

Briefing Paper

Welfare Reform and Work Bill

October 2015



Oldham Civic Centre. How will Councils like Oldham be affected by the Welfare Reform and Work Bill?

Introduction

The Welfare Reform and Work Bill was introduced to Parliament in July 2015 and at the time of writing (October 2015) is under consideration in the House of Commons. It is expected to be passed later in 2015.

The government has stated that:

“The measures in the Bill are intended to support the Government's commitments to increase employment; slow the growth of the welfare budget to help achieve a more sustainable welfare system; and support the policy of rewarding hard work while increasing fairness with working households.”

The Bill contains 26 clauses divided into 26 chapters. These are as follows:

- Reports
 - Full Employment; Reporting Obligation
 - Apprenticeships: Reporting Obligation
 - Support for Troubled Families: Reporting Obligation
- Social Mobility
 - Workless households and educational attainment: Reporting Obligations
 - Social Mobility Commission
 - Other Amendment s to the Child Poverty Act 2010

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- Welfare Benefits
 - Benefit Cap
 - Review of benefit Cap
 - Freeze of certain social security benefits for four tax years
 - Freeze of certain tax credit amounts for four tax years
 - Changes to child tax credit
 - Changes to child element of Universal Credit
 - Employment and support allowance: work-related activity component
 - Universal Credit: limited capability for work element
 - Universal Credit: work-related requirements
- Loans for Mortgage Interest
 - Loans for Mortgage Interest
 - Section sixteen: further provision
 - Consequential amendments
- Social Housing Rents
 - Reduction in Social Housing Rents
 - Exceptions
 - Exemption of a registered provider for social housing
 - Enforcement
- Final
 - Power to make consequential provision
 - Extent
 - Commencement
 - Short title

The main measures included in the Welfare Reform and Work Bill related to welfare reform are:

- Working-age benefits, including tax credits and Local Housing Allowance, will be frozen for four years from 2016/17.
- The household benefit cap will be reduced to £20,000 (£23,000 in London).
- Support through Child Tax Credit will be limited to two children for children born from April 2017.
- Those aged 18 to 21 who are on Universal Credit will have to apply for an apprenticeship or traineeship, gain work-based skills, or go on a work placement six months after the start of their claim.
- There will be reductions to tax credits for people on low incomes.

Reports

The Bill creates statutory duties for the Government to report on:

- Progress towards its commitment to achieving full employment
- Progress against meeting its target of three million new apprenticeships in the 2015-20 Parliament
- Progress on the Troubled Families Programme

Social Mobility

The May 2015 Conservative Manifesto included a commitment to:

“Work to eliminate child poverty and introduce better measures to drive real change in children’s lives, by recognising the root causes of poverty: entrenched worklessness, family breakdown, problem debt, and drug and alcohol dependency.”

The Bill makes provisions for reporting on social mobility and the role of the Social Mobility Commission. In particular it:

- Amends the Child Poverty Act 2010 to become the Life Chances Act
- Removes income related targets and replaces them with new measures to improve the life chances of children.
- Creates a statutory duty on the Secretary of State to lay before Parliament an annual report containing data on children living in workless households in England and the educational attainment of children in England at the end of Key Stage 4.
- Reforms and renames the Social Mobility and Child Poverty Commission as the Social Mobility Commission (the Commission).
- Removes most other duties and provisions in the Child Poverty Act 2010 (but retains provisions relating to devolved administrations)

The Bill removes most of the legal duties and measures set out in the Child Poverty Act 2010 and places a new duty on the Secretary of State to report annually on measures of children in workless households and the educational attainment of children in England at the end of Key Stage 4.

The Social Mobility and Child Poverty Commission established in section 8 of the Child Poverty Act 2010 is to be reformed as the Social Mobility Commission. The remit of the Commission will be to promote social mobility in England, to advise the Government at its request on how to improve social mobility in England and to publish a report setting out its view on progress made towards improving social mobility in the United Kingdom. In addition the Commission will retain its remit to describe the actions taken by Scotland, Wales and Northern Ireland devolved administrations to prevent children experiencing socio-economic disadvantage.

The Bill also removes the requirement contained in the Child Poverty Act 2010 for the government to monitor and report on the four United Kingdom wide targets along with the definitions of the related measures of relatively low income; combined low income and material deprivation; absolute low income; and persistent poverty.

The duty for the Secretary of State for Communities and Local Government to provide information applies to the expanded Troubled Families Programme, which began in April 2015. The first report to Parliament will also reference the progress of the first Troubled Families Programme, and the work of local authorities who began delivery of the expanded programme early in 2014/15.

The Bill requires the Secretary of State to prepare a report on progress made by families who receive support as part of the Troubled Families Programme. This report will be based on the information the programme's payment by results scheme and its national evaluation

Welfare Benefits: Benefit Cap

The Bill reduces the 'benefit cap' to £23,000 in London and £20,000 in other parts of England.

The benefit cap was introduced by sections 96 and 97 of the Welfare Reform Act 2012. It was introduced with the intention of increasing incentives to work, promoting fairness between the tax and welfare systems and helping to reduce the financial deficit. Sections 96 and 97 and section 150 of the Social Security Administration Act 1992 stipulate that the level of the cap should be determined with reference to estimated average weekly earnings and that the Secretary of State should review the level of the cap in each tax year to see whether its relationship with average earnings has changed and following the review. The Secretary of State would be able to increase or reduce the level of the cap, if the Secretary of State decided it was appropriate to do so.

The Bill lowers the benefit cap, so that the total amount of benefits to which a family on out of work benefits can be entitled to in a year will not exceed £20,000 for couples and lone parents, and £13,400 for single claimants, except in Greater London where the cap is set at £23,000 and £15,410 respectively. The legislation removes the link between the level of the cap and average earnings and the requirement for the Secretary of State to review the cap each year, replacing it with the requirement that the Secretary of State must review the cap at least once in each Parliament and allowing the Secretary of State to review it more regularly at their discretion.

The Bill makes the changes to the 'benefits cap' by amending section 96 of the Welfare Reform Act 2012 to include the following:

“(5) Regulations under this section may make provision for determining the “relevant amount” for the reference period applicable in the case of a single person or couple by reference to the annual limit applicable in the case of that single person or couple.

*“(5A) For the purposes of this section the “annual limit” is—
(a) £23,000 or £15,410, for persons resident in Greater London;
(b) £20,000 or £13,400, for other persons.*

*“(5B) Regulations under subsection (5) may—
(a) Specify which annual limit applies in the case of—
(i) Different prescribed descriptions of single person;
(ii) Different prescribed descriptions of couple;
(b) Define “resident” for the purposes of this section;
(c) Provide for the rounding up or down of an amount produced by dividing the amount of the annual limit by the number of periods of a duration equal to the reference period in a year.”*

The Bill defines 'welfare benefit' for purposes of calculating the 'benefits cap' as follows:

- (a) Bereavement allowance (see section 39B of the Social Security Contributions and Benefits Act 1992),
- (b) Carer's allowance (see section 70 of the Social Security Contributions and Benefits Act 1992),
- (c) Child benefit (see section 141 of the Social Security Contributions and Benefits Act 1992),
- (d) Child tax credit (see section 1(1)(a) of the Tax Credits Act 2002),
- (e) Employment and support allowance, including income related employment and support allowance (as defined in section 1(7) of the Welfare Reform Act 2007) (see section 1 of the Welfare Reform Act 2007),
- (f) Guardian's allowance (see section 77 of the Social Security Contributions and Benefits Act 1992),
- (g) Housing benefit (see section 130 of the Social Security Contributions and Benefits Act 1992),

- (h) Incapacity benefit (see section 30A of the Social Security Contributions and Benefits Act 1992),
- (i) Income support (see section 124 of the Social Security Contributions and Benefits Act 1992),
- (j) Jobseeker's allowance, including income-based jobseeker's allowance (as defined in section 1(4) of the Jobseekers Act 1995) (see section 1 of the Jobseekers Act 1995),
- (k) Maternity allowance under section 35 or 35B of the Social Security Contributions and Benefits Act 1992,
- (l) Severe disablement allowance (see section 68 of the Social Security Contributions and Benefits Act 1992),
- (m) Universal credit,
- (n) Widow's pension (see section 38 of the Social Security Contributions and Benefits Act 1992),
- (o) Widowed mother's allowance (see section 37 of the Social Security Contributions and Benefits Act 1992), or
- (p) Widowed parent's allowance (see section 39A of the Social Security Contributions and Benefits Act 1992).

The Bill makes provision for the review of the 'benefits cap' as follows:

- (1) The Secretary of State must at least once in each Parliament review the sums specified in section 96(5A) to determine whether it is appropriate to increase or decrease any one or more of those sums.
- (2) The Secretary of State may, at any other time the Secretary of State considers appropriate, review the sums specified in section 96(5A) to determine whether it is appropriate to increase or decrease any one or more of those sums.
- (3) In carrying out a review, the Secretary of State must take into account—
 - (a) The national economic situation, and
 - (b) Any other matters that the Secretary of State considers relevant.
- (4) After carrying out a review, the Secretary of State may, if the Secretary of State considers it appropriate, by regulations amend section 96(5A) so as to increase or decrease any one or more of the sums specified in section 96(5A).
- (5) Regulations under subsection (4) may provide for amendments of section 96(5A) to come into force—
 - (a) On different days for different areas;
 - (b) On different days for different cases or purposes.
- (6) Regulations under subsection (4) may make such transitional or transitory provision or savings as the Secretary of State considers necessary or expedient in connection with the coming into force of any amendment made by regulations under subsection (4).
- (7) Regulations under subsection (6) may in particular—
 - (a) Provide for section 96(5A) to have effect as if the amendments made by regulations under subsection (4) had not been made, in relation to such persons or descriptions of persons as are specified in the regulations or generally, until a time or times specified in a notice issued by the Secretary of State;
 - (b) Provide for the Secretary of State to issue notices under paragraph (a) specifying different times for different persons or descriptions of person;
 - (c) Make provision about the issuing of notices under paragraph (a), including provision for the Secretary of State to issue notices to authorities administering housing benefit that have effect in relation to persons specified, or persons of a description specified, in the notices.

Welfare Benefits: Freezing of Benefits

The Bill freezes certain social security benefits and certain tax credit amounts for four tax years and limits the amount of support provided by the child tax credit for families who become responsible for a child born on or after 6 April 2017.

It was announced in the July 2015 Budget that certain social security benefits, including child benefit, and certain elements of working tax credit and child tax credit would be frozen for four tax years. Subject to Parliamentary approval, the freeze will take effect from April 2016.

The social security benefits and tax credits in question are:

- a. The main rates of income support, job seeker's allowance, employment and support allowance, housing benefit and universal credit;
- b. The work-related activity group component of Employment and Support Allowance, the work-related activity component of Housing Benefit and the limited capability for work element of Universal credit;
- c. The individual element of Child Tax Credit payable to a child or qualifying young person who is not disabled or severely disabled;
- d. The basic, 30 hour, second adult and lone parent elements of working tax credit; and
- e. Both elements of child benefit, that is, the "enhanced rate" for the eldest child and "any other case" for any other child.

Benefits and payments that are not part of the freeze and that will continue to be up-rated in relation to prices (or earnings where applicable) include:

- a. Pensioner benefits;
- b. Extra cost disability benefits such as attendance allowance, disability living allowance and personal independence payments;
- c. Statutory payments such as statutory maternity pay and ordinary and additional statutory paternity pay;
- d. The amount of the individual element payable in child tax credit where a child or qualifying young person is disabled or severely disabled.
- e. Disabled and severely disabled elements of working tax credit.

The Bill provides for certain social security benefits to be frozen for four tax years as follows:

- (1) For each of the tax years ending with 5 April 2017, 5 April 2018, 5 April 2019 and 5 April 2020, the amount of each of the relevant sums is to remain the same as it was in the tax year ending with 5 April 2016.
- (2) For each of the tax years ending with 5 April 2017, 5 April 2018, 5 April 2019 and 5 April 2020, the rates of child benefit are to remain the same as they were in the tax year ending with 5 April 2016.
- (3) A review under section 150(1) of the Social Security Administration Act 1992 (review of whether certain benefits have retained their value) in the tax years ending with 5 April 2016, 5 April 2017, 5 April 2018 and 5 April 2019 need not cover any of the relevant sums or the rates of child benefit.
- (4) A draft up-rating order which is laid before Parliament under section 150(2) of that Act in the tax years ending with 5 April 2016, 5 April 2017, 5 April 2018 and 5 April 2019 need not cover any of the relevant sums or the rates of child benefit.
- (5) In each of the tax years ending with 5 April 2016, 5 April 2017, 5 April 2018 and 5 April 2019, the Secretary of State must lay before Parliament a copy of a report by the Government Actuary or the Deputy Government Actuary giving that Actuary's opinion on the likely effect of the provision in subsection (1) on the National Insurance Fund in the following tax year, so far as that provision relates to any sums payable out of the Fund.

(6) In this section—

“Child benefit”—

(a) In relation to England and Wales and Scotland, has same meaning as in Part 9 of the Social Security Contributions and Benefits Act 1992;

(b) In relation to Northern Ireland, has the same meaning as in Part 9 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992;

“The relevant sums” means the sums described in paragraph 1 of the Schedule;

“Tax year” means a period beginning with 6 April in one year and ending with 5 April in the next.

The Bill provides for certain tax credit amounts for four tax years to be frozen as follows:

(1) For each of the tax years ending with 5 April 2017, 5 April 2018, 5 April 2019 and 5 April 2020, each of the relevant amounts is to remain the same as it was in the tax year ending with 5 April 2016.

(2) A review under section 41 of the Tax Credits Act 2002 (review of whether certain tax credit amounts have retained their value) in the tax years ending with 5 April 2016, 5 April 2017, 5 April 2018 and 5 April 2019 need not cover any of the relevant amounts.

(3) In this section—

“The relevant amounts” means the amounts described in paragraph 2 of the Schedule;

“Tax year” means a period beginning with 6 April in one year and ending with 5 April in the next.

It was announced in the July 2015 Budget that, as part of the welfare budget savings, the maximum entitlement to child tax credit would be restricted for families who become responsible for a child or children or qualifying young person(s) born on or after 6 April 2017. The changes will take effect from the 2017/18 tax year. The changes being made are:

a. Restricting the child element of child tax credit to two children per family:

i. The calculation of the maximum rate of child tax credit currently includes an individual element (£2,780 for the 2015/16 tax year) for each child or qualifying young person for whom the claimant or claimants (if claiming as part of a couple) is responsible. This is currently referred to as the 'individual element' of child tax credit. Currently, the individual element is paid at a higher rate of £2,780 plus £3,140 or £4,415 where the child or qualifying young person is disabled or severely disabled respectively.

ii. The changes will restrict the individual element of child tax credit to two children per family where specified conditions apply. A claimant will only be entitled to an individual element for a maximum of two children or qualifying young persons unless they are claiming for more than two children or qualifying young persons who were born before 6 April 2017. New births after that date will not qualify for the individual element.

iii. The changes will, however, ensure that any disabled or severely disabled child born or qualifying young person born on or after 6 April 2017 will qualify for the additional individual element regardless of the changes referred to in (ii) above. This is achieved by the creation of a new disability element, which through changes to secondary legislation is intended to reflect additional individual element currently payable for disabled and severely disabled children (for 2015-16, £3,140 and £4,415). This will be paid for all disabled children or qualifying young persons.

iv. The restriction to the availability of the child element will be on a "rolling basis" so that when the eldest child ceases to be entitled to child tax credit, if there is a third child born on or after 6 April 2017, that third child will become eligible for entitlement. This will roll on to subsequent children as elder children cease to be entitled to the payment.

b. Removing the family element of child tax credit:

i. The calculation of the maximum rate of child tax credit currently includes a family element. The calculation includes one family element (£545 for the 2015/16 tax year) regardless of the number of children or qualifying young persons for whom the claimant or claimants are responsible, and whether the children or qualifying young persons are disabled or severely disabled.

ii. The changes will remove the family element from the calculation of the maximum entitlement to child tax credit for all families are only responsible for a first child or qualifying young person who is born on or after 6 April 2017. The changes will take effect from 6 April 2017.

Welfare Benefits: Universal Credit

The Bill introduces the same approach to the child element of Universal credit as it introduces to child tax credits. It limits the child element of universal credit to a maximum of two children and removes the distinction between the first and subsequent children in the rate of the child element. It also removes the work-related activity component in employment and support allowance and the limited capability for work element in universal credit; and makes changes to conditionality for responsible carers in universal credit.

The Bill amends section ten of the Welfare Reform Act 2012 to say that the child element of Universal Credit:

"Is to be available in respect of a maximum of two persons who are either children or qualifying young persons for whom a claimant is responsible."

Currently, the 'child element' of the universal credit award is payable to claimants in respect of each child or qualifying young person for whom they are responsible. This includes a higher rate in respect of the first child or qualifying young person, and a lower rate in respect of the second and each subsequent child or qualifying young person.

The Bill seeks to limit the child element of universal credit to include amounts in respect of a maximum of two children or qualifying young person and to remove the distinction between the first and subsequent children in the rate of the child element. This limit will not apply to the additional amount that is paid in respect of a child or qualifying young persons who is disabled and the Bill allows this amount to be paid for each disabled child or young person for whom the claimant is responsible.

Employment and support allowance is an income-replacement benefit for people of working age and is currently the main income-replacement benefit for those who cannot work because of a health condition or disability. Universal credit provides a new single system of means-tested support for people of working age who are either in or out of work. Universal Credit is gradually replacing income-related Employment and Support Allowance as it is rolled out and becoming available in an increasing number of areas across Great Britain.

The Bill removes provision for certain additional payments - that is, the Employment and Support Allowance work-related activity component and the Universal Credit limited capability for work element, included within Employment and Support Allowance and Universal Credit - to be paid to claimants with limited capability for work.

The intention is that regulations will include provision for claimants who are already in receipt of the work-related activity component or limited capability for work element to continue to receive that component.

Conditionality is a core principle of universal credit that people who can, must look for work in return for benefit. Conditionality refers to the requirements for claimants to engage in activities which increase their chances of obtaining paid work (or more or better paid work).

Depending on their personal circumstances, a claimant may be subject to –

- a. No work-related requirements;
- b. A work-focused interview requirement only;
- c. A work preparation requirement and work-focused interview requirement only; and
- d. All work-related requirement group

Conditionality for responsible carers of children currently operates as follows:

- a. Responsible carers with a child under 1 are subject to no work-related requirements,
- b. Those with a child aged 1 or 2 are subject to work-focused interview requirements,
- c. Those with a child aged 3 and 4 are subject to work preparation requirements, and
- d. Those with a child aged 5 and over are subject to all work-related requirements unless their circumstances mean they fall into one of the other groups (for example because of a health condition).

The Bill seeks to change conditionality for responsible carers as follows:

- a. Those with a child aged 3 or 4 should be subject to all-work related requirements;
- b. Those with a child aged 2 should be subject to work-focused interview requirements and work preparation requirements; and
- c. Those with a child aged 1 should remain subject to work-focused interview requirements only.

Loans for Mortgage Interest

The Bill replaces current support for mortgage interest payments for benefit claimants with the offer of a recoverable interest-bearing loan secured as a second charge on claimants' properties. It provides that the Secretary of State may by regulations provide for loans to be made in respect of a person's liability to pay mortgage interest in relation to property occupied by the person as the person's home.

The Bill will enable interest-bearing loans to be made to eligible owner-occupiers in respect of their liability to pay mortgage interest for their home, which will be secured by a second charge on their property. Those entitled to receive income support, income-based jobseeker's allowance, income-related employment and support allowance, State Pension Credit or Universal credit will be eligible to receive a loan.

The Bill will replace the existing legislative scheme that allows owner-occupiers who are receiving an income-related benefit to claim additional help towards their mortgage payments. This help will be replaced by the opportunity to apply for a loan which will only be granted if individuals satisfy certain requirements, including that they have received financial advice, and the loan will be secured against their property. The provision of help with mortgage interest in the form of a loan rather than a benefit will ensure that the Government continues to mitigate the risk of repossession while providing better value for the tax payer.

Social Housing Rents

The Bill provides for a 1% annual reduction in social housing rents for the next four years. In the past governments have enforced policies on social rents through guidance and regulation and this is the first time that legislation has been used. The Bill provides in section nineteen that:

- (1) Registered providers of social housing must secure that the amount of rent payable in a relevant year by a tenant of their social housing in England is 1% less than the amount that was payable by the tenant in the preceding 12 months.
- (2) Subsection (1) is subject to subsection (3) and section 20.
- (3) The amount of rent payable in the 12 months preceding the first relevant year is to be treated as being—
 - (a) The amount that would have been payable in those 12 months if the rate applicable at the beginning of 8 July 2015 had applied during those 12 months, or
 - (b) If the Secretary of State consents to the use of a different day (“the permitted review day”), the amount that would have been payable in those 12 months if the rate applicable at the beginning of the permitted review day had applied during those 12 months.
- (4) Registered providers of social housing must secure that the amount of rent payable in a relevant year or a part of a relevant year by—
 - (a) A person who becomes a tenant of particular social housing in England after the beginning of the first relevant year, or
 - (b) A person who, having been a tenant of particular social housing in England but not a tenant in relation to whom this section applies, becomes a tenant of that accommodation in relation to whom this section applies after the beginning of the first relevant year, is the amount that would have been payable for that year or part of a year, if that accommodation had been available from a time before the beginning of the first relevant year, the person had been a tenant of that accommodation from a time before the beginning of the first relevant year, this section had applied in relation to the person at all times, and reasonable assumptions are made about the rent that would have been paid.
- (5) The regulator may publish a document about the assumptions that the regulator considers reasonable.
- (6) Where—
 - (a) A person becomes a tenant of particular social housing in England during a relevant year, or
 - (b) A person, having been a tenant of particular social housing in England but not a tenant in relation to whom this section applies, becomes a tenant of that accommodation in relation to whom this section applies during a relevant year, references to an amount payable by the tenant in the preceding 12 months are to be treated as references to an amount that would have been payable if the person had been a tenant in relation to whom this section applies for the preceding 12 months.
- (7) For the purposes of this section a relevant year, in relation to a registered provider, is—
 - (a) In the case of a registered provider whose practice as regards the greater number of its tenants is to change rent payable no more than once a year and with effect from a single date other than 1 April (“the review date”)—
 - (i) A year beginning on the first review date to occur after 1 April 2016, or
 - (ii) A year beginning on the first, second or third anniversary of that date;
 - (b) In any other case, a year beginning on 1 April 2016, 1 April 2017, 1 April 2018 or 1 April 2019.
- (8) A registered provider whose practice is as described in subsection (7) (a) is to be regarded as having complied with the preceding subsections if it treats tenants in its social housing as if its relevant years were the years mentioned in subsection (7)(b).

(9) Sections 194(2A) and 198(3) of the Housing and Regeneration Act 2008 (the powers of the regulator to set and revise standards relating to levels of rent) are subject to this section.

(10) In this section—

“Registered provider” means a registered provider of social housing (see section 80 of the Housing and Regeneration Act 2008);

“The regulator” means the Regulator of Social Housing;

“Rent” has the same meaning as in Part 2 of the Housing and Regeneration Act 2008;

“Social housing” has the same meaning as in Part 2 of the Housing and Regeneration Act 2008;

“Tenant” has the same meaning as in Part 2 of the Housing and Regeneration Act 2008.

However, in section twenty it is stated that section nineteen does not apply in relation to a tenant of social housing if:

(a) The accommodation is low cost home ownership accommodation;

(b) The accommodation is both low cost rental accommodation and low cost home ownership accommodation (see section 71 of the Housing and Regeneration Act 2008);

(c) The registered provider’s interest in property that consists of or includes that social housing is subject to a mortgage and there is—

(i) A mortgagee in possession of that interest in the property, or

(ii) A receiver appointed by the mortgagee or by the court who is in receipt of the rents and profits of that interest in the property;

(d) the registered provider’s interest in property that consists of or includes that social housing was sold by—

(i) A mortgagee in possession of that interest in the property, or

(ii) A receiver appointed by the mortgagee or by the court who was in receipt of the rents and profits of that interest in the property, and that interest is owned by the person who bought it from the mortgagee or receiver.

(2) The Secretary of State may by regulations provide for section 19 not to apply in cases prescribed by the regulations.

(3) Regulations under subsection (2) may in particular make provision about—

(a) Tenants of a description prescribed by the regulations;

(b) Tenancies of a description prescribed by the regulations;

(c) Accommodation of a description prescribed by the regulations;

(d) Accommodation which satisfies conditions prescribed by the regulations, including conditions relating to the funding of its building or refurbishment;

(e) Events of a description prescribed by the regulations.

(4) Regulations made by virtue of subsection (3)(a) may include provision about tenants whose income exceeds, or whose household’s incomes exceed, an amount prescribed by the regulations during a period prescribed by the regulations.

(5) In this section—

“Low cost home ownership accommodation” has the meaning given by section 70 of the Housing and Regeneration Act 2008;

“Low cost rental accommodation” has the meaning given by section 69 of the Housing and Regeneration Act 2008;

“Registered provider” means a registered provider of social housing (see section 80 of the Housing and Regeneration Act 2008);

“Relevant year” has the same meaning as in section 19;

“Social housing” has the same meaning as in Part 2 of the Housing and Regeneration Act 2008;

“Tenant” has the same meaning as in Part 2 of the Housing and Regeneration Act 2008.

(6) Regulations under this section must be made by statutory instrument.

(7) A statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of either House of Parliament.

Section 21 provides for circumstances in which an exemption could be made for a registered provider of social housing as follows:

(1) The regulator may issue a direction mentioned in subsection (2) in respect of a private registered provider if—

- (a) The condition in subsection (4) or (5) is satisfied, and
- (b) The Secretary of State consents.

(2) The directions are—

(a) A direction that section 19 does not apply in relation to a private registered provider specified in the direction;

(b) A direction that section 19 is to have effect in relation to a private registered provider specified in the direction as if in section 19(1) for “1% less than” there were substituted “the same as”;

(c) a direction that section 19 is to have effect in relation to a private registered provider specified in the direction as if section 19(1) required the lesser reduction specified in the direction.

(3) The regulator may specify in a direction the period during which it is to have effect.

(4) The condition in this subsection is that the regulator considers that complying with section nineteen would jeopardise the financial viability of the private registered provider.

(5) The condition in this subsection is that the circumstances of the private registered provider satisfy requirements prescribed in regulations made by the Secretary of State.

(6) The Secretary of State may issue a direction mentioned in subsection (7) in respect of a local authority if the condition in subsection (9) is satisfied.

(7) The directions are—

(a) A direction that section 19 does not apply in relation to a local authority specified in the direction;

(b) A direction that section 19 is to have effect in relation to a local authority specified in the direction as if in section 19(1) for “1% less than” there were substituted “the same as”

(c) A direction that section 19 is to have effect in relation to a local authority specified in the direction as if section 19(1) required the lesser reduction specified in the direction.

(8) The Secretary of State may specify in a direction the period during which it is to have effect.

(9) The condition in this subsection is that the Secretary of State considers that the local authority would be unable to avoid serious financial difficulties if it were to comply with section 19.

(10) The Secretary of State may publish a document about the measures that the Secretary of State considers could be taken by a local authority in order to comply with section 19 and to avoid serious financial difficulties.

The Bill provides for enforcement as follows:

(1) Failure by a registered provider of social housing to comply with section 19 is a ground for exercising a power in Chapter 6 or 7 of Part 2 of the Housing and Regeneration Act 2008 (if the power is otherwise exercisable in relation to a registered provider of that kind).

(2) The risk that, if no action is taken by a registered provider of social housing or the Regulator of Social Housing, the registered provider will fail to comply with section 19 is a ground for exercising a power in Chapter 6 of Part 2 of the Housing and Regeneration Act 2008.

Social housing rents are set according to the Government's rent policy. Rents are set based on a formula that was updated annually at a rate of RPI + 0.5%. The policy included a limit on annual rent increases of RPI + 0.5% + £2 where rents were below formula rent. In 2011, the Government introduced a new form of social housing, Affordable Rent, whose rent can be set at up to 80% of market rate, inclusive of service charges, and which is also subject to rent policy and the limit on annual rent increases. A new rent policy was published in May 2014 (with effect from April 2015) limiting annual rent increases to CPI + 1% for the next ten years. The underlying social or 'formula' rents are also uprated annually at a rate of CPI + 1%. In this Bill the Government intends to reduce rents in social housing in England by 1% a year for four years from April 2016. These reductions will reset the levels of rents in the social housing sector that the government considers have become out of kilter with private rents during recent years as a result of the previous government policy. This will help protect taxpayers from the rising costs of subsidising rents through housing benefit, and protect tenants from rising housing costs. This will reduce average rents for households in the social housing sector by around 12% by 2020 compared to current forecasts.

Applicability of the Bill

The following provisions apply across the whole of the United Kingdom:

- a. The duty to report annually on progress towards the Government's objective of full employment
- b. Freeze of tax credits and Child Benefit
- c. Changes to Child Tax Credit

The following provisions apply to England, Wales and Scotland (Northern Ireland is responsible for its own social security system):

- a. Changes to benefit cap
- b. Freeze of certain social security benefits
- c. Changes to child element of universal credit
- d. The removal of the work-related activity component in employment and support allowance and the limited capability for work element in universal credit
- e. Conditionality for responsible carers in universal credit
- f. Loans for mortgage interest

The following provisions apply to England only:

- a. Apprenticeships duty (extends to England and Wales, but only applies in England)
- b. The duty to report annually on the progress of the Troubled Families Programme (The delivery of similar programmes in Wales, Scotland and Northern Ireland is a devolved matter).
- c. Changes to social housing rents

For the life chances provisions:

- a. The duty to report annually on measures of children living in workless households and the educational attainment of children will apply to England only.
- b. There will no longer be a duty for a UK strategy. Scottish Ministers and the relevant Northern Ireland department will retain a duty to produce a strategy to ensure, that as far as possible, children in their territory do not experience socio-economic disadvantage.
- c. Scottish Ministers and the relevant Northern Ireland department will no longer have a duty to describe in their strategies the progress they intend to make to contribute to the meeting of the targets of relative low income, combined low income and material deprivation, absolute low income and persistent poverty which this Bill removes.
- d. The duty on the renamed Social Mobility Commission in relation to promoting social mobility and advising Ministers, if requested, on how to improve social mobility, applies to England only.

e. The duty on the Commission in relation to reporting annually on the progress made to ensure, that as far as possible, children do not experience socio-economic disadvantage, applies to devolved administrations only.

Financial Implications of the Bill

The government has identified that the Bill will have the following financial implications:

- The Bill is expected to make significant savings to public expenditure.
- HM Treasury and relevant Departments are considering how any additional Departmental costs arising from the provisions in this Bill will be managed within existing Budgets.
- The loans for mortgage interest provision will create a charge on public funds.
- Any other additional costs arising from provisions in this Bill will be funded by HM Government, and will not impact on public funds.
- The duty to report on troubled families will give rise to additional public expenditure. The duty to report on children living in workless households and educational attainment may also do so, and so may the new functions of the Social Mobility Commission (as the Commission is publicly funded). The loans for mortgage interest provision will create a charge on public funds. A Money resolution will be needed to cover this expenditure. Since the loans provisions provide for repayment of loans, the Money Resolution will include provision for the payment of sums received into the Consolidated Fund.

Adrian Waite
October 2015

Seminar: Welfare Reform: The Implications for Housing and Local Government

November 2015

The Government was elected on a commitment to reduce expenditure on welfare by £12billion. Its detailed proposals for doing this were announced in the Budget of July 2015. It has also introduced the Welfare Reform and Work Bill.

The main measures are:

- Working-age benefits, including tax credits and Local Housing Allowance, will be frozen for four years from 2016/17.
- The household benefit cap will be reduced to £20,000 (£23,000 in London).
- Support through Child Tax Credit will be limited to two children for children born from April 2017.
- Those aged 18 to 21 who are on Universal Credit will have to apply for an apprenticeship or traineeship, gain work-based skills, or go on a work placement six months after the start of their claim.
- There will be reductions to tax credits for people on low incomes.

In addition the Under-occupation penalty remains in place and Universal Credit continues to be rolled out. Welfare reform is clearly having a significant effect on tenants and other residents who claim benefits and on the ability of councils and housing associations to collect income and fund services. This seminar will address the implications of Welfare Reform for local authorities and housing associations. The session is accompanied by a very useful book entitled: "Welfare Reform 2015 – The Implications for Housing and Local Government"

Who should attend?

All those with an interest in welfare reform, including Managers in Housing Associations, Local Authorities and Arm's Length Management Organisations, Councillors, Housing Association and ALMO Board Members, Housing Accountants and Tenant Representatives.

Venue and Date:

North: Clough Manor Hotel, Oldham – Wednesday 4th November 2015

For more information or to make a booking please visit: <http://www.awics.co.uk/welfare15.asp>

Webinars

Welfare Reform and Work Bill

This webinar considers the Welfare Reform and Work Bill that is currently before Parliament and its implications for housing and local government in England, Scotland and Wales in the context of the United Kingdom government's overall approach to welfare reform.

Date: 2.00pm on Monday 16th November 2015.

For more information or to make a booking please visit: <http://www.awics.co.uk/wrwbill.asp>

Social Rent Reforms

This webinar considers the United Kingdom government's proposal to oblige housing associations and local authorities to reduce social and affordable rents by 1% a year over the next four years; and to charge near-market rents to tenants with high incomes.

Date: 2pm on Monday 14th December 2015.

For more information or to make a booking please visit: <http://www.awics.co.uk/webinar4.asp>

About 'AWICS'

'AWICS' is a management consultancy and training company. We specialise in providing support in finance and management to clients in local government and housing in England, Scotland and Wales. We are well known for our ability to analyse and explain complex financial and management issues clearly.

Our mission statement is 'Independence, Integrity, Value'. We therefore provide support to clients from an independent standpoint that is designed to help the client to achieve their objectives. We are passionate about working with the utmost integrity. We believe that we offer the best value for money that is available today!

For more information about us and our services please visit our website at www.awics.co.uk or contact Adrian Waite at Adrian.waite@awics.co.uk

Services that we offer include:

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- Interim Management – <http://www.awics.co.uk/interimmanagement.asp>
- Regional Seminars — <http://www.awics.co.uk/Seminars2015.asp>
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