

Proposed Government Changes Impacting Council Tax, Benefits and Housing

APPENDIX A

Date being introduced: 01 April 2013		
Change	Impact on Local Authority	Impact on claimants
<p>1 Council Tax Benefit is to be abolished and replaced with a localised scheme.</p> <p>The local scheme, although subject to fluctuating demand, will be funded from a fixed non-ring fenced grant payment. Overall, council tax benefit expenditure is to be reduced by 10%.</p> <p><u>Principles of the scheme</u></p> <ul style="list-style-type: none"> • Pensioners have no change in the current level of award. • Vulnerable to be protected (Child Poverty Act 2010, the Disabled Persons Act 1986, the Chronically Sick and Disabled Persons Act 1970 and the Housing Act 1996). • Local schemes need to support work incentives. • Requirement to meet our general equalities duty. <p>Protection for pensioners will be achieved by keeping in place the current national rules used for determining eligibility. Therefore, pensioners will not gain or lose because of the new scheme.</p> <p>In order to achieve a 10% saving on current expenditure, savings of more than 10% will be required from working age claimants.</p> <p><u>Consultation</u> The Local Authority is required to consult with the major precepting authorities before a scheme is designed and then to consult with the public before a scheme can be adopted.</p> <p><u>Adoption of the scheme</u> The scheme must be in place by 31 January 2013 otherwise a default scheme</p>	<p>Local scheme needs to be agreed by full Council in December 2012 at the latest, in order to meet current budget setting timetable.</p> <p>Will be running two schemes – one for pensioners and one for working age.</p> <p>Also ongoing maintenance of Council Tax Benefit legacy claims and ongoing Housing Benefit claims – 4 benefit schemes in total.</p> <p>ECC working with authorities across Devon to develop similar schemes for year one. This process will have to continue for future years.</p> <p>Scheme adopted for 2013 in order to meet timescales, likely to change each following year.</p> <p>Ongoing consultation with major precepting authorities. Public consultation running 6 August to 1 October 2012. This process will need to be repeated every time the scheme is revised.</p>	<p>Current caseload is 9900 at an annual cost of £8.1m</p> <p>Pensioner caseload 4500 cost of £3.8m</p> <p>Working age caseload 5400 cost of £4.3m</p> <p>Reduction in funding equates to over £1m.</p> <p>Reduction in grant of 10% whilst protecting pensioners (who will neither gain nor lose from the changes) could require all working age claimants to pay up to 30% of their CT liability.</p> <p>Working age claimants could have less income.</p> <p>Could create a greater number of working age claimants going into debt.</p> <p>Working age claimants will have little time to prepare for the cut in their current</p>

<p>based on current Council Tax Benefit legislation will be imposed. This will be a more costly option.</p> <p><u>Revisions to the scheme</u> Local authorities will be able to revise schemes between years and be able to make transitional provisions as they see fit.</p> <p><u>Funding</u> The grant will be paid to the billing and precepting authorities in proportion to their share of council tax. After the first year, allocations for Council Tax Support will not be identified within overall settlement.</p> <p>Grant allocations to be published Autumn/Winter 2012</p> <p><u>Risk sharing</u> Where demand for support increases or falls below local forecasts, billing authorities will collect less or more council tax than has been estimated at the start of the financial year. This will result in a deficit or surplus to the collection fund.</p> <p>The risk will be shared amongst the precepting authorities. The Government is looking to enable billing authorities to vary the amount of precept to be paid in-year to reflect fluctuations in collection levels, so cash flow risks do not fall solely on the billing authority.</p> <p><u>Administering local schemes</u> Local Authorities to define the application process</p> <p>Appeals to be considered first by Local Authority then by Valuation Tribunal in common with Council Tax appeals.</p> <p><u>Legislation</u> Primary legislation due Summer 2012 Secondary legislation due Autumn/ Winter 2012</p>	<p>All existing letters, leaflets, bills, website, etc that refer to 'Council Tax Benefit' will need to be rewritten before 1 April 2013.</p> <p>Scheme documentation will have to be changed each time scheme is revised.</p> <p>Forecasting demand on the available budget will be difficult and could result in surplus /deficits, which will impact on budgets & cash flow.</p> <p>Collection rates are likely to suffer and will result in having to recover small amounts of council tax that will be administratively expensive to collect.</p> <p>Any legal challenge against the scheme will fall to the local authority.</p> <p>Central government funding may not cover the full cost of setting up and administering the scheme.</p> <p>Provision of work focussed support and on-line inclusion for affected claimants.</p> <p>Increased hardship, resulting in greater demand for debt and counselling services.</p> <p>Will take money out of the local economy as affected claimants have</p>	<p>entitlement.</p> <p>Working age vulnerable groups will be protected by retaining the framework of the CTB means test.</p> <p>All equality groups will be equally impacted by the reduction.</p> <p>A new fund for cases of exceptional financial hardship is proposed.</p>
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2	<p>Housing Benefit (HB) - Local Housing Allowance (LHA) for private sector tenants are to be uplifted on the basis of Consumer Price Index (CPI)</p> <p>LHA rates will be uplifted on the basis of CPI rather than by reference to local rents. As CPI excludes housing costs and rent inflation it therefore generally runs at a much lower rate than normal inflation.</p> <p>From April 2012 LHA rates have been changed annually rather than monthly.</p> <p>In the South West of England between 1994 and 2008 the average annual increase in private rents was 5.45%. In the same period the average annual increase in CPI was 1.75%.</p> <p>Currently LHA rates make 30% of private tenancies affordable on Housing Benefit. If rents continue to increase by more than CPI, this change will mean that LHA rates fall below the bottom 30% of rents.</p>	<p>Increased numbers of claimants seeking social housing if private sector becomes unaffordable.</p> <p>Increased hardship, resulting in greater demand for debt and counselling services.</p> <p>Will take money out of the local economy as affected claimants have less to spend.</p> <p>Benefit claimants could become increasingly confined to low cost areas.</p> <p>Greater demand on homelessness and housing services. – NB it is estimated that housing a single homeless person costs the council £2k over the period where they require temporary housing and it costs at least £2.5k to accommodate a homeless family.</p> <p>Requirement for increased intervention in landlord / tenant disputes with arrears and rent shortfalls.</p> <p>Greater levels of overcrowding.</p> <p>Increased applications for Discretionary Housing Payments (DHPs) to meet shortfall or fund moves to affordable</p>	<p>We currently have 2363 claimants claiming HB under the LHA scheme.</p> <p>Where there is a shortfall claimants will either need to move to a cheaper home or will have to make up the difference using other sources of income.</p> <p>Claimants at increased risk of becoming homeless or getting into debt.</p> <p>Not all claimants have the capacity to increase their income by working.</p>

		accommodation.	
3	<p>HB restrictions - Social Housing</p> <p>Size restrictions will be introduced for working age tenants on HB in the social sector. The new rules will apply to council tenants and housing association tenants and will include properties that have been adapted for the tenant's needs.</p> <p>Claimants who have one spare bedroom will see a 14% reduction in the rent allowed for HB. Claimants with two or more spare bedrooms will have 25% of their rent disallowed when calculating HB.</p> <p>Size restrictions already apply to private sector tenants claiming HB.</p> <p>This change does not apply to pensioners.</p>	<p>Increased rent arrears affecting local authority rent collection.</p> <p>This in turn could lead to higher demand on homelessness services including temporary accommodation.</p> <p>Increased hardship, resulting in greater demand for debt and counselling services.</p> <p>Will take money out of the local economy as affected claimants have less to spend.</p> <p>Higher demand for smaller properties.</p> <p>Changes to Housing Policy may be necessary as it becomes less desirable to allow people to under occupy.</p> <p>Increased applications for DHPs to meet shortfall.</p> <p>New data required for size of social housing properties. Will have to be gathered for existing claims and system updated.</p>	<p>ECC owns 5038 properties and has 919 leasehold properties. There are just over 3000 housing association properties in the city.</p> <p>We currently have 6254 claimants on HB in the social sector. Of these 4000 (64%) are working age claimants.</p> <p><u>Working age on HB</u></p> <ul style="list-style-type: none"> • Council tenants – 1990 • Housing associations – 2010 <p>We have approx 329 council properties that are under occupied by working age claimants.</p> <p>Where there is a shortfall claimants will either need to move to a smaller home or will have to make up the difference using other sources of income.</p> <p>Claimants at increased risk of becoming homeless or getting into debt if they do not wish to move.</p>
4	<p>HB - Household Benefit Cap</p> <p>There will be a total maximum amount that can be claimed in all benefits for</p>	<p>The local authority will be responsible for administering this as the cap will be applied to the HB.</p>	<p>This is likely to affect larger families rather than smaller families.</p>

<p>non- working families. It is proposed that the threshold will be set at the median net earnings for working age households:</p> <ul style="list-style-type: none"> • £500 per week (£26,000 p.a.) for couple and lone parent households • Lower rate of £350 per week will apply for single adult households. <p>Final details of this change will not be known until regulations are laid later this year. However draft regulations indicate:</p> <ul style="list-style-type: none"> • a 39 week ‘grace period’ where claimants who lose their jobs through no fault of their own will not be subject to the cap • Any families entitled to Disability Living Allowance will be exempt from the cap. <p>Local Authorities will initially be responsible for administering the cap which is to be applied to HB until the move to Universal Credit is complete. This responsibility could stay with local authorities until 2017 which is the anticipated migration end date to universal credit.</p>	<p>This means that when processing a HB claim details of the total value of the all the Benefits will need to be known so the cap can be applied.</p> <p>Increased applications for DHPs</p> <p>Will take money out of the local economy as affected claimants have less to spend.</p> <p>Increased hardship, resulting in greater demand for debt and counselling services.</p> <p>Increased rent arrears affecting local authority rent collection.</p> <p>This in turn could lead to higher demand on homelessness services including temporary accommodation.</p> <p>Difficulty in sourcing affordable private rented accommodation for larger households meaning a reliance on social housing as the only means of housing large families.</p> <p>If Housing Associations wish to offer their properties at an affordable rent level (80% of the market rent) this may well take them out of the reach of large families in receipt of benefit.</p>	<p>Currently we have approximately 587 families with 3 or more children on HB of which 334 (57%) neither partner is working.</p> <p>Without knowing the individual make-up of income /circumstances it may be that some of these will be affected by the cap.</p> <p>As of April 2012 there were 47 households expected to be affected by this change. This figure will change as the caseload make up changes.</p> <p>Claimants affected will have less income and may have to move to cheaper accommodation. This could mean moving to a different area or moving to smaller accommodation.</p> <p>Where there is a shortfall claimants will either need to move to a smaller home or will have to make up the difference using other sources of income.</p> <p>Claimants at increased risk of becoming homeless or getting into debt or further debt.</p>
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5	<p>Community Care Grants and Crisis Loans for living expenses (part of the Discretionary Social Fund) will be abolished and replaced with a locally-based provision.</p> <p><u>Current scheme</u></p> <p>Community Care Grants are non-repayable grants awarded for a range of expenses including household equipment. They are primarily to help vulnerable people live an independent life.</p> <p>Crisis loans for general living expenses are interest-free loans available to anyone (whether on benefit or not) who cannot meet their immediate short term needs in an emergency or as a consequence of a disaster.</p> <p>Repayments are made directly from benefit where possible. DWP are currently responsible for administering these. This also includes an out of hours service (via referrals from Police or Social Services) in emergency situations.</p> <p>Currently these payments are repayable via deductions from welfare benefits, under Universal Credit these payments cannot be deducted, the Government suggest that local authorities do not administer a loan system</p> <p>DWP currently receive 11,000 applications across Devon per year of which 3,600 applications are for community care grants with a total cost of £907,000 and 7,500 applications for crisis loans with a total cost of £411,000</p> <p><u>Proposed New Scheme</u></p> <p>New support to replace Community Care Grants and the general living expenses of Crisis Loans will end in April 2013. The current annual funding of £178m will be allocated to Local Authorities who will be responsible for administering a new scheme. This will be a non-ring fenced payment.</p> <p>It is expected that new assistance will be aligned with existing local services.</p>	<p>Devon County Council are working with the district LAs and other interested groups to establish the nature of a local scheme. Work is still at an early stage. Contact Chris Hancock for more information.</p> <p>There is appetite from DCC that districts administer this fund, which would provide increased opportunities for us to manage the fund to prevent homelessness.</p> <p>However the scheme works it is likely to need additional resources including changes to working environment, methods of working, fraud awareness considerations, an out of hours service and increased security due to intimidation of staff from current DWP experience.</p> <p>*The pressure on this type of support is likely to be exacerbated at least in the short term as people adjust to the new welfare agenda. Therefore the level of need for this form of temporary support can be expected to increase across all low income groups</p> <p>*Of all the Devon district local authorities the highest demand for 2010/11 came from Exeter at 21%.</p>	<p>Under the current scheme administered by DWP the majority of crisis loan applications are made by the under 35's in receipt of JSA</p> <p>A local scheme will be more reflective of the needs of our claimants and provide a better targeted service than the current remote telephone service.</p> <p>It will enable a more holistic approach when dealing with claimants.</p>
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	Local authorities that were consulted were clear that emergency provision would not be in the form of cash payments.	*DSF Discussion Paper August'12	
6	<p>Single Fraud Investigation Service</p> <p>The service will operate from April 2013 and will investigate and sanction all benefit and tax credit offences which combine resources across Local Authorities, HMRC and DWP. The service will investigate Universal Credit as well as legacy benefit and Tax Credit offences.</p> <p>For an interim period 2013 -2015, Council Fraud employees will remain an employee of the Council but will be required to work in accordance with DWP requirements, Policies, targets, etc.</p>	<p>Loss of investigation capacity for Council fraud, such as Council Tax Support (from April 2013).</p> <p><u>Management issues</u></p> <ul style="list-style-type: none"> Local Authority management of DWP Policies and procedures. Staffing resources as currently only one permanent Fraud officer. <p>Long term uncertainty for fraud employee.</p>	If compliance & investigation activities are not undertaken, income for the CTS scheme will be compromised.
Council Tax Changes			
7	<p>Council Tax discount and exemption reform</p> <p>The Government proposes to change the following:</p> <ul style="list-style-type: none"> Billing Authorities to be able to charge up to 100% on second homes (currently the maximum is 90%). Allow Billing Authorities to levy an 'empty homes premium' (1.5 times) over and above full council tax charge where they have been left empty for two years or more. Replace existing Class A and C exemptions* with discounts up to 100%, the amount of discount will be for the Billing Authority to determine. <p><i>*Class A = Unfurnished & unoccupied properties requiring/undergoing major repair/structural alterations. Maximum period 1 year.</i> <i>Class C = Unoccupied & unfurnished for up to 6 months since last occupied.</i></p>	<p>It is not clear whether the Billing Authority will benefit from a higher proportion (currently 8.5% of tax base) of the additional revenue that could be generated as a result of implementing these changes once they become a discretionary discount.</p>	<p>Second homes - 483 properties currently subject to 90%. Removing the 10% discount would generate approximate £63k additional council tax.</p> <p>Long term empty – 241 properties. By charging the empty homes premium could generate approximate £183k. However, this would be subject to properties remaining as long term empty.</p> <p>Class A Exemption – 55 properties. The current value of this exemption is in the region of £57k.</p>

			Class C Exemption – 153 properties. The current value of this exemption is in the region of £97k.
8	<p>Council tax instalments will be available by right over 12 months instead of the current 10.</p> <p>The current scheme of 10 monthly instalments remains with the option of 12 monthly instalments by request.</p>	<p>Will need to communicate this change to existing claimants.</p> <p>This is likely to have an adverse impact on collection levels and could reduce income received from interest.</p>	<p>All tax payers will have the option to spread instalment amounts over the 12 month period</p>

Date to be introduced: 01 October 2013 to 2017

Change	Impact on Local Authority	Impact on claimants
<p>9</p> <p>Introduction of Universal Credit (UC)</p> <p>The aim of UC is to simplify the benefits system by bringing together a range of working-age benefits into a single streamlined payment. It aims to:</p> <ul style="list-style-type: none"> • Simplify the system, making it easier for people to understand, and easier and cheaper for staff to administer • Improve work incentives • Smooth the transitions into and out of work • Reduce in-work poverty • Cut back on fraud and error. <p>UC replaces:</p> <ul style="list-style-type: none"> • Income related Job Seeker’s Allowance • Income related Employment & Support Allowance • Income Support • Child Tax Credits • Working Tax Credits 	<p>No longer responsible for processing HB once claims migrated to UC.</p> <p>Migration timetable still unclear on how HB cases will be transferred which makes it difficult to plan staffing especially when dealing with other changes.</p> <p>No details on staff TUPE arrangements, etc.</p> <p>If Local Authorities are given responsibility for face to face enquiries but without the ability to</p>	<p>Difficulty accessing the on-line claim channel.</p> <p>Applying on-line is likely to cause delays in claimants getting paid if they have not completed the application form correctly or provided the required supporting evidence, etc.</p> <p>Hardship for the customer when chasing progress, repeating previously submitted information or not understanding what is required.</p>

<ul style="list-style-type: none"> • Housing Benefit <p>On-line will be the main channel of contact for UC claimants with DWP estimating around 75% using this method.</p> <p>UC will be administered by the DWP although there may be a role for Local Authorities in delivering face to face support. However, it is unlikely that Local Authorities will be able to process claims.</p> <p>Entitlement will be based on the whole household with payment going to one individual.</p> <p>Payments likely to be calendar monthly and paid in arrears.</p> <p>Payments to go to the tenant not the landlord, unless vulnerable.</p> <p>Payment on account will be available to support claimants where there are delays in assessing eligibility for UC.</p> <p><u>Migration arrangements for claimants moving on to UC</u></p> <p>Implementation from October 2013 and roll out to be completed by October 2017</p> <ul style="list-style-type: none"> • New Claims – will start in October 2013. • Natural changes - these claims to UC occur when someone undergoes a change of circumstances, for example when finding a job or the birth of a first child. These will start in April 2014. <p>Migration of people already on benefits whose circumstances do not change will start from April 2014 and is planned to be complete by 2017 when 12 to 13 million tax credit and benefit claims will have been transformed into 8 million households receiving Universal Credit by</p>	<p>process this does not allow authorities to be able to control or influence demand.</p> <p>Provision of work focussed support and assistance with on-line inclusion for UC claimants.</p> <p>Local Authorities will not be able to make payments of UC.</p> <p>Paying the tenant direct could result in higher levels of rent arrears and increase administrative costs in collection.</p> <p>Greater demand placed on Housing Services.</p> <p>Risk of increased hardship, resulting in greater demand for debt and counselling services.</p> <p>Increased rent arrears affecting local authority rent collection.</p> <p>This in turn could lead to higher demand on homelessness services including temporary accommodation.</p>	<p>Claimants will need to budget very carefully as will only get one payment whereas currently will get paid separately for HB, tax credits, job seekers allowance.</p> <p>Claimants who currently have their HB paid direct to the landlord, may have to make this payment themselves from their UC payment.</p> <p>Claimants at increased risk of becoming homeless or getting into debt or further debt.</p>
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	<p>2017.</p> <p><u>Pilots</u></p> <p>A Universal Credit pathfinder will begin in April 2013 in the north west of England ahead of national rollout. Pilot schemes are already operating to look at the impact of making single payments in arrears to claimants. In Autumn this year a further pilot will begin looking at the role that LAs may play in supporting the delivery of UC.</p>		
Other changes			
The changes below do not directly affect our service provision but may affect the same customers impacted by the changes detailed above. This could therefore also reduce their ability to meet their rent and Council Tax liabilities and reduce their disposable income. Their impact should not be underestimated.			
10	<p>Child Support Fees Regulations 2013</p> <p>The introduction of fees for users to access the statutory services of the Child Support Agency.</p>	April 2013	
11	<p>Independent Living Fund</p> <p>This national fund provides money to help people with disabilities live independently in the community. The fund has already closed to new applicants and in 2015 will transfer responsibility for meeting the care and support needs of ILF users within a single care and support system. This would be administered by local authorities.</p>	Now impacting on new claimants New responsibility for LAs from 2015	
12	<p>Sure Start Maternity Grant</p> <p>Eligibility criteria extended to recognise that even where there are already children in the family, additional items will be needed where there is a subsequent multiple birth. A Sure Start Maternity Grant will be provided for these requirements.</p>	13 August 2012	

13	<p>In Work incentives</p> <p>The following payments are being withdrawn to prepare for the introduction of Universal Credit.</p> <p>Job Grant Payments – one off payment to eligible claimants who have been on benefits for at least 26 weeks</p> <p>In Work Credit – 52 weekly payments made to lone parents leaving benefits to start work</p> <p>Return to Work Credit – 52 weekly payments made to disabled claimants who leave benefits to start work</p>	<p>April 2013</p> <p>October 2013</p> <p>October 2013</p>
15	<p>Personal Independence Payments</p> <p>Disability Living Allowance for working age claimants is being replaced beginning in April 2013. DWP estimate that this will reduce the number of qualifying claimants by over 20%¹. As well as the direct monetary loss there will be knock-on effects accessing other help and support for customers who lose their entitlement to DLA.</p> <p>¹ http://www.dwp.gov.uk/docs/dla-reform-wr2011-ia.pdf</p>	<p>April 2013</p>