

Welfare Reform update

Purpose of Report

To provide a regular monthly update.

Summary

This update focuses on developments in the work on Council Tax, Universal Credit and Housing Benefit.

Recommendation

That the Executive notes the actions in hand and highlight areas for further activity.

Action

Officers to proceed in line with the Executive's view.

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Welfare reform update

Background

1. Since the Executive last met, we have been pursuing three priorities:
 - 1.1. mitigating the potential impact of the proposed localised council tax relief system on councils and residents;
 - 1.2. ensuring councils' role in the forthcoming Universal Credit system is recognised;
 - 1.3. tracking the impact of current and forthcoming changes to housing benefit.

Council Tax reliefs

2. We have focussed on two areas:
 - 2.1. briefing members of Parliament for debates on the Local Government Finance Bill which implements the changes to council tax reliefs, and seeking to ensure that the press report the changes and their potential impact;
 - 2.2. discussing with the Government its emerging policy on detailed implementation and funding of the new system.
3. We briefed MPs for the final Commons stages of the Bill. LGA positions were well-reflected in the debates in the Report and Third Reading on 21 May. Members put down amendments which would have secured the LGA objective of giving councils greater flexibility in deciding locally on council tax reliefs in order to absorb the impact of the cut in funding for Council Tax reliefs. These were not supported by the Government and did not pass.
4. We have also briefed Peers of all parties for the forthcoming Lords stages at well-attended meetings. The LGA's briefing has been well-received and a number of Peers have asked for LGA support with speeches and drafting amendments. The Chairman has also written to Ministers setting out the LGA's main concerns. By the time the Executive meets, the Second Reading will have taken place and we will be able to report more fully on the outlook for the Lords consideration of the Bill.
5. A major concern remains the legislative timetable. There is a significant risk that the Bill will not finish its Lords stages by July. From the Government's point of view, this risk can be managed by inserting a clause in the Bill granting councils retrospective legal powers for the consultation and other preparations they will need to undertake during the summer, and issuing draft regulations on the

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assumption that the Bill passes. For councils, however, the picture is not so straightforward, as the delay involves the risk that the Bill will be amended and they will wind up implementing something other than the Government's current policy which they cannot plan for. At the same time, the obvious way of managing the risk of Parliamentary delay – delaying implementation of the measures in the Bill – has the very serious disadvantage that it will not delay the 10% cut in funding imposed by the Government. Unless the Treasury relents on the cut – which every source of information we have tells us it will not – delay to the Bill simply means £500 million will have to be taken out of services instead of some of it being found through restricting council tax reliefs.

6. We have secured a certain amount of media coverage for LGA lines on this issue and will continue working to raise the level of press engagement with the significant impact of the Government's proposals for working poor benefit claimants.
7. The key emerging issue beyond the Bill is the Government's emerging proposal on funding the new system. In its policy documents published on 17 May, the Government has said it intends to fund the future council tax relief arrangements by transferring the existing central Government funding – less the 10% cut – into the localised business rate arrangements. We have argued strongly against this model. Historically, the cost of Council Tax Benefit has risen by more than inflation and the cost is driven by factors beyond councils' control (basically, the number of claimants, half of whom are pensioners). If that is the rate of growth, it makes no sense to fund the future system through an income stream – the rates – whose growth is capped at inflation or a little more.
8. At the same time, the Government has released a forecast of future Council Tax Benefit expenditure which shows a significant decline in cost into the future, starting next year, after years of consistent strong growth. This raises two issues:
 - 8.1. it looks like a response to our argument on future funding through business rates intended to suggest that our concerns are unfounded;
 - 8.2. it also looks like an attempt to short-change councils at the moment of transfer to the new localised system.
9. The actual transfer will not be based on this forecast, but on a reworking of the forecast at the time of the Autumn Statement. We are now engaging at officer level with the Department for Communities and Local Government (DCLG), Department for Work and Pensions (DWP) and the Office for Budget Responsibility to better understand why the forecast is so far at odds with councils' experience of the cost pressures in Council Tax Benefit and to ensure a proper debate about these numbers – and we hope, a more plausible set of numbers – before the Autumn and in time to influence final decisions about both the funding allocation and the revenue dedicated to financing it.

Universal Credit

10. The principal current issues on Universal Credit are:
 - 10.1. selecting council-led pilots for face-to-face delivery of Universal Credit services;
 - 10.2. the TUPE position of council staff;
 - 10.3. the announcements of the pathfinder arrangements for Universal Credit.
11. We have received thirty-eight bids for pilots, some involving partnerships of more than one council. This represents more than a tenth of all councils involved in benefit delivery. LGA members will recommend a shortlist to DWP consistent with the intention of proceeding with a dozen pilots across the UK. Separate pilot recruitment exercises are under way for Scotland and Wales. We hope to announce the list of pilots selected at our conference on Welfare Reform on 20 July.
12. DWP has written to councils at official level setting out its “conclusion”, based on legal advice, that council officers working on benefits processing will not be entitled to transfer to the new Universal Credit service under TUPE. This has caused significant concern in the sector. We are working to develop our own understanding of the legal issues – difficult to do since DWP will not formally share either its legal advice or its detailed operational model with councils – and will use that to engage with and if necessary challenge DWP’s interpretation of the position in order to protect council staff. Were DWP’s view to be correct, there is an important New Burdens issue to pursue with the Government relating to potential redundancy costs to councils.
13. On 24 May 2012 DWP announced that Universal Credit for some claimants – principally those currently claiming out of work benefits – will begin from April 2013 in four locations in Greater Manchester – Oldham, Tameside, Warrington and Wigan. Although the precise local authority role in each area has yet to be determined the councils in all four areas have been closely involved in the planning with DWP.

Housing Benefit

14. We are continuing to monitor the impact of current and forthcoming housing benefit changes on councils, residents, and local housing markets. A number of councils have responded to our survey but we are seeking a much wider response. Any assistance Executive members can give in encouraging responses from their own councils and councils in the regions they represent would be welcome.

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15. The LGA is working with housing bodies on these issues and we supported the Chartered Institute of Housing (CIH) publication 'Making it fit - guide to preparing for the social sector size criteria' which was launched at the end of May.

Financial implications

16. This is core LGA work provided for in the 2012-13 business plan and budget.