

Housing Benefit Circular

Department for Work and Pensions

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HB S8/2013

SUBSIDY CIRCULAR

WHO SHOULD READ	Housing Benefit (HB) and Council Tax Reduction Scheme (CTRS) managers and staff. Fraud managers and staff. Officers preparing subsidy claims and estimates
ACTION	For information
SUBJECT	HB subsidy arrangements 2014/15: Details of the specific grant for administration costs for WELSH authorities

Guidance Manual

The information in this circular does not affect the content of the HB Guidance Manual.

Queries

If you

- want **extra copies of this circular/copies of previous circulars**, they can be found on the website at: <https://www.gov.uk/government/collections/housing-benefit-for-local-authorities-circulars>
- have any queries about the
 - **technical content of this circular**, contact
Email: hbctb.subsidyqueries@dwp.gsi.gov.uk
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Email: housing.correspondenceandpqs@dwp.gsi.gov.uk

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2014/15 HB administration subsidy arrangements for Welsh authorities

Introduction

- 1 This circular contains details of the HB administration subsidy for Welsh authorities only, following consultation with the Local Authority Associations (LAAs), which will apply for 2014/15. Arrangements for England and Scotland will be announced in separate circulars.
- 2 Provision for the 2014/15 HB subsidy arrangements will be made by an Amendment Order to the Income-related (Subsidy to Authorities) Order 1998, which will also be subject to consultation with the LAAs prior to being laid before Parliament.

Background

- 3 Following the abolition of Council Tax Benefit (CTB) and the introduction of Council Tax Reduction Schemes (CTRS) in April 2013, the funding baseline for HB/CTB will be disaggregated from 2014/15 onwards. DWP will be responsible for allocating the HB element to local authorities (LAs) with the CTRS element being transferred to Department for Communities and Local Government (DCLG) and the Devolved Administrations (DAs) to distribute to their respective LAs.
- 4 Negotiations with Her Majesty's Treasury (HMT) at Spending Review (SR) 2013 concluded that for 2014/15, 80% of the total HB and CTRS administration grant will reside with DWP, with the remaining 20% being included in DCLG's and the DAs' baselines to meet part of the costs of CTRS.
- 5 On 1 August 2013, Lord Freud wrote to LA Chief Executives giving the reassurance that DWP would maintain the level of LA funding required to manage the full administration of HB in 2014/15. This assurance is reflected in the HB allocation where the only factor affecting the funding for 2014/15 is the efficiency challenge imposed on all Departments by HMT in SR2013.
- 6 In calculating the 2014/15 HB allocation, the starting point for the efficiency challenge was SR2007, where a 7% efficiency saving was applied. In addition, from the Autumn Statement 2012 and Budget 2013, a further 3% was applied - hence the 10% efficiency savings target - as per the SR2013 settlement for DWP.
- 7 The HB allocation for Welsh LAs is **£15.68 million**. This funding merges the main HB administration subsidy, and the additional administration subsidy to meet the impact of the economic downturn, which were separately identified in previous years.
- 8 LAs have been notified of their individual 2014/15 CTRS allocations through the Welsh Government's (WG) provisional settlement.

Details of the DWP administration subsidy distribution in 2014/15

- 9 Discussions between the WG, the Welsh LAA representatives and DWP officials about allocating 2014/15 HB funding concluded that both HB and CTRS total funding should be considered together, and compared to the total funding for 2013/14. This was deemed necessary to negate any unintended consequences of the policy decision to disaggregate HB/CTB and avoid any LAs suffering wide variations in funding between 2013/14 and 2014/15. As a result, it was agreed that DWP should apply netting and capping to the total funding for 2014/15 (HB and CTRS).
- 10 The net and cap percentages applied are 10% net and 0% cap. Individual allocations are shown in the Annex of this circular.
- 11 Netting and capping options have been applied to HB funding only. This is necessary to avoid the anomalies that doing otherwise would create for both WG and DWP accounts. Also applying netting and capping to HB figures allows DWP to adopt a similar approach to previous years – hence consistency for LAs.

Netting and Capping

- 12 Netting and Capping is a method used to dampen/limit the amount of change between funding from one year to the next, and thus provide some financial stability for authorities. The net is the lower limit, whilst the cap is the upper limit. Netting and capping is not new and has been applied in previous years.

How it works

- 13 Netting is the floor to which we would look to restrict losses. For example, when we net at 10%, we ensure that no authority has a reduction of more than 10% funding compared to the previous year. To do this, we identify which authorities would suffer a loss of more than 10% and calculate the total required to lift their funding to this lower limit. This lower limit becomes the amount of funding that they would then receive.
- 14 Capping is the ceiling to which we would look to restrict gains (or even to set a low limit of loss). In the case of a 0% cap, we ensure that no authority receives more funding in the previous year. Again, we look to identify those authorities where the raw allocation is greater than the previous year, and top slice any such amounts. This top slicing is then used to offset (in part) the amount of uplift required to enable the netting. This upper limit becomes the amount of funding that the authority would then receive.
- 15 Any subsequent shortfall after top slicing the funding that is available from capping to provide for the net is then found by redistributing funding for those authorities which are between the net and cap levels proportionally.
- 16 As a process, netting and capping is cost neutral overall, but its application impacts across all authorities.

Distribution methodology

- 17 DWP will allocate each LA a share of the total administration subsidy that reflects its share of the national HB work done, with adjustments that reflect some differences in regional costs based upon Single Housing Benefit Extract (SHBE) data for the period from June 2012 to March 2013.
- 18 The methodology uses weightings that reflect the time needed to administer cases of different tenure types. The weightings in *Table 1* are derived from the report 'Costs of Administering Housing and Council Tax Benefits' (ISBN 1841239836).

Table 1

New Claims case types	Weightings
Rent Rebates – not receiving income-based Jobseeker's Allowance (JSA(IB)), Income Support (IS) or Pension Credit (guarantee credit)	1.56
Rent Rebates – receiving JSA(IB), IS or Pension Credit (guarantee credit)	1.09
Housing Associations – not receiving JSA(IB), IS or Pension Credit (guarantee credit)	1.60
Housing Associations – receiving JSA(IB), IS or Pension Credit (guarantee credit)	1.13
Rent Allowances (other than Housing Associations) – not receiving JSA(IB), IS or Pension Credit (guarantee credit)	1.72
Rent Allowances (other than Housing Associations) – receiving JSA(IB), IS or Pension Credit (guarantee credit)	1.23
Live Claims case types	
Rent Rebates	1.51
Housing Associations	2.00
Rent Allowances (other than Housing Associations)	2.13

Labour cost adjustments

- 19 For **labour costs**, we used the most up to date information on the Annual Survey of Hours and Earnings (ASHE) to derive the labour cost indices split between England, Scotland and Wales. The DCLG Labour Cost Adjustment (LCA) ratios will be applied to the English LAs.
- 20 *Table 2* shows a summary of the regional values used for the 2014/15 distribution.

Table 2

ASHE survey	Weight
England	1.0074
Wales	0.9321
Scotland	0.9668

Accommodation factors

- 21 For **accommodation factors**, we used the information of the Property Market Report provided by the Valuation Office Agency (VOA). These have been used to derive the indices to represent a split of accommodation costs between England, Scotland and Wales.
- 22 *Table 3* shows a summary of the regional values used for the 2014/15 distribution.

Table 3

VOA-Property Report	Market	Weight
England		1.0310
Wales		0.6800
Scotland		0.9590

The formula

- 23 The subsidy is distributed among LAs by taking HB caseloads into account, with different weightings for different case types such as private or LA housing, and adjustments to compensate for variations in accommodation and labour costs between regions.
- 24 The administration subsidy for a particular LA is equal to a fraction of the total administration subsidy. This fraction is calculated using the Adjusted Caseloads and the labour and accommodation indices which are scaled by the average which has been weighted by caseload.

$$\text{Factor} = \text{Adjusted Caseload} \times [0.25 + 0.65 \times \text{Scaled Labour indices} + 0.1 \times \text{Scaled Accommodation indices}]$$

$$\text{Admin Subsidy} = \text{Factor} \times \text{Total Admin Subsidy} / \text{Sum of Factors for all LAs}$$

- 25 The Adjusted Caseloads for HB are calculated by applying the relevant weighting to each aspect of the caseload (both live load and new claim volumes using the weights from *Table 1*) and summing the total.

Payments of subsidy

- 26 Payments of interim administration subsidy will be made in monthly instalments beginning in April 2014. The overall grant available to support HB administration costs is cash limited and so there is no provision for any adjustments to be made to individual LA allocations.

Queries

- 27 If you have a query about the 2014/15 administration subsidy distribution, contact

Email: HBCTB.SUBSIDYQUERIES@DWP.GSI.GOV.UK

- 28 If you have a query about the payment arrangements, please contact Michael Mina
Tel: 01253 337697
Email: michael.mina@dwp.gsi.gov.uk

2014/15 Individual Welsh LA allocations

Local Authority name	2014/15 DWP HB allocation (£)
Blaenau Gwent	510,188
Bridgend	746,537
Caerphilly	909,198
Cardiff	1,880,123
Carmarthenshire	829,973
Ceredigion	316,666
Conwy	593,685
Denbighshire	502,426
Flintshire	620,389
Gwynedd	582,016
Isle of Anglesey	331,354
Merthyr Tydfil	378,407
Monmouthshire	328,158
Neath Port Talbot	841,191
Newport	878,845
Pembrokeshire	536,837
Powys	532,171
Rhondda Cynon Taff	1,324,268
Swansea	1,278,277
Torfaen	576,171
Vale of Glamorgan	541,142
Wrexham	640,280
Total	15,678,302