



Budget and Finance Overview and Scrutiny Committee

Tuesday, 7 December 2010 at 7.30 pm

Committee Room 4, Brent Town Hall, Forty Lane,
Wembley, HA9 9HD

Membership:

Members

Councillors:

Allie (Chair)
A Choudry (Vice-Chair)
Ashraf
Long
Mashari
HB Patel
Sheth
Van Kalwala

first alternates

Councillors:

Green
Chohan
Brown
McLennan
Harrison
BM Patel
Denselow
S Choudhary

Second alternates

Councillors:

Cummins
Moloney
Lorber
Mistry
Hector
HM Patel
Gladbaum
Daly

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020 8937 1353 peter.goss@brent.gov.uk

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The press and public are welcome to attend this meeting

Agenda

Introductions, if appropriate.

Apologies for absence and clarification of alternate members

Item	Page
1 Deputations (if any)	
2 Minutes of the previous meeting	1 - 8
3 Matters arising (if any)	
4 Budget update	
The Director of Finance and Corporate Services will give an oral update on the budget position.	
5 The Capital Programme	Report to follow
This report provides an update on the Capital Programme for 2011/12 onwards.	
Ward Affected: All Wards; Contact Officer: Director of Finance and Corporate Services	
6 Overview of Housing Benefit Changes and Wider Welfare Reform	9 - 22
This report provides an overview and details of the anticipated impact of planned changes to Housing/Council Tax Benefit over the next 3 years and the proposed changes to reform the wider welfare benefit system over the next 7 years.	
Ward Affected: All Wards; Contact Officer: Margaret Read, Head of Revenues and Benefits Tel: 020 8937 1521 margaret.read@brent.gov.uk	
7 Any Other Urgent Business	
Notice of items to be raised under this heading must be given in writing to the Democratic Services Manager or his representative before the meeting in accordance with Standing Order 64.	
8 Date of Next Meeting	

The next scheduled meeting of the Budget and Finance Overview and Scrutiny Committee is on 11 January 2011.



- Please remember to **SWITCH OFF** your mobile phone during the meeting.
- The meeting room is accessible by lift and seats will be provided for members of the public.
 - Toilets are available on the second floor.
 - Catering facilities can be found on the first floor near the Paul Daisley Hall.
 - A public telephone is located in the foyer on the ground floor, opposite the Porters' Lodge

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MINUTES OF THE BUDGET AND FINANCE OVERVIEW AND SCRUTINY COMMITTEE Wednesday, 10 November 2010 at 7.30 pm

PRESENT: Councillor Allie (Chair), Councillor A Choudry (Vice-Chair) and Councillors Ashraf, Long, Mashari, Sheth and Van Kalwala

Also Present: Councillors Butt (Deputy Leader of the Council and Lead Member for Resources), Cummins, John (Leader of the Council and Lead Member for Corporate Strategy and Policy Co-ordination) and S Choudhary.

1. Declarations of personal and prejudicial interests

None declared.

2. Minutes of the previous meeting held on 12 October 2010

RESOLVED:-

that the minutes of the previous meeting held on 12 October 2010 be approved as an accurate record.

3. Matters arising

None.

4. The Comprehensive Spending Review

With the agreement of the Chair, the order of business was amended so that the Comprehensive Spending Review (CSR) was considered before the first reading debate on the 2011/12 to 2014/15 budget.

Clive Heaphy gave a presentation to Members on the outcome of the Government's CSR announcement made on 19 October. He began by outlining the economic situation. Whilst markets had reacted relatively favourably, there was an expectation that growth would slow or stall by the third and fourth quarters. Concerns that a double dip recession may occur remained. The UK's national debt of 68.1% of GBP was not as large in comparison with a number of other EU members, however the main problem was it was presently spending more than it was receiving to pay off the debt. Members heard that public sector employment had risen steadily between 1999 to 2009 and salaries had also risen more in comparison with the private sector.

Clive Heaphy confirmed that the Government announcement on 10 June in respect of grants had meant that the council had lost £6.85m in grants overall in-year. The CSR announcement represented a shift in cuts from Government departments to

welfare, whilst the NHS, schools and infrastructure had been identified as priorities. The purpose of the CSR was to eliminate the structural deficit over five years. However, Clive Heaphy advised that there may be a number of hidden and unintended consequences, for example reducing spending in one area could result in increased spending in other areas. For Local Government, there was a 7.1% reduction in real terms for the formula grant for 2011/12 and a 39% reduction over the four years up to 2015, whilst Council Tax Benefit would be reduced by around 10% once rates were localised from 2013/14. Although the Schools budget had increased by 0.1% per annum, in real terms this would be negated by inflation and increases in pupil numbers. The increases in support social care overall represented an additional £2.9m funding in this area for Brent. Members noted that the tightening of the budget had lessened in the CSR compared to the June 2010 budget. In terms of the impact upon the community, Clive Heaphy advised that research by the Institute of Fiscal Studies suggested that the poorest would be hit the hardest, along with families with children.

Mick Bowden (Deputy Director, Finance and Corporate Services) then focused on the council's financial situation. He reported that forecast overspend had risen from £5.6m to £7.1m, however he stressed the need to bring finances back in line before the end of 2011/12 as there was no intention to use the council's reserves. The reserves currently held were the very least that should be maintained as next year would be even more challenging. The overspends were mainly in Children and Families, which had an overspend of £3.041m and in Adult Social Care, of £3.5m. Members noted that the £404,000 overspend in Environment and Culture was in the process of being bought back in. The £500,000 overspend in Central Units was mainly attributable to increases in housing benefit claims and that this would be offset through underspends in other areas in Central Units. The funding reductions were significantly deeper and quicker than forecast in June, however Mick Bowden advised that the gap between spending and resources had been calculated using national projections and could either be larger or smaller once the Local Authority Settlement was announced in December. Members heard that the grant funding floor currently in place for London boroughs may also be lowered or even removed altogether. The cost assumptions made included and inescapable growth allowance of £7.1m, inflation of £1.4m, and an increase in Central items of £7.4m. The council's contribution to concessionary fares for public transport would also increase as this would now be calculated by public transport use as opposed to a blanket contribution from each borough. The withdrawal of the Carbon Reduction scheme would also mean a £500,000 cost to the council. However, the residual gap had improved from £24.6m in July to £15.9m in October. The budget gap remained the same over the four year period 2011-2015, however greater savings would be required in the early years. Members noted that if the Council Tax was to be increased by 2.5% from 2012-13, this would make a contribution of around £2.5m a year. Mick Bowden then drew Members' attention to the contribution to savings from the One Council Programme.

Clive Heaphy then referred to some of the key risks emanating from the CSR, which included the need to balance the 2010/11 outturn, and the lack of clarity regarding funding and the new formula grant methodology. It was essential that the One Council programme was successful as it would be delivering approximately 60% of the total savings. Reserves should be maintained to at least the present level, however it was desirable that these be increased. Clive Heaphy advised that the council paid around £25m in interest each year and it was important to control

debt interest through judicious use of prudential borrowing. As well as delivering the One Council Programme, Clive Heaphy advised that there would be a need to identify further savings through ceasing activities or reducing their scope, or delivering them in a different way. He concluded by stating that there were tough decisions to be made, in terms of:-

- Things the council can stop doing
- Things the council can do less of
- Things that another organisation could do better
- Things that can be done more efficiently

With the approval of the Chair, Robert Dunwell addressed the committee. Robert Dunwell enquired whether consideration was being given with regard to ceasing to provide some services that were non-statutory and further details as to how the budget gap would be bridged. With regard to the spending cuts for the police, he commented that this would raise staffing issues and increase the risk of officers no longer being available for Safer Neighbourhood Teams and was there a strategy in place to address this.

With the approval of the Chair, Councillor S Choudhary addressed the committee. Councillor S Choudhary expressed concern that a supplier would be able to find it easier to raise prices if their services had been jointly acquired by several local authorities.

Members then discussed the item in detail. Councillor A Choudary sought reasons for the need for the £1.5m in the One Council Programme to be set aside for contingency spending in 2011/12. He asked whether the council was working with other local authorities to help reach procurement targets. Comments were also sought with regard to the council's population estimates being at variance with those of the Office of National Statistics. Information was also sought with regard to the Finance Modernisation project and whether there were plans to outsource auditing activities. Councillor A Choudry stated that as interest rates were low, was any consideration being given to borrowing in advance. Councillor Van Kalwala enquired what the council's variables limit was with regard to funding. He sought views on the ability of the One Council Programme to address the current overspend and enquired why the overspend in Adult Social Care remained. He asked what would be the worst case scenario in terms of any changes to the grant floor funding level. With regard to shared services, Councillor Van Kalwala enquired if this could also entail sharing staff amongst partner organisations. He also asked whether it was intended to maximise revenue opportunities through property disposals.

Councillor Long enquired what preparations could be made in view of the change in emphasis of cuts to welfare and its effects on Brent's community and whether this was likely to mean some residents on housing benefit having to move to outer London areas. She asked whether there was concern that Council Tax collection rates may dip because of the difficult economic circumstances. Further details were sort with regard to cuts to policing and the NHS and what the impact on the council would be. Councillor Long also asked for information on the Total Place concept. Councillor Mashari, in noting the overspends highlighted in Adult Social Care and Children's Social Care, commented that these areas faced especially challenging circumstances, such as the increases in children in care, the high

turnover in social workers and the rise in demand in Adult Social Care. In view of this, she suggested that there should be a separate process in which to scrutinise these areas.

The Chair asked what measures were being undertaken to address the overspends in Adult Social Care.

In reply to the issues raised, Clive Heaphy advised that borrowing would only be undertaken if there was an essential need for it and there would be no advanced borrowing and the variable funding limit was 25%. With regard to addressing the Adult Social Care overspend, he advised that each service area had been asked to consider areas of potential savings across their whole portfolio, including use of administrative support, interim and contracting staff, training arrangements and attendance of conferences to make the necessary short term savings. Clive Heaphy felt that the targets set by the One Council Programme were realistic and achievable and that even greater savings could be achieved by it. Areas such as Adult Social Care were exposed to increases in demand, however by benchmarking in such areas consideration could be given as to delivering such services in different ways. Members heard that a Fundamental Review of Services was being undertaken and the savings identified as a result of this would be used to achieve the base budget position. Clive Heaphy advised that there had there had been a recent re-negotiation of the Council Tax Collection contract which resulted in a 25% reduction in costs to the council. Despite the economic situation in the last two years, there had been no reduction in Council Tax Rate collections and this could be attributable to there being an increased number of ways and more flexibility in paying Council Tax. There had also been a reduction in the number of complaints concerning housing benefit. He acknowledged that there could be further scrutiny in areas such as Adult and Child Social Care particularly as they faced external pressures such as increase in demand for services. He also stated the importance of the accuracy of the 2011 Census so that the council could use the opportunity to strongly challenge the Office for National Statistics population figures for Brent.

Clive Heaphy acknowledged that a significant number of Brent residents would be affected by the welfare cuts with an overall national reduction in the housing benefit budget of 27% in the next four years, even though the number of housing benefit claims in Brent was increasing. He stated that it was difficult to predict what effects there would be on residents, however this was being analysed and more would be known after the Local Authorities Settlement in December. Members heard that spending cuts in the police were even more acute than for local authorities, whilst some patient services in the NHS had been protected. However, there had been a 67% cut in management costs and discussions were taking place with regard to collaboration between Brent and Harrow NHS trusts. Clive Heaphy felt that the overall concept of Total Place was sound, however further explanation was required as to how it would function in each area. It was noted that the Council was presently £7.5m above the grant floor funding, therefore £7.5m was likely to be the most that the council may lose in this respect. Clive Heaphy advised that £1.5m contingency savings had been built-in to the One Council Programme to cover costs such as consultancy fees where money was spent initially to achieve greater savings overall. There was a target of £35m in procurement savings and a proportion of this could be achieved through joint procurement exercises with the West London Alliance (WLA) which had already undertaken a joint Adult Social Care procurement exercise. Other areas to be considered for shared services and

shared procurement included transportation, including schools transportation, local authority-owned properties bordering the boundaries of neighbouring London boroughs and whether there was a need to continue to use some buildings. With regard to reducing staff costs, this would focus on opportunities for shared back office functions and savings in management posts.

Clive Heaphy advised that overall significant savings could be made in procurement and property, whilst savings made through changes in financial management would be smaller. However, there had been some discussion by London councils about introducing a London council-wide financial system possibly in the longer term. With regard to external auditing, Brent had taken advantage along with a number of other councils for a joint arrangement that had been instigated by the London Borough of Croydon and Deloitte which saved the council costs in fees. Members noted that greater collaboration between local authorities in procurement exercises placed further pressure and incentive on the supplier to provide value for money as the scale of the contract would be larger. Clive Heaphy stressed the need for good contractual management to ensure the council received best value for money for services secured. In respect of Safer Neighbourhood Teams, he advised that it was not yet known what future police arrangements would be in respect of this.

Mick Bowden added that London councils had requested a narrowing between the floor and ceiling of the grant funding during consultation undertaken in the summer. He advised that financial systems in the council had previously been highly decentralised, however under the Finance Modernisation project finances had been centralised under the new Corporate Finance System and this would enable all spends to be captured and monitoring of spending much easier. This would also be of benefit to procurement and audit exercises.

Councillor John (Leader of the Council and Lead Member for Corporate Strategy and Policy Co-ordination) commented that areas of the council had been divided up into separate business units in the 1990s, however the opportunity had been taken to bring back financial processes centrally in keeping with the One Council approach. In respect of the grant funding floor, Councillor John explained that this had been created after the council and other London local authorities had asked for such a measure as they had been disadvantaged under the previous funding formula. She advised that the council could again be disadvantaged if the grant funding floor was revised or even removed altogether. Councillor John advised that significant savings had been made as a result of the WLA procurement exercise in Adult Social Care and such joint activities empowered local authorities with much more bargaining power. It was possible that a similar joint procurement with WLA could be undertaken for Children's Social Care. Members noted that the council worked jointly with the London Borough of Harrow in respect of trading standards and cemeteries and ran registrar services on behalf of the London Borough of Barnet. Greater value for money was also being sought through re-negotiation of other council contracts, such as the waste contract. Potential savings were being considered in all service areas and not just non-statutory functions and Councillor John stressed the need to improve its procurement activities. Members heard that since the Baby P case there had been changes to child social care arrangements and this meant more referrals and rising costs. Savings were being made by reducing the number of agency staff in social services. However, Councillor John advised that no matter how good arrangements were, high profile cases could occur at any council and the corporate parenting role of the council needed to be

considered carefully. Members noted that the council paid for 16 police sergeant community officers in respect of leading the Safer Neighbourhood Teams and discussions were taking place with the police in respect of future arrangements.

5. First reading debate on the 2011/12 to 2014/15 budget

Clive Heaphy introduced this item and drew Members' attention to the report circulated in the supplementary agenda. He advised that because of the economic circumstances, it was much more difficult to make forecasts and therefore the report would still be subject to a number of revisions before and after the First Reading Debate at the Council meeting on 22 November. The final details of the council's funding would not be known until the Local Government Settlement announcement in December.

Councillor John added that this was the most challenging budget that the council had faced and circumstances would continue to be difficult for the years ahead. She advised that the council could not afford to deliver some services in the same ways it did now. There had already been a transformation programme in respect of Adult Social Care and it was expected that this would deliver some savings. Members heard that it was not anticipated that there would be any growth items for the report to go to Council on 22 November and a number of important details would not be known until after the Local Government Settlement. However, protection of frontline services was a priority and all service areas were being considered in respect of making savings.

With the agreement of the Chair, Robert Dunwell addressed the committee. Robert Dunwell enquired what strategy was in place in respect of the council considering tendering services to other providers where they could do better, could any service be tendered for and would the council take a flexible approach in respect of this.

With the agreement of the Chair, Councillor S Choudhary addressed the committee. Councillor S Choudhary suggested that libraries could be improved by providing *i* books to users.

Members then discussed this item. Councillor Long asked if details of spending for each item would be provided as in previous first reading debate reports. Councillor Van Kalwala enquired how the council intended to build upon its reserves and how had the inescapable growth figures been calculated. Councillor A Choudry asked whether unexpected and exceptional events and circumstances would be factored in to the report to go to the Council meeting on 22 November. He stressed the need to inform the community of the need for the council to make tough decisions and that some services would need to be changed in the way that they were delivered or even stopped altogether.

The Chair sought views on the possibility of achieving the increased savings target from the One Council Programme. He asked if there was a vision of how the council would operate two years from now and commented that difficult situations often presented opportunities too. He expressed concern that the council may become too remote from residents if there was an over-reliance on communicating through technology. The Chair also sought assurances that decisions taken did not disadvantage those living in the less privileged parts of the borough.

In reply to the issues raised, Clive Heaphy advised that he was confident that the One Council Programme could achieve the increased savings targets that had been projected. Members noted that budget details for individual items would not be provided until after the Local Government Settlement announcement in December. In respect of increasing reserves, Clive Heaphy advised that this was desirable because the council was now at higher risk financially and there needed to be careful consideration in respect of methodology of how the balance could be added to. The possibility of making greater savings to build reserves was an issue that needed to be debated. It was noted that the Government grant available in respect of freezing Council Tax was only temporary and consideration needed to be given as to whether this was the best option. Clive Heaphy advised that the inescapable growth figures were devised based on historical knowledge and 5% inflation had been built in.

Councillor Butt (Deputy Leader of the Council and Lead Member for Resources) advised that the council needed to be leaner and better prepared for the future in two years time and needed to consider how services were provided, how technology could be utilised and to take full advantages afforded by the move to the civic centre. Service areas were already working together and using technology to speed up processing times.

Councillor John stressed the need for some services to be delivered in a different way, including the need to transform library services and residents would be consulted as to what they wanted from this service. She commented that technology increased residents' access to council services and demand for on-line based services was increasing. However, she acknowledged that some services, such as those in Adult and Children's Social Care, face to face contact was still a necessary form of contact and every effort needed to be made to ensure such services were as accessible as possible. Councillor John commented that where expertise had been demonstrated, an alternative provider could be considered and there were already a number of cross-council collaborations. The example of Brent's registry service being provided to the London Borough of Barnet also meant that the council could offer services to other organisations where it had proven expertise. Councillor John acknowledged that there was a need to address inequalities in the Brent and every effort was being made to close this gap.

6. Date of next meeting

It was noted that the next meeting of the Budget and Finance Overview and Scrutiny Committee was scheduled for Tuesday, 7 December 2010 at 7.30 pm.

7. Any other urgent business

None.

The meeting closed at 9.50 pm

J ALLIE
Chair

 <p>The logo of Brent Council, featuring a central coat of arms with a shield, a crown, and two lions, surrounded by the words 'BRENT COUNCIL' in a circular arrangement.</p>	<p>Budget & Finance Overview and Scrutiny Committee 7 December 2010</p> <p>Report from the Director of Finance and Corporate Services</p>
For Action	Wards Affected: ALL
<p>Overview of Housing Benefit Changes and Wider Welfare Reform</p>	

1.0 Summary

- 1.1 This report provides an overview and details of the anticipated impact of planned changes to Housing/Council Tax Benefit over the next 3 years and the proposed changes to reform the wider welfare benefit system over the next 7 years.

2.0 Recommendations

- 2.1 That Members note the likely impact of changes to Housing/Council Tax benefit due to take effect in 2011/12 through to 2013/14.
- 2.2 That Members note the details disclosed in the White Paper about the introduction of Universal Credits and the early evaluation of the impact this may have for Brent Council and its community.

3.0 Detail

- 3.1 This report provides Members with details of planned changes to Housing and Council Tax Benefit from April 2010 through to 2013 when the planned introduction of a new Universal Credit benefit commences. The changes to Housing and Council Benefit commence in April 2011 and will result in significant reductions to the levels of benefit currently paid to many Brent claimants. These reductions in benefit will create additional pressures on the Housing Benefit service as they are likely to lead to increased queries, appeals and potentially complaints alongside increases in demand arising from the recession and rising unemployment. They may also cause increased Council Tax and Council rent arrears and potentially increased homelessness and housing applications. Preparations are in progress to implement these

changes and to consider how any impact arising from them can be best managed.

The wider welfare reforms proposed by the coalition government , will fundamentally change the way in which working age benefits are currently paid and administered. The detailed impact of these changes cannot be fully evaluated at this stage however this report provides an early indication of the issues likely to arise.

Overview of planned Benefit changes

3.2 Between April 2011 and October 2017 a number of changes to Housing and Council Tax Benefit will be implemented. These can be summarised as follows:

Table 1: Timetable of Changes to Housing/ Council Tax Benefit

Details of change	Effective change	Impact
Caps on levels of Housing Benefit payable for private sector rental liabilities	1 April 2010	2000 claims will be faced with shortfall in Housing Benefit against rental liability Reduction to Housing benefit expenditure of £8,817,844 annually
Cessation of £15 excess above rental liability currently payable as Housing Benefit	1 April 2010	2900 claims will experience reduction in weekly entitlement Reduction to Housing Benefit expenditure of £1,750,788 annually
Non dependent deductions will increase for the first time in 9 years (these deductions reduce awards of benefit where other adults live in the same household as the claimant)	1 April 2010 and further increases in deductions in April 2011, April 2012 and April 2013	5749 claims will experience reductions to their weekly entitlement Reductions to Housing Benefit expenditure of £440,034 annually And £ 104,390 for Council Tax Benefit annually
Further reductions to levels of Housing Benefit payable to private tenants as local Housing Allowance becomes limited to 30 th percentile of average	1 October 2011	6270 will experience reduction to weekly entitlement Reduction to Housing Benefit expenditure of £7,266,755 annually

rents rather than 50 th percentile		
Further reductions to levels of Housing Benefit payable to private tenants aged between 26 and 35 which will limit benefit payable to shared room or bedsit rates (single over 25s can currently receive benefit up to the rate of a one bed flat)	1 April 2012	1266 over 25s will experience a reduction in benefit and will be limited to seeking shared rooms or bedsits unless they can fund rent shortfalls themselves.
Proposal that annual benefit upratings and rates of Local Housing Allowance will be based on C.P.I and will no longer be based on R.P.I	1 April 2013	All Housing Benefit and Council Tax claims will be affected (currently 41,1000 claims) . It is likely that C.P.I upratings will result in lower annual increases in benefits
Proposals to time limit receipt of full Housing Benefit for working age claimants with reductions of 10% made after 12 months of unemployment	April 2013	Number of claims affected not yet known. Has been some indication that these proposals may not be implemented
Proposals to restrict levels of Housing Benefit payable to tenants in the social rented sector who occupy properties which are considered too large for their household	April 2013	Number of claims affected not yet known but could potentially affect pensioners who remain in social housing after dependent children have become adults and left home
Proposed localisation of Council Tax Benefit with 10% reduction to amounts payable	April 2013	34327 Council Tax Benefit claims potentially affected Reduction of £4M annually based on 2010/11 awards
Proposals for Housing Benefit fraud investigation to be transferred to DWP.	April 2013	

Universal Credit piloted with some Housing Benefit new applications being phased in during 2013/14 / This new benefit will be administered by DWP	October 2013	Details of the phased transition of benefits to the new Universal Credit are not yet known but details should be clearer over coming months and years
All new applications to Housing Benefit for working age claimants will become part of new Universal Credit.	October 2014	
All remaining working age Housing Benefit claims transferred to Universal credit on a phased basis over 3 years	October 2014 to October 2017	25,000 Housing Benefit claims in total but pensioner claims will remain with Local Authorities in the medium term and other claims may also remain (claims in relation to temporary accommodation and supported housing)

3.3 The above table shows how levels of Housing Benefit and Council Tax Benefit will be reduced or transferred to the new Universal Credit between April 2011 and October 2017. Table 2 shows a summary of the forecast reductions to Housing Benefit and Council Tax Benefit, over the next 2 years.

3.4 **Table 2 : Summary of Number of Households Affected**

Change	Effective date	Number of Households	Reduction to Housing Benefit
Caps on Local Housing Allowance	1 April 2011	1,988	£8,817,844
Removal of £15 excess	1 April 2011	2,900	£1,750,788
Increases to Non dependent deductions	1 April 2011	5,749	£544,424
LHA reduced to 30 th percentile	1 October 2011	6,270	£7,266,755
Single room rate extended from up to age 25 to up to age 35	1 April 2012	1,266	£7,238,862
Total 2011-2012/13		18,173	£ 25,618,673

Reduction to Council Tax benefit by 10%	1 April 2013	34,327	£4,000,000
Annual uprating and LHA based on CPI	1 April 2013	41,000	Not yet known
Reductions of 10% to levels of Housing Benefit payable if unemployment lasts for more than 12 months	April 2013	Not yet known	Not yet known
Restrictions to levels of housing Benefit payable to social sector tenants where property is considered to be too large for needs	April 2013	Not yet known	Not yet known
Housing Benefit for working age claimants becomes part of Universal Credit assessment	October 2014-2017	24,293	Not yet known

Temporary Accommodation Subsidy

- 3.5 Changes have already been made to the previous Housing Benefit subsidy system for Temporary Accommodation (TA). Previously for Private Sector Leased (PSL) properties the amount of subsidy per property was capped at a certain level for each local authority, regardless of the number of bedrooms. In early 2009 the DWP announced changes in TA subsidy which were scheduled to take effect in 2010/11. Under these changes, HB subsidy for PSL schemes would be based on Local Housing Allowance rates, and the authority would receive LHA minus 10% plus a £40 per week management fee. In Brent this affected the Brent Direct Leasing and Private Licensing Agreement schemes. Forecasts indicated that this would have a major financial impact in Brent, and a targeted, planned approach was taken to reducing the use of those TA units which would be the most expensive under the new funding regime
- 3.6 On 1st April 2010, without any prior notification, the DWP announced further changes to HB subsidy for TA, to take immediate effect. A subsidy cap has been placed on the following types of temporary accommodation used in Brent:
- Hotels, including annexes
 - BDL leasing scheme
 - PLA scheme

- 3.7 The circular states that the same regime will apply to properties used under the Housing Association Lease Schemes. At the moment it is not known whether this will be applied to all properties in management as at 1st April 2011, or to new properties brought into the scheme after this date. However it seems reasonable to assume that it will be applied to all properties – new and existing.
- 3.8 Given that the subsidy arrangements for all temporary accommodation will be based on the Local Housing Allowance, there is concern that subsidy will follow these rates downwards: firstly, with the planned reduction to the 30th percentile in October 2011, and secondly the link to CPI in subsequent years. Following lobbying there does seem to have been a change of position from DWP. In particular the 30th percentile change will not be applied, and there will be certainty around subsidy for a two year period

Fraud Investigation

- 3.9 The DWP also announced a new anti-fraud strategy on 18th October 2010 which proposes a fundamental change to the structure of fraud investigation. Essentially, the DWP will be taking over the investigation of housing benefit fraud from 2013. This was announced with no consultation with the local authority associations and has potentially serious ramifications for the future of anti-fraud work in local government.

Brent has, historically, been highly effective in investigating and prosecuting benefit fraud and experience shows that these frauds are often linked to fraud against other council services. It is unclear how this will be undertaken by DWP officers who will have no access to council benefit systems and little knowledge of housing benefit fraud. The exact details of how this policy will be rolled out are not known and local authority fraud teams are currently preparing a response to the strategy. The policy has no regard for the potential impact on other frauds currently investigated as part of a benefit fraud investigation, such as social housing fraud or other benefits issued by councils. Any dilution of the benefit fraud function will have serious implications for the Council's anti-fraud efforts more generally.

Universal Credit

- 3.10 The Government published its White Paper on the introduction of the Universal Credit (UC) on Thursday 11th November. The white paper outlines the proposed time table for implementing this and the gradual cessation of the existing benefits that this will replace. This includes a pilot of UCs from October 2013, with all new claims starting from 2014 and the transfer of existing benefits to have been completed by October 2017.
- 3.11 The Universal Credit is a single benefit that will incorporate Income Support, Job Seekers Allowance (income based), Housing Benefit (working age claimants), Child Tax Credit and Working Tax Credit. The design of the Universal Credit is intended to ensure that this operates as both an in and out of work benefit that incorporates financial assistance with living costs and housing costs into one single assessment and payment. The level of benefit payable to those in work will be calculated so as to ensure that these

claimants will be financially better off for every additional pound earned, when compared to out of work benefits. This calculation will broadly mean that for every pound earned, they will be £0.35 better off. A maximum level of Universal credit will be payable to those who are unemployed, where they have no other income. This maximum amount will be determined with reference to average national earnings (estimated to be circa £500 per week).

- 3.12 The White Paper indicates that Universal Credits will be administered by the Department for Work and Pensions although it is possible that Local Authorities may continue to have a role in providing arrangements for dealing with face to face enquiries. The DWP intend that the majority of claims will be made, assessed and delivered electronically using phone and internet access channels.
- 3.13 The spending review provided £2bn for the implementation and roll out of Universal Credits. The implementation costs will include development of two IT systems, one for the assessment of the UC and a second to obtain real time HMRC PAYE data. The DWP has indicated that it believes that the systems can be delivered on time and on budget, but even without IT delays, the implementation timescales are extremely ambitious.
- 3.14 As the Universal Credits is intended to be both an in and out of work benefit, working age customers will not need to submit new applications if their circumstances change. The initial application will be assessed on the basis of the household's combined income, with the income and capital of both members of a couple taken into account. It is intended that automatic links to PAYE tax systems will ensure that any fluctuations or changes to earnings, will automatically result in the Universal Credit being recalculated. Other changes in circumstance will need to be reported in much the same way as they are now for existing benefits. Payment will be made to one member of the household via monthly BACs payments.
- 3.15 Another key element of Universal Credits will be the introduction of more rigorous conditionality tests that customers will need to comply with in order to receive full Universal Credit entitlement. There will be four broad conditionality types that will be applied to different customer groups dependent on their circumstances. For example, those with health issues that limit their ability to work will have different conditionality tests to those who do not have the same limitations. Job seekers will be required to actively seek and be available for work and DWP will carry out regular checks to ensure that conditionality requirements are being met. Sanctions will apply to claimants where they fail to do so which will result in cessation of Universal Credits for a fixed period of time. The fixed periods will span from one week (where for example a claimant fails to prepare for job seeking up to a period of 3 years (where a claimant repeatedly refuses to accept reasonable job offers). Mandatory work activity will also be required for periods of up to four weeks to help jobseekers experience the routines and habits of working life.
- 3.16 Although Universal Credit will replace most income related benefits for working age claimants, it will not replace any of the following benefits:

- Contributory Jobseeker's Allowance and Contributory Employment and Support Allowance. These will continue to exist but will be separately administered by DWP and with the treatment of earnings aligned with the way earnings are treated within universal Credit
 - Disability Living Allowance
 - Child Benefit
 - Bereavement Benefits, Statutory Sick Pay, Statutory Maternity Pay, Maternity Allowance and Industrial Disablement Benefit
- 3.17 Council Tax Benefits will not form part of the Universal Credit but will administered locally by Local authorities, with some discretion as to how this should be awarded. The proposed reduction of 10% to Council Tax Benefits expenditure may be implemented by limiting subsidy on such awards to 90% of Council Tax liability however the detailed arrangements surrounding this are not yet known.
- 3.18 Housing Benefit for pensioners will continue to be administered and paid by Local Authorities although it has been suggested that this may eventually form part of pension credit assessments and payments, which are also administered by DWP. There are circa 9,700 pensioners currently claiming Housing and Council Tax Benefit. There are also indications that Housing Benefit for some working age claimants may continue to be administered by Local Authorities. These relate to rental liabilities for those living in temporary accommodation and supported accommodation. Finally some benefits currently administered by the DWP seem likely to transfer to Local Authorities, these include Community Care grants and Crisis Loans.

Impact of planned and proposed changes

- 3.19 The impact of the changes will be experienced from 2011 right through to 2017 and beyond, as current levels of Housing and Council Tax Benefit are reduced steadily and Universal Credit is implemented. The following paragraphs provide a summary of these impacts in the short , medium and long term.

Short term impacts 2011-2012/13

- 3.20 There will be a significant financial impact arising from the capping of Local Housing Allowance, the removal of the £15 excess , the lowering of LHA to the 30th per centile and the limit to single room rates for under 35' s. These changes will adversely affect levels of Housing Benefit payable to approximately 12,000 private tenants, which represents over 80% of all private tenants currently claiming in Brent. All of these customers will experience a reduction to the level of help they receive to meet their rental liability and thus potential debt and rent arrears. These tenants will either have to renegotiate rents with their landlord/ lady, move to cheaper accommodation or find ways of funding the shortfall in rent arising from the reduction to their benefit.

- 3.21 The caps will impact more severely on London than other areas of the country because levels of rent are typically higher in the capital. Approximately 13% of Brent private tenants will be affected however in other London Boroughs such as Kensington and Chelsea , almost all private tenant claims are affected. Tenants may be forced to move out of Inner London to find more affordable accommodation and thus increasing demand in Outer London Boroughs such as Brent. This is alongside caseload increases of circa 10% already forecast in 2011/12 for Brent because of rising unemployment and the effects of the recession. It is possible that some parts of London may become inaccessible to Housing Benefit tenants and this may have a ripple effect on other London Boroughs as demand for affordable private tenancies increases and tenants have to look further afield to secure these.
- 3.22 There will almost certainly be an increase in the number of tenants moving within Brent, creating additional workloads related to the reassessment of claims at new tenancies. There is also likely to be a significant increase in customer enquiries, complaints, appeals and requests for Discretionary Housing Payments to help meet rental shortfalls. Discretionary Housing Payments do not form part of the Housing Benefit Scheme but are available on a discretionary basis to help meet rental and Council Tax liability cost, where HB/CTB does not meet these in full. The Government is increasing the amount of funding available to make Discretionary Housing awards however it is clear that the funding available will only be sufficient to assist a small minority of cases. Discretionary awards are also subject to overall cash limits which represent a small proportion of overall benefit expenditure each year. It is estimated that the Housing Benefit caseload will increase by a further 10% in 2011/12 (having increased by 20% between 2009/10 and 2010/11) and this in itself will place pressures on the service. This increased demand will be further exacerbated by the demand arising from benefit changes, which are estimated to be in the region of an additional 750 enquiries per month.
- 3.23 There is also likely to be increased demand placed on the Housing Service arising from rising homeless applications and a potentially reduced supply of private sector accommodation available to mitigate this. Over the last few years Housing Services have been able to help prevent homelessness and the use of expensive bed and breakfast accommodation by being able to facilitate placings in private sector tenancies. Landlords' may decide that tenants on Housing Benefit are too great a financial risk to take on or may decide to convert larger family homes to bedsits to maximise rental income. There will undoubtedly be less affordable properties available to rent for Housing Benefit claimants and this will be particularly the case for family sized accommodation, where overall caps are restricted to 4 bed room rates.
- 3.24 Increases to non dependent deductions will take effect from 1 April 2011 and these represent the first increases since 2001. Over 5,000 Housing / Council Tax Benefit claimants will experience reductions to the levels of assistance they receive to help meet rental and Council Tax liabilities. These reductions are likely to result in increased rent and Council tax arrears and the need for greater levels of recovery and enforcement activities. It is possible therefore that Council Tax in-year and rent collection levels will dip as a result. Whilst

every effort will be made to ensure that arrears are tackled, the cost of collection could increase as debts become harder to collect. This issue will be further exacerbated in 2013 when levels of Council Tax Benefit are reduced by 10%.

Medium Term Impact 2013/14

- 3.25 The proposed changes from 2013 are still at a relatively early stage and as such it is difficult to evaluate the full impact of these should they go ahead as planned. However it is clear that levels of Housing / Council Benefit will continue to be reduced through the move to CPI upratings, further planned non-dependent increases and other reductions to benefit as shown in tables 1 and 2.
- 3.26 The localisation of Council Tax Benefit in 2013 has not yet been fully clarified but it would seem that Local Authorities will have to decide how to award this in line with local priorities. This may mean changes to the existing computer system, staff training, redesign of forms and letters and potentially some elements of awards being funded directly by the Local Authority.
- 3.27 The proposed changes to welfare benefits must also be considered in the context of proposed changes for social housing. There are currently indications that Council Tenancies could be granted for short term fixed periods only, with restrictions on the level of benefit payable. Council tenants currently receive help with their rental liability by way of a rent rebate that is automatically credited to their rent account. Initial proposals for Universal Credit indicated that this arrangement would no longer continue and that claimants would receive one global credit payment direct into their bank account, including their rental assistance. More recently there have been indications that some provision made be made for paying rental assistance elements direct to landlords however this remains uncertain at the moment.

Longer term Impact 2014 to 2017

- 3.28 In the longer term, Local Authorities role in the administration and payment of welfare benefit will fundamentally change. We will continue to provide assistance with Council Tax liabilities and also with housing costs for tenants in temporary accommodation, supported accommodation and those who are of pensionable age. The administration of working age benefits for all other customer groups will be carried out remotely from Local Authorities and will not be designed to meet our local priorities or with the knowledge of the Brent community. The degree to which DWP administer Universal Credits efficiently and effectively will however, will have a critical impact on the Brent Community and overall Council finances.
- 3.29 Although called a Universal Credit, there will still be fragmentation of welfare benefits with separate administration arrangements for a number of working benefits, benefits for pensioners, Council tax benefits and benefits for those living in temporary or supported accommodation.

- 3.30 The DWP intend that claims to Universal Credit will be made electronically, with one universal payment being made to customers through a BACs payment. Experience of administering benefits in Brent has indicated that many customers struggle to understand lengthy application forms and the correct completion of these. Customers with language difficulties, literacy problems, learning difficulties and mental health issues often need face to face support to guide them through the claim process and to understand how to budget within their benefit awards. DWP have indicated that there may be a role for Local Authorities in providing face to face provision however the detail or arrangements for this are not defined and are uncertain at this stage. Many customers are likely to experience difficulties understanding how to budget within their UC payment, particularly where this has been subject to an overall cap.
- 3.31 Implementation of Universal Credits will gradually replace Housing Benefit between 2014 and 2017. Details of transitional arrangements are not yet available however it is clear that there will need to be a steady reduction to staffing levels over the same period, with potential redundancies arising. There may well be staff retention issues that arise over this period and before as staff seek to find more secure employment prospects.

Strategy for dealing with the changes

- 3.32 The Council has already been involved in a lobbying campaign aimed at raising awareness of the impact of the cuts (which fall disproportionately on London) and influencing the government to reconsider its proposals.
- 3.33 Moving forward the strategy will encompass significant publicity – specifically targeted at affected claimants and landlords; a package of advice and practical measures for customers particularly those at risk of homelessness; and the development of new policies and procedures for the administration of DHP's to enable the fairest distribution of these limited financial resources.
- 3.34 The Housing Benefit Service and the Housing Resource Service are working closely together to ensure that wherever possible, homelessness is prevented. The Government have made some short term funding available to Housing Services to help with this and some of this funding will be used to secure resources to support private tenants renegotiate rents and find affordable accommodation.
- 3.35 The Housing Benefit Service had developed detailed plans to prepare for the pressures faced by the service in 2011/12, and a range of activities that will help to utilise existing resources more efficiently. Even with these actions, there is still a forecast shortfall in the resources required to maintain service stability and as such an unavoidable growth bid has been submitted for consideration as part of the 2011/12 budget process.

4.0 Financial Implications

- 4.1 Levels of Housing Benefit / Council Tax Benefit awards are likely to reduce by

over £25M between 2010/11 and 2011/12, with further reductions from 2013 onwards. These reductions will potentially increase rent arrears for Council tenants and private tenants and Council Tax arrears with increased associated costs arising from recovery and enforcement activities and bad debt provision.

- 4.2 There will be increased financial pressures placed on the Housing Service if homeless applications increase and use of temporary accommodation has to be relied upon to meet housing demand.
- 4.3 Increased customer demand for the Housing Benefit Service will place pressure on the service and potential difficulties in responding to these within existing resources. Unavoidable growth bids may be necessary to prevent destabilisation of the service, if sufficient additional capacity cannot be developed through planned actions or other mitigating actions.
- 4.4 There will be new operational costs arising from the introduction of a localised Council Tax Benefit scheme and the implementation of other planned changes to Housing Benefit. The DWP has not yet indicated whether grant funding will be allocated to assist with these and thus the additional costs arising may need to be funded by Brent.
- 4.5 If the implementation of Universal Credit goes ahead as planned, there will be a need to reduce the level of staffing resource in the Housing Benefit Service between 2014 and 2017, with potential redundancy / severance costs arising.
- 4.6 London Councils have already indicated that levels of Housing Benefit administration grants will reduce by an average of 27% over the next 4 years. The level of reduction for Brent is likely to be closer to 30% , with circa £300,000 being reduced in 2011/12 and again in 2012/13 and similar amounts in the following 2 years.

5.0 Legal Implications

- 5.1 There are no direct legal implications arising for Brent however the changes proposed require fundamental changes to welfare benefits legislation.

6.0 Diversity Implications

- 6.1 At this stage it is not possible to identify the extent to which the proposed changes may adversely affect minority or already disadvantaged groups. The DWP will carry out Equality Impact assessments at a national level and these will be supplemented by more local assessments within Brent, once the detail of changes is clarified.

7.0 Staffing / Accommodation Implications

- 7.1 There is likely to be a need to reduce staffing levels in the Benefits Service between 2014 to 2017 as existing claims to Housing Benefit are transferred to the new Universal Credit.

8.0 Background Papers

8.1 White Paper Universal Credits

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