

The Government's Plans for Housing Benefit

1. A "Radical Agenda"

The Government has published a document entitled "Building choice and responsibility: a radical agenda for Housing Benefit". In it, proposals are made for major reforms of the Housing Benefit scheme.

Housing Benefit is an important part of many people's budgets. Just under 4 million households receive it, including many families with children, and many pensioners. It helps one in six households meet the costs of their housing at an annual cost of £11.5 billion.

However, the Government believes that Housing Benefit in its current form often contributes far less than it should to lifting people out of poverty and restricts the choice of accommodation available to claimants.

The Government's objectives are that Housing Benefit should:

- Reduce the barriers to work;
- Ensure that people on low incomes can afford a decent home which meets their needs;
- Give tenants more choice;
- Extend tenants' personal responsibility for paying their rent;
- Provide a better, quicker service, based on simpler, clearer rules; and
- Make fraud more difficult to commit.

To achieve these objectives the Government is concentrating its reforms on four broad areas:

- A. A Simpler, Fairer System
- B. A Better Service to Claimants and Fewer Barriers to Work
- C. Clear Standards and Increased Accountability
- D. Driving Down Fraud and Abuse of the System

These reforms will have a major affect on the way Warwick District Council provides its Benefit Service and the purpose of this report is to make Members aware of the possible implications for service delivery.

2. A simpler, fairer system

A Standard Housing Allowance

The Government wants to introduce a flat rate standard local housing allowance, initially in the deregulated private rented sector. The allowances will be based on average rents in the local housing market. Eventually the Government would like to see these flat rate allowances apply to Council and Housing Association Housing as well, although it believes that it must allow rent restructuring to take place first.

The advantage to this proposal, the Government believes, is that claimants would know how much benefit they were entitled to before they took up the tenancy and so the uncertainty about whether the commitment of the tenancy could be afforded would be removed. Often claimants will move into a property and by the time their benefit entitlement is calculated they are in considerable arrears.

The proposal would also mean that if the tenant secured property that was more expensive than the standard allowance, then they would have to make up the difference themselves out of other income. However, the choice would be for the claimant to make.

Conversely if the claimant occupied accommodation that was less than the standard allowance, they would be able to keep the difference.

The new approach will be introduced in ten “pathfinder” councils in 2003/04.

Removal of Direct to Landlord Payments

The second aspect of this new “simpler, fairer system” is to move away from direct payments of benefit to landlords, paying benefit to claimants instead. The Government believes that this change will increase personal responsibility and, along with greater certainty about what in-work benefits a claimant would receive, will help bridge the gap between being out of work and taking a job.

While payments to tenants rather than landlords will initially be in the deregulated private sector, the Government is considering the case for tenants in Council Housing and Housing Association Housing to receive their benefit.

Again this new approach will be tried out in the “pathfinder” councils.

3. A Better Service to Claimants and Fewer Barriers to Work

Faster Claims Processing

The introduction of a standard housing allowance should lead to speedier claims processing as there will no longer be the need to refer rents to the Rent Service.

At present when a tenant in the deregulated private rented sector claims Housing Benefit, it is not the local authority that determines the rent figure to be used in the calculation of the benefit award but the Rent Service (an Executive Agency of Central Government). However, the involvement of this other body often leads to delays in the processing of claims as it can take up to 25 days for the Rent Service to make a decision about a reasonable rent. The removal of the Rent Service’s involvement should considerably shorten the length of time required to make a decision on a claim.

Secondly, to make the process of coming off benefit and moving into work more straight forward for the claimant, the requirement to fill in a new form will be removed and instead the claimant will only need to report the change in circumstances and provide proof of their new circumstances.

While the local authority is working out the claimant's new benefit entitlement, the claimant will continue to receive Housing Benefit based on their previous circumstances. This will stop arrears accruing whilst the new benefit entitlement is calculated.

If after a short period of time the claimant finds that the job does not suit them, then there will be no need to complete a long complicated form again. Instead there will be a shortened two-page form.

Ending of Benefit Periods

By far the most radical change is the Government's intention to remove the need for all claimants to complete a new application for benefit each year (the "Review Process").

From October 2003 the Government had intended to remove the necessity to reclaim from pensioners only, however, the plan is to remove this requirement from everyone but at the same time bring in a stronger emphasis on checking those individuals who are most likely to commit fraud. Details of this new regime have not been spelt out yet.

Jobcentre Plus and the Pension Service

Members have previously been advised of the changes affecting Jobcentre Plus and the Pension Service (Members Information Report 23 August 2002) and how this would impact on the local authority. I am now able to provide further details as promised.

Jobcentre Plus is rolling out a national programme to take benefits claims from working age customers over the phone. Information for a Housing Benefit claim will be collected in the same phone call as other benefits and passed on to the Benefits Office. This should mean that the information gathering process for the Benefits Office is greatly reduced.

Similarly The Pension Service will provide the Benefits Office with the income assessment for pensioners in receipt of the Pension Credit savings credit, so that pensioners do not have to provide the same information twice. Again, this should greatly assist with the information gathering process.

However, the Government has recently written to Council Leaders, Chief Executives and Chief Finance Officers regarding the demands it considers the new Pension Credit will make on local Benefit Services. It estimates that benefit caseloads could increase by between 5 and 10 %.

To smooth the introduction of these new credits it has provided Warwick District Council with extra administration subsidy. I will be presenting proposals to the Executive on what I consider should be done with this funding shortly. However, the Government strongly urges local councils to spend the increased subsidy on benefits administration to avert a dramatic deterioration in the Service.

4. Clear Standards and Increased Accountability

The Performance Standards Framework

In its report to Executive of 11 November 2002, the Benefits Division advised Members of the introduction of the Performance Standards Framework (PSF).

The Framework is made up of seven modules covering all aspects of Benefits administration. By means of a self-assessment scoring mechanism, local authorities score themselves against benchmarks to see whether they are providing a service above, below or at the standard determined by Government.

The Government has provided a considerable amount of funding to assist with the introduction of the standards which had to be bid for. The Benefits Division made such a bid and it is currently awaiting the outcome. However, attaining the standards will be extremely challenging and the funding that the Government has made available for the year 2003/2004 was very prescriptive in what it could be used for and so is unlikely to be of major assistance to the Benefits Division.

Notwithstanding the above, the Benefits self-assessment will be a major contributor to the Council's Comprehensive Performance Assessment (CPA) and so it is vitally important that the necessary resources are available to the Division.

Provision of Performance Information

So that the Government can keep up to date with the performance of Benefits Services, it is requiring the provision of quarterly performance data that it will then publish in League Table format on the Department for Work and Pensions Website.

This information will be used to challenge poor performance. The Government states, "We believe that council leaders and chief executives need to take responsibility where there are serious performance failures and act to improve service delivery." This was the case in September 2002 when the Government wrote to poor performing councils demanding clear improvement plans.

Changes to Funding

The Government will be reforming the funding system for Housing Benefit to bring it under one Government Department and provide one funding stream. Currently funding is received from two Government Departments with a split between rent rebate and other benefit expenditure. In the future, rent rebate will be removed from housing subsidy and paid as part of the Housing Benefit subsidy claim.

There is also a suggestion that future funding may be linked to performance so that high performing authorities will receive a larger grant. It is not clear whether poorer performing authorities will have their grant cut.

5. Driving Down Fraud and Abuse of the System

Use of Freed-up Resources

With the ending of benefit periods the Government wants the freed up resources to be used for targeted data checking and investigation of high risk claimants. The Government has said that it will be consulting local authorities on the detail of these checks.

However, the target is to reduce fraud by 25 percent by 2006 and there may well be intervention where councils are not meeting their fraud targets.

Action Against Rogue Landlords

The Government wants to take action against rogue landlords. It is argued that such landlords damage local communities by abusing the Benefit scheme, let properties in poor condition and tolerate or encourage anti-social behaviour by their tenants. The Government states that the worst difficulties are in areas of low demand for housing, where a minority of bad landlords overwhelm the efforts of decent landlords. As soon as Parliamentary time allows the Government will legislate to tackle this area. Unfortunately, no details of what it intends to do are given at this point.

6. Conclusion

The purpose behind this report is to appraise Members of the significant demands for the Benefits Division over the coming years and take on board any comments or proposals they may have. The changes will obviously affect other policy areas and Members may require further information on the likely impact these changes will have on those areas.