

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

11th April 2011

Universal Credit and its Impact on Local Authorities

Relevant Portfolio Holder	Councillor Geoff Denaro Cabinet Member for Finance
Relevant Head of Service	Teresa Kristunas Head of Resources
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 To provide the Audit Board with details of latest proposals concerning Universal Credit and the creation of a Single Investigation Service by the Department for Work and Pensions (DWP). To include the implications for Local Authorities.

2. RECOMMENDATIONS

That the Audit Board:

- 2.1 Review the contents of this report, in order to gain awareness of the likely impact to local authority benefits and benefit fraud work.

3. BACKGROUND

- 3.1. The White Paper "Universal Credit: welfare that works", published on 11 November 2010, sets out the Coalition Government's plans to introduce legislation to reform the welfare system by creating a new Universal Credit. It is stated that Universal Credit will radically simplify the benefit system to make work pay, combatting worklessness and poverty. The White Paper outlines:

- the need for change
- how Universal Credit will work
- how it will affect benefit recipients, and
- its broader impact.

The White Paper can be reviewed at

<http://www.dwp.gov.uk/docs/universal-credit-full-document.pdf>

The anticipated forthcoming changes can be reviewed at Appendix 1.

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- 3.2 In short, Housing Benefit will be removed from local authority control, replacing this benefit with Universal Credit. Universal Credit will replace the various means-tested working age benefits. It is intended to start in 2013 for new claims with existing working age Housing Benefit claimants being phased into the new system by April 2017.
- 3.3 It is stated that the Department for Work and Pensions will administer the Universal Credit, as opposed to the current system, involving Local Authorities, HM Revenues and Customs (Tax Credits) and the Department for Work and Pensions.
- 3.4 It is noted that Universal Credit will be administered via digital means. Therefore on-line facilities for making claims, notifying changes or checking payments and responsibilities will become the normal process.

For those customers that cannot (or do not) use online channels, alternative access routes will be offered, predominantly by telephone but also face to face for those who really need it. It is likely therefore that there will remain a need for assistance via our Customer Service Centre.

- 3.5 There have been various discussions taking place regarding Council Tax Benefit. Currently it is proposed that Council Tax Benefit will be removed, being replaced by a locally administered discount scheme. Full details have not yet been provided.

Early indications are that Local Authorities will be given scope to take account of the priorities of their own local communities when determining the amount of support for vulnerable and/or low-income families. However, it is stated that Local Authorities will be able to make use of data collated by the Department for Work and Pensions when assessing individuals income and savings in relation to discounts that may be available.

- 3.6 On the 18th October 2010, the Government published a new strategy dealing with fraud and error. Consultation had taken place between HMRC (Tax Credits) and the Department for Work and Pensions, but had not included Local Authorities at that point.

The strategy introduces the concept of a Single Investigation Service for benefit fraud, administered and managed by the Department for Work and Pensions. This Single Investigation Service will be in place by April 2013.

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The current information states that those officers employed as “Fraud Investigators” dealing with benefit fraud will be moved to the new fraud investigation service, possibly under TUPE rules. Any administration officers or fraud managers currently employed in local authorities are not currently included in this remit, although this is being discussed nationally.

Therefore no benefit fraud investigations will be undertaken by the Local Authority under this revised system.

It currently appears that there will be no transitional arrangements for the creation of the Single Investigation Service.

4. KEY ISSUES

- 4.1 To raise the knowledge and awareness of how the investigation of benefit fraud is likely to change.
- 4.2 To understand that this will impact on the employment of such teams, who undertake benefit fraud as part of their remit.
- 4.3 Corporate Fraud Teams will continue to have a place within the local authority, but the size of the team is likely to reduce due to the impending changes.
- 4.4 Assuming a locally administered discount scheme is applied to Council Tax liabilities, based on the ability to pay subject to income levels, there will remain the issue of fraudulent applications, such as now with the Single Person Discounts etc.

5. FINANCIAL IMPLICATIONS

- 5.1 Where Investigators are TUPE'd to the Department of Work and Pensions, there will be a reduction in salaries paid by Bromsgrove Council
- 5.2 Where fraud administration staff or Benefit Fraud Managers, are not taken to the new Single Investigation Service, there will be a need to either re-locate staff or consider redundancy payments.
- 5.3 Whilst paragraph 5.2 may not apply in its entirety to Bromsgrove Council as the Corporate Fraud Team covers all fraud affecting the Council and its district, there could still be an element of an impact. This would need to be reviewed once further details are known.
- 5.4 Reduction in the need to use internal legal services for benefit prosecution cases. This could impact on the Legal Services team.

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6. LEGAL IMPLICATIONS

- 6.1 Consideration of staff being TUPE'd to the Department for Work and Pensions.
- 6.2 Possible redundancy considerations
- 6.3 All other types of fraud affecting the Council will continue to be investigated by the Corporate Anti-Fraud Team according to normal criminal investigative processes.

7. POLICY IMPLICATIONS

- 7.1 The number of policies currently updated annually will change as no Benefit related policies will be forwarded for considerations.

8. COUNCIL OBJECTIVES

- 8.1 Currently it is difficult to assess how Council objectives could be impacted. The Council will, however, remain committed to:
 - Regeneration
 - Improvement
 - One Community
 - Environment

9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS

It is unclear what risks are involved in these changes, other than a possible reduction in localism.

10. CUSTOMER IMPLICATIONS

- 10.1 Access to online services
- 10.2 Possible removal of local expertise
- 10.3 Unknown impact to the protection of the public purse and local taxpayer's money regarding benefit fraud
- 10.4 Unknown impact on the proposed locally administered schemes for the new equivalent of Council Tax Benefit.

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11. EQUALITIES AND DIVERSITY IMPLICATIONS

11.1 Access to online services could cause issues for some members of the district

12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT

12.1 N/A

13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY

13.1 N/A

14. HUMAN RESOURCES IMPLICATIONS

14.1 Some input by HR will be needed if staff are to be TUPE'd to the new Single Investigation Service

14.2 Considerations over possible re-locations or redundancy of staff, if applicable.

15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS

15.1 N/A

16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998

16.1 NONE

17. HEALTH INEQUALITIES IMPLICATIONS

17.1 NONE

18. LESSONS LEARNT

18.1 NONE

19. COMMUNITY AND STAKEHOLDER ENGAGEMENT

19.1 NONE

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20. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	YES
Executive Director (S151 Officer)	YES
Head of Resources	YES

To be circulated for information at future CMT meeting.

21. WARDS AFFECTED

ALL WARDS

22. APPENDICES

Appendix 1 – Summary of changes and timeline of Housing Benefit and Universal Credit

23. BACKGROUND PAPERS

NONE

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Appendix 1

Forthcoming Changes

Summary of Welfare Reform Changes April 2011 - April 2017

2011/12		
Date	Area	Detail
01/04/2011	Local Housing Allowance (LHA)	£15 excess for LHA to be abolished.
		5 bedroom rate of LHA to be abolished so the maximum rate will be 4 bedroom.
		Caps introduced on the LHA rates for each size category, e.g. maximum of £400 per week for 4 bedrooms.
		Non-resident carers will be included in the room calculation for LHA.
	Employment and Support Allowance (ESA)	The migration to Employment and Support Allowance (ESA) from Incapacity Benefit, Income Support as a result of disability and Severe Disablement Allowance will be rolled out nationally from April 2011 - March 2014.
	Housing and Council Tax Benefit (HB/CTB)	The amount of the non-dependant deductions (NDDs) will start increasing. For the last few years it has only been the income bands that have changed, not the deductions.
	Discretionary Housing Payments (DHPs)	Increase in funding to Local Authorities for expenditure on DHPs from April 2011, followed by a substantial increase in 2012.
	Working Tax Credit (WTC)	The percentage of child care costs paid through WTC reduces from 80% to 70%. The basic and 30 hour elements will be frozen for three years.
	Child Tax Credits (CTC)	Increase in child element, and again in April 2012.
Council Tax (CT)	Council Tax freeze funded by central government. Will apply in Scotland - announced in Scottish Executive budget changes - 17/11/10.	
Savings Credit (SC)	The maximum Savings Credit amount will be frozen for four years.	
Local Housing Allowance	LHA rates will be set by the 30th percentile figure rather than the 50th percentile figure at present. Based on the provisional figures from The Rent Service Scotland, the figures for the Forth Valley BRMA are between 4% and 12% lower than the current LHA rates. The reduced rates are likely to apply to all LHA claims from October 2011.	
2012/13		
01/04/2012	Local Housing Allowance	The Shared Room Rate is to be extended to apply to single claimants under 35, from the current position of applying to those under 25.
	Working Tax Credit	Increase in the number of hours of work required for a couple with children to qualify for WTC from 16 to 24, with one partner working at least 16 hours.
	Employment and Support Allowance	Contribution based ESA with Work Related Activity component time limited to one year.

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Forthcoming Changes

01/01/2013	Child Benefit	Withdrawn from families with a high rate taxpayer (earning above approximately £42,000).
2013/14		
01/04/2013	Universal Credit / Impact on Housing Benefit	Universal Credit will replace the various means-tested working age benefits (including Housing Benefit) and will simplify the claiming process, reduce fraud and error and ensure that it is more beneficial to be in work than out of work. It is intended to start introducing this in 2013 for new claims with the existing working age Housing Benefit caseload being transferred over by April 2017.
	Council Tax Benefit	Council Tax Benefit is not included in Universal Credit and spending on it will be reduced by 10% and devolved to Scotland from 2013. It will then be left to the Scottish Executive to implement their own rebate scheme with each Local Authority adopting their own variant. Whether there will still be Council Tax in Scotland after the Scottish Government's review of local taxation remains to be seen.
	Housing Benefit	HB will be reduced by 10% after the claimant or partner have been on Job Seekers Allowance for a year. Size criteria assessments for working age HB claims in social housing (i.e. Council houses and Housing Association tenancies).
	Local Housing Allowance	LHA rates will not be determined through analysis of the rental market and instead will increase in line with the Consumer Prices Index (CPI).
	All Benefits	The total amount of benefits awarded to workless households will be capped at the median level of income after tax for a working household (expected to be around £500 per week for lone parents and couples, £350 per week for single adults). The cap includes Housing Benefit and will be administered by Local Authorities unless the claimant receives Universal Credit. The cap does not apply to households receiving Disability Living Allowance, War Widows or Working Tax Credit.
	Fraud	Fraud Investigation Service created, although the implications for LA Fraud staff are not yet clear.
2016/7		
01/04/2016	State Pension Age	The increase in State Pension Age for women is to be accelerated from April 2016 so that it reaches 65 by November 2018 and then both men and women will rise to 66 by April 2020. The planned increase to 68 is likely to be accelerated too.

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2017/18		
01/04/2017	Universal Credit	Universal Credit replaces the various means-tested working age benefits (including Housing Benefit) for all claimants.
Date uncertain	Social Housing	It is not clear if this will apply in Scotland, but new social housing tenants will be charged at a rent level between social housing and market rents and will not get a lifelong tenancy