

Agenda Item 5(a)

STATUS PUBLIC

Portfolio Member/Director Councillor Dennis Southwell/ Paul Darby	Portfolio Finance
Subject Benefits Service Transformation, Including Introduction of Local Housing Allowance : Proposed Structural Changes	Date 9 January 2008
	Forward Plan No
Contact Officer Caterina Blackburn, Benefit Manager Tel : 0191 301 8646 Email : cblackburn@durhamcity.gov.uk	Previous Minutes None
Purpose of Report <p>The purpose of this report is to provide members with details of a change in legislation with regards to Benefits Administration, brought about by the introduction (on a phased basis) of the Local Housing Allowance in April 2008. The report also identifies the wider impact of the Welfare Reform Act 2007 on the Benefit Service and seeks to contextualise this against pressures that will impact on the service next year as a result of the changes in the Performance / Inspection regime for Benefits Administration (the Benefits Fraud Inspectorate is being merged with the Audit Commission from April 2008) that will also come into affect next year. The report identifies and recommends changes to the organisational structure within the Benefit Service that will be required to respond effectively to the challenges that will be faced from next year onwards.</p>	
Executive Summary <p>On 17 October 2002, the Government announced a programme of reforms to the administration of Housing Benefit (HB), which included the trial of a standard Local Housing Allowance scheme (LHA) in nine Pathfinder areas. The program of reform was outlined in the prospectus <i>Building choice and responsibility: a radical agenda for Housing Benefit</i>.</p> <p>This was followed by the Government's release of "The New Deal for Welfare: Empowering People to Work Green Paper 24 January 2004, which contained details of a radical new approach to HB administration to apply to all authorities in England. These proposals formed part of the Welfare Reform Bill May 2007 and the now Welfare Reform Act 2007, which implements these proposals (on a phased basis) from April 2008 onwards – essentially rolling out the LHA scheme initiative following the results from the nine pathfinders.</p> <p>The changes brought about by the Welfare Reform Act will have a major impact on the Benefits Services provided by all Councils and comes at a time when there is great uncertainty surrounding potential structural changes in County Durham as a result of the Local Government Review and is on the back of changes in the inspection processes and pressures to improve welfare interaction with local communities.</p>	

Executive Summary (Continued...)

As members will be aware, there are a number of existing schemes in place to determine Benefit entitlement. Under the changes brought about by the Welfare Reform Act current claimants will continue to receive Benefit under their existing rules (with the exception of the changes brought about by the Review of Locality Rents) until:

- There is a break of at least one week in their claim; or
- They move

All new claimants from April 2008 will need to be assessed / benefit paid under the new LHA rules. Entitlement to LHA will be, as now, subject to a means-test and proof of a valid tenancy. Significantly however, there are some critical changes that will apply to claimants assessed under the new LHA scheme. The new scheme is based on the:

- Household requirements rather than actual property rent;
- Area in which they live - which is directly linked to the Broad Rental Market Area, new localities which were set by the Rent Service and came into effect on the 29th October 2007; and
- Payment (by BACS or crossed cheque) being sent to the tenant rather than to the landlord (as is the current position).

In recognition of the risk that some tenants may have difficulty with the responsibility of budgeting for their rent the Council will need to have in place a robust Safeguard Policy and sufficient resources to implement this. Existing Benefit Officers will not only need to implement the new legislation and assess claims against further criteria, but will also need to acquire new skills in terms of “social worker” type responsibilities – identifying “risk” cases, evaluating evidence and working with people who meet the safeguard criteria. They will also need to develop new skills and knowledge in terms of basic financial management / citizens advice work (e.g. banking arrangements etc.) to assist claimants who do not meet the safeguard criteria but who have not previously had a bank account and need support in managing their finances.

As noted above, April 2008 will also see a significant change in focus for the performance of the service with the responsibility moved from the Benefit Fraud Inspectorate to now ‘come under the watch’ of the Audit Commission. The approach taken by the Audit Commission will be different to that of the BFI and will be via an annual “Direction of Travel” type review based on Key Lines of Enquiry (KLOE) - the focus moving from targets and output to outcomes. There will therefore need to be a higher emphasis placed on demonstrating the services’ contribution to the wider corporate such as tackling poverty and inequalities etc. Indications are that these KLOE’s will be in addition to current 65 Department of Works and Pension (DWP) Performance Standards Enablers which will still have to be monitored and met, together with the DWP’s 18 Performance Measures.

With the transition from CPA to CAA – Comprehensive Area Assessment, there are also changes to benefit key priorities for HB/CTB delivery from the current BVPI’s to:

- Right Time performance indicator; and
- Right Benefit performance indicator

Full details of the Local Housing Allowance, the changes to the Performance Measures and the impact to the Benefit Service are set out in Appendix A (attached).

Portfolio Member Recommendations or items Requiring a Cabinet Decision

It is recommended that Cabinet:

- 1) Note the impact of the Welfare Reform Act 2007 on the Councils Benefits Service; and
- 2) That the structural changes outlined in Appendix B (contained in the In-Private Section of the Agenda), be approved.

Reasons for Recommendations

The Welfare Reform Act 2007 introduces a fundamental refocusing of Benefits Administration, through the introduction of the Local Housing Allowance (LHA), and is the most significant change to the Benefits administration service for many years. The new scheme radically changes the way new Rent Allowance claims are to be administered by Local Authorities from April 2008 onwards and will affect staff, claimants and other stakeholders involved in the chain.

The existing Benefit Service is currently structured and resourced to achieve target driven assessment approach to performance. The service needs to increase its emphasis on working with stakeholders and will need to provide ongoing support to Customer Services, however, there is little scope to address and build on service “quality” aspects at present. The changes brought about through introduction of Audit Commissions KLOE’s (on top of the DWP’s Performance Standards) will require additional focus on the outcomes achieved by the service.

To enable these changes to be carried out whilst improving the Service performance and addressing aspirations in terms of developing Charter Mark accreditation, there is a need to realign and strengthen existing resources – increasing the emphasis on the support mechanisms to claimants and improving strategic planning / performance management to enable work on demonstrating the services’ contribution to corporate objectives and DWP / Audit Commission assessment criteria. The proposed restructure addresses these issues.

Alternative Options to be Considered

Do nothing and leave structures as they are. This is not considered a viable option for many reasons, not least of which being that the introduction of Local Housing Allowance is mandatory in terms of assessment from April 2008 onwards and there will be significant internal and external impacts (particularly in relation to individual claimants and their landlords) that cannot be ignored. Furthermore, given that the DWP have recognised this and made available a specified grant to ease the introduction of the new regulations and, coupled with the prospect of structural changes in County Durham, which will bring about uncertainty during the next 15 months at least, doing nothing would send out the wrong messages to the Benefits staff and to the local communities in terms of the priority placed on dealing with some of the most vulnerable people in the District. Finally, additional capacity and focus will be needed next year to accommodate the changes to the required Performance Measures – failure to do this could result in a (potentially) poor and inappropriate assessment of the Councils Benefits service.

Consultation

The content of this report and the associated appendices has been considered and approved by the Councils Officers Management Team, including the three statutory officers. No other consultation was undertaken in the preparation of the report; however, Benefits Managers will continue to work closely with colleagues from other neighbouring authorities and with organisations such as Welfare Rights and the CAB over the coming months in preparation for these changes.

Financial, Legal and Risk Implications

The DWP have made available a “one off” specified grant of £93,678 to the City Council meet the implementation costs. It is up to local discretion how this funding is used. To date £20,000 has been allocated towards the software system updates that will be required to accommodate the LHA scheme within the Benefits System, leaving an unallocated sum of £73,678. The proposed structural changes (set out at Appendix B to the In Private Report) result in additional gross revenue costs of £59,778 in 2008/09 – based on changes being effective from 1 April 2008 – however, these will be offset by utilising the DWP grant, leaving a net £NIL cost in 2008/09 and an unallocated sum of £13,900 from the grant made available by the DWP at this stage. In addition it is anticipated that there may be an increase in revenue income from improvements in overpaid benefit recovery of £30,000 next year. Additional costs of circa £29,778 would therefore need to be factored into the budget from 2009/10 onwards, together with any further savings that may result from further improvements in overpaid housing benefit recovery.

The Council must implement the changes in regulations brought about by the Welfare Reform Act 2007 – failure to do so mean that the authority was in breach of legislation and any benefit awarded to new claimants would not qualify for subsidy.

In terms of risk, the service faces a difficult time next year as it comes to terms with this and the potential impact of local government review. The service needs to change. Management are committed to change and continuous improvement and the proposals in terms of restructuring of the service place the Council in a strong position to mitigate the risks associated with the service next year.

Resource Implications

An internal project team has been established and is working on a detailed action plan to effectively implement these changes and adapt procedures / retrain staff etc.

Timescale for Action

The structural amendments set out in the report will take effect from 1 April 2008, allowing sufficient time between approval of the report and April 2008 to complete any necessary internal / external recruitment required.

Associated Policies and Plans

- Benefits Service Business Plan 2007/08
- Discretionary Housing Payments Policies - Benefits Service Procedure Notes
- Debt Management Policy & Strategy 2007
- Annual Revenue and Capital Budgets 2007/08

Supporting Documents

- Appendix A – Benefits Service Transformation, Including Introduction of Local Housing Allowance : Proposed Structural Changes
- Appendix B - Restructure Proposals – Benefits Service, Financial Services Directorate (IN PRIVATE)

Background Papers

- The New Deal for Welfare: Empowering People to Work Green Paper 24 January
- Welfare Reform Act 2004
- Welfare Reform Bill May 2007
- Welfare Reform Act 2007
- SI's 2007 No 2869 and 2007 No 2868
- Housing Benefit – Review of Localities / Broad Rental Market Area Boundaries – Report to Cabinet 17/12/2007

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**Detailed Report –
Benefits Service
Transformation, Including
Introduction of Local
Housing Allowance :
Proposed Structural
Changes**

**Paul Darby,
Director of Financial Services**

INTRODUCTION

The City Council administers the Housing Benefit Scheme on behalf of Central Government – the Department for Works and Pensions being the responsible government department. The average caseload in City of Durham Council area is 5,355 with £14,634,589 paid to households during the last financial year. The breakdown is shown below:

Tenure Description	No. Claimants	% Overall Claimants	HB Amount (£)	% Overall Payments
Non HRA	41	-	18,443.80	0.1%
HRA	3,835	72%	9,434,898.37	64.5%
Rent Allowance	1,479	28%	5,181,246.99	35.4%
Total	5,355	100%	14,634,589.16	100.0%

The Housing Benefit Scheme (HB) has been subject to regular and major changes over the last 20 years, however, the Welfare Reform Act 2007 will introduce a significant change in emphasis next year through the introduction of Local Housing Allowance (LHA) – recognised by the DWP as the most significant change in focus that it has ever introduced in terms of the scheme administered by local authorities.

This new scheme radically changes the way new Rent Allowance claims are to be administered by local authorities and will impact on all stakeholders that are affected by HB – most significantly the claimants and their landlords. The new LHA scheme is to be run in parallel with the existing HB scheme (which will still apply to existing claimants) – adding further to the complexities in the system.

LHA is to be implemented in all Local Authorities responsible for administering HB from April 2008. From this date deregulated private sector cases will be subject to LHA:

- Where there is a new claim made after 01/04/2008; or
- Where an existing claimant has a change of address after 01/04/2008

The Department of Works and Pension (DWP), aware of the major implications of this change, have extensively trialled the new scheme for the last two years in several pathfinder authorities. Whilst evaluation shows the LHA within the pathfinders was successful, the LHA scheme to be implemented nationally has significant differences from that scheme that was trialled.

There is no longer the option to transfer all of the caseload to the new LHA scheme in a ‘big bang’ approach – as was the case in the trials. In addition the claimants will not receive the full amount of the LHA as this will be subject to capping – which was not the case in the trial areas.

Entitlement to LHA will be, as now, subject to a means-test and proof of a valid tenancy. Significantly however, there are some critical changes that will apply to claimants assessed under the new LHA scheme. The new scheme is based on the:

Cabinet 9.01.08 – Benefits Service Transformation, Introduction of LHA

- Household requirements rather than actual property rent claimant received the full amount (however the LHA this be capped at £15 above the rent charged for the property);
- Area in which they live - which is directly linked to the Broad Rental Market Area, new localities which were set by the Rent Service and came into effect on the 29th October 2007; and
- Payment (by BACS or crossed cheque) being sent to the tenant rather than to the landlord (as is the current position).

In recognition of the risk that some tenants may have difficulty with the responsibility of budgeting for their rent the Council will need to have in place a robust Safeguard Policy and sufficient resources to implement this. Existing Benefit Officers will not only need to implement the new legislation and assess claims against further criteria, but will also need to acquire new skills in terms of “social worker” type responsibilities – identifying “risk” cases, evaluating evidence and working with people who meet the safeguard criteria. They will also need to develop new skills and knowledge in terms of basic financial management / citizens advice work (e.g. banking arrangements etc.) to assist claimants who do not meet the safeguard criteria but who have not previously had a bank account and need support in managing their finances.

AIMS OF LHA

Central Government has stated that there are a number of key aims for the LHA:

- Fairness: New scheme is designed to pay the same amount to tenants with similar circumstances living in the same area
- Choice: Allows tenant to trade between the quality and price of their accommodation. If a tenant chooses to live in a property where their rent is less than their LHA entitlement they get to keep the difference, capped to £15
- Transparency: scheme makes it easier for tenants to find out in advance how much rent could be covered by HB
- Personal responsibility: encourage claimants to take responsibility for budgeting for and paying their rent themselves

ANALYSIS AND PLANNING

Effective project management will be necessary if LHA implementation is to be successful whilst maintaining and improving on current performance.

The DWP have made available a “one off” specified grant to each authority (the City Council has received £93,678) to meet the implementation costs and it is up to local discretion how this funding is used.

Implementation approaches will vary between each LA, some have dedicated project teams others contracted consultants to project manage the implementation. At Durham implementation will be down to the HB Manager using a PRINCE2 approach. All authorities are currently

Cabinet 9.01.08 – Benefits Service Transformation, Introduction of LHA

actively considering their structures and associated policies / plans as a result of the forthcoming changes.

It is essential that the service understands how fast the caseload will transfer onto LHA in order to allocate the correct amount of resources. The deregulated Private Tenant case count at the beginning of the financial year 2006/07 was 1,152. During the course of the year there were 356 successful new claims. This analysis suggests that potentially the majority of the deregulated Private Tenant caseload will have moved from HB to LHA within 4 years.

An analysis of how claimants are currently paid has given an indication of how much resource needs to be allocated to implementing and promoting the use of bank accounts and BACS payments.

Records currently show that the Council has 308 claims where payment is made directly to the claimant. It is initially these claims where BACS payments will need to be introduced with the remaining deregulated Private Tenant cases to receive BACS payments as they move from HB to LHA over the next 4 years. Whilst the dates are yet to be confirmed, aspects of the LHA will also apply to the RSL and Council Tenants within the near future also.

TRAINING AND AWARENESS

It is important to make stakeholders aware of LHA in order to maintain effective working. The project team have undertaken stakeholder mapping. The main findings of the analysis showed that:

- Landlords will need assurance that safeguards are to be established in order to prevent them leaving the private rental market and liaison will need to be increased and maintained and procedures implemented to reduce the risk of eviction. There have been 3 monthly meetings with private landlords where LHA awareness was delivered. It is the intention that the LA will consult with the landlords when developing the safeguard policy.
 - The claimant needs to be aware of LHA in order for them to understand the aims of the scheme and how it will affect them. To aid this publicity campaign has been planned for the last quarter of the financial year.
 - Internal training will need to be tailored to meet the needs of staff with varied roles, e.g. back office staff, customer service staff and housing homelessness officers. The first part of the training program is underway with awareness training having been delivered by the Benefit Training Officer and further detailed procedure and system training to be delivered in March 2008.
 - Banks and Building Societies in the local area need to be consulted to establish the requirements for opening bank accounts
 - Partnership arrangements with the CAB and other advice agencies are required to help claimants provide more detailed advice on debt and budget problems
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SYSTEMS

The existing benefits system will need to be upgraded to accommodate the LHA determinations. The cost of the upgrade is £20,000, with £5,000 per annum thereafter for support and maintenance. Although the LHA software had been developed for the pathfinder authorities using the Northgate system, the scheme to be introduced in April 2008 is significantly different and requires a number of amendments.

Resource will be required to install the software, carry out user acceptance training and system training.

BANKS

The LHA in most cases will be paid direct to the claimant, as they are paid directly they will need to have a bank or building society account. Discussions will need to take place with the local banks and building societies to establish requirements to open accounts. One of the major changes in the role of the Benefit Service Officers will be the need to gain and understand these requirements enabling them to advise claimants on how to open a bank account to help manage their rent payments.

VULNERABILITY

LHA will normally be paid to the claimant rather than the landlord. Safeguards are in place and the Authority will have the discretion to make payment to the landlord if they consider:

- That the claimant is vulnerable. For example, if the claimant is known to have a learning disorder or a drug/alcohol problem that could mean they would have difficulty managing their affairs, payment could be made to the landlord
- It is unlikely that the claimant will pay their rent for example if the authority is aware that the claimant has consistently failed to pay the rent.

The identification of vulnerable people will be another major challenge for the Benefits Service. A safeguard policy and guidance will need to be developed and effectively implemented, monitored and reviewed. Each case must be considered individually and information and evidence gathered to support vulnerability. It is likely that in all cases an interview with the claimant will take place before a decision is made. This is a new area in the Benefits service delivery and new skills (“social worker” / welfare advisor type activities) will be required.

The decision to make direct payment to the Landlord must be reviewed regularly as it will be rare that payments will be made to Landlords indefinitely.

DEBT

One of the aims of LHA is to encourage tenants to take responsibility for budgeting and paying their own rent. As many claimants have previously chosen to have their HB paid direct to the landlord, they may not be equipped with the skills and experience to budget successfully.

The Benefit staff will now need to identify cases where the claimant, though not vulnerable, will need advice on debt and budgeting. Training will be required to gain these new skills and partnerships could be developed with the Citizens Advice Bureau for more detailed advice.

OTHER MATERIAL CONSIDERATIONS

April 2008 will also see a significant change in focus for the performance of the service with the responsibility moved from the Benefit Fraud Inspectorate to now 'come under the watch' of the Audit Commission. The approach taken by the Audit Commission will be different to that of the BFI and will be via an annual "Direction of Travel" type review based on Key Lines of Enquiry (KLOE) - the focus moving from targets and output to outcomes. There will therefore need to be a higher emphasis placed on demonstrating the services' contribution to the wider corporate such as tackling poverty and inequalities etc. Indications are that these KLOE's will be in addition to current 65 Department of Works and Pension (DWP) Performance Standards Enablers which will still have to be monitored and met, together with the DWP's 18 Performance Measures.

With the transition from CPA to CAA – Comprehensive Area Assessment, there are also changes to the benefits key priorities for HB/CTB delivery from the current BVPI's to:

- Right Time performance indicator; and
- Right Benefit performance indicator

Interestingly, the Audit Commission has commented as follows... 'Practitioners familiar with BFI's approach will, understandably, see the new benefit inspection as a 'harder test'. To enable these changes to be accommodated whilst improving the Service performance and addressing medium term aspirations in terms of developing Charter Mark accreditation, there is also a need to realign and strengthen existing resources – increasing the emphasis on the support mechanisms to claimants and improving strategic planning / performance management to enable work on demonstrating the services' contribution to corporate objectives and DWP / Audit Commission assessment criteria.

There is also a need for the service to be more pro-active in terms of raising awareness and take up of benefit within the local communities, to ensure all those eligible to claim do claim their entitlement. This is a key component of the Local Area Agreement and will require increased partnership working with agencies such as Welfare Rights, CAB etc.

DWP FUNDING

The DWP have made available a “one off” specified grant of £93,678 to the City Council meet the implementation costs. It is up to local discretion how this funding is used. To date £20,000 has been allocated towards the software system updates that will be required to accommodate the LHA scheme within the Benefits System, leaving an unallocated sum of £73,678.

The proposed structural changes (set out at Appendix B to the In Private Report) result in additional gross revenue costs of £59,778 in 2008/09 – based on changes being effective from 1 April 2008 – however, these will be offset by utilising the DWP grant and an anticipated increase in revenue income from improvements in overpaid benefit recovery of £30,000 next year, leaving a net £NIL cost in 2008/09. Additional costs of circa £29,778 would need to be factored into the budget from 2009/10 onwards, together with any further savings that may result from further improvements in overpaid housing benefit recovery.

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