

Budget Planning Committee

Impact of Welfare Reform on Funding

9 July 2013

Report of the Head of Finance and Procurement

PURPOSE OF REPORT

This report provides an update on welfare reform and the likely financial impacts for the Council.

This report is public

Recommendations

The Budget Planning Committee is recommended to

- (1) note the contents of this report.
- (2) advise of any issues that it would like taken into consideration in relation to welfare reform.

Background

Current position

- 1.1 In 2010 the government embarked on a series of welfare reforms.
- 1.2 A number of these reforms have already been implemented. Changes to Local Housing Allowance (affecting Housing Benefit claimants in the private rented sector) were introduced in 2011, 2012 and 2013. In April 2013, Council Tax Benefit was abolished and replaced by local Council Tax Reduction schemes. Also in April 2013 new size criteria (commonly referred to as the “bedroom tax” or “spare room subsidy”) were introduced for Housing Benefit claimants in the social rented sector.

Moving Forward

- 1.3 On 15 July 2013 the Benefit Cap is being introduced in the Cherwell area. This will cap the state benefits received by out-of-work households at £500 per week. Where the benefits exceed the cap level, Housing Benefit will be reduced.
- 1.4 In October 2013 the government intends to start the national roll-out of Universal

Credit, which replaces a number of state benefits including Housing Benefit. Existing Housing Benefit claimants will be transferred to Universal Credit between April 2014 and December 2017.

- 1.5 Each of these reforms has financial implications for the Council.

Housing Benefit Administration Subsidy

- 1.6 The Council receives funding from the Department for Work and Pensions towards the cost of administering Housing Benefit and, until March 2013, Council Tax Benefit. For 2012-2013, the Council received £879,947. For 2013-14, this was reduced to £771,566. In view of the current financial climate and the government's programme of financial savings it is reasonable to expect a further reduction in funding for 2014-15.
- 1.7 One of the factors affecting the amount of administration subsidy received is the Council's Housing Benefit and Council Tax Benefit caseload. Council Tax Benefit has now been abolished. The Housing Benefit caseload will reduce as claimants migrate to Universal Credit. Both these effects will result in further reductions in administration subsidy.
- 1.8 There has been some suggestion that the Department for Communities and Local Government will provide funding towards the cost of administering local Council Tax Reduction schemes. However, this is unlikely to meet the full cost of administering the scheme.
- 1.9 These reductions in administrative subsidy provide a financial incentive for the Council to explore ways of delivering Housing Benefit and Council Tax Reduction as efficiently as possible.
- 1.10 The cost of administering the Council Tax Reduction scheme is also a factor when considering the nature of the scheme for 2014-15.

Council Tax Reduction Scheme for 2014-15

- 1.11 Members are referred to the report on Council Tax Reduction Scheme Year 2 submitted 4 June 2013.
- 1.12 For 2013-14 we were able to benefit from a transitional grant. The government has indicated that it currently has no intention of paying a further grant in respect of 2014-15.
- 1.13 Council Tax discounts and exemptions were amended to offset the cost of the reduction in central funding for the Council Tax Reduction scheme. There is no certainty that these changes will in fact fully offset the funding reduction either in this year or in subsequent years.
- 1.14 Therefore, for the above reasons, it is possible that continuing with the current Council Tax Reduction scheme for future years will result in a net cost to the Council.

- 1.15 An option would be to change the scheme in order to offset the reduction in funding from central government. However, such a change could result in higher Council Tax collection costs for the Council.

Discretionary Housing Payments

- 1.16 The Council has a Discretionary Housing Payment (DHP) fund from which awards may be made to Housing Benefit claimants suffering hardship, where Housing Benefit does not cover the whole of their rent liability.
- 1.17 In anticipation of greater demand as a consequence of the welfare reforms the government's contribution to the Council's DHP fund increased from £139,741 in 2012-2013 to £203,354 in 2013-2014. The Council has the discretion to make its own contribution to the fund up to one and half times the amount of central government funding. However, at this time no specific provision has been made for this purpose
- 1.18 In previous years the Council has managed to keep expenditure from the fund within the government contribution. In 2013-2014 applications to the fund have increased significantly, as a direct consequence of the welfare reforms.. Based expenditure for the first three months of the year there is a significant risk that awards will exceed the government contribution. Consequently, there will be a cost to the Council. However, failing to make these awards would impose costs on the Council due to increased financial deprivation and homelessness in the district.

Universal Credit

- 1.19 Although the Department for Work and Pensions will be responsible for the assessment of Universal Credit claims, local authorities are expected to play a role in delivering the local element of Universal Credit. This includes activities such as supporting claimants with applying for Universal Credit, identifying claimant's support needs, and working with claimants to develop their budgeting skills.
- 1.20 Although we can expect some New Burdens funding towards the costs of delivering the local element, it is possible that this funding may not meet all of the Council's costs in providing this service. Therefore, there will be a budgetary implication.
- 1.21 Currently, Capita undertakes the administration of Housing Benefit claims on behalf of the Council. The current contract ends in 2015, though with the option to extend by up to two years. As the Housing Benefit caseload reduces there will be a need to renegotiate the cost of the contract with Capita or any new contractor.
- 1.22 The replacement of Housing Benefit by Universal Credit may also impact on members of staff with the potential for costs arising from redeployment or redundancy.
- 1.23 The Finance Department has set up a project team to address these implications

of Universal Credit for the Council.

Consultations

The Council is obliged to consult on any significant changes to the Council Tax Reduction scheme. However, the other changes are driven by government legislation so there is no need to consult on them.

Implications

Financial: There are no financial implications arising directly from the production of this report. However members will continue to be kept informed of these financial implications as they arise.

Comments checked by Nicola Jackson, Corporate Finance Manger, 01295 221731.

Legal: There are no legal implications.

Comments checked by Kevin Lane Head of Law & Governance, 0300 0030107.

Risk Management: Expenditure and cost implications will continue to be monitored.

Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.

Document Information

Appendix No	Title
None	
Background Papers	
None	
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