

<b>Title:</b>	Welfare Reforms
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<b>Purpose/Key Messages:</b>	To inform BHSP of the welfare reform changes planned by Government over the coming 2 years
<b>Significance to BHSP</b>	The welfare reforms are likely to have significant impact on Brighton & Hove residents and the work of a number of Brighton & Hove thematic partnerships
<b>What is BHSP being asked to do?</b>	To note the report and to ensure that relevant organisations take account of and act upon the changes as required
<b>Next steps and report back mechanism</b>	The welfare reforms will extend over the next 24 months; regular reports will be brought to BHSP for information and comment

## 1. Summary & Policy Context

- 1.1 Following the Comprehensive Spending Review (CSR), the Government embarked on an ambitious welfare reform programme. The core, which is the introduction of Universal Credit (UC), will begin to be phased in from the latter part of 2013/14. This is preceded by significant changes to the existing housing benefit scheme with the dual purpose of reducing expenditure and aligning it to a format that can be absorbed into the UC model. Subsequently added post-CSR is the proposal to localise, and as a consequence change, council tax benefit from April 2013. Some of the reforms have already commenced and it is anticipated that the complete migration to UC will not be complete until 2018.
- 1.2 This agenda is far reaching and it likely to impact on a number of our aspirations as set out in the Sustainable Community Strategy and the Corporate Plan. It may also have other impacts that need to be planned for and mitigated where possible. To minimise the negative consequences of these reforms, a city-wide approach is required; the impacts do not just affect how we, the council, operate and deliver our priorities, but also those of a number of

agencies across the city who are working with people on low incomes and in receipt of benefits. Landlords, social housing partners, the health sector and advice agencies will be affected too.

- 1.3 Some of the impacts of this welfare reform are:
- The majority of benefit recipients will probably see a net fall in their benefits in relation to their expenditure
  - Many people who have previously received a full council tax rebate will only get a partial one
  - Social housing tenants will receive their housing costs into their own bank accounts rather than as a credit to their rent account and will have to pay their rent to their landlord
  - The UC benefit will be paid into one person's bank account
  - 4,800 people in the city will lose incapacity benefit
  - Families with no one working will be subject to a benefit cap if their benefit income is above £26k
- 1.4 This report accompanies John Barradell's presentation.

## **2. Recommendations**

- 2.1 That PSB/BHSP notes the report and presentation.

## **3. Relevant Background Information/Chronology of Key Events**

### **Localisation of Council Tax Benefit**

- 3.1 Each local authority is to have a licence to design its own council tax support model incorporating a funding reduction of 10% (over £2.6m in Brighton & Hove) and guaranteeing protection for the awards to pensioners.
- 3.2 This is an extremely challenging task. The council has to design a legally robust system and implement the accompanying software requirements within a short project timeframe. No authority has yet publicised a system that effectively meets the criteria without serious financial consequences both to a large group of customers, in terms of increased council tax charge, and reduced council tax. Work is underway to achieve this and consultation across the city will start within the next couple of months.

### **Current Local Housing Allowance & Housing Benefit Changes**

- 3.3 The Government's intention is to cut the cost and rationalise the distribution of housing benefits to a point that it dovetails with and

then can be transferred to the Universal Credit (UC). The Government has made a commitment that people migrating to UC will not be worse off as a result.

- 3.4 The first change is that single people who are under 35 will have the amount of housing benefit they can claim restricted to the amount for a room in a shared house rather than a self-contained flat. This means a reduction from about £150 per week to about £80 per week. The changes commenced in January 2012 and will affect approximately 650 across the city.
- 3.5 The next change is that the reduced rate of benefit which applied to new applicants from April 2011 will begin to apply to all LHA cases. Most of these reductions are relatively small and in the region of £5 to £15 per week, however they are still likely to feel very significant to those affected because of their generally low weekly income.
- 3.6 Beyond these changes, there is a whole raft of further proposals that will further erode the levels of housing benefit across the city. Amongst these is the provision to implement a £26k yearly cap in benefits for non-working families and reducing benefit for claimants in social accommodation where their property has more bedrooms than the Government considers their family require. Each change brings its own set of risks.
- 3.7 The combined proposals are projected to impact with severity in the city because of the high proportion of private rented sector accommodation. It is probable that there will be added homelessness stress if the lower end of the rental market is unable to meet the demand for affordable accommodation. It is difficult to predict how the pressure will manifest as it is behaviour dependent and there may be some migration away from the city because for some, living here on benefits, may not be affordable.

### **Universal Credit**

- 3.8 Universal Credit (UC) is designed for people of working age. From April 2014 onwards, the UC will include payments that are currently made through Income Support, Job Seeker's Allowance, Employment & Support Allowance, Child Tax Credit, Working Tax Credit and Housing Benefit. There will be similar subsequent arrangements for people of pension age, which have not been clarified and will be introduced and completed at a later date.
- 3.9 The principle of amalgamating the main welfare benefits into one award has been well heralded. The transition of new housing

benefit claims to UC will begin in April 2014 (deferred from October 2013) with the whole transition planned to be complete by 2017/18.

3.10 UC will be paid to only one person in the household (which is a change) and directly into their bank account on a monthly basis to mimic salary payments.

3.11 UC will be processed and administered centrally. There is some debate as to what the telephone arrangement will be and what will be delivered locally, particularly with respect to face-to-face access. This is still all under discussion. The intention is for this to be a predominantly web-enabled benefit and the UC business plan anticipates 80% of activity to be conducted online. However, there is a recognition that this will take some time to achieve. At the moment, nationally, 17% of relevant people would be able to do this online. In Brighton & Hove the figure may be more but would still not be the majority of those eligible.

### **Other Reforms**

3.12 On a broader administrative front, the council will have new responsibilities as a consequence of UC. This will include the administration of discretionary awards, probably Discretionary Housing Payments (DHP) and Social Fund equivalents (discretionary payments for vulnerable people when base benefits are reduced) as well as variants on the existing responsibilities for 'passport' entitlements such as free school meals. An officer group is working on options for this.

3.13 We have a DHP budget of £633,236 pa (up from £387,835 pa last year) which is a grant from Government. Although this seems a relatively generous increase, it should be seen in the context of an estimated eventual net reduction of £9.6m per annum in benefit paid out (this is the full year effect of the changes planned for this calendar year). We estimate that for each pound of extra DHP the council has been given to spend, there may be a reduction of £12 in housing benefit entitlement. Payment of this discretion will have to continue to be prioritised.

3.14 Beyond the council, the demands on the voluntary sector and other public services will change and we will need to work together on how to mitigate the effects for the most vulnerable. Discussions on this are starting.