

Committee:	Date:
Community and Children's Services	11 th September 2015
Subject: Welfare Reform and Work Bill	Public
Report of: Remembrancer	For Information

Summary

This Report advises the Committee of the provisions of the Welfare Reform and Work Bill, which was introduced in Parliament shortly before the Summer Recess. The Bill will implement the welfare reforms announced in July's Budget, including a reduction in the 'benefit cap', a five-year freeze in working-age benefits and the restriction of child tax credits to two children per family. Of most direct concern to the Committee is a requirement for social housing providers to reduce rents by one per cent in each of the next four years. Another measure affecting the Committee is the abolition of statutory duties concerning child poverty.

Recommendation

It is recommended that the Committee receive this Report.

Main Report

1. The Welfare Reform and Work Bill was introduced in Parliament shortly before the Summer Recess and received its Second Reading in the Commons (widely reported in the light of internal debate in the Labour party over the position it would take). Detailed consideration in Committee will begin in the autumn. The main purpose of the Bill is to implement the welfare reforms announced by the Chancellor in July's Budget.
2. The measure of most direct concern to the Committee is a reduction in social housing rents of one per cent in each of the next four years. This reverses present policy whereby rents may be increased by up to one per cent above inflation. The reduction will be imposed on all registered providers of social housing, including the Common Council. The Government has explained the measure as an attempt to reduce the amount it spends on housing benefit. The Opposition has expressed support for the principle of reducing social rents, but has indicated that amendments will be tabled in Committee in order to mitigate the financial effects on housing providers.
3. The Director of Community and Children's Services has advised that the reductions in rent could lead to losses in the region of £3 or £4 million over the four-year period, compared to current income projections for the Housing Revenue Account. The precise measure of losses will depend on the rate of inflation shown in the Consumer Price Index (which would otherwise have determined changes in rent).

4. The work of the Committee will also be affected by reforms to the statutory regime in respect of child poverty, by which the current duty of the Secretary of State to meet targets with respect to four income-based measures of child poverty will be abolished, and replaced with a duty to report annually to Parliament on the number of children in workless households and the educational attainment of children from different backgrounds. The Child Poverty Act will be rebranded as the Life Chances Act and the Social Mobility and Child Poverty Commission will become simply the Social Mobility Commission. As part of these reforms three duties currently placed on local authorities (including the Common Council) will be removed: that of preparing a local child poverty needs assessment, that of preparing a joint child poverty strategy, and the general duty to promote co-operation among various local bodies in order to reduce or mitigate child poverty.
5. Other measures in the Bill do not directly affect the work of the Committee but might be of wider policy interest to Members. The so-called 'benefit cap' is to be reduced from £26,000 to £23,000 in London (and £20,000 elsewhere). Most working-age benefits will be frozen at current rates until 2020. Child tax credit (and the equivalent element of universal credit) will be restricted to two children per family with effect from 2017. Parents in receipt of universal credit will be required to seek work when their children are at an earlier age. The current benefit available to assist with mortgage payments will be replaced by interest-bearing loans from the Government. The Secretary of State will be required to report annually to Parliament on progress made towards full employment, progress made towards the Government's target of creating three million apprenticeships by 2020, and on the effectiveness of support provided by local authorities under the Government's 'troubled families' programme (in which the Common Council is not presently involved).
6. Some of these measures might have indirect consequences for the City Corporation, by making it more difficult for social tenants to pay their rent and thus leading to an increase in arrears. This is especially the case with the benefit cap and the benefit freeze, both of which apply to housing benefit. At present, though, the Director of Community and Children's Services considers that only a small number of households are likely to be affected by these measures. It is also possible that the benefit cap could also lead to an increase in the number of homelessness applications in cases where welfare recipients find their current housing unaffordable, but the effect of this in the City is not likely to be significant.
7. The Bill is at an early stage and it is possible that significant changes will be made (including the addition of further measures) as it proceeds through Parliament. Any developments of interest to the Committee will be reported to future meetings.

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