



Welfare Reform & Housing Benefit Changes

Tenant Services Management Board

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Purpose

This briefing is intended to raise awareness of the key changes coming from the Government's welfare reform agenda and how these will impact on our tenants and the HRA.

The presentation will take approx 25-30 mins with time at the end for questions.

Overview of Changes

2012 & 2013

- Increasing Non-dependant deductions

April 2013 changes

- Council Tax Benefit Abolished
- Maximum Benefit Cap
- Social Sector size criteria changes
- Empty Property Charges
- Council Tax Changes

October 2013 and beyond

- Universal Credit



Non Dependent Deductions

A Non-dependant is someone who normally lives with the Housing Benefit Claimant such as an adult son, daughter, relative or friend. (Boarders and sub tenants are not non-dependants).

10 year freeze on NDD reversed over 3 yrs - April 2011 - 2013

- Lowest HB NDD rates rise from £7.40 to £13.40
- Highest HB NDD rates rise from £47 to £90

Example : John is 44 years old and on Income Support. He receives £71pw Income. His rent is £70 pw. If he lives alone he will pay no rent. His working son Mark aged 20 comes to live with him. Due to Marks' earnings (£238 gross pw) a non-dependant deduction of £59.05 is applied to John's HB, meaning he now has to pay £59.05pw rent himself.

Non Dependent Deductions - Implications

- Higher incidence of adult children being asked to leave the family home (David Cameron recently suggested withdrawing HB from under 25's so if they are not working how do they pay for accommodation?)
- Increased demand for independent housing
- Higher risk and incidence of increasing rent arrears – reluctance for private landlords to accept benefit claimants, financial difficulties for social providers = poss rise in homelessness

Council Tax Support

The government has announced that it is reducing spending on Council Tax Support by 10 per cent and localising it, saving £490 million a year from 2013-14.

Currently Council Tax support is delivered through the national Council Tax Benefit (CTB) scheme.

From 1st April 2013 CTB is being abolished. Instead Council's like TDBC have been told they must design a scheme to help those on low incomes pay their Council Tax.

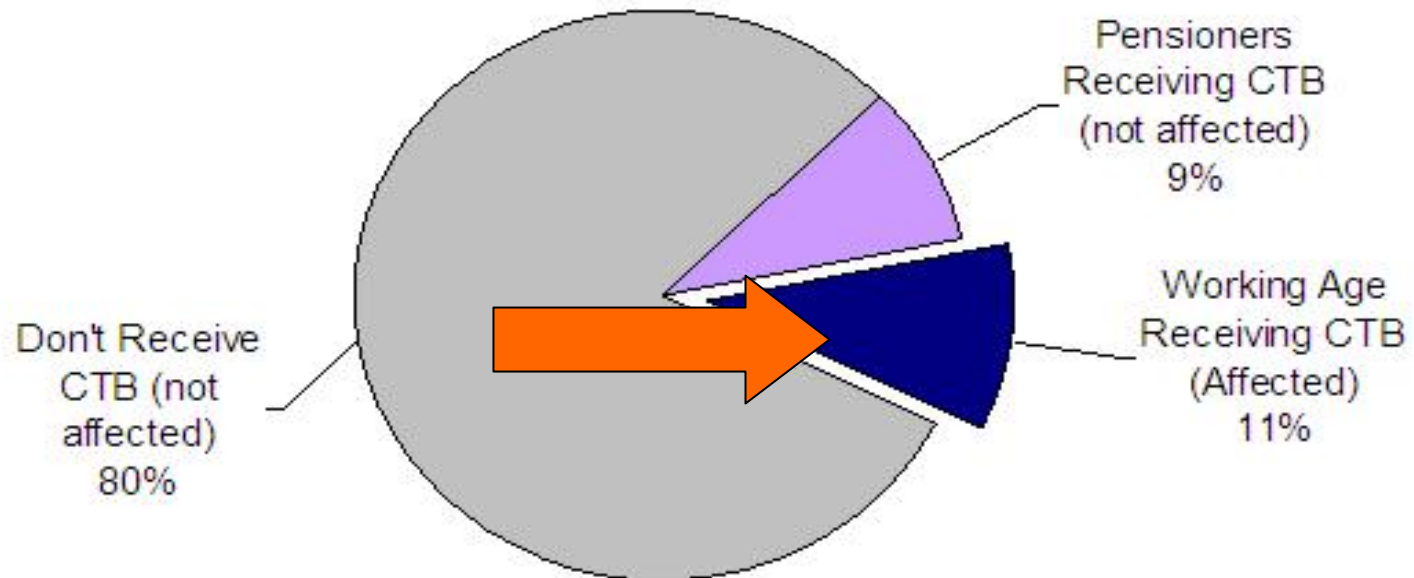
- No longer demand led (councils will be given fixed grant)
- In England, **pensioners protected** under national scheme,
- Estimated **cuts of 20%** in the level of support for working age claimants if the funding reduction is passed on.
- Many people who have never had to pay Ctax may have to start.

The final scheme must be adopted by the council before 31st January 2013 for introduction in April 2013.

Council Tax Support

Who's affected by abolition of CTB (TDBC)?

% of Council Tax Payers Affected by this Change



Council Tax Support

Our approach to designing the scheme



- Existing software suppliers will be unable to introduce hundreds of widely different schemes for Councils across the Country by 1st April 2013.
- They are proposing to use the current CTB software as the basis for calculating the Council Tax Support Scheme, but make several parameters within the current system customisable.
- We therefore propose to base the local support for working age citizens on the broad principles of the present CTB scheme.
- This methodology is known to the claimant, known to the staff administering the scheme, contains a number of equitable features which seem sensible to retain and carries the least risk in terms of software development.
- TDBC currently working with the other Somerset Districts to develop a Somerset reduction Scheme.

Council Tax Benefit Expenditure in England, 1997-08 to 2010-11

Year	Council Tax Benefit Expenditure*	Percentage change
	£m	%
1997-98	2,014	-
1998-99	2,046	2%
1999-00	2,103	3%
2000-01	2,151	2%
2001-02	2,250	5%
2002-03	2,384	6%
2003-04	2,746	15%
2004-05	3,040	11%
2005-06	3,230	6%
2006-07	3,385	5%
2007-08	3,471	3%
2008-09	3,672	6%
2009-10	4,095	12%
2010-11	4,299	5%

Source: DWP Expenditure Tables (outturn) 1997-08 to 2010-11

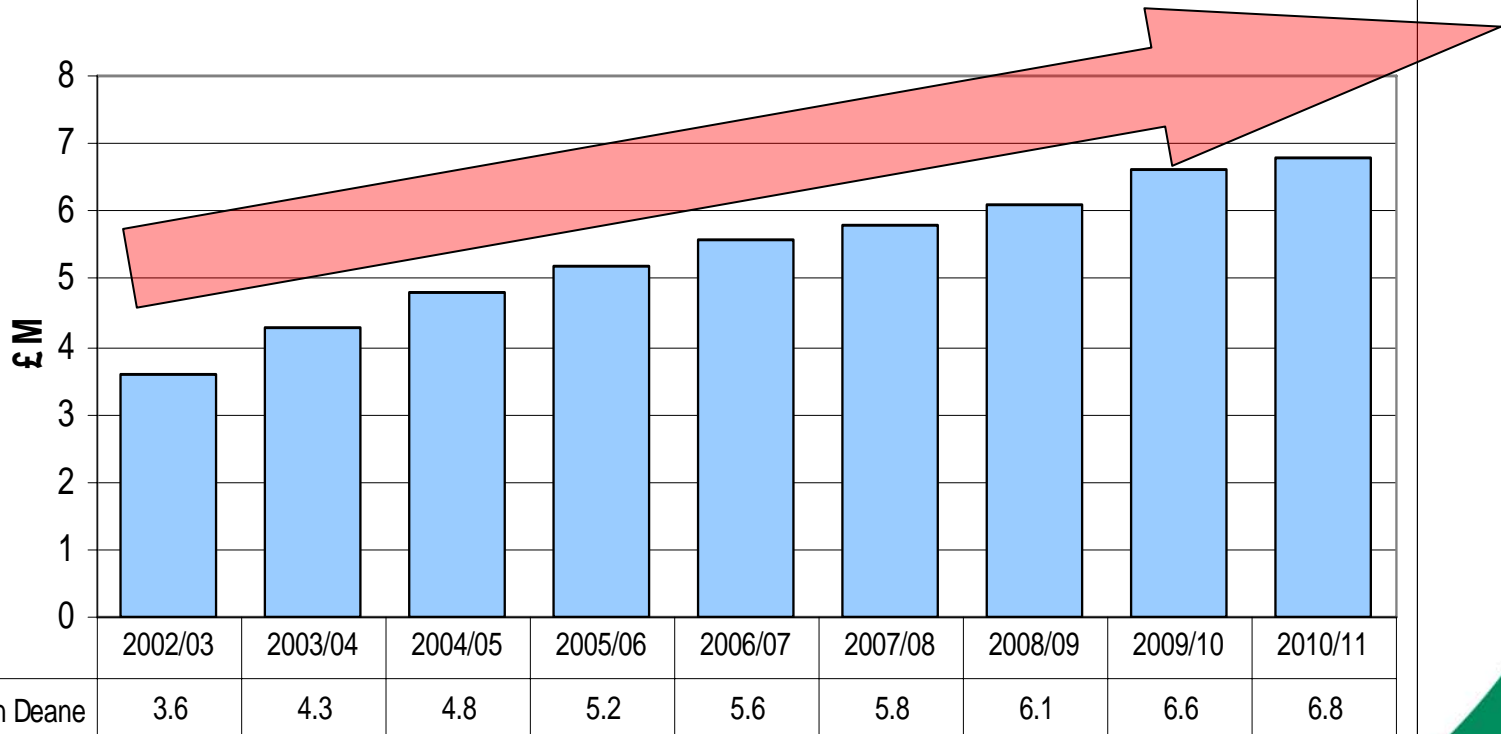
*figures rounded to the nearest thousand

Council Tax Benefit

Expenditure Trends

CTB Expenditure (£m) by Year - TDBC only

Source: http://statistics.dwp.gov.uk/asd/asd4/la_expenditure.xls



Maximum Benefit Cap



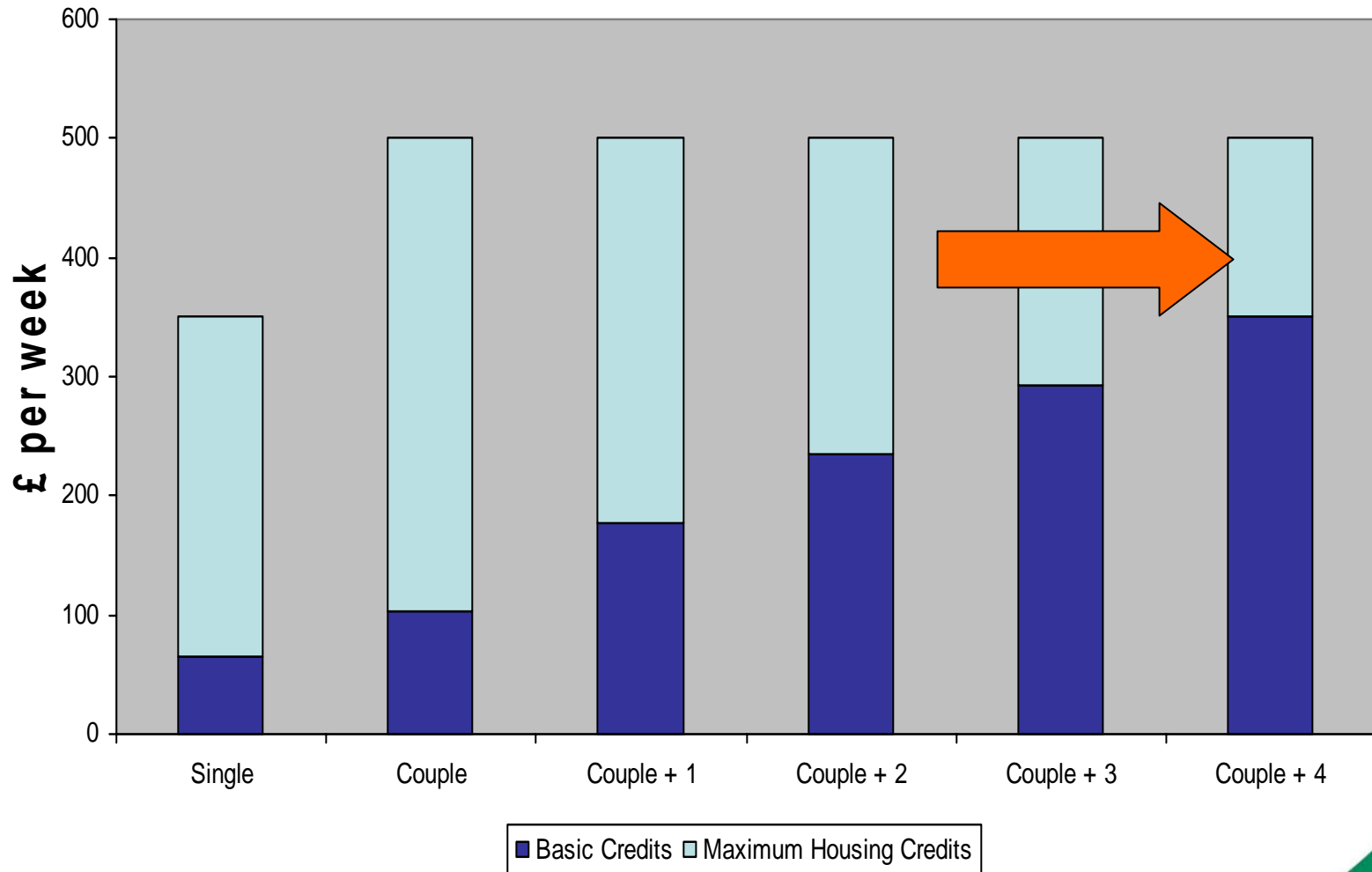
“No household will receive more in benefits than the average earnings of working households after tax”

- Only applies to out of work households
- Doesn't apply to disabled or pensioners
- Based on national average earnings.
 - £350/week for singles £500/week for couples and lone parents (current figs)

Who will the cap affect?

- Large families entitled to a significant amount of CTC / families in high rental areas
- Families with 4/5 children likely to see £12 / £40 per week shortfall applied to housing costs element of UC
- In TDBC we have 15 households in Council Accom who will be affected...so it isn't just about people living in mansions!

Impact of Maximum Benefit Cap



Social Sector Size Criteria Changes



- Affects working age households from 1 April 2013 (new and existing claimants)
- Size criteria not applied to people in receipt of Pension Credit who ironically are most likely to have spare bedrooms.
- Reduces max housing benefit entitlement by 14% for 1 bed under occupation and 25% for 2 or more.
- For Taunton Deane our Council house rents are between £70.76 and £102.33 for a 3 bed property. Therefore reduction would be **£9.91 - £17.69pw** for 1 bed under occupancy and **£14.33 - £25.58pw** for 2 bed under-occupancy.
- Assuming the tenant is single and aged over 25 on JSA they would have an income of £71.00 from which they will have to find this additional £9.91 to £25.58.
- DWP criteria per bedroom:
 - Every adult couple
 - Any other adult aged 16 or over
 - Any two children same sex under 16
 - Any two children regardless of sex under 10
 - Any other child aged under 16

Note - DWP do not allow for fostering or staying access

Council Tax reforms which might affect tenants and / or HRA

- Right to Pay Ctax by 12 instalments to be introduced and publicised, from 1st April 2013 although, default will however be 10, as now;
- Allow Councils to charge up to 100% Council Tax on properties undergoing major repair. Currently up to 12 months exemption. Impact on HRA (although very slight).
- Abolish the 12 months exemption relating to Empty dwellings under major repair but allow Council's to instead offer a discount of between 0% and 100% of the Ctax; Abolish the 6 month exemption for unoccupied and unfurnished properties. Instead allow Council's to offer a discount of between 0% and 100% of the Ctax during this period. Will impact HRA.

Universal Credit

– Main Features



- National Scheme administered by DWP
- Replaces: IS, WTC, JSA, HB, Child Tax Credit, ESA etc.
- Paid to working age claimants – monthly in arrears (inc housing support)
- Ambition - 80% plus of claims to be made online
- New work-related requirements / commitments / tough sanctions
- Success dependent on getting 300,000+ claimants back to work
- October 2013 new claims / change of circs will go onto UC
- All claims for housing support will move to UC by end 2017.
- Role of LA's ?

UC - Implications

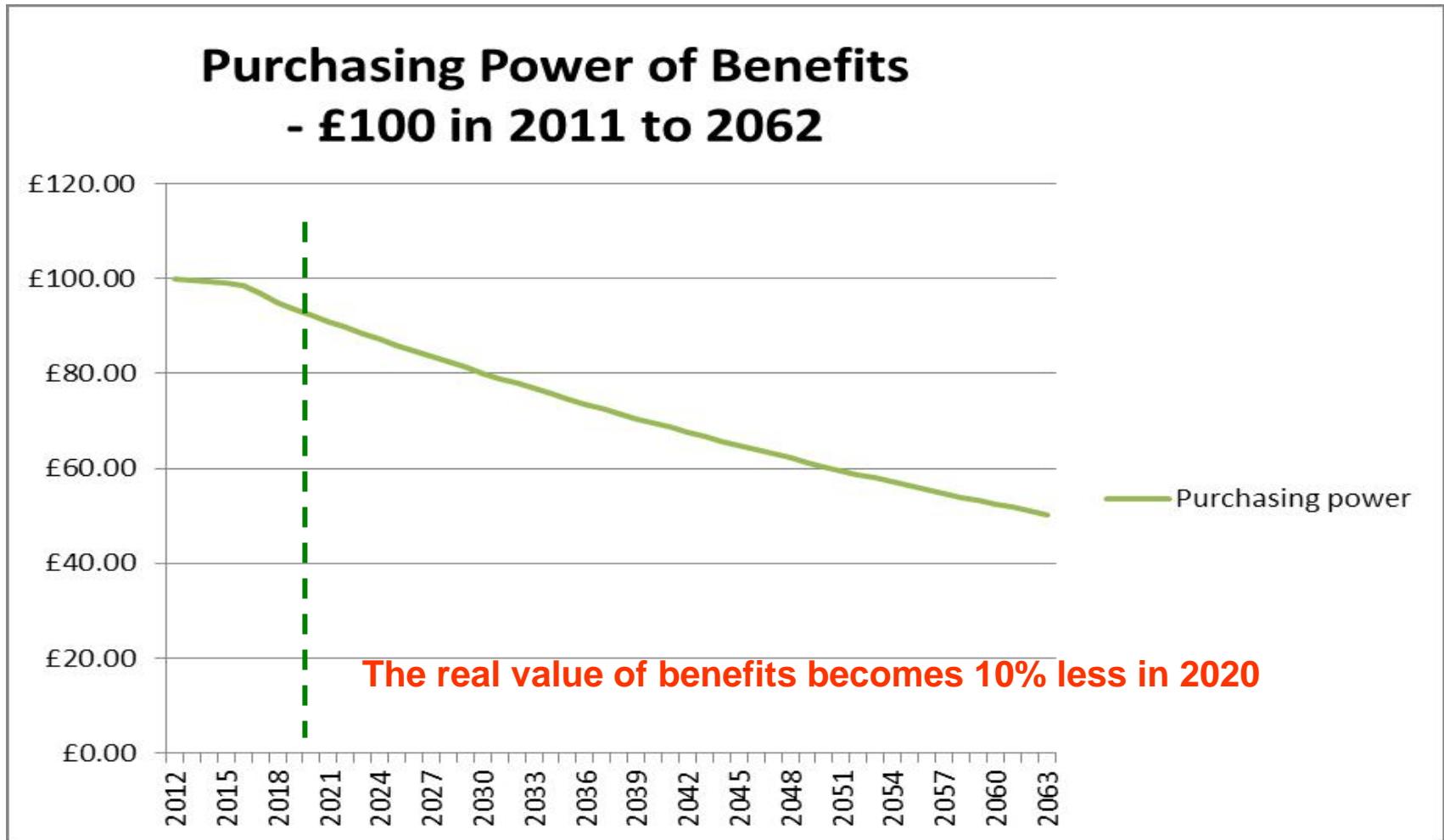
- Universal credit paid direct to claimant – major potential for rent arrears
- Direct payments will affect lending ability for registered providers
- ‘Affordable rent’ regime not considered, (higher rent from static income)
- People receiving multiple benefits may not have their rent covered!
- Self-Employed assumed to earn at least minimum wage
- Shared care, only one parent eligible to receive the child element of Universal Credit
- Incentive to work? Where are the jobs?
- A medical assessment for Disability Living Allowance from 2013 for new and existing claimants.
- For Councils – where we use benefits qualifying criteria for access to services (eg home care, free school meals , sports facilities) these criteria need to be reviewed for 2013/14.

Other



- Child Benefit withdrawn from higher rate taxpayers
- Tax Credits childcare costs reduced from 80 per cent to 70per cent
- Working Tax Credit hours change for couples
- Social Housing Landlords will be able to set rents between social and market levels for new tenants. They will also be able to offer fixed-term tenancies rather than agreements for life
- New rules on who can access waiting lists
- Treatment of mixed aged couples.
- Benefits increased by CPI rather than RPI.

The Erosion of Benefits Through CPI



Difference between RPI and CPI given by the OBR up to 2017 and then OBR longer term estimate of 1.4% after that.

So what does all this mean?



Tenants paying out more to the Council through

- Size criteria (less help meeting their rent costs)
- Increased non-dep deductions (less help meeting their rent costs)
- Benefit Cap
- Having to pay more for Council Tax (as a result of the ending of the demand lead CTB scheme)

Rent harder to collect / higher arrears through

- More rent due from more tenants (higher transaction costs)
- Housing assistance paid direct to tenant instead of to rent account!
- Welfare payments made monthly and not in line with rent cycle

Higher costs to the HRA through

- possible ending of void Ctax exemption

Lack of joined up thinking perhaps.....

- Working age tenants being penalised for under occupying their homes through size criteria but also being penalised through increased non-dependant deductions where they are making full use of their home!

Questions?

