

**Briefing:** Housing and Community Safety Scrutiny Sub Committee

**Subject:** Welfare reform

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## **INTRODUCTION**

This briefing is intended to provide an overview of the Government's welfare reform agenda and an early analysis of the possible impacts on both the residents of Southwark and the Council's delivery of services.

The information and assumptions contained within this briefing are drawn from a range of sources including government legislation, consultations and equality impact assessments, LBS held data (particularly in the area of housing benefit), recent London Councils research and research from policy officers across the Council. At this stage, the figures and impacts outlined below are indicative and may change with further clarification by the Government, data analysis and modelling. A more detailed breakdown of individual benefit changes and their impacts can be found in Appendix 1.

## **BACKGROUND**

In late 2010, the Government began outlining plans for a radical overhaul of almost all aspects of welfare support in this country. Central to these reforms was the Government's desire to reduce the Nation's benefit bill, particularly in relation to Housing Benefit, to simplify the benefits system as a whole and finally, to 'Make Work Pay'.

The Welfare Reform Bill attempts to bring into law a wide range of benefit changes. From April 2013 for those households who are out of work (and some part time workers), there will be a cap on the amount of benefit they can receive - £350 p/w for a single person and £500 p/w for a family, this amount includes housing costs and child benefit. This will be followed by the phased introduction of the Universal Credit (UC) - a single benefit to replace most of the current working age benefits- between October 2013-17 (still subject to the cap).

## **OVERALL IMPLICATIONS**

- The central pillar of the Government's welfare reform agenda – Universal Credit and a cap on the maximum benefit payable to non working households - will disproportionately affect Southwark residents as no consideration has been given to the higher living costs associated with an inner London borough.
- Non working families living in the private rented sector will be particularly affected by both the Universal Credit cap and the reduction in Local Housing Allowance (LHA) rates, with many finding their current accommodation becoming unaffordable.
- The scale of the reforms and the timings of their introduction exacerbate the negative impacts with some households seeing a two stage reduction in benefits.
- With challenging reforms do come potential opportunities; these reforms provide an opportunity for local authorities to strengthen partnership working with the voluntary and community sector, utilising their experience, resources and links to the community.
- The localisation of the delivery of Council Tax Benefit and elements of the Social Fund afford local authorities the ability to set eligibility criteria which match the needs of Southwark rather than the country but while welcomed, is tainted by a reduction of at least 10% in the budgets of both these services that LAs will have to deliver.

- Finally, these reforms are designed to produce a benefit system which is simpler and easier to understand, benefiting Southwark residents in the longer term.

## **SUMMARY OF CHANGES & IMPACTS BY BENEFIT TYPE**

### **Benefit cap**

From April 2013, there will be caps on the maximum amount of benefits working age households can claim, targeted on households in which the adults are out of work but also affecting some part-time workers. The caps are set at the equivalent of UK median earnings - £350 p/w for a single person and £500 p/w for families. A recent London Councils' report predicted the cap will result in 3% of households without children finding their accommodation is unaffordable and over 30% for families with children. The research also found the average loss across London for households affected by the cap is £105 per week, ranging from £58 for a couple with no children to £117 for a couple with children.

### **Universal Credit**

Universal Credit will be introduced between October 2013 – 2017, a single benefit for working age people both in and out of work, replacing most means tested benefits (JSA, ESA, Income Support, Housing Benefit and Child and Working Tax Credit). The benefit cap will continue to be applicable as above. There will be a 3 stage transfer of claimants from their current benefits to UC from October 2013 – October 2017.

### **Council Tax Benefit (CTB)**

It is proposed that from April 2013, administration of CTB, including the setting of criteria for eligibility, will be devolved to LAs. However there will be a 10% reduction in the ring fenced budget. There are around 36,000 current CTB claimants in Southwark. Who will be impacted will depend on the criteria set by LAs but the government has pledged to ensure older persons are protected. LBS has responded to a government consultation on this issue stating administration should not be localised but instead be included in the Universal Credit, if this is not possible then any funding should be demand led rather than via set grant. Our consultation response also outlined concerns regarding its impact on vulnerable residents.

### **Housing**

The housing related reforms focus on reducing the maximum amount of Local Housing Allowance (LHA) (a HB for private rented sector tenants) a household can claim. They were introduced for new claimants from April 2011. There is transitional protection for existing claimants but this will end between January and December 2012. During this period approximately 882 claimants will see a reduction in their benefit. Housing benefit will also be restricted for working-age social rented sector tenants, with the size criteria replicating that applied for HB claimants in the private rented sector. So, social housing tenants who are underoccupying by 1 bedroom will lose up to 14%, and those underoccupying by 2 bedrooms or more will lose up to 25% of their HB. Around 4,500 underoccupying, working age, social housing tenants will see an average reduction of £21 per week. These changes are likely to result in a reduction in the number of affordable private rented sector properties, overcrowding or migration to more affordable areas of the borough or neighbouring boroughs, an increase in poor quality accommodation and homelessness applications.

## **Disability related benefits**

Disability Living Allowance (DLA) for people of working age is to be reformed from April 2013 and the tests for eligibility for the new benefit, Personal Independence Payment, will be more stringent. Predictions that those who receive DLA at lower levels may lose this benefit (current lower component for both care and mobility is £19.55). At May 2011 there were 13,290 DLA claimants in Southwark, with over 5,000 claimants in receipt of the lower rate. Those who lose entitlement will find they are mandated to work and subject to the UC cap.

## **Social Fund**

It is proposed that from April 2013, that administration of part of the Social Fund- Crisis Loans for Items and Living Costs, and Community Care Grants, will be devolved to LAs, the funding reduced and not ring fenced. In 2009/10, Southwark residents made 15,000 applications for these loans and grants and were awarded a total of £1.8m. Reform of Crisis Loans will impact on low income households; particularly single persons aged 18-34. There is currently no clear guidance as to who in LAs will administer – Government consultation suggestions of Adult Social Care or where in place – local Credit Unions.

## **EARLY ANALYSIS OF IMPACT BY GROUP/SERVICE**

### **Impact on families**

Families, particular larger families, will be hit hardest by the reduction in LHA with many finding their current accommodation becomes unaffordable. The cap on total benefits claimed will mean that in some areas of the borough even the Government's new Affordable Rent model will be beyond their means. These families will be presented with a choice of finding the shortfall in rent from other income, moving to a more affordable area or downsizing and becoming overcrowded. It is also likely that many children in need and families receiving intensive support through Southwark Children's Services and Social Care will be amongst those affected by the benefit reductions and housing caps.

### **Impact on households with registered disabilities**

While claimants with a registered disability are protected from a number of the benefit changes, including not having a cap placed on their universal credit, the number of claimants with a registered disability is set to fall as the government phases out DLA and introduces new more stringent assessments. Around 2,400 Southwark social housing tenants who have their HB cut as a result of underoccupation will be registered disabled, in some cases leaving them unable to afford a property which has been adapted to their needs.

### **Impact on single person households**

The increase in the shared accommodation rate from 25 to 34 years old will see this age group's HB reduced from a level that previously covered a 1 bed self-contained flat to that which covers just room in a shared house. Those currently in self contained flats will have to find the shortfall or move to shared accommodation such as a House of Multiple Occupation (HMO). Single person households will also be disproportionately affected by the changes and cuts to the social fund as they make up the vast majority of claimants for crisis loans for items (eg white goods) or living costs (eg rent in advance).

## **Impact on older persons**

Currently, older persons (*households of a non working age*) are protected from a number of the benefit changes. Universal credit will not apply; neither will the reduction in HB for underoccupying social housing tenants or the reforms to Council Tax Benefit. However, older persons renting in the private sector will be affected by the cap on LHA and the reduction to the 30<sup>th</sup> percentile. Older people may be more likely to underoccupy and if underoccupying in the private sector they will already be making up any rent shortfall themselves, (as the LHA HB is based on an assessment of the household 'requirement' rather than on the property size). A further restriction of LHA to the 30<sup>th</sup> percentile could mean that they have a greater shortfall to make up. Moving house can have a disproportionate affect on older persons if it results in losing local support structures. Also, there may not be alternative accommodation for these people to move into nor supporting schemes.

## **Impact on housing services**

It is estimated that of the 133,000 workless households in London, 20% of the total will be unable to afford their current rent as a result of either the UC or LHA caps, applied to Southwark this is some 6190 households.

Increasing homelessness will place further strain on Council resources in terms of the need to place families in temporary accommodation when procurement is already difficult. The 'cheaper' areas of London are likely to see higher migration leading to less economic diversity in these areas.

## **Impact on health**

An increase in overcrowding as a result of lack of affordable properties is known to have adverse effects on people's physical and mental health and children's development. Low paid health and social care staff may be those impacted by the reduction in LHA, if they move to a more affordable borough it could lead to disruption to health and social care services. The increase in the rates for non dependent deduction in Housing Benefit for people in the household aged 18+ may have an adverse impact on young carers. Finally with reduction in household income comes increased fuel poverty which has far reaching health implications.

## **ROLE OF THE VOLUNTARY AND COMMUNITY SECTOR**

The changes are likely to lead to significantly increased levels of need for information, advice, advocacy and representation for community organisations, in particular community legal advice services. Independent VCS organisations are a key resource in responding to demand in this area and in supporting community resilience/cohesion, preventing increased rent arrears, homelessness, over-indebtedness, poverty and discrimination.

These organisations can play a key role in disseminating information and responding to anxiety and uncertainty about the impact of the changes. For example, London Mutual Credit Union is a key strategic local partner that can provide systems and support to individuals by providing a range of affordable financial and banking services that may facilitate the transition to Universal Credit for housing providers and tenants/leaseholders.