

Name of meeting: Cabinet Briefing, Cabinet

Date: 15 December 2015

Title of report: Tax Credit and the Autumn Statement

Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	No
Is it in the Council's Forward Plan ?	No
Is it eligible for "call in" by Scrutiny ?	No
Date signed off by <u>Director</u> & name	David Smith
Is it signed off by the Director of Resources?	David Smith – 2 December 2015
Is it signed off by the Assistant Director – Legal, Governance & Monitoring?	Julie Muscroft – 4 December 2015
Cabinet member portfolio	Cllr Graham Turner

Electoral [wards](#) affected: All

Ward councillors consulted: n/a

Public or private: Public

1. PURPOSE OF REPORT

1.1 On the 11th November 2015 Council approved the following motion:

“This Council is concerned by the effects the Government’s proposed changes to the welfare system, particularly but not exclusively to tax credits, as it demonstrates a clear attack on the lowest paid families.

Of particular concern is the effect these cuts will have on many of the low paid, hardworking families across Kirklees and the wider impact this will have on the diverse communities across the district.

We therefore request following:

1. That Cabinet ask the Director of Resources to produce a report as to the effects of this attack on working families in Kirklees.
2. This Council therefore asks that the Chief Executive writes a letter to Government requesting it seriously reconsiders implementation of these changes, so as to not enforce further undue financial suffering to many already hard working families of Kirklees.”

This report is in response to the request in Paragraph 1.

2. BACKGROUND

- 2.1 Subsequent to the decision on the 11th November the chancellor issued his Autumn Statement on 25th November.

The Chancellor announced that he would scrap his plans in relation to Tax Credit. It is worth noting that we believe he refers only to the changes that were to be introduced by way of statutory instrument, namely:

- an increase in the tax credit taper rate from 41% to 48%;
- a reduction in the tax credit income threshold for working families from £6,420 to £3,850; and
- reduce the tax credit income threshold for families eligible for Child Tax Credit only (and therefore not working sufficient hours to be eligible for Working Tax Credit) from £16,105 to £12,125 a measure which would have only affected relatively few families.

His plans to scrap the Tax Credit changes do not at this stage extend to reforms to tax credit that were to be introduced through the Welfare Reform Bill. The Bill contains provisions, in relation to new claims from April 2017, and to limit tax credit and Universal Credit payments related to the number of children in a family to two children and abolish higher payments for the first child.

At the time of writing, the Bill has completed its passage through the Commons and is to enter its committee stage in The Lords on the 7th December. It remains to be seen whether the Chancellor’s announcement extends to the provisions in the bill but current thinking is that it does not.

3. IMPLICATIONS FOR THE COUNCIL

- 3.1 There are no direct implications for the council as a result of this announcement but there are clearly positive impacts upon those families that might otherwise have been affected.

- 3.2 In the Work and Pension Select committee report “A reconsideration of Tax Credit cuts” published 9th November 2015 the committee sets out the following in its summary.

“Our analysis has been hampered by the inaccessibility of data about the effects of both the original proposals and potential mitigations. Government should do more to make data available, not least because it makes for better policy.”

Notwithstanding the announcements made by the Chancellor on 25th November in the statement around Tax Credit and other welfare reforms analysis of the impact is extremely difficult, both because of the number and complexity of the changes and the paucity of data.

- 3.3 The Chancellor announced two measures that he expects will deliver some of the welfare savings that might otherwise have been delivered by the cuts to Tax Credit.
- 3.4 **“Cap the amount of rent that Housing Benefit (HB) will cover in the social sector to the relevant Local Housing Allowance”** - This will apply to tenancies signed after 1 April 2016, with Housing Benefit entitlement changing from 1 April 2018 onwards

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Saving	0	0	0	£120m	£170m	£225m

This will affect all unprotected (those that are neither care leavers under 21, nor severely disabled) single people under 35 without children. Their HB will be limited to £55 per week at today’s values. KNH rents might be typically £70 per week, whilst generally other Registered Social landlord rents for similar property would be greater. There is no indication as to how this might also interact with the bedroom tax for those that find themselves in property that is too large. At this stage we believe that the bedroom tax measure would not apply in those cases. Those affected by the measure might typically lose between £15 and £20 per week in HB.

The Local Housing Allowance (LHA) for each area and size of household need is set at the 30th percentile of the private rented market as determined by the Valuation Office Agency. The Kirklees Broad Rent Market Area has LHA rates set at the following:

Shared Accommodation Rate:	£55.00 per week
One Bedroom Rate:	£80.55 per week
Two Bedrooms Rate:	£96.91 per week
Three Bedrooms Rate:	£113.92 per week
Four Bedrooms Rate:	£149.59 per week

It is unlikely that other household groups will be affected to the same degree in Kirklees given LHA rates and Social Sector rents but it is inevitable that some will, particularly those in specialised, more expensive accommodation.

It is worth noting that the total number of claimants aged under 35 and receiving housing benefit in the social rented sector in Kirklees is 1,674. It is however impossible at this stage to predict numbers likely to be affected. The authority might need to consider its allocation policy given that it understands the potential impact upon those taking tenancies after April 2016 but of course we cannot predict whether those individuals will be in a relationship (and therefore unaffected) or paying their own rent by April 2018.

- 3.5 **“Limit Housing Benefit and Pension Credit payments to 4 weeks for claimants who are outside Great Britain, from April 2016.** At present, Housing Benefit recipients can go abroad for up to 13 weeks while continuing to receive Housing Benefit. The benefit system should not subsidise those on benefits to go abroad for extended periods: this reform will ensure the benefit system is not paying the rent of people who go abroad for more than 4 weeks at a time”

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Saving	0	£25m	£20m	£15m	£10m	£10m

It’s worth noting that the statement requires some clarification because the part in bold does not say the same as the remainder. It is unclear at this stage whether absences exceeding 4 weeks will mean no HB at all or whether payment will be limited to 4 weeks in any event.

The projected savings are based upon data from the International Passenger Survey because data of the numbers affected are not available from Local Authorities. Local experience suggests that the numbers affected will be very small in respect of HB in Kirklees.

3.6 **Rollout of Universal Credit**

At the moment Universal Credit (UC) requires a manual claim, the digital service is only available in the London borough of Sutton. The rollout of the digital service is expected in May 2016 but only for those authorities going live in December 2015, we don’t expect any change to rollout in Kirklees until 2017 at the earliest.

To date, 1835 claims for UC have been made in the Kirklees area. Not all of those people will have housing costs or responsibility for Council Tax and so the authority isn’t involved in all of that activity.

109 Kirklees Neighbourhood Housing tenants are recorded as receiving UC. Due to the waiting period of around 6 weeks before the first payment is made it is inevitable that those people will have rent arrears. 101 of those affected have rent arrears totalling £57,921. Some of that arrear is not be due to the structural nature of the benefit but we know that around £38,000 of it is.

Housing officers in KNH are carefully considering each case in terms of the action necessary to secure payments and reduce the outstanding arrear.

We are aware of 136 UC claimants in the private rented sector and 14 in the housing association sector.

4. NEXT STEPS

This paper does not rehearse the welfare changes set out in the summer budget or planned over the current spending review period. Those changes are still expected to be implemented in full including for example the benefit cap of £20,000 for those out of work and the freeze on uprating.

The rollout of Universal Credit is to be accelerated though specific roll out plans are yet to be announced.

Officers are continuing to work on implementing the changes where the authority has a statutory function.

Officers are working on a strategy and action that seeks to tackle poverty through focusing our efforts on maximising household income and minimising outgoings.

5. CONSULTEES AND THEIR OPINIONS

n/a

6. OFFICER RECOMMENDATIONS AND REASONS

That this report be received and noted

7. CABINET PORTFOLIO HOLDER RECOMMENDATION

That Cabinet note with concern the impact of the proposed changes on Kirklees residents.

8. CONTACT OFFICER AND RELEVANT PAPERS

Julian Hobson, Policy Officer, Resources

9. ASSISTANT DIRECTOR RESPONSIBLE

Jane Brady, Assistant Director (Customer and Exchequer)