

## Assembly Section

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Mr Shane McAteer  
Clerk  
Committee for Finance and Personnel  
Room 419  
Parliament Buildings  
Stormont

11 May 2012

Dear Shane

### **UPDATE ON FUTURE OF THE RATES ELEMENT OF HOUSING BENEFIT – IMPACT OF WIDER WELFARE REFORM CHANGES**

Members will be aware that a range of welfare reform changes are to be introduced from 1 October 2013, including the introduction of universal credit. Given the significance of the reforms the Executive established a Welfare Reform Executive Sub Committee to consider the impact of the changes, with cross-Departmental consideration of a range of issues arising from this.

One change relates to the impact of the abolition of council tax benefit (support with local taxation bills in the UK). This will take effect from 1 April 2013, when the rates element of Housing Benefit will also be abolished. This will be coupled with a 10% reduction in funding, and a move from AME to DEL. In the rest of the UK replacement localised rebate schemes are being introduced to provide support with council tax bills. Scotland has indicated that they will fund the 10% shortfall in 2013/14; it is understood that a similar approach is to be adopted by some local authorities in England.

Locally the way ahead has been considered by the Executive Sub Committee. It has concluded that there is no viable alternative to continuing with the existing rates support system and making up the funding shortfall, in the short term, through public expenditure. There is simply not the time in which to develop and introduce a new replacement scheme, given all the necessary steps that would have to be undertaken by 1 April 2013. Members will wish to note that in the first year, 2013/2014, the shortfall could be upwards of £13m.

Both the Finance and Social Development Ministers have agreed to the approach set out above and have prepared a joint Executive paper seeking agreement on the issue. This is currently being considered by the Sub Committee, in the first instance, with a view to Executive consideration at the end of May.

At present the draft Executive paper seeks agreement to continue with the current rates support element of Housing Benefit, for an interim period pending consideration of alternatives, and subsidise the immediate shortfall in funding from public expenditure. In terms of alternatives, DSD is preparing a strategic options paper to be presented to the Welfare Reform Sub Committee before summer recess.

The Scottish Government has already decided to fund the shortfall next year from Public Expenditure.

At this stage the Department simply wishes to advise the Committee of this issue, emphasising that the suggested position (if agreed to) should result in no change for ratepayers, albeit that there will be financial implications for the Executive, in the short term.

The key messages arising from agreement to these matters would be that the Executive:

- has to respond to a UK wide cut in funding for rates support;
- will not be rushing to impose these cuts immediately;
- will protect existing claimants for the time being; and
- will be developing longer term policies to support those least able to pay.

While legislative changes will be required this will essentially involve changes to maintain rates support for a time limited period. Further information and analysis will be provided to the Committee in due course, as it becomes available. Members will of course be updated, as soon as possible, on the wider strategic options that are being considered for the medium to long term.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'Norman', followed by a long horizontal flourish line.

**NORMAN IRWIN**