



Welfare Reform

For consideration by:
Neighbourhood Services and Community Involvement
Scrutiny Commission

Date: 5th October 2016

Lead director: Alison Greenhill

Useful information

- Ward(s) affected: All
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1. Summary

The purpose of this briefing paper is to provide Neighbourhood Scrutiny with an update on the effect of welfare reform in Leicester during 2015/16, and to highlight the expected impact of changes to be introduced by April 2017.

2. Main report

2.1 Introduction

The government is committed to implementing over £12 billion of new benefit cuts per year nationally by 2019/20, primarily through the Welfare Reform and Work Act 2016. From 2013, welfare reform impacts have already had a significant impact on the finances of local people, and this is expected to worsen - as illustrated by the Joseph Rowntree Foundation report “the uneven impact of welfare reform,” Leicester is expected to be the 9th worst affected local authority with an average loss in income per working-age adult of £490 per year by 2019/20.

The impact of changes is in part mitigated by the council’s discretionary schemes – primarily the Discretionary Housing Payment (DHP) fund. Funding for 16/17 was increased by 12.7% to £781,000. However, as illustrated below the Council’s schemes cannot make a substantial difference given the scale of impact of the cuts.

2.2 Impacts assessed in 2015/16

Under Occupancy, also known as the ‘bedroom tax,’ is a reduction in Housing Benefit (HB) for social sector tenants of either 14% or 25% on the basis of ‘spare’ bedrooms. Over 15/16, there was a fall of 186 (7.4%) of households in Leicester affected - as of June 2016, 2,326 claimants were subject to a reduction in their housing benefit award averaging £14.38 per week, two thirds of whom were single adults. Detailed analysis is provided in Appendix 1.

There are a number of reasons for under occupancy reducing – for example, a new member of the household, or a move to alternative accommodation. The reduction in affected households may partly be attributed to the DHP policy, requiring households, where appropriate, to seek more appropriate accommodation through Housing Options within 13 weeks of applying for a DHP. The future impact may however be limited – over 470 households receiving a DHP are on Housing waiting lists seeking to downsize their tenancies, an indication of the shortage of one bedroom properties in the sector. One in ten affected households are currently receiving a DHP, accounting for £306,000 in 2015/16 – 45% of our DHP expenditure.

The Benefit Income Cap is a limit on the maximum benefit which can be awarded to a claimant (for all types of benefit combined). In 2015/16, this was £26,000 for lone parents and couples without children, £18,200 for single people – equivalent to £500 or £350 per week. The cap is given effect by reducing Housing Benefit awards by the amount by which total benefit would otherwise exceed the cap (i.e. it is our job to apply it, albeit on the basis of data supplied by DWP). The cap applies to working age households dependent on welfare benefits, although disabled households and those in full time work are exempt. Over 2015/16 the number of capped households in Leicester decreased from 135 to 124, a fall of 8%.

The DWP has claimed nationally that 41% of households capped have moved into work - this analysis has been questioned by some commentators, and has not been reflected locally in our persistent caseload. Tighter DHP policy enforcement locally from October 2015 has seen expenditure on benefit cap households reduce from 19% of the total budget in 2014/15 (£160,000) to 11% (£75,000) in 2015/16.

Universal Credit (UC) is gradually replacing Housing Benefit, Tax Credits, Jobseeker's Allowance (JSA), Income Support and Employment & Support Allowance. It is being gradually introduced in Leicester since 25 January 2016, starting with single, childless claimants who would otherwise claim JSA. The UC caseload reached 1,161 in July. Of these, 81 claimants previously on Housing Benefit have had their claims terminated and 228 are now receiving Council Tax Reduction with Universal Credit.

Because UC is paid to claimants directly, it risks increases in rent arrears. Both the Housing Department and housing associations locally have reported that, in line with the national picture, arrears of UC claimants are broadly double those of continuing Housing Benefit claimants – 36 referrals for Personal Budgeting Support (PBS) have been sent to the Citizens' Advice Service. In addition, 15 UC DHP claims have been received and awarded payments totalling £2,600. It is anticipated that this demand will continue to grow. A timetable for UC full service rollout is not yet available, but is expected to be introduced locally during 2017/18, following which the majority of working-age claimants will be migrated to UC by 2022. Pensioners and those in supported accommodation are currently exempt from the transfer.

2.3 Changes anticipated in 2016/17

Restriction of backdating - since April 2016, Housing Benefit and Council Tax Reduction cannot be backdated by more than one month, as opposed to six months previously, for working age claimants unless good cause is demonstrated. In 2015/16, over half of backdates were for longer than one month – we have estimated that the new restrictions will result in an estimated 400 to 500 households losing the equivalent of six weeks' rent (if we have the same number of backdating requests). It is not permissible to compensate this by awarding DHP to cover periods during which Housing Benefit has not been awarded. Similarly, 61% of CTRS backdate claims would lose an average of seven weeks' Council Tax – although our local scheme does allow us to award discretionary relief in such circumstances.

Removal of family premium for new HB cases - from May 2016, new HB claimants no longer receive an additional income allowance for having children in their household. In 2015/16, 8026 households benefited from this allowance worth £11.31 per week – of whom 140 households would lose their entitlement to Housing Benefit

altogether once they have made a new claim. We notified households directly affected by this change by letter earlier in the year, offering them advice and support.

Restriction of temporary absence from home for HB, CTR and Pension Credit was introduced on 28 July 2016. Claimants leaving their properties will no longer be entitled after in most circumstances after four weeks absence from Great Britain, losing their benefits while they are away and having to reapply when they return. This maximum period of absence has been reduced from thirteen weeks in most circumstances. . No data is available from the DWP on how many households this will affect, but a higher proportion of Leicester's population than nationally have links abroad which suggests Leicester may be affected to a greater extent than other cities outside London. National research suggests that 20% of visits between 28 and 90 days are to an Asian country, potentially resulting in a disproportionate impact on certain religious and ethnic groups. We have been proactive in communicating this message to community groups, council hubs and local media.

Reduction in the Benefit Income Cap threshold – this is expected to be the largest single welfare reform impact this year. The cap is due to be reduced from £26,000 to £20,000 (£384.62 per week) from November 2016 for couples and families with children and from £18,200 to £13,400 (£257.69 per week) for single people. The DWP estimates that 763 households in Leicester will lose an average of £76 per week. The council's original estimates were higher still. This is an increase from the current 124 subject to the cap.

Full analysis of the expected impact of the benefit cap is provided at Appendix 2. The data suggests vulnerable groups will be disproportionately affected. Households affected by this change have been written to by the DWP, and will receive a further letter 13 weeks before the cap is applied to their HB award. We believe some families will struggle to pay essential bills and afford food and fuel as a result of these reductions and we therefore anticipate an increased number of households seeking assistance through the Discretionary Housing Payment policy. The council has been engaged with proactive communication with affected tenants and social sector landlords, and has introduced an enhanced programme of referrals to Citizens' Advice for budgeting, benefit and employment advice for affected claimants seeking financial assistance.

Universal Credit - the caseload is anticipated to increase gradually throughout 16/17, although this is limited by strict eligibility criteria defined by DWP. From April 2016, however, significant cuts to allowances and tapers were introduced to UC. These were originally intended to apply to all tax credit recipients, but the Government withdrew these proposals in the face of criticism. As a result, UC claimants receive less Universal Credit when working than those able to receive Tax Credits. From April 2017, new UC and Tax Credit claimants will no longer receive allowances for having more than two children. It is anticipated that more claimants are likely to experience hardship as a result of these changes – in the last two months, both PBS hardship referrals and DHP applications have increased threefold.

Benefit rates freeze – from April 2016 to 2020, most working-age benefits including Tax Credits and Housing Benefit rates will be frozen in cash terms. By 2020, this will equate to an average cost of £260 per year, due to inflation. The move follows three years of below-inflation increases resulting in a real-terms cut of 8% between 2012 and 2019. The impact of this will gradually increase over the period, but will be partially

offset through the introduction of the National Living Wage for those who work.

Continued changes to disability benefits – from April 2016, Employment and Support Allowance claimants no longer receive a ‘work related component’ if they do not have a permanent disability. Approximately 2,000 families locally have been affected, losing £29 per week per claimant. Additionally, reassessment of Disability Living Allowance (DLA) to new, less generous Personal Independence Payments (PIP) has accelerated in recent months, with over 300 per month being reviewed and 20% losing their award as a result.

2.4 Changes expected in April 2017

The above changes will continue to impact claimants in 2017/18, as new claimants face more stringent restrictions for Universal Credit, Tax Credits and Housing Benefit. It is also expected that the following will be enacted, as they were announced in the last Summer and Autumn Statements (unless the new Government changes course):

- New claimants for Tax Credits and Housing Benefit will receive entitlement based on only two children, and children born after April 2017 will no longer count towards entitlement;
- Housing Benefit will no longer be automatic for claimants below 22 years of age; although it is unclear whether claimants in work, education, with disabilities or with families will benefit from any exemptions;
- Housing Benefit rates for new claimants in social sector accommodation will be limited to the Local Housing Allowance (LHA) private sector rates for claimants who have lived in their properties for less than two years – with particularly drastic impacts for those in supported accommodation, where rents frequently exceed £200 per week. The potential to apply these rules to supported accommodation is threatening the viability of new extra care schemes, and has been the subject of many representations to the Government both locally (from the Deputy Mayor) and nationally.

3. Details of Scrutiny

The equality impact assessment will be presented to the Neighbourhood Services and Community Involvement committee.

5. Financial, legal and other implications

5.1 Financial implications

Changes to benefits are having, and will continue to have, a direct impact on the incomes of those who depend on such income.

Those in exceptionally difficult circumstances may apply for discretionary funding which the

Council administers. These include:

(a) a council tax discretionary relief (hardship) fund, initially intended to assist those having to pay a proportion of their council tax for the first time. The indicative budget for this fund is £500,000k in 16/17, and the amount is set annually as part of the general fund budget;

(b) discretionary housing payments, for which the budget in 16/17 is £781k. This budget is directly supported by government grant;

(c) community support grant, a budget originally transferred from the DWP and supported by government grant. The two year annual grant was £1.6m, although ring-fenced funding has now ceased. The council has sustained the programme for the time being, having saved various related underspends in a reserve specifically for this purpose. The budget for 2016/17 is £535k, funded from this reserve. The estimated amount held in the welfare reform reserve was £4m as at 1st April 2016.

At the current rate of spending, the welfare reform reserve is likely to be exhausted by 2020. However, as described above, future government changes are likely to increase demand for discretionary funding. It is possible to increase the annual budget, but this will result in the reserve being spent sooner. Decisions on the amount to spend are taken as part of annual budget deliberations. If any of the three funds' in-year expenditure is likely to exceed their allocated budget, This will be identified as part of the general fund budget monitoring reports.

Colin Sharpe, Head of Finance, ext. 37 4081

5.2 Legal implications

There are no specific legal implications arising from this report.

Jeremy Rainbow – Principal Lawyer (Litigation) - 371435

5.3 Climate Change and Carbon Reduction implications

There are no climate change implications associated with this report.

- Mark Jeffcote, Environment Team x372251

5.4 Equalities Implications

The report is useful in describing emerging trends arising from the next tranche of the Government's tightening of household income available for those dependent on benefits. From an equalities perspective, the most notable changes are the anticipated adverse impacts of the reduced benefit caps for an increased number of lone parent families in particular (the protected characteristics most affected are sex – more female lone parents – and race – more BME lone parents). Another area of anticipated

adverse impact is the curtailment of provision/financial support for the 3rd child onwards in a household. This substantially departs from the principles of a welfare safety net based on need. On the basis of household profile information in the city, larger families tend to be BME households and it is the protected characteristic of race which is likely to be most adversely affected by this aspect of change in benefit provision. Given the potential negative impact on children's 'equality of opportunity' regarding their life chances because of decreasing household incomes, the opportunities available for the personal development of children in these households should be monitored to ensure that they are not disproportionately disadvantaged because of these welfare reforms.

Irene Kszyk, Corporate Equalities Lead, ext 374147.

6. Background information and other papers:

- The Welfare Reform Act 2012; <http://www.DepartmentforWorkandPension.gov.uk/policy/welfare-reform/legislation-and-key-documents/welfare-reform-act-2012>
- The Localism Act 2011; https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5959/1896534.pdf
- The Equality Act 2010; <http://www.legislation.gov.uk/ukpga/2010/15/notes/contents>
- The Local Government Finance Bill;
- http://www.local.gov.uk/web/guest/local-government-finance-bill-/journal_content/56/10171/3752842/ARTICLE-TEMPLATE and
- other legislation in relation to Vulnerable Groups including but not limited to the Child Poverty Act 2010;
- <http://www.legislation.gov.uk/ukpga/2010/9/notes/contents> and
- Social Security Act 1986. <http://www.legislation.gov.uk/ukpga/1986/50/contents>

7. Summary of appendices:

1. Appendix 1 Local welfare reform data analysis 2015/16
2. Appendix 2 Benefit Income Cap - impact of 2016/17 changes

8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

No

9. Is this a "key decision"?

No