

APPENDIX 1 – DETAILED LIST OF CHANGES & IMPACTS

Housing related changes

From April 2011:

- Cap on Local Housing Allowance (LHA) – LHA is the housing benefit for private rented sector (where claim processed after April 2008) the cap will apply regardless of circumstance or geographic location.
 - £250 for a one bedroom property
 - £290 for a two bedroom property
 - £340 for a three bedroom property
 - £400 for a four bedroom property
- Abolition of 5 bed LHA rate, - households with a bedroom need of 5 or more will only be able to claim LHA to cover a 4 bed property.
- Abolition of £15 'top up' – where the actual rent for a property was under the LHA, claimants were allowed to keep up to £15 of the excess above the actual rent, this has been abolished.
- Increase in Non Dependant Deductions (NDD)– when housing benefit (HB) or LHA is calculated, there is an assumption that any working age adults also living in the property will contribute towards the rent. The level of 'assumed contribution' is increasing.
- HB claimants with a disability will be entitled to funding for an extra bedroom for a non-resident carer.
- LHA will be cap to the 30th, rather than 50th percentile of the Broad Rental Market Area (BRMA). This means that LHA should cover the rent of 3 out of 10 private rented properties in the area.
 - £85 for shared room rate
 - £184 for a one bedroom property
 - £240 for a two bedroom property
 - £294 for a three bedroom property
 - £380 for a four bedroom property

From January 2012:

- Shared accommodation rate (SAR) will be extended to include single people under 35; (it currently applies to under 25 year olds only).

From April 2013

- Cut to HB for underoccupying, working age, social housing tenants – 10-15% reduction in HB paid to tenants underoccupying by 1 bedroom, 20-25% reduction for those underoccupying by 2 or more bedrooms.
- Universal credit introduced (see below) – no separate benefit for housing costs (and therefore no local authority (LA) involvement in delivery) and end of direct payments to landlords (exceptions will apply).
- LHA rates will be increased in line with the consumer price index (CPI) rate of inflation rather than in line with local market rents in the area. Rents in London typically increase at a faster rate than CPI.

Housing related impacts

- The majority of these housing benefit/LHA changes came in to force for new claimants in April 2011.
- Existing claimants have been given transitional protection of 9 months after their first review/anniversary date (the yearly date where a claim is reviewed) after April 2011,

unless there is a relevant change in circumstances. This means that the overall impact will spread from January 2012 – December 2012.

- For example, where a claimant's anniversary/review date was May 2011, they will be protected from the change until February 2012. If their anniversary was in March 2012 they will be protected until December 2012.
- LHA Cap may lead to inward migration from more costly boroughs – Average Westminster monthly rent - £3,333, compared to £1,543 in Southwark.
- LHA move to 30th Percentile – will affect 2269 (54%) of all LHA claims (767 of which have children, 37 with pensioners & 34 with a disability) with an average reduction of £39.91 per week.
- There is currently an exemption from the LHA changes for leased temporary accommodation (e.g. HALS or PSL schemes) used for homeless/homeless prevention until at least March 2013. This offers protection to most temporary accommodation (TA) tenants and also gives landlords and the Council some certainty. However, if HB caps for TA rents are introduced, there may be increased competition from other boroughs.
- An increase in homelessness is expected as a result of the changes. Accurate projections are problematic as HB reforms are phased. The first quarter of 2011/12 shows a rise in homelessness acceptances on the corresponding quarter in 2010/11 (132 and 105 respectively). We currently project a possible increase in homeless approaches of between 250 – 300, taking us from our current level of 1000 new applications per annum to around 1250 -1300.

Benefit Cap and Universal Credit – changes

- From April 2013 - cap on total benefits working age households can claim, targeted on households in which the adults are out of work but also affecting some part-time workers:
 - £350 p/w single person
 - £500 p/w for families regardless of size.
- In the first instance the household benefit cap is likely to be delivered by LAs as part of the admin of HB from April 2013 onwards.
- UC will not apply to households of a pensionable age (though a similar combining of all pensions related benefits may be introduced at a later date).
- Some households are excluded from the cap including:
 - Households entitled to working tax credit; households with a claimant, partner or child receiving disability living allowance (or its successor, the personal independence payment), or attendance allowance, or constant attendance allowance; and war widows and war widowers.
- Additional exemptions were announced in the House of Commons on 1st February 2012 which include: households who were in receipt of the support component of employment and support allowance; and a nine-month grace period for claimants who were in work for 52 weeks or more before the start of their claim.
- From October 2013, a single benefit for working age people both in and out of work
- Replaces most means tested benefits eg Job Seekers Allowance (income based), ESA (income related), Income Support, Housing Benefit and Child and Working Tax Credits.
- Administered by the DWP, paid monthly and directly to claimants

Benefit cap and Universal Credit – impacts

- London Councils advise that working claimants in London will be disadvantaged as most of the elements of UC will be set using a formula based on national parameters although living costs are higher in London.
- The greater emphasis on conditionality and sanctions (e.g. after refusal to take part in Mandatory Work Activity) may lead to hardship for claimants and their families resulting in more demand for support from Council services e.g. Children's and Adult services, etc. Although the White Paper states that conditionality will be responsive to an individual's circumstances, and that "We will also maintain safeguards for vulnerable people and ensure that mental health and substance abuse problems are taken into consideration," there are concerns about how this will work in practice
- Individual claimants may need high levels of support to make the transition into work e.g. full conditionality will apply to lone parents and couples whose youngest child is five, so there may be issues around childcare, which is expensive in London. Labour market conditions have worsened with particular concern around youth unemployment and increased competition for entry level jobs placing priority groups at further disadvantage.
- The welfare reforms also have implications for the Council in terms of ensuring good partnership working is in place with providers and JobCentrePlus

Disability and sickness related benefits changes

Current main disability related benefits are:

- Employment and Support Allowance (ESA) – for working age people who are unable to work because of sickness or disability (replaced Incapacity Benefit in 2008).
- Disability Living Allowance (DLA) – For working age claimant, two components – 'Care' & 'Mobility' for which a claimant can be assessed as having a Low, Medium or High need. DLA is linked to level of disability not work status/means tested.
- Attendance Allowance (AA) – For over 65 year olds, to cover care needs for those not in residential or institutional care home/accommodation.

From 2013:

- DLA will be replaced by Personal Independence Payments (PIP) and all those claiming will have a new assessment to determine eligibility. As per DLA, not linked to work or means, designed to meet extra costs associated with living with a disability.
- Work Capacity Assessment for all new unemployed disabled claimants - placed in one of the three tiers of the ESA, an addition to JSA, while they seek work.

From April 2014

- All ESA claimants to move on to Universal Credit
- will see the abolition of tax credits which had disability element

Disability and sickness related benefits impacts

- From 2013, Personal Independence Payment will replace the DLA, provision may end for many on lower and some middle rate care who will find themselves without this additional payment and if out of work, subject to the UC cap on household income.
- Disabled people receiving the middle and higher rate of DLA who live alone will lose their Severe Disability Premium worth £55 per week.
- UC will remove Tax Credits, including the disability elements for those in work. Families with disabled children that are not in the highest rate of DLA care will no longer be entitled to the disability element of child tax credit, reducing their weekly income by around £23.00.

- Currently couples could get a disability addition for one member and the carer addition for the other partner. However under UC, there is only one earnings disregard per disabled household reducing overall income.
- From 2013, all new unemployed disabled claimants will undergo a Work Capacity Assessment and be placed in one of the three tiers of the Employment Support Allowance, an addition to JSA, while they seek work. Those on the highest level of benefit are likely to be in receipt of DLA and so exempt from the UC cap. Incapacity Benefit is being phased out, with claimants reassessed for the ESA and moved into one of the three tiers.
- At same time all ESA claimants will be moved onto UC between April 2014 and October 2017. Return to Work Credit will end.

Council Tax Benefit (CTB) changes

- Currently, LAs administer CBT in accordance with national criteria set by DWP.
- From April 2013, local authorities will have to set their own local criteria for CBT entitlement (elderly, vulnerable, young children etc)
- The Government will cut CBT funding by 10% for 2013/14.

Council Tax Benefit (CTB) impacts

- LAs' criteria will have to reflect a 10% cut in payments while protecting elderly claimants.
- An increase in Council Tax arrears if the criteria changes and see some previous recipients no longer eligible.

Reform of the Social Fund (SF) changes

- The Social Fund is DWP administered and provides different types of loans or grants to people on low incomes. They split in to two groups
- Mandatory – eg funeral payment, winter fuel allowance – these are not subject to reform.
- Discretionary – there are three main types, all of which are subject to reform:
 - Crisis loans 3 types – Items (eg white goods), living costs (eg rent in advance), alignment (for when waiting for benefit claim to be process).
 - Community Care Grants – help claimant get established in the community following a stay in institutional or residential care, or to stay in the community rather than go into care.
 - Budgeting Loans – similar to Crisis Loans – can be used for rent in advance, furniture, clothing etc.
- The Government is proposing that Budgeting Loans and Alignment Crisis Loans be abolished and subsumed into Universal Credit.
- Administration of Crisis Loans for Items and Living Costs, and Community Care Grants will be devolved to LAs, the funding reduced and not ring fenced.
- No clear guidance as to who in LA will administer – Government consultation suggestions of Adult Social Care or where in place – local Credit Unions.

Reform of the Social Fund (SF) impacts

- It is possible that there maybe increased costs to LAs for administering the system.

- Depending on what criteria is set locally; it is likely there will be less loans/grants available to help households settle in communities.
- For example, rent in advance is a common use of crisis loans, particularly as currently and application is processed within two days.
- Crisis loans are often used to cover other emergency items such as replacing broken white goods.
- They can also be claimed for living costs such as topping up an electricity or gas key.
- Without these types of loans, households on low incomes will be unable to deal with most emergencies.