system of locally-decided council tax support. The change is due to take place in April 2013 and be accompanied by a 10 per cent cut in funding. The issues are:
  - 1.1. implementing the cut with very little discretion about which claimants pay more: because the Government has said it will require councils to protect pensioners and the (unspecified) “vulnerable” from losses as a result of these changes, the whole impact of the 10 per cent funding cut risks being taken by about a quarter of the people who currently claim CTB – most of whom are the “working poor” whom both councils, and the Government with its economic growth head on, would prefer to protect; depending on the local caseload, this group potentially face cuts in their benefit of about a third on average and as much as half in some cases;
  - 1.2. timetable: setting up a new system for next April is extremely demanding both in terms of the consultation processes, with all the accompanying risks, which councils will have to undertake, and the changes to IT systems potentially required; councils can make limited progress on either front without more certainty about the regulations the Government will put in place to determine the new system;
  - 1.3. Department for Work and Pensions (DWP) data sharing: existing rules would make it impossible to discriminate between “passported” claimants of DWP benefits, requiring councils to treat them all as “vulnerable” at extra cost;
  - 1.4. the future arrangements for funding council tax (CT) support: first, how will the future grant – worth £4.5 billion even after the 10 per cent cut – be set and allocated between councils; and secondly, whether the grant might itself be localised by being included in the things the local share of business rates is supposed to pay for.
2. The message from the Government has been that the 10 per cent funding cut is non-negotiable and will simply be taken out of formula grant if the legislation is lost. Many councils are, we understand, contemplating localised CT support schemes that are identical to the existing CTB, at least in the first year, and funding the 10 per cent cost shortfall from their other resources. For them, the Government’s threat would make little difference.

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3. The LGA's approach has been:
  - 3.1. to say that – in principle - localisation of council tax support would be a welcome reform if it did not involve a huge funding cut at the same time; as it is, we have said it is not right to force councils to cut benefits to the working poor;
  - 3.2. to press for greater discretion in the CT relief system for councils to help absorb the 10 per cent funding cut; this has been moderately successful in flushing out greater flexibility with empty and second homes discounts; this extra flexibility helps but does not solve the funding problem, especially because many authorities with high CTB caseloads do not have significant numbers of empty and second homes in the first place;
  - 3.3. to press the Department for Communities and local Government (CLG) to publish details of their proposed implementing regulations as early as possible, to give councils extra time to plan and to work with their IT suppliers: CLG has agreed to do this later this month, when the Bill returns to Parliament; and
  - 3.4. to press for easements in the DWP data sharing rules: this discussion is currently making good progress.
4. We have been working through direct contacts with Ministers and officials, and through briefing Parliamentarians for debates on the Local Government Finance Bill – which has only had four days of debate in the House of Commons so far.
5. We will now take these issues forward by ensuring peers are briefed for the House of Lords stages of the Bill. There are a number of considerations about the Lords stages to take into account:
  - 5.1. given that the implementation timetable is so tight, there is a judgement to be made about the likelihood of significant amendments to the Bill succeeding: it would be the worst of both worlds to see the legislation delayed without anything coming of the delay, since councils would then have even less time to implement the same measures;
  - 5.2. if, as we understand it is, the Government is determined to make the funding cut – about £0.5 billion – whether the legislation succeeds or not, what is the balance between arguing for a postponement or a fundamental rethink of the reform (which would also involve a reversal of the LGA's position to date), as against arguing for amendments that would increase councils' discretion about whose benefit they cut, or give councils access to other sources of revenue to offset the CTB grant cut?

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- 5.3. whatever the prospect of the Bill's being amended, and whatever the substance of the amendments, the Lords debates are an opportunity to significantly raise the profile of this issue, which to date neither Parliamentarians nor national newspapers have seen as a major change.
6. The Executive is invited to give a steer on what approach to the Lords stages of the Bill will best serve the interests of councils and their communities.

**Universal Credit**

7. The Executive will recall that the LGA has been working to secure a role for councils in the frontline delivery of the future Universal Credit (UC), which is planned to progressively replace both housing benefit for working-age claimants, as well as the main DWP-administered working-age benefits. The initial policy of the Government was that this benefit would be claimed online, delivered digitally, and administered by DWP.
8. LGA members and officers, working with the District Councils Network and others, have made the case to Government for a council role based on councils' own track record in helping customers access services online, the need to join up services around clients, and councils' experience in helping clients with complex needs.
9. Ministers have now accepted the LGA's arguments. Lord Freud, the Minister for Welfare Reform, said in a recent speech:  
  
*Councils currently have a major role to play in welfare reform and in the future this role will grow.*
10. DWP Ministers have also agreed to pilot this year ways in which councils might deliver a face-to-face UC service. A prospectus was launched on 27 April. The Finance Task Group has agreed that the LGA should help to recruit up to a dozen pilot authorities. The aim is that the pilots should start this summer so that what they demonstrate can be reflected in the initial roll-out of UC towards the end of 2013 and afterwards.
11. A second group of local authority-based UC pilots will be recruited later to inform plans for the long-term steady state delivery of UC.
12. We are continuing to talk to DWP about other UC implementation issues, including the consequences for council staff and the Government's commitment to pay the costs that councils incur as a result of the transition to UC. The LGA and SOLACE are formally represented within the officer-level programme structures that are planning for the introduction of UC.

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**Wider welfare reform measures**

13. Members of the Executive will recall that the February meeting asked officers to collect information from councils about the impact of the Government's wider welfare reform package. The most significant elements of that package included the limiting of increases in Local Housing Allowance payments to the Consumer Prices Index, and the imposition, from April next year, of a cap on total benefit payments to a household.
14. We have had a limited response to our request for information so far. But some consistent themes emerge:
  - 14.1. councils will depend on notifications from DWP to implement the overall cap on benefits and work will be needed to make sure that these are accurate;
  - 14.2. councils in lower rent areas are expecting, and in some cases believe they are already seeing, increases in demand for social housing as people move from higher-rent areas;
  - 14.3. use of Bed and Breakfast accommodation is increasing; and
  - 14.4. there is little, if any, evidence of rents adjusting downwards to reflect the available benefit.
15. It is still, however, very early to reach conclusions about the impact of changes which for the most part have yet to take effect. Nor is it possible to disentangle, at least on the evidence currently available, the effect of welfare changes from those caused by the state of the wider economy. We are aware that Ministers are taking a close interest in developments in councils' use of Bed and Breakfast accommodation, which creates a potential reputational risk for the sector. There has also been some high-profile media attention given to changes in individual councils' housing policies.
16. We will continue to collect information from councils, both directly and through a forthcoming roundtable with councils and housing associations. We will keep elected members updated as the evidence increases and the situation develops.