

Welfare Reform Briefing Paper

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1. Purpose of Briefing Paper

Since the election of the coalition government in May 2010, there have been a number of announcements regarding the direction of spending on welfare benefits.

In June 2010 the UK coalition Government announced its budget, including the intention for annual savings of £40bn, a quarter of which is intended to be made by reductions in welfare benefits, with an expected annual saving of £11bn by 2014/15.

Following on from this in October 2010, further cuts were announced in the Comprehensive Spending Review which amount to an additional annual reduction to welfare benefits of £7bn, leading to estimated total annual savings of £18bn by 2014/15.

The Welfare Reform Bill was published on 16th February 2011. However, much of the operational detail of the full welfare reform programme has still to be finalised and published.

The Welfare Reform Bill received Royal Assent on 29 February 2012. Powers in the Bill can only be commenced after a period of 2 months has elapsed following Royal Assent. This means that the earliest date that the powers can be commenced is the end of April, 2012. The working assumption is that this will be Monday, 30 April, 2012.

The purpose of this document is to provide a central place for Revenues to keep track of the proposed changes, which will be continually updated with notes, information and statistics as and when they become available.

Please note most of the notes are ‘cut and pasted’ from various documents, papers or articles.

2. Welfare Reform Bill

Here is the link to the Welfare Reform Bill.
http://www.publications.parliament.uk/pa/cm201011/cmbills/154/11154.i-v.html

Explanatory Notes:

All Bill documents:
http://services.parliament.uk/bills/2010-11/welfarereform/documents.html

House of Lords – Hansard Debates for Welfare Reform Bill
http://www.publications.parliament.uk/pa/ld201011/ldhansrd/ldallfiles/bills.html

DWP Universal Credit Information for Local Authority Staff Website
http://www.dwp.gov.uk/local-authority-staff/universal-credit-information

There is obviously a lot to examine in these documents. Some points of interest:
Clause 34: Abolition of Benefits

Clause 34 provides for the abolition of income-based JSA, income-related ESA, IS, Housing Benefit, Council Tax Benefit, child tax credit and working tax credit. Schedule 3 makes consequential amendments relating to the abolition of these benefits. Abolition will happen once all claimants have been transferred to universal credit. The repeals in Part 1 of Schedule 13 are consequential on this.

Clause 35: Universal Credit and State Pension Credit

Clause 35 and Schedule 4 provide for a new housing credit element of state pension credit to replace Housing Benefit for claimants above the qualifying age for state pension credit.

Clause 125, 126 and 127: Information Sharing

Clause 125 allows LAs to supply certain information to DWP and to LA benefit teams, for the purpose of assessing certain social security benefits. This will help to ensure claimants receive the correct benefit at the right time. It will make it easier for changes to be reported quickly, reducing the level of over or underpaid benefit.

Clause 126 replaces and expands existing data sharing provisions between DWP, LAs, and others such as service providers, to help fulfill our commitment to making front line public services more efficient. By widening the category of welfare services for which claimant information can be shared, LAs will be able to make it easier for those with particular needs, such as elderly and disabled people, to receive the services they are entitled to. It will also provide the opportunity to reduce administrative costs and target funds appropriately.

Clause 127 applies criminal sanctions to the unlawful disclosure of information under clause 126. And clause 128 includes some supplementary provisions relating to clauses 125 and 126.

A number of welfare services, along with related purposes for which information may be held and used have been prescribed in the draft regulations. The effect will be to allow social security data to be shared between DWP, LA HB teams and other parts of a LA, for the purpose of deciding a person’s eligibility for a service, and in particular whether a person has to pay towards any fees or charges. The services prescribed are as follows:

- **Blue Badge scheme**: special parking permits for disabled people. Those in receipt of the higher rate mobility component of Disability Living Allowance (DLA) are automatically entitled to a Blue Badge upon application;
- **Disability Adaptations Grant**: provision of grants to adapt a disabled person’s home, awarded to people on a low income;
- **Discretionary Housing Payments**: Arrangements need to be reviewed in light of the introduction of Universal Credit in 2013;
- **Non Residential Care**: this covers services such as day care, home helps and meals. Under ‘Fairer Charging’ rules people are expected to pay a charge for each service, which is subject to a means test; and
- **Residential care**: a means test is used to determine how much a person must pay towards the fees for their place in a residential home.
• **Housing Support Services**: Help people to live as independently as possible in the community. They can be provided in the individual's own home or in temporary accommodation such as hostels for homeless people. Housing support services help people manage in their home in different ways. These include assistance to claim welfare benefits, fill in forms, manage a household budget, keep safe and secure, get help from other specialist services, obtain furniture and furnishings and help with shopping and housework. They also include the provision of community alarm services in sheltered housing. The type of support that is provided will aim to meet the specific needs of the individual. The Scottish Government is responsible for overall policy on housing support services, with local authorities responsible for the planning and delivery of services. Supporting People grant was rolled up into the main local government funding settlement in Scotland from 2008-2009 onwards.

• **Homelessness Functions**: information sharing to help ensure LAs provide advice and assistance to people at risk of becoming homeless.

• **Schedule 4: Housing Credit Element of State Pension Credit**

152. State pension credit is currently made up of two elements: the guarantee credit and the savings credit. Schedule 4 amends SPCA 2002 to create a new credit to cover housing costs. This will provide support for people who have reached the qualifying age for state pension credit (for couples where both members have reached the qualifying age) once Housing Benefit is no longer available following the introduction of universal credit.

153. Paragraph 2 and 3 of Schedule 4 amend SPCA 2002 to provide that a person is entitled to state pension credit if, in addition to being in Great Britain and having attained the qualifying age, that person satisfies the conditions for entitlement to the new housing credit element. A person may be eligible for the housing credit without being entitled to either of the other elements of state pension credit, or may receive more than one element if they meet the relevant conditions.

154. Paragraph 4 inserts a new section 3A into SPCA 2002. Section 3A sets out the conditions of entitlement to the housing credit and provides the powers to set out the structure of the housing credit in regulations. Subsections (1) and (2) of section 3A outline the specific conditions which a claimant must meet along with basic conditions which need to be satisfied in order to be entitled to the housing credit. Subsection (1) provides that, as with Housing Benefit, a claimant must be liable to make payments in respect of the accommodation they occupy as their home. Subsection (2) provides that a claimant will not be entitled to housing credit if the amount payable is below a certain level, to be prescribed in regulations, once the claimant’s income and capital has been taken into account. This calculation will be specific to the housing credit and will not be the same as the income rules for the other elements of state pension credit.

155. Subsection (3) of the new section allows the Secretary of State to prescribe in regulations the method by which the rate of the housing credit will be determined or calculated. The amount may be nil to allow entitlement to be restricted in specific circumstances outside of the core entitlement conditions. The intention is that claimants will be entitled to broadly the same amount of support under the housing credit as they would have been entitled to by way of Housing Benefit.
156. Subsections (4) and (5) of the new section specify types of accommodation in respect of which a housing credit may be claimed and allow the Secretary of State to make provision through regulations to determine when a claimant is treated as liable or not liable for payments in respect of the accommodation. Subsection (6) enables different provision to be made for different areas.

157. Assessed income periods in state pension credit are set periods in which changes to retirement provision, such as income from retirement pensions, annuities or capital, do not need to be reported, thereby fixing the amount of retirement provision. Provision in respect of fixing a claimant's retirement provision is provided by section 7 of SPCA 2002. Paragraph 5 of the Schedule amends section 7 so as to give the Secretary of State the power to prescribe in regulations circumstances in which retirement provision will not be fixed for the purpose of determining entitlement to the housing credit.

Here are a couple of links which you might find of interest, giving access to the official reports of the debates at Holyrood on Welfare Reform from the start of October 2011.


As at 22 February 2012, the House of Commons is still considering amendments proposed by the House of Lords. The bill is "ping ponging" between the two Houses of Parliament, after peers inflicted a series of defeats on the Welfare Reform plans. Most of the defeats were overturned but one area of disagreement remains. Peers still want to limit cuts to payments to social housing tenants in homes deemed bigger than their needs but MPs have voted to overturn Lords' call for changes to the controversial plans for a so-called "bedroom tax".

MPs have already overturned a series of other defeats inflicted by peers on plans for an overall household benefits cap, charges for the Child Support Agency, means testing contributory employment and support allowance and changes to Child Tax Credit payments for disabled children.

The Commons gave "financial privilege" as a reason for rejecting the Lords amendments - arguing they were related to tax and spending decisions that the Lords, by convention
does not oppose. Some senior peers fiercely criticised the use of the rule, saying it restricted their ability to scrutinise legislation.

The Welfare Reform Bill received Royal Assent on 29 February 2012. Powers in the Bill can only be commenced after a period of 2 months has elapsed following Royal Assent. This means that the earliest date that the powers can be commenced is the end of April, 2012. The working assumption is that this will be Monday, 30 April, 2012.

3. Universal Credit

Summary/Miscellaneous Notes on Proposed Universal Credit

The Latest Universal Credit Timetable

- June 2011 1st Design Phase
- Sept 2011 2nd Design Phase
- Nov 2011 Possible Royal Assent for the Bill
- Jan 2012 3rd Design Phase
- Apr 2012 4th Design Phase
- Apr 2013 Pilots begin
- Oct 2013 UC begins

The Universal Credit will replace a range of existing benefits and tax credits, including Income Support, income-based Jobseeker’s Allowance, income-related Employment and Support Allowance, Housing Benefit, Child Tax Credit and Working Tax Credit.

It will comprise a basic ‘personal amount’ plus additions for children, disability, carers and housing costs. The personal amount is intended to provide for ‘basic living costs’ of single people and couples. There will be additions for children, disability, housing costs and caring. It will be assessed and paid on a household basis.

It will be paid in one monthly lump sum, directly to one member of the household. For employees paid through PAYE, payments will be calculated and adjusted automatically using information on earnings from a new ‘real time’ information system.

For most people in work, Universal Credit will be withdrawn at a uniform taper at a rate of 65 pence for each pound of net earnings. There will be four levels of ‘conditionality’, ranging from ‘full conditionality’ for jobseekers to ‘no conditionality’ for those in the ESA Support Group, carers and lone parents with a child under one. These will be implemented in advance of the Universal Credit.

Benefits to remain outside the Universal Credit include contribution-based JSA and contributory ESA, Disability Living Allowance, Child Benefit, bereavement benefits, employer-provided benefits such as Statutory Sick Pay; Maternity Allowance, and Industrial Injuries Disablement Benefit.

Universal Credit and the new Single Fraud Investigation Service will be introduced from April 2013. Between 2013 and 2017 the Housing Benefit scheme is to be wound down for existing customers as they move on to Universal Credit. These new services will be run centrally by The Department for Work and Pensions (DWP). However at this stage it is not known whether local authorities will have a role in their administration. This is a
concern, not only as the degree of local service that will be available to our customers is uncertain, but also the retention of staff and the ability to sustain an adequate level of service over this transitional period will be challenging.

Although much of the operational detail has still to be finalised and published, it is apparent that the welfare reform changes will have a significant impact on Housing and Council Tax Benefit, which will most likely reduce the income of the poorest members of the Shetland community, that will in turn increase the demand for public sector housing, debt advice and homelessness services.

Further points to note are that:
- Universal Credit will have the same capital rules that currently apply to Income Support. There will be an upper capital limit above which there is no entitlement and a lower limit below which capital is fully disregarded. The capital rules that currently apply to Income Support are less generous than those for Housing Benefit.
- The UK Government is still considering what extra support may be needed for disabled people in Universal Credit, over and above the additional components and other benefits elsewhere in the system.
- Additions for children will be based on those currently provided through Child Tax Credit, and will be in addition to Child Benefit. The Government is to consider the structure of support for disabled children as it looks at the structure for disabled adults.

The UK Government has said that no one will experience a reduction in cash terms in the level of support they receive at the point of transfer to the Universal Credit, but for new claimants it is inevitable that some will receive more, and some less, than they would have done had the existing system remained in place.

The Bill currently abolishes CTB in April 2013. It is unrealistic to suggest that Local Authorities should have a new scheme established by then. The timelines are so tight as to be unworkable as new arrangements would involve public consultation, political approval, design specifications for IT, tendering processes, modelling and testing periods, and finally, delivery and charging policy. With regards to HB, the lack of transitional arrangements takes no account of how possible it is to deliver the system requirements associated with welfare reform nor whether Local Authorities and RSLs have the required stock to accommodate change.

More information from the DWP would be very helpful about important matters such as progress in software development. The timescale for the HB system is only two years, and for the CTB changes it is less than that. In order to design a scheme, pass local amendments, purchase or update systems, put interfaces and protocols in place for the exchange of data etc., this timescale is looking extremely doubtful. What is more disappointing is the fact that HB is being complicated further before 2013 e.g. transitional protection afforded to existing customers from the LHA cuts, ESA re-assessment and further planned changes due to LHA. It has also been suggested that, prior to transferring to UC, HB will be simplified by moving all existing HB claimants onto LHA. If true, this would be a very major undertaking, albeit one which seems sensible in the circumstances. The lack of information is frustrating.
Following information gained from IRRV Benefits Forum, I attended on 29th September 2011, with regard to Universal Credit:

- DWP ignoring all of the concerns with regard to the HMRC ‘real time earnings interface’;
- There will be no concession with regard to the timetable or the basis of the welfare reforms;
- Only ‘concession’ is to allow 6 LA’s to pay HB direct to claimants to demonstrate the claimants behaviour/reaction but Lord Freud is not inclined to move away from paying the rent element direct and DWP are adamant the days of HB and paying amounts to LA’s and housing associations are gone!
- Welfare Reform Bill start consideration in the House of Lords next week;
- A Lord has already made an amendment that the housing element of Universal Credit must match the claimants rent liability;
- Require new criteria to be set for devolved passported benefits including free school meals, the energy assistance package and school clothing grants, all of which play a crucial role in supporting families across Scotland.

Unison has warned that Universal Credit could mean up to 20,000 housing benefit jobs are at risk. The union fears the move will see local staff “replaced by call centres and online forms”. It estimates that the axe of local staff could see councils saddled with a £150m redundancy bill.

**How the Build Up of Claims to Universal Credit Might be Achieved - Initial Proposal from DWP (November 2011)**

There are 3 main ways that people will move onto Universal Credit:

1. **New Claims** – These claims will be received from households who would otherwise have claimed one of the old working age benefits or credits. New claims to Universal Credit could be in the region of 500k by April 2014, and 1.9m by Oct 2017.

2. **Natural Changes** – These claims to Universal Credit occur when someone undergoes a change of circumstances, for example when finding a job or the birth of a first child. As Universal Credit is a household benefit, this would also trigger the closure of any old entitlements for others in the household. The current estimate is that there will be around 500k natural changes by April 2014 and 1.8m over the period to Oct 2017.

3. **Managed Changes** – Managed changes occur where there has been no change of circumstances and DWP initiates the transfer of an entire household from legacy benefits to one UC entitlement. There may be around 4m of these households to move to UC before the end of 2017.

A three phase approach is currently proposed, which according to DWP will ensure safe delivery, but also balance the drive for improved social outcomes through work and managing cost.

1. **Phase 1 – October 2013 to April 2014**
   - Universal Credit will launch in October 2013 and all new claims to the current benefits and credits will be phased out by April 2014, with new claims to Housing Benefits and Tax Credits being the last to end in April 2014.
Natural changes will be accepted from October 2013 and will continue whilst claimants are on the old benefits and undergo a change in circumstances.

2. Phase 2 – April 2014 to around end 2015

Existing claimants, whose circumstances haven’t changed, will start to be transferred to Universal Credit through managed change, currently planned to start from April 2014. It is expected that, as most of those households who are actively seeking work will moved through the new claims or natural changes route by April 2014, the type of households that will fall in to this phase will generally be households with people in part-time work and households that are economically inactive. Where possible, priority will be given to those households whose work behaviour is most likely to benefit from Universal Credit.

3. Phase 3 – End 2015 to end 2017

From around the end of 2015 the remaining households will be moved by taking into account local circumstances, such as staffing turnover, contractual obligations and demography, so that households are moved on to Universal Credit in good time before housing benefit loads become too small to be viable. Within those parameters the focus on work and poverty will be retained.

Paying all Benefits Monthly Direct to Claimants

September 2011 - Lord Freud announces that the housing element of Universal Credit will be paid directly to clients from 2013. - This is confirmation of the fact that landlords will no longer be able to receive Housing Benefit payments direct from the government, with the exception of pensioners and vulnerable tenants. Six councils will run pilots next year in order to find out how best to support tenants in managing their budgets and how the government can support landlords if payments are missed. David Orr, Chief Executive of the National Housing Association, cites concerns over the denial of the option to have benefits paid directly to landlords and the wider affect of making it harder for Housing Associations to increase stock.

The principle belief behind direct monthly payments is that it facilitates financial and personal responsibility in individuals, preparing them for budgeting required to manage a monthly working wage. It should also be cheaper and simpler to administer. The UK Government's Universal Credit merges many individual payments into a lump sum and pays it directly to an individual on behalf of the household. There are a number of issues worth highlighting as part of this.

Paying the housing component to individuals as part of the overall Universal Credit payment may affect stable rental income for social landlords. A reliable stream of rental income allows associations to secure long term finance at favourably low rates, enabling them to maximise the number of new affordable homes they build. UK Government have agreed to develop the Universal Credit “in a way that protects their financial position” but it is unclear what this means.

Merging living costs with housing costs could make social tenants more vulnerable to debt etc. There is a fear that having a direct payment mechanism as a response to crisis rather than a means of avoiding it is not in anyone’s long term interests. Lump sum monthly payments may be even more worrying for those who will cease to get a direct payment which will in future be received by another party on behalf of the household.
This raises vulnerable adult and gender based issues and the implications of this move need to be considered carefully.

Direct Payment to the claimant is not always in the interests of the benefit recipient – vulnerability to debt and financial difficulty should be a factor in sustaining payments made to providers such as councils. Because of the high levels of vulnerability found in the social rented sector, many benefit recipients are likely to struggle with household budgeting. The shift in benefit rates from RPI to CPI, rising food and fuel prices etc may also exacerbate an already difficult financial environment, compromising money management, risking arrears and reducing council income.

Paying all benefit to one member of the household could exacerbate the already vulnerable position and dependency of other members of the home who would no longer have access to an independent source of funds. For example, women who suffer from domestic abuse may be further disadvantaged by this proposal. It is equally likely that the cost to local authorities of supporting this group will increase as temporary accommodation and immediate costs are met.

Local Authorities are also concerned that paying benefits directly into bank accounts could add to the financial problems of recipients who find it difficult to manage very tight cash flow or who get into debt – albeit from a one-off unexpected cost. As banks reclaim their charges (plus interest) before other commitments can be met, it could result in spiralling debt problems for individuals and non-payment to service providers. Councils are aware that paying for council services such as Council Tax are likely to be at the bottom of claimant priorities in such situations.

Direct payments of housing costs to claimants will undermine secured income for Local Authorities. Direct payment to the provider maintains the financial stability of large organisations and ending this therefore undermines their ability not only to achieve lower investment overheads but also to secure any additional finance. The removal of direct payment will lead to an increase in rent arrears, a reduction in direct income and pressure on councils’ ability to borrow money, reducing funding available to invest in existing stock and for investment in new affordable housing. Councils will also have to channel resources away from other services into managing and collecting rent arrears. To mitigate the effects of the removal of direct payments, Local Authorities may have to review rents. If rents are increased, this could cover some of the extra costs involved in monitoring arrears and rent collection. However, this may make social housing unaffordable to those on low incomes or reduce the benefit of the new taper rate.

House of Lords Grand Committee 10th October 2011 – Hansard Extract

Baroness Lister of Burtersett: I know that some housing providers are also worried about the possible implications of monthly payments for arrears where housing costs are paid as part of the universal credit. I return to Mr Greenwood, whom I quoted earlier. He is a responsible credit provider who is very concerned about monthly payments–even if irresponsible providers, particularly loan sharks, could, I suspect, be rubbing their hands in glee. Mr Greenwood has kindly given me permission to quote from his e-mailed letter, which makes a case against monthly payments very eloquently. He states:

"At this stage I need to tell you my own perspective ... UK Homemaker (my business) extends small amounts of credit (on basic household items like fitted carpets and
washing machines etc) to low income households across Scotland and N. England. We consider ourselves (not least through self-interest) to be 'responsible lenders' and as such have developed a set of credit rules based on 'knowing our customers' and 'reasonable affordability'. To this end we go to massive ends to establish not just income levels but also frequency and dates of income in order to help customers micro-manage their usually scarce cash. Most of our customers are on benefits whether this be solely on benefits or a combination of low earnings plus benefits. I have over 30 years experience in this type of activity and the notion that 'monthlyising' (excuse the Dylan Thomasism) a low overall family income somehow prepares a family for work is complete anathema to me. The only thing monthly pay will prepare many low income families for is a week with a full belly followed by three weeks of hunger! When I started out in this business (mid 70s) the pattern then was Friday payday, so full bellies Friday, Saturday, Sunday but then the empty bellies thereafter could be withstood because another Friday was soon coming. The situation improved over three decades as different benefits were paid on different days and particularly where mixed with low earnings, low income at least became very frequent. Waiting a week for the next low income was bad enough then (and now) ... for many though the prospect of waiting a month will be unbearable! (Simple analogy: if you were thirsty and in an arid place would you prefer a survival size bottle of water each day or a barrel once per month on the hope it lasts? This intended action will be bad enough for many families but the justification used by IDS"-the Secretary of State- "(most people in work are paid monthly) is plainly ludicrous ... my experience is that when low income families do manage to obtain work this is rarely the idyllic 'monthly paid' work IDS refers to ... at this level of the economy most people going into work are weekly paid ... I know this not just because I observe closely our customers' income patterns but also as an employer we offer all staff (other than management) choice of weekly or monthly income and weekly is the choice of nearly all entry level job takers (and despite a scheme to ease them into monthly pay) ... Finally I am a Conservative (I even stood for Parliament once) and I broadly support many aspects of the intended welfare reform (particularly simplifying its mind-boggling complexity etc) but this concept of 'monthlyising' low incomes is clearly and totally the most out of touch proposal imaginable".

Transferring Risk and Responsibility to Local Government -
Transferring the Cost of Bureaucracy

Benefit Reform and cuts will undermine overall system savings and cost more in the long term. Ultimately, cutting the level of welfare benefit, initiating direct payments to claimants and centralisation all increase the financial risk for, and the responsibilities of, Local Authorities. Balancing the UK budget is only effective if it does not pass hidden costs on to other parts of the public purse. For example the 20% cut to working age DLA expenditure, estimated at £1.3bn, will affect the care and mobility support disabled people can access and increase reliance on council services. Similarly, changes to how the private rented sector Local Housing Allowance is calculated could reduce the income of some 50,000 claimants in Scotland, potentially increasing demand for public sector housing, debt advice and homelessness services. Meanwhile, the extension of direct payment of housing costs to social sector claimants is likely to increase rent arrears and collection overheads and result in lost income to local authorities. Furthermore, these reforms and reductions to benefits will impact upon the vitality of local economies and the wellbeing of individuals and communities, and could have a detrimental effect on the wider regeneration of an area and the willingness of individuals and families to remain within the area.
There is a limit to how centralised welfare benefits can effectively be. Welfare benefit is only one aspect of a package of support which is predominantly delivered by local authorities to support sustainable improvements in the lives of recipients and their children. This support (housing, social work, skills, training, alcohol and drug interventions) must be locally managed. To further disaggregate welfare support from this localised agenda may cut the welfare bill in Westminster but will do nothing to improve outcomes for people. Additionally, Local Authorities provide crucial expertise, customer advice and local knowledge which will be lost under the new and faceless system. Furthermore, the Universal Credit service is to be built around an online claims facility but a substantial proportion of claimants do not have access to computer facilities, making local face-to-face claims services for the vulnerable all the more crucial.

Centralisation of HB and paying it direct to the claimant alongside abolishing CTB in favour of local schemes does not remove bureaucracy from the system – it will merely transfer the burden and cost of bureaucracy to the local level. The Universal Credit may deliver a national process which seems less bureaucratic, given that there will be one claim and one payment made monthly to each household. However, the system will need to be administered in one way or another. This must be a transparent part of the system rather than a hidden cost to Local Authorities or the claimant.

If the UK Government stops facilitating direct payments to social sector landlords then those organisations will have to establish alternative ‘payment collection’ bureaucracies which engage directly with individuals. This will need to be supplemented by services dealing with arrears control, debt management, eviction proceedings and other court action for pursuit of debt. For example, Shetland currently experiences 18% arrears for water and sewage costs compared to 4% for Council Tax and Water Service Charges combined. Costs may have to be met either by organisations themselves or passed on to benefit recipients. Demand for help with budgeting problems and debt management is likely to heap increased pressure on Local Authority welfare rights staff as well as on voluntary sector advice services.

Scottish Local Authorities currently receive between £76-£90 million from the DWP to administer HB and CTB (Shetland will receive £122,000). Because of the generic way in which financial services are administered in Local Authorities, this cost reflects significant economies of scale for the public purse. If HB is centralised and CTB abolished, this money will be lost to Local Authorities. This will affect the efficiencies councils can achieve across financial services within the authority. The loss of economies of scale is particularly important.

To further detail the type of additional effort required to set up a rent collection and debt management scheme, it is worth noting that on average in Scotland nearly 60% of local authority rental income (ranging from 33%-75%) and nearly 16% of Council Tax income (ranging from 7%-30%) is from Benefits. Furthermore, the complexity of collection from benefit claimants is increased by the mix of full and partial benefit receipts – something which is likely to be exacerbated by the real time flexibility of the new system. For example, in North Ayrshire 43% of rentals are full HB claimants and 26.4% are partial HB claimants while in the Shetland, 25% of rentals are full HB claimants and 17% partial benefit claimants.
The current administrative figure of £76-£90million is therefore not an unreasonable estimate of the additional resource which councils may have to find to invest in the administration of local schemes and the local bureaucracy of debt management and rent collection necessary as a result of direct payments to the claimant.

The hidden cost of administrating the new system may undermine the value of the taper and the incentive it provides to move into employment. As described above, service providers may not be in a financial position to absorb the administration and debt associated with the new system and may pass those costs directly to claimants. If costs were passed to claimants, the impact of the increased central taper would be diminished with increased disposable income being used to meet the cost of establishing and maintaining multiple payment/collection mechanisms.

**Breaking the Link between Liability and Benefit for both Council Tax and Housing Benefit**

The proposed abolition of HB will also significantly undermine the financial stability of Local Authorities as the housing element included in Universal Credit will no longer match rental liability and will be paid as part of a monthly award direct to claimants. This could place already vulnerable people in a very precarious financial position and potentially increase the chances that many more will present as homeless.

Moreover, breaking the link between HB and market rents by moving from RPI to CPI makes it more difficult for families to meet all their basic needs from the Universal Credit. This will increase poverty over time – especially for those who cannot access employment.

Equally, centralisation of CTB into the Universal Credit or devolution to the Scottish Government could result in a standardised approach to cost which would break the link between people’s actual liabilities and benefit. If such an approach were taken, it would fail to capture local circumstances which vary by neighbourhood, community, local authority and region. It is also highly likely that centralisation and standardisation would either undermine the financial stability of Local Authorities or force recipients to make impossible decisions about money otherwise needed for eating, heating and clothing.

**Passported Benefits**

With the merger of in- and out-of-work payments, the current criteria for access to a range of passported benefits will no longer exist. The move to Universal Credit will therefore mean a complete overhaul for the rules on access to passported benefits.

No single Scottish Government department has responsibility for all passported benefits, and the rules on entitlement can vary from scheme to scheme. There are three layers of passporting which will be relevant in the coming months and may have considerable administrative, policy and financial implications for local authorities including passporting determined by Primary Legislation, Regulation, and individual Local Authority entitlements. This impact is difficult to assess given the range of service configurations councils have developed to meet local need. There will be a requirement for an alternative complex assessment procedure for services, notably applications for Blue Badges and Travel Cards. Carers will require individual assessments for support from...
Carers Allowance and consideration will be needed for how to transfer the current ‘carer status’.

It will be important if the 65 pence taper rate is to be effective for all passported benefits to have a complementary and staggered withdrawal rate. This will be a far from straightforward task. Securing agreement on how benefits and services are to be withdrawn as income increases will be difficult enough for those schemes which are the responsibility of central government, but if consistency is to be maintained across the United Kingdom, agreement will have to be reached with each of the devolved administrations and with local authorities.

Loss of protection from non-dependant deductions and entitlement to DWP premiums will lead to an overall loss of means-tested benefit, in turn leading to loss of free school meals, clothing grants and access to the Social Fund. A tenant receiving HB and DLA Care with a resident non-dependant would have the non-dependant deduction reintroduced, leading to an increased risk of homelessness resulting from non-payment of the difference.

Other indirect losses include home visiting services for libraries, accessible bus travel and a potential impact on shop mobility; if people can’t afford transport to shop, demand for the shopping service will increase. In addition, many people currently in receipt of DLA will have less disposable income, leading to lower take-up of other services, including community alarms, health and social activities, support services, home care and gardening.

**Local Authority Role and the DWP’s Preferred Form of Delivery**

Ten core principles for delivery of Universal Credit

- The service will be easy for customers to understand and use. It will be designed in partnership with end users to enable this.
- Self-service will be the primary channel of use with other channels available for some services, to some individuals, by exception.
- The majority of transactions will be automated, with staff intervention reserved for cases where there is a clearly identified risk of fraud or error.
- There will be face to face contact for issues regarding conditionality (i.e. the obligations we expect customers to fulfil).
- Joint (for household claims) and single (for single claims and to accommodate individual customer commitments) customer accounts will enable customers, staff and some third parties to view information relevant to the assessment unit
- Universal Credit will be delivered as a single entity, with a single department responsible for delivery. That does not mean it will necessarily be delivered by a single organisation
- The need for customer contact will be minimised unless it is integral to conditionality, fraud or error (including over and under payments)
- As far as possible, causes of fraud and error will be designed out of the system
- Universal Credit will connect with related services (e.g Work Programme, passported benefits) efficiently and in a way that customers understand
- Universal Credit as a benefit processing system will be scalable and extendable to other systems in the future
The Delivery Model

Very Important Figures

- The active PAYE system will have 35 million users with many billions of transactions
- Integrating housing costs will generate 80 million transactions a year
- Digital integration of the benefits system will only work if there are on average 300 to 500 access points in each community
- There will be over 8 million active customers and an unspecified number of interested parties
- Over 38 million UK adults are Internet users, and of those, over 30 million accessed the Internet every day or almost every day, but 9.2m people have never accessed the internet
- 98 per cent of people with an income over £41,600 had used the Internet.
- The rate of Internet use decreased in line with income: 69 per cent of adults with an income of less than £10,399 had used the Internet

No meaningful details as to transitional plans to move to the future delivery arrangements are contained in the Bill. This raises questions as to the extent to which staffing, systems, contractual and transition costs arising from the reform such as will be met.

We know that Ministers have already made it clear that they anticipate no mass transfer of local authority Benefits staff to DWP, but that instead they expect Universal Credit will be delivered from their own Jobcentre Plus outlets, using the staff currently employed there. However recent feedback from the DWP indicates that no decision has been made on the longer term delivery of Universal Credit and the door appears to be left open for Councils to have a role to play in the future delivery of Universal Credit.

The Bill does not contain provisions relating to the future delivery of Universal Credit and a debate continues between the UK Government and interested parties on the
institutional arrangements for supporting delivery of the benefit. The decision about how Universal Credit is delivered will be crucial to its success; particularly in promoting work incentives. People will need to see gains from work. If through Universal Credit claimants receive a single payment that includes monies that were formerly rebated against liabilities, many people will need to develop new skills and behaviours around how they budget and how they relate to welfare support and advice. The quality of face to face support given to people will be of critical importance; in statements made when Universal Credit was first proposed it became clear that the UK Government see on-line and telephony as being the main delivery models.

The UK Government did however acknowledge that there is an ongoing need for face-to-face contact to be available for those claimants who need it. The UK Government is still considering the delivery model and LA associations, including CoSLA, have emphasised that many people naturally see their council as the place to go for support. There is a strong case for giving councils the role to provide or commission face to face support locally. The UK Government’s decision to postpone decisions on this until 2015 will cause confusion and place unnecessary financial pressures on councils who will be expected by their local communities to fill in any vacuum in support at local levels.

However, it is apparent that the DWP’s preferred route will be no face to face service for people and the DWP intend that the majority of claims will be made, assessed and delivered electronically. A significant percentage of claimants will either not have the skills to apply online or they will not have access to computer systems. This is an area where the Council could continue to provide a face to face ‘Benefits Helpdesk’ service to Shetland claimants, but this will inevitably depend on ‘subsidy’ received to undertake this function.

LAs play a vital part in supporting the development of services for financially excluded people. In particular they support the essential networks and partnerships which link together third sector providers of support for the financially excluded. Supporting financial inclusion and embedding them within service delivery helps:
- to prevent homelessness,
- reduce rent arrears and number of evictions,
- reduces the cost of rent and CTAX collection including court costs,
- Reduces the broader social costs caused by financial pressures such as anti social behaviour, vandalism etc.

LAs constantly deal with the wider consequences of poverty and have provisions and policies in place to help deliver financial inclusion which stimulates innovation, problem solving and partnership working. The need for positive financial inclusion activity is being exacerbated by the current recession.

LAs have a key role to play in engaging with the majority of the local community, especially the most vulnerable and hard to reach in society when dealing with such things as housing, benefits and homelessness etc. They are best placed to engage with these customers to deliver appropriate support. This is an important element of breaking the intergenerational cycle of disadvantage and supporting the wider social and economic cohesion of neighbourhoods.
The DWP published a research report recently entitled "Customers' Experiences of Contact with the Pension, Disability and Carers Service". The report highlighted a number of issues including customers' own views that highlighted the following key messages:

- There was strong support for face-to-face contact;
- Although telephone contact was viewed positively for simple transactions difficulties in getting through to the right person, and having to provide and repeat information over the telephone proved problematic for many people; and
- There was little appetite for internet based services due to the cost of equipment and connection, the ability to use computers and concerns about data security and privacy.

At present there are 8 full-time equivalent members of staff in the Revenues involved in benefits administration, whose jobs could be directly impacted upon by the introduction of Universal Credit. The impact will depend upon what happens to the replacement for CTB. The potential changes do cause uncertainty for these staff and it is testament to the character of the staff that their professionalism has not wavered during this period.

4. Housing Benefit

Emergency Budget/Comprehensive Spending Review changes April 2011 - April 2013

From 1 April 2011 the Government:

- Ended the maximum £15 weekly Housing Benefit excess that some customers can receive under the Local Housing Allowance arrangements
- Removed the five bedroom Local Housing Allowance rate so that the maximum level is for a four bedroom property
- Introduced absolute caps so that Local Housing Allowance weekly rates in any area cannot exceed:
  - £250 for a one bedroom property
  - £290 for a two bedroom property
  - £340 for a three bedroom property
  - £400 for a four bedroom property
- Reduced all Local Housing Allowance rates so that about 3 in 10 properties for rent in the area should be affordable to people on Housing Benefit rather than every 5 in 10 properties as now.
- Added the measure to include an additional bedroom within the size criteria where a disabled customer or their partner (with a long term health condition), has a need for overnight care that is provided by a non-resident carer will go ahead as planned from April 2011

As a result of the changes to the Local Housing Allowance rules implemented from April 2011 a number of customers received less benefit. Notification letters have been issued to all existing benefit customers affected by these changes.
We usually have around 60 private tenant claimants receiving Housing Benefit, all of which will eventually receive less benefit. The way the changes are phased in are as follows:

- If making a new claim to Housing Benefit or moving home, the changes applicable from 1 April 2011.
- If already claiming Housing Benefit on 1 April 2011, will normally have more time before the rate changes. If circumstances don’t change, will have nine months based on the current rate after we next assesses the Housing Benefit claim on or after 1 April 2011
- For instance if the next assessment is due in June 2011 the changes will not affect claimant until March 2012. But the claimant cannot get more money in Housing Benefit than they pay in rent after we assess their claim.
- The changes may affect the claimant sooner if the claimant is getting Housing Benefit and they move home or if the household changes, such as someone leaves or comes to live with the claimant.

There was a lot of media interest in the £400 cap on rent being introduced, but the proposal to use the 30th percentile of local rents to calculate LHA (rather than the median) will have a far wider impact in Scotland than, for example, the £400 per week cap. The caps affect 21,000 households, 17,000 of which are in London, but will have little real impact in Scotland. The change to the 30th percentile affects 775,000 people across the UK, with some 45,000 claimants in Scotland having a reduction in their Housing Benefit.

Further restrictions on Local Housing Allowance rates will take effect from January 2012 when the shared accommodation rate, which applies to most single people aged under 25, will be extended to qualifying single people aged 35 and under. (As at September 2011, no claims affected by this change)

April 2013, restricting HB for working age social tenants who occupy a larger property than their family size warrants to a standard regional rate for a property of the appropriate size, April 2013. See below for further details.

Although not relating solely to Housing Benefit, it is however important to note that overall benefit will be capped at £500 per week for couples and £350 per week for singles

A significant increase in the contribution towards the rent and Council Tax that will have to be made by grown up family members in the household because of the sharp increase in HB and CTB non-dependant deductions.

**Under-Occupancy and Stock Capacity**

The following may not apply as on 14th December the government was defeated by a majority of 68 in the House of Lords on a housing benefit cut for social tenants who under occupy their homes. Peers voted 258 in favour and 190 against a motion by crossbench peer Lord Best, which called for housing benefit to be paid in full for claimants who cannot move to another smaller property or who have only one extra bedroom. The proposed cut will mean housing benefit is only paid on the bedrooms that tenants use.
Those judged to have one extra bedroom would lose 14% of housing benefit a week, those with two or more extra rooms would lose 25%, if they do not move to a smaller property. Critics call it the "bedroom tax".

As at 22 February 2012, the House of Commons is still considering amendments proposed by the House of Lords. The bill is "ping ponging" between the two Houses of Parliament, after peers inflicted a series of defeats on the Welfare Reform plans. Most of the defeats were overturned but one area of disagreement remains. Peers still want to limit cuts to payments to social housing tenants in homes deemed bigger than their needs but MPs have voted to overturn Lords' call for changes to the controversial plans for a so-called "bedroom tax".

Lord Freud argued that the cut was essential to cutting the Government's housing benefit bill. He said: "We cannot avoid having to make these choices. I assure noble Lords these decisions have not been taken lightly."

The Proposal voted against by the House of Lords
From April 2013, working age tenants of social landlords (Council and Housing Association tenants) occupying a home that is larger than they need, will have their Housing Benefit restricted to a level that reflects a property of an appropriate size. The exact degree of restriction is not known at present but it may be as much as 25%. This may affect as many as 155 Council house tenants (plus the unknown number of housing association and private landlord tenants – work still to take place to calculate the numbers affected).

The government are considering these changes as Housing Benefit claimants living in the social rented sector generally have no restrictions placed on the size of accommodation that they occupy, and the amount of Housing Benefit to which they are entitled. However, in the private rented sector claimants only receive Housing Benefit for accommodation based upon the needs of their household.

The Government intends to introduce size criteria for working-age Housing Benefit claimants living in the social rented sector in order to:
- contain growing Housing Benefit expenditure;
- encourage mobility within the social rented sector;
- strengthen work-incentives and
- make better use of available social housing,

Housing Benefit claimants living in accommodation which is considered to be too large will need to make up any shortfall between the rent and their Housing Benefit entitlement. The government believe whether claimants in the social rented sector choose to move to smaller, and more inexpensive, accommodation or remain and meet the shortfall will also create improved work incentives for working-age claimants

The implications of the under-occupancy amendments will necessitate one of three responses with regards to affected benefit recipients:
- where accommodation is available, recipients will have to downsize and move. This may result in loss of community connections, opportunities for wider family contact and proximity to employment;
- where alternative accommodation doesn’t exist because of policy decisions taken by virtue of devolution, local authorities will have to devalue their rental assets and lose
secured income which supports the financial health of the organisation and wider services;

- where accommodation does not exist and demand for housing of all sizes is high, individuals may be made homeless. However, the homelessness legislation in Scotland means that Local Authorities will again pick up the financial impact of welfare policy by meeting the costs of the placement – with serious implications for sustainable outcomes for benefit recipients.

The collective stock composition of housing providers in Shetland is not sufficient to allow people access to right-size accommodation. Most stock-based pressure will be placed on downsizing to 1 and 2 bedroom properties. As it is Shetland Islands Council makes as much use as possible of 1 and 2 bedroom properties to meet legislative duties in relation to homelessness, which is in excess of 200 homeless applications each year.

In Shetland there are currently 415 Council Tenant HB recipients of working age. 28% or 118 are under occupying their property by 1 bedroom and a further 8% or 35 by 2 bedrooms. Shetland has a population of 22,000, 10,500 domestic dwellings of which 1,791 are general need Council houses. Shetland has a high level of housing need with over 900 people on the Council’s Housing waiting list and this is projected to continue as there is a severe shortage of domestic properties for rent, especially for smaller properties as single people increase demand. Indeed, there is a shortage of all private rented accommodation due to a very high demand of such properties by multi-national oil companies due to the expansion of the oil industry currently taking place in Shetland. The Council is trying to address this shortage of housing but the efforts will now be undermined by HB changes.

There are also very high levels of fuel poverty in Shetland, which is worse than other areas of the country due to our cold/damp/windy climate. The additional financial demands placed on people by the proposed HB changes will inevitably increase the number of people experiencing fuel poverty and of course general poverty and homelessness.

In Scotland there are 244,420 HB recipients of working age in the Social Rented Sector (2009/10). 31% or 75,800 are under occupying their property by 1 bed and a further 8% or 19,600 by 2 beds. An additional 26,000 properties are overcrowded. To give some idea of the capacity in Local Authorities, at current levels of homelessness 22 out of 32 Local Authorities will require over 60% of 1-bedroom lets to be available for homeless households. In East Lothian, Edinburgh, Highland, and West Lothian the need for 1-bed properties is substantially higher than availability, with a further 9 Local Authorities close to capacity.

In Edinburgh there is currently a significant mismatch between property size and demand. 61.8% of homeless applicants in 2009/10 required a 1-bedroom property. Currently, 1-bedroom properties only comprise 28.6% of the council’s total housing stock. The council does not currently have sufficient stock to meet demand if tenants who are underoccupying cannot afford to make up the difference in rent from their own income and are forced to downsize. This may result in increased pressure on temporary accommodation.

Glasgow are not expecting huge numbers of people to lose homes but foresee people will be squeezed from one part of the housing market to the other in a chain of home
owners forced into the private rented sector then into social housing, while the capacity to expand social housing is reduced. 19,000 social rented units are due to be demolished between 2003-2015 and Glasgow is effectively experiencing a stock standstill.

In Highland there is a high level of housing need and this is projected to continue. There are also very high levels of fuel poverty with large areas having no gas supply. There is a shortage of smaller properties as single people increase demand and an overreliance on B&B which the council is trying to address but which may be undermined by HB changes.

**Must** ‘publicise’, make it clear to everyone, (Shetland public, local/national politicians and organisations), that the proposed changes to how Housing Benefit is calculated such as the proposals for ‘under occupancy’ will reduce the income of the poorest members of the Shetland community, that will in turn increase the demand for public sector housing, debt advice and homelessness services. We will have to try and provide additional ‘support’ services to the 155 Council house tenants who will be affected by these changes (plus the unknown number of housing association and private landlord tenants – work still to take place to calculate the numbers affected). Furthermore, documents such as the Council’s Corporate Plan will be amended due to these reforms and reductions to benefits, as these reforms will impact upon the vitality of our local economy and the wellbeing of individuals and communities and I believe will have a detrimental effect on the willingness/ability of individuals and families to remain within Shetland.

**Consumer Price Index v Retail Price Index**

If this change to up-rate LHA according to the Consumer Price Index (CPI) rather than local rents goes ahead then the link between personal liability levels and benefit provision will be broken. There is a fear that this will mean an increased migration from high rent areas and to areas of increasingly entrenched deprivation. For example, between 1997/98 and 2007/08, average rents increased by 70% but over the same period CPI increased by only 20%. If CPI had been applied to benefits during that period, a significant number of people could be experiencing a 50% shortfall in their rent. Given that welfare benefits are a basic payment, there will be little wriggle room for individuals to reprioritise their spending to meet this shortfall. It may be that people will have to increasingly seek crisis loans, fall into debt or make choices between eating or housing their families. This does not take account of the additional unknown factor relating to landlord behaviour in a time of increasing demand, inflation and increasing living costs.

**Reform and Migration to the Universal Credit from 2013 - 2017**

Housing Benefit is currently to be removed from local authorities to central provision as part of the Universal Credit. Detail of these proposals is still hazy - DWP are still deciding how they are actually going to achieve this but we do know that:

- it will be paid directly to individuals (although as with LHA, there will be some concession for vulnerable people)
- it will be part and parcel of an allowance rather than as a distinct provision for housing
- it will be paid monthly
- it will be paid in total to one member of the household
• costs may eventually be standardised to provide for centralised administration and may not reflect local costs or individual liabilities
• increased conditionality means that should someone breach conditions, benefit could be removed for a full 3 years, increasing the likelihood that these individuals will present as homeless
• the universal credit will be uprated each year using the Consumer Price Index which is generally lower than the Retail Price Index which is currently used to uprate state benefits and allowances.
• it is envisaged that the administration of help with housing costs will move away from local authorities although they may retain responsibility for housing costs in temporary and supported housing.

The timelines are so tight as to be unworkable as new arrangements would involve public consultation, political approval, design specifications for IT, tendering processes, modelling and testing periods, and finally, delivery and charging policy. With regards to HB, the lack of transitional arrangements takes no account of how possible it is to deliver the system requirements associated with welfare reform nor whether Local Authorities and RSLs have the required stock to accommodate change.

The move to Universal Credit is expected to start with new claimants as from 1 October 2013. New claims include any claims, which are resumed after a break in entitlement. In the financial year 2010/11 there were 1,170 new claims. New claims, will at the introduction of Universal Credit, no longer be handled by the Benefits Section although the Benefits Section will still, at that point, be handling all ongoing claims. New claimants will, as a starting point, have any entitlement they may have to housing costs paid directly to them. This may present an immediate collection problem with regard to Council Tax and rent payments. On the basis of the content of the Welfare Reform Bill, the UK Government makes no distinction between private and social landlords in this regard.

**Devolved Context**

Centralising Housing Benefit undermines devolved powers contained in law. The implications and housing policy priorities for Scotland are clearly different to the rest of the UK. Cuts already made as part of the CSR will have different significance in Scotland and occupancy rates, non-dependants, single room rate for under 35 year olds and the move to 30th percentile rents are more important here than the £400 cap. However, the concerns London Authorities had with the £400 cap resulted in more generous lead-in times to adjust to the impact of the policy change. For Scottish Local Authorities, the situation has worsened with each spending review and budget from the UK Government and currently, with no consultation and limited notification, the changes to the single room rate will need to be implemented by January 2012.

These cuts alongside wider welfare reform will bring about policy changes which compromise devolved authority and have potentially negative financial implications for local authorities and individuals. A key example for Scotland is in terms of the use, disposal and building of stock. No account has been taken of the changes Local Authorities and other housing providers will collectively need to make to their stock composition to meet demand for smaller sized accommodation that will result from the introduction of reduced levels of benefit for those living in accommodation deemed larger than necessary. Insufficient lead-in time and transitional support further increase the
Likelihood that needs will not be met. People will either have to continue to live in accommodation which costs more than HB, meeting those costs from money earmarked for other essentials, or Local Authorities will have to collect lower rents, or people will need to move.

5. Council Tax Benefit

Summary of Proposed Changes to Council Tax Benefit
The October 2010 Spending Review announced that responsibility for Council Tax Benefit is to be devolved to local authorities, alongside a 10 per cent reduction in expenditure on CTB from 2013-14. The DWP position on Council Tax Benefit seems to be significantly underdeveloped. Too complex to centralise and yet too important to the Universal Credit to devolve, the decision with regards to Council Tax Benefit has been a moving feast. If Council Tax Benefit is devolved the suggestion from that:

- Local authorities are to decide their own priorities when determining the amount of support for vulnerable and low income households.
- the UK Government will work closely with local government and the devolved administrations to develop detailed proposals suggesting the primary relationship and transaction in Scotland will be through Scottish Government and not directly with Local Authorities.
- At the same time it also states that changes ‘should not undermine the positive impact of Universal Credit on work incentives’, suggesting that some conditions regarding, for example taper rates or groups such as pensioners, may be applied.

COSLA’s Resources & Capacity Executive Group is currently (October 2011) being asked to agree that the joint officer group continues work on a national option for a CTB local scheme, which broadly reflects the current provision but which addresses issue of affordability re the 10% cut in benefits from 2013. Following agreement the officer group will develop range of alternatives for the Executive Group to consider at its December 14th meeting.

Council leaders at the COSLA’s Leaders meeting held on 27 January 2012, accepted the recommendation that the preferred option is to maintain the same level of assistance and funding as is currently provided by having a Scottish national scheme of support similar to existing CTB with the shortfall in funding fully met by the Scottish Government (£40m/year), at least in the short term until a more sustainable scheme can be developed. I fully support this recommendation as there is not enough time to make any significant changes within the timescale of April 2013. More time is required as careful consideration is required with regard to how Scotland can deal with the 10% cut in funding, (which is more challenging if pensioners are protected), as we will be looking at 20-30% cut in working age ‘CTB’ if we ‘protect’ pensioners.

The Timetable
As already pointed out, the Bill currently abolishes CTB in April 2013. It is unrealistic to suggest that Local Authorities should have a new scheme established by then. The timelines are so tight as to be unworkable as new arrangements would involve public consultation, political approval, design specifications for IT, tendering processes,
modelling and testing periods, and finally, delivery and charging policy. The current timetable is:

**Summer 2011**
- Consultation begins.
- Government begins working with local authorities, representative organisations and suppliers on delivery requirements for localisation.
- Basis for model schemes considered.

**Autumn/winter 2011-12**
- Government publishes a response to the consultation.
- Introduction of Local Government Finance Bill (included provisions for localisation of council tax support).
- Central and local government begin working on model schemes.

**Spring 2012**
- Primary legislation in passage through Parliament.
- Government preparing and publishing draft secondary legislation.

**Summer 2012**
- Primary legislation passed.
- Secondary legislation prepared.
- Local authorities designing and consulting on local schemes.

**Autumn/winter 2012-13**
- Local authorities establishing local schemes – putting place systems, notifying claimants of changes.
- Local authorities setting budgets.

**Spring 2013**
- Local schemes in operation.

**Miscellaneous Notes on Proposed Changes to Council Tax Benefit**
The Bill currently abolishes CTB in April 2013. It is unrealistic to suggest that Local Authorities should have a new scheme established by then. The timelines are so tight as to be unworkable as new arrangements would involve public consultation, political approval, design specifications for IT, tendering processes, modelling and testing periods, and finally, delivery and charging policy.

Eric Pickles in House of Commons on 5th September 2011 ‘On 2nd August, I set out proposals to localise support for council tax…..and in order to protect the positive work incentives and distributional impacts of Universal Credit some changes to the universal credit design may be required. The Government will provide further detail in the next few months’ Status quo, the retention of CTB for a further year, is not an option as UC comes in from Oct 2013.

Following information gained from IRRV Benefits Forum, I attended on 29th September 2011, with regard to the new ‘CTB’ scheme:
- ‘Council Tax Support Scheme’, nothing new to tell us;
- No likely models emerging even though only 18 months away, don’t know what the new system will look like or how it will be funded;
- Looking like a national scheme for Scotland;
• Getting too late to enter into dialogue with software suppliers and work out a method of delivery;
• The 10% deduction is going to be a massive problem if pensioners are protected, as we will be looking at 20-30% cut in working age ‘CTB’ if we do have to protect pensioners;
• The inevitable outcome will be a big reduction in support for single claimants.
• The funding will be fixed, not demand led as now, and the risks of increased take-up, low collection and fraud will be borne locally.
• We can only pay ‘CTB’ after April 2013 when/if the Scottish Government approve new legislation to allow us to do this but Scottish Government can’t currently do this as ‘benefits’ is technically still a ‘reserved’ matter;
• House of Lords due to consider the Welfare Reform Bill and one of the lords has put forward an amendment demanding that ‘CTB’ is also a part of Universal Credit but COSLA has a well founded view that ‘CTB’ should remain under local authority control, London councils do not want to have to work with ‘CTB’;
• Will have to bear in mind that the new scheme will need to know how much of the Universal Credit is for housing costs and take that away when assessing income but not sure if DWP will be able to tell us the housing element for us to administer the new scheme;
• There is no support from the DWP and the UK Minister to help Scottish LA’s and Scottish Government to help develop our new scheme.

Support for the Status Quo
Scottish Local Authorities are clear that any counter proposal to centralise CTB into the Universal Credit would undermine devolution and the principles of localism. At a minimum, CTB should be devolved to Scotland to be managed by Local Authorities. However, both centralisation and full devolution are complex to achieve and Scottish Local Authorities believe that the most effective and efficient option is for CTB to remain unchanged. In a survey of Scottish Local Authorities, respondents argued that abolishing Council Tax provision – regardless of what replaces it – will result in the following problems and costs for Local Authorities:
• loss of economies of scale;
• potential overlap of two systems;
• financial costs of maintaining two systems for a period, particularly dealing with backlog of overpayments;
• financial penalties for existing contracts;
• data sharing issues;
• difficulty with third party system interfaces;
• loss of experience and local knowledge; and
• the additional cost and complexity of public communication, advice services and tribunal support.

Why COSLA Supports Local Schemes
Devolved local schemes, if established on a proper footing, would give Councils greater flexibility to respond to the needs of their communities. Local schemes could be developed which maintain the link between Council Tax liability and Benefit and which is readily understood. Moreover this need not be considered to be going against the principles of Universal Credit as we would argue that greater flexibility would allow
responses which promote the aspirations of Universal Credit to assist those on benefit back into employment.

Councils are committed to supporting those worst off in our communities and local schemes would allow Councils to more effectively target those at least advantage and to make sure that services within the local authority were aligned to deliver the best outcome for the individual and the best value for the tax payer. There is no reason why this local flexibility cannot exist within a consistent framework which is complementary to the Universal Credit.

MPs may argue that local schemes have not been thought through properly. This is true of much of the Welfare Reform Bill and we share their concerns. COSLA would welcome MPs support in pressing the UK Government for detail on how they believe these schemes can work in practice alongside some firm commitment on devolution with appropriate timelines for delivering the schemes.

10% Cut to Council Tax Benefit if Devolved
Indiscriminate cutting of budgets act as a disincentive to local fiscal responsibility. Since 2008/09 Councils have frozen Council Tax and therefore the CTB bill has not risen. The UK Government have thereby financially benefitted from this policy by around 3% year-on-year savings. Applying a blanket 10% cut to CTB in a devolved settlement for Local Schemes will not reflect this.

If CTB is devolved, the transfer of finance needs to match the transfer of responsibility. Currently, Local Authorities estimate that 65% of those eligible actually take up Council Tax Benefit. (don’t know where they get these figures from but our view is that actual take up in Shetland is a lot higher, as people have good access to ‘support’ services) Demand for benefit is likely to grow in the immediate future by virtue of economic and employment predictions and therefore this must be reflected in the transfer of resource.

Peter Meehan from COSLA pointed out at the IRRV Benefits Forum on 29th September 2011, that there will be a 20-30% cut in working age ‘CTB’ if we have to protect pension age claimants.

Possible Impact on the Council Tax Collection Levels
Shetland has around 1,300 households that currently receive Council Tax Benefit. This benefit is paid in the form of a rebate and is credited to the individual claimants' Council Tax account.

During the financial year 2010/11 a total of £0.81m was paid directly to the council in terms of Council Tax Benefit. This represents 9.4% of the total collectable debit (£8.62m levied before CTB).

Should the replacement for Council Tax Benefit be included in Universal Credit, paid direct to the claimant, this will increase pressures on collection rates. It is impossible at this stage to come to any firm conclusion as to how much of a problem this could become. In many ways it will also be influenced by the level at which all the various component parts of Universal Credit are paid. The situation however is similar to the
current position regarding the collection of water service charges, which Council Tax Benefit does not meet.

At present, notionally, primary state benefits include amounts to allow the claimants to pay their commitments for water service charges. The reality for this council is that if water service charges are isolated the in-year collection level is around 82% as compared to 96% for Council Tax and Water Service Charges combined.

Given that this is the level after recovery procedures are invoked, it is clear that if CTB was included in Universal Credit it would almost certainly result in financial pressures for the council. For example, if the water service charge collection rate were to be applied to the amount of Council Tax currently received directly this would leave a shortfall of around £1.1m in terms of in-year collection for Shetland on top of the £0.3m usually outstanding at the end of each financial year.

In addition the impact of the UK Government's policy objective of reducing Council Tax Benefit expenditure by 10% will potentially have an impact on collection levels, given that 10% of the current level of Council Tax Benefit amounts to £81,000. Such an impact could mean that the Scottish Government may have to look at redesigning the scheme of Council Tax exemptions and discounts (as may CLG and the Welsh Assembly Government).

**BBC Website Article 27 August 2011 - Will jobless have to pay full Council Tax?**

Jobless people without children could be among those forced to pay full council tax under government plans, experts warn. Around four million people currently get their council tax paid in full on grounds of low income and savings. Benefit experts say saving 10% off the costs of the £5bn scheme could see some lose their entitlement completely.

But Housing Minister Grant Shapps told the BBC that saving 10% was "relatively straightforward." Speaking to Money Box on Radio 4, the Minister said: "Our criticism of the current system is that it doesn't matter one jot to the local authority whether a resident is working or not."We want to take people out of being trapped out of work and get them into work and off benefit...That's how I see the 10% being saved."

But Phil Agulnik, director of the online benefits calculator entitledto.com, said it was not that simple, especially as benefits for pensioners have to be protected. "The government has handed over the problem of making this £500m annual saving to local authorities, saying 'You are free to make it where you like as long as you don't touch pensioners.' So among working age people the cut is about 20% nationally."

**House of Lords Debate with regard to ‘Council Tax Benefit’**

House of Lords is currently considering the Welfare Reform Bill in detail. During the Committee stage meeting on 6th October 2011 an amendment was tabled by Lord Kirkwood which proposed that Council Tax support should be included in Universal Credit. There appeared to be unanimous support in the Grand Committee chamber from speakers of all political party persuasion for its inclusion, for all the reasons that we are familiar with. Lord Freud didn't try to respond to all the concerns but rather chose to confirm that a local system of support for a locally administered tax seemed a not
unreasonable approach (i.e. the party line). The issue is likely to raise its head again when 'tapers' are discussed, possibly as early as week beginning 10th October.

To read the discussion in its entirety, and Baroness Hollis's contribution was excellent and is well worth reading, click on the following link

http://www.publications.parliament.uk/pa/ld201011/ldhansrd/text/111006-gc0001.htm#11100664000457

6. Transferring the Social Fund and Crisis Loans to Local Authorities

Chapter 6 of the White Paper announces reforms to the Social Fund, linked to the introduction of Universal Credit. Firstly, those elements that lend themselves to simple automated delivery will be incorporated into Universal Credits. Budgeting Loans will become an advance-of-benefit facility available in certain circumstances. Sure Start Maternity Grants and Cold Weather Payments will be paid automatically when the qualifying criteria are met.

Secondly, UK Government will reform and devolve those elements of the Fund that require more intensive scrutiny and discretion. For example, in the case of Crisis Loans, where it is necessary to determine if there is a severe risk to the applicant's health or safety. The UK Government believes that these services can be more effectively run locally where they are linked to other support services.

The current system of Community Care Grants and Crisis Loans will therefore be reformed. In England, Local Authorities will be responsible for administering much of the reformed system – ensuring this support is tailored to local circumstances and targeted only at genuine need. Local Authorities will be consulted on the design of the new system. If there are new administrative burdens on Local Authorities they will be funded by the Department for Work and Pensions in the usual way. However, the UK Government expects Local Authorities to utilise existing delivery mechanism and structures where possible. The Devolved Administrations will determine the most appropriate arrangements for Scotland and Wales.

There is some suggestion that the fund will proceed as a grant rather than a loan. This would halve the money available in an already oversubscribed fund but would ease the administrative burden for LAs having to reclaim loans, as well as easing the financial pressures posed by repayment for recipients.

To help LAs with the planning of your new services a new Social Fund reform webpage on the Departmental website has been set up. It brings together all the available planning material for LAs and will be the hub for all future relevant publications and announcements. It can be found at: http://www.dwp.gov.uk/local-authority-staff/social-fund-reform/
7. Disability Living Allowance

The UK Government has committed to welfare reform in its consultation paper, 21st Century Welfare. The main drivers of reform are cited as the reduction of waste, fraud and inefficiency and the need to eliminate structurally embedded welfare traps which prevent people from moving from welfare and into work.

As part of these wider changes to the state welfare benefit system, it has been decided that Disability Living Allowance (DLA) needs to be reformed in order to fit better with the needs of disabled people today. The Minister for Disabled People, Maria Miller MP, has asked disabled people and disability organisations to ‘join the debate’ about reforming Disability Living Allowance and has set out her proposals for change in the public consultation paper, Disability Living Allowance reform, published on 6 December 2010 (see http://www.dwp.gov.uk/consultations/2010/dla-reform.shtml)

Currently, DLA measures an individual’s ‘care’ and ‘mobility’ needs, and uses this as a proxy for the extra costs faced. The proposed introduction of a ‘Personal Independence Payment’ will consider the impact an individual’s impairment or health condition has on their daily life. The UK Government proposes to prioritise support for those individuals who face the greatest day-to-day challenges and who are therefore likely to experience higher costs. The Personal Independence Payment will have two components. The ‘Mobility’ component will be based on the individual’s ability to get around, while the ‘Daily Living’ component will be based on their ability to carry out other key activities necessary to participate in everyday life.

To ensure that support goes to those who face the greatest challenges, the benefit will only be available to people with a long-term health condition or impairment. Individuals will have to qualify for the benefit for a period of six months and be expected to continue to qualify for a further six months before an award can be made.

Currently, individuals on DLA with certain health conditions or impairments are automatically entitled to specific rates of the benefit without a full assessment. The UK Government is proposing that the Personal Independence Payment will have no automatic entitlements, other than the special rules for people who are terminally ill. Instead, each case will be looked at individually, considering the impact of the impairment or health condition, rather than basing the decision on the health condition or impairment itself.

Key to the benefit will be an objective assessment of individual need, which will focus on an individual’s ability to carry out a range of key activities necessary to everyday life. Independent healthcare professionals will be an important part of the new process. In most cases, it is envisaged that a claimant will have a face-to-face meeting with an independent healthcare professional, allowing an in-depth analysis of their circumstances. All awards will be reviewed on a periodic basis.

As well as providing cash support, DLA currently entitles or ‘passports’ the individual to other help and support. The UK Government states that it recognises the importance of this feature and will take it into account in developing reforms. In addition, the Government promises to consider how the benefit interacts with other forms of support,
for example adult social care, and explore whether it is possible to share information at the assessment stage and eliminate areas of overlap.

**Devolved Context**
Similar to CTB and HB, the devolved context needs to be carefully considered with regards to social care if the UK Government is to avoid compromising devolved powers. To date, Scottish Government and Scottish Local Authorities have focussed on the value of co-production, promoting and protecting independent living and self-directed care. Welfare Reform must take this into consideration as part of the reform agenda.

**Cuts Increase Demand for Services and Compromise the Affordability of Care**
The changes to DLA will force those who experience cuts to their income to seek support from Local Authorities in order to meet their needs - which will not have altered. Local Authorities are very sensitive to the fact that cutting the income of benefit recipients will result in increased demand for their services. Nowhere is this more relevant than with regards to DLA. However, increasing demand for services while decreasing the capacity of individuals and Local Authorities to pay for those services is likely to result in vulnerable people being left to cope without support. Dundee City and North Lanarkshire both expect annual losses of £7million with a direct impact on individuals and indirect impacts on carers, families and the local economy while Stirling Council is estimating a £1.8m loss to care budgets with a possible further £1.2m lost from Attendance Allowance.

In Glasgow, the 20% cut to DLA will affect the eligibility of individuals for council non-residential services and their ability to pay for those services. It is estimated this will initially amount to over £500,000 in cuts and result in significant levels of unmet need. It is important to note that presently 60% of DLA appeals represented by the Welfare Rights Team are successful but at a cost to the Local Authority. This suggests that if the DWP do not improve their own error rate, councils could face significant demand for support with appeals on top of dealing with cuts to income and service provision.

It is also likely that if service users lose DLA and premiums in income support and pension credit, then they are more likely to fall behind the council’s own tapers for charging, resulting in reduced income but not reduced demand. Often, benefit provision also acts as a match-funding mechanism for the provision of service. Where that funding is cut, it increases the cost to Local Authorities and decreases the added value of investment. Local Authorities will have to consider this impact in light of wider budget cuts and may have to re-evaluate the viability of services.

**8. Employability and Economic Development**

**Improving Employability**
Welfare Reform must go hand in hand with a strategic commitment to employability. People coming off benefits are expected to enter a job market which is, at best, precarious, and benefit changes for many claimants will lead to reduced income. Cuts to
household income without concomitant growth in jobs will have a knock-on effect on the economy of local communities - Rights Advice Scotland and the Scottish Local Government Forum Against Poverty estimate a loss of £480 million to the Scottish economy. This, in turn, will impact on job creation. Local Authorities must be supported to continue the good work they undertake in this area.

Initiatives in Glasgow have reduced the number of people without work from 100,000 to 85,000. It is envisaged that with welfare reform and the withdrawal of DWP funding for local programmes, it will be more difficult to deliver the joint economic strategy with its successful interventions such as the Commonwealth Games apprenticeship initiative which has benefitted 1500 young people to date. It will become increasingly difficult to get marginalised people into employment as the ability to deliver services and a people-centred approach is compromised by cuts in funding.

Edinburgh, in partnership with colleges and the NHS, has a new employability model which targets groups that are not ready for employment through single work programmes. They are focussing on individuals in receipt of Incapacity Benefit and alcohol and substance misusers, aiming to engage with clients as early as possible and to better integrate their support mechanisms. These target groups will be entering the labour market at minimum wage. Successful local programmes such as this will be at risk in future.

**Avoiding a Two Tier Workforce**

Jobs must not only be created but they must be good jobs in the right places. Scotland has recently benefitted from a number of large job-creating opportunities. This is a welcome development but may also give the impression that Scotland is well-placed to absorb the impact of benefit cuts through a shift to employment in these areas. This will only be true if the jobs offered are the right level of employment, in those areas which suffer from low employment and low employability.

Glasgow has seen a growth in JSA claimants, from 25,245 in February 2010 to 26,045 in February 2011. There has also been a decrease in the numbers of vacancies notified, and the numbers of individuals moved into employment. Some of the movement will be seasonal but it is anticipated that there will be an overall decrease in the numbers of vacancies which will be available.

In rural areas of Scotland such as Highland there are pockets of deprivation even in relatively affluent areas, much work is seasonal and it is not uncommon for people to have more than one job. The Universal Credit – including the sanctions element – must be sensitive to local circumstances such as these.

**The Importance of Affordable Childcare**

Under the proposed changes to the childcare element of Working Tax Credit which are intended to incentivise a move into the workplace, we expect more parents of young children to require affordable childcare if they are to maintain their income levels or move from benefit into the workplace. If this childcare does not exist or is not accessible to parents then moving into work may not be an easy option and income levels may be hit. As a provider of childcare, the burden to provide more places may transfer to Local
Authorities. There is at least the potential for the proposals to reduce family income and not increase employability unless Local Authorities increase the number of childcare places at a further cost to the devolved public purse.

9. Changes to Tax Credits from 6 April 2012

50-Plus Element
Some claimants are only eligible for working tax credits due to the 50-plus element. These claimants are aged 50 or over who work less than 30 hours per week, are not disabled, or do not have children. From 6 April 2012, the 50-plus element will no longer exist which means these claimants will no longer receive working tax credit.

Claimants receiving the 50-plus element are currently eligible for the additional earnings disregard within Housing/Council Tax Benefit (HB/CTB) (paragraph 17 (2) (c) of schedule 4). When the 50-plus element is withdrawn this will in turn mean loss of the additional earnings disregard.

Couples with Children
Currently, couples with children need to work at least 16 hours per week to claim working tax credit. From 6 April 2012, they will be required to work at least 24 hours per week to qualify for working tax credit.

The additional earnings disregard can be applied in housing/council tax benefit where at least one member of the couple is working 16 hours per week. This will still apply from 6 April 2012. This means there may be claimants who cease to receive working tax credit because they work less than 24 hours, but will continue to receive the additional earnings disregard.

Further information on the changes to tax credits can be found on the DirectGov website: