

# **Equalities Panel**

## **17 June 2013**

### **Welfare Reform Update**

#### **1. Purpose**

- 1.1 The purpose of this report is to provide members of the Equalities Panel with an update on some of the present local impacts of the government's welfare reforms and to highlight some of the local mitigating measures being put in place by the Council, where the Council can exercise discretion. Whilst it is still fairly early to get an overview Members may wish to provide further views about the local impacts on equalities groups. This may assist the Council in thinking about future local responses.

#### **2. Background**

- 2.1 The Equalities Panel considered the impacts of the Council's proposed draft Local Council Tax Scheme on equalities groups, when it met on 19 November 2012. The views of the Panel and others, after an extensive consultation, were taken into account in the preparation of the final scheme, which was implemented from 1 April 2013. The Council's scheme has sought to protect those people in our community who are most vulnerable, using opportunities offered by the legislation to raise additional income to offset some of the shortfalls. This new scheme offers similar levels of protection to the old scheme with only a relatively small number of people of a working age, without dependents, losing out. This is in stark contrast to schemes put in place by some local authorities, where substantially more people are worse off as a result.
- 2.2 Local Council Tax Schemes, however, are one component of the government's wider programme of welfare reforms. Some of these reforms, such as changes to the Local Housing Allowance, have been in place for a little while, whilst others, such as restricting Housing Benefit entitlement for social housing tenants whose accommodation is larger than they need, have recently been put in place. The introduction of Universal Credit over the next few years is a core part of the welfare reforms and will bring with it new approaches, as well significant changes, to the ways benefits are administered and distributed.

#### **3. Local Implications**

- 3.1 In Cambridge there are nearly just over 13,500 people presently living in households claiming housing or council tax benefit. The majority are living in socially rented housing (75%) or private sector rented housing (13%). Just over half of all benefit households in Cambridge are renting from Cambridge City Council. Abbey and King's Hedges have the

highest numbers of claimants and the largest benefit populations, with nearly half of the city's benefit population living in three of the City's 14 wards – Abbey, East Chesterton and King's Hedges.

- 3.2 It is said by the Local Government Information Unit that the current programme of welfare reform changes is already having a significant impact on local communities and that casework for councillors and officers is growing rapidly as more local people become aware of changes in their circumstances. This can take the form of shortfalls in out of work benefits, with some people having to find part of their rent for the first time or take decisions to move into smaller properties. Changes to the Local Housing Allowance and the introduction of size related criteria restrictions for Housing benefit seem to have had the greatest impact locally.

#### **4. Local Housing Allowance**

- 4.1 It is thought that 1,000 households in the private rented sector in Cambridge have been affected by the changes to Local Housing Allowance (LHA). A recent study has estimated the financial loss per working adult to be £18 per year, but this only looks at the difference in the rates paid and does not consider the wider impact of Cambridge's Broad Rental Market Area, which incorporates the expensive rents in the urban area of Cambridge and the cheaper rents in very rural areas 25 miles from the City Centre. This means that LHA rates for benefit payment to cover rent set at the median will leave a shortfall for the more expensive rents in Cambridge.
- 4.2 Using a very rough tool, such as Zoopla.com, shows that there are only a few properties available within the City Council area at the LHA rates for shared and one bedroom and none at larger properties. This makes it difficult for claimants and in particular those working and on a low income to afford to live in the city. Many benefit claimants are forced to relocate to lower cost areas to maintain their standard of living, losing local support networks (friends, relatives and access to medical facilities) in the process. This can place more demands on local adult care services that may have to step in to respond to crisis situations that lower level support could have prevented.

#### **5. Size criteria restrictions for Housing Benefit**

- 5.1 The introduction of the size criteria restrictions for Housing Benefit claimants in the social rented sector from 1 April 2013 has probably had the greatest impact locally in terms of the number of people making contact with the Council. It is estimated that 800 households in the city have been affected.
- 5.2 The Council determines whether or not the rent should be limited for its social tenants and the guidance states if a claimant has one bedroom in excess of the number that is necessary, 14 per cent of the limited

rent is deducted and if the claimant has two or more bedrooms in excess of the number that is necessary, the deduction is 25 per cent.

- 5.3 The Council's City Homes department has recently conducted a small survey that indicates that approximately a third of those affected by the spare room subsidy reform wish to move. Just less than a quarter said they were actively seeking work, with only 10% considering taking in a lodger.
- 5.4 Re-housing tenants who wish to downsize creates a practical problem for the Council. It is estimated that it would take approximately two years to re-house all the households that presently want to move because of the size criteria restrictions, taking into account other priority needs. For Council owned property there are currently 400 people who are actively bidding for a one bedroomed property and 830 people bidding for a two bedroomed property.

## **6. How is the Council responding in the short-term?**

- 6.1 A Discretionary Housing Payment (DHP) contribution of £182,340 has been provided by the Government to the Council this year to help alleviate some of the local impacts of welfare reforms. The Council has added to this and a total spend of £315,000 is available to give claimants who are entitled to Housing Benefit extra help towards housing costs, where it is considered by the local authority that additional help is required. The Council's DHP procedure for 2013/14 was agreed at its Strategy and Resources Committee on 9 April 2013.
- 6.2 DHP is only a short-term solution and will be targeted to those most in need. The payment will not be available to all people who have been impacted by the welfare reforms as it is estimated the shortfall for local people affected by size criteria restrictions will be around £730,000 and for Housing Allowance nearly £1.2m.
- 6.3 Since 01 April 2013, the Council has received 133 claims for DHP, and awarded DHP to 57 of those claims. During 2012/13 the Council awarded 150 claims in total. It is anticipated that by the end of May the Council will have received more requests for DHP in the first two months of this financial year than the whole of the last year.
- 6.4 The Council will be providing additional support to people looking to downsize their property and will disregard arrears that tenants have accumulated in the short-term as a result of a shortfall in Housing Benefit payments, when taking decisions about the possibility of eviction. Additional support has been provided to help with debt advice and the Council has been promoting the services provided by local Credit Unions to assist local people on low incomes to obtain credit to counter the activities of illegal loan-sharks, doorstep lenders and payday loan companies.

## **7. Future Reforms**

7.1 The Government's welfare reform programme is centred on the implementation over the next couple of years of Universal Credit for those of working age with protection measures for those unable to work including pensioners and the most disabled. The change in legislation and process associated with Universal Credit is being used to implement a raft of wide ranging and highly significant changes to benefit entitlements, which are aimed at ensuring individuals and families are better off in work than on benefits as well as fulfilling the political objective of achieving significant savings in the welfare budget.

## **8 Benefit related issues in the Coalition's 'Mid-term Review'**

8.1 On 7th January 2013, the Coalition government published its mid-term review, which set out the welfare measures it has already undertaken, including;

- The introduction of welfare reforms aimed at saving £19 billion per year by 2014/15 and restricting the uprating of working age benefits and tax credits to 1 per cent per year for the three years until 2015/16, "while protecting benefits specifically for disability and carers".
- A household cap on benefit payments "so that, from 2013, no workless family will be able to receive more in welfare than the average working family receives, after tax, in earnings".
- Introduction of the Work Programme, provided on a payment-by results basis, funded from the future savings in welfare payments the programme is expected to deliver.
- A £1 billion Youth Contract to tackle the long-term rise in youth unemployment by helping young people to gain skills and find a job.
- A "Universal Jobmatch", an online job-posting and matching service,
- Introduced legislation paving the way for Universal Credit, intended to "radically simplify the benefits system and make work pay"
- Reduced the number of people receiving incapacity benefits by 145,000, by imposing a more rigorous work related activity test, whilst transferring those genuinely not fit for work to Employment and Support Allowance (ESA).
- Kept the Coalition Agreement commitment to protect key benefits for older people including the winter fuel allowance, free TV licences, free bus travel, and free eye tests and prescriptions.

8.2 The measures to be carried out in the remainder of this parliament include,

- Universal credit, claimant commitment and sanctions - 'We will begin the implementation of the universal credit with a new 'claimant commitment', which will clearly set out the expectations on claimants as well as the consequences for those who fail to comply. This will, for

the first time, make job search and job preparation a full time activity by default. In the meantime, we have tightened the rules around jobseeker's allowance to ensure that claimants really are actively seeking work and to sanction those who are not.'

- Youth contract - 'We will provide new work opportunities to young people through the Youth Contract – combining wage subsidies, apprenticeships, work experience and sector-based work academy places.'
- Personal independence payment - 'We will introduce the personal independence payment, a new benefit which will be objectively assessed and will enable disabled people to lead full, active and independent lives.'
- Benefits for older people - 'We will continue to keep our Coalition Agreement commitment to protect key benefits for older people throughout this Parliament.'