

Welfare Reform Overview

**“The latest welfare reforms and their
impact upon Dudley”**

**Resources and Transformation Scrutiny
Committee**

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Welfare Reform Overview

Changes to the welfare benefit system have been implemented during the last parliament and more are planned. Key areas include:

- Universal Credit
- Underoccupancy & Discretionary Housing Payments
- Local Housing Allowance
- Benefit Cap
- Local Welfare Assistance
- Council Tax Reduction Scheme
- Personal Independence Payments

Rationale for welfare reforms

- High and increasing cost in difficult economic circumstances
- Complex systems
- Perverse incentives – work doesn't always pay
- Reducing dependency
- Streamlining and reducing bureaucracy

Universal Credit (UC)

- Flagship working-age benefit reform bringing 6 major benefits together
 - Jobseekers Allowance (JSA)
 - Employment Support Allowance (ESA)
 - Income Support (IS)
 - child tax credits
 - working tax credits
 - housing benefit
- Currently these are operated by DWP (Department for Work and Pensions), HMRC (Her Majesty's Revenues and Customs) and local authorities – Universal Credit will be operated entirely by DWP

Main features of Universal Credit

- Standard allowance plus up to 5 additional elements
 - Child / disabled child element
 - Childcare element
 - Carer element
 - Limited capacity for work element
 - Housing element
- Intended to encourage work – claimants lose benefit at a lower rate when working than under the previous system and can maintain a claim at zero for a period without having to close and restart.

Illustration of how Universal Credit tops up earnings

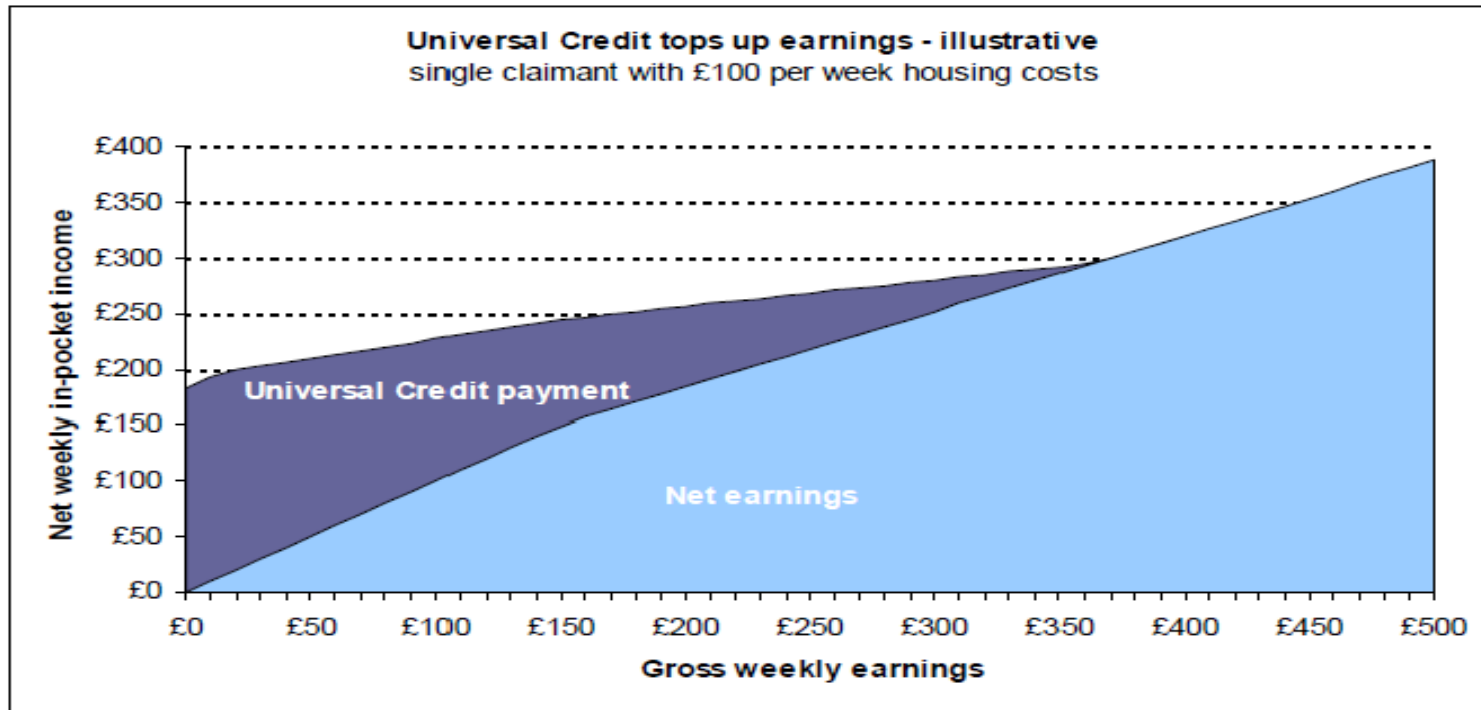


Figure 1: How Universal Credit tops up a household's earnings¹

Main features of Universal Credit

- Payment monthly in arrears into bank accounts.
- Assessment for household not individual claimants.
- Digital systems – generally online, possibly phone contact, very little face to face contact.
- Payments updated using HMRC PAYE (Pay As You Earn) information “in real time”.
- Housing element of benefit paid to claimant, who must then pay landlord, unlike current direct transfer system – except pensioners, vulnerable tenants and tenants with over 8 weeks arrears.

Universal Credit – timetable for roll-out

- Piloted in jobcentres initially for new, single claimants with no additional needs
- Rolled out across NW England for new single claimants
- Started to extend to new claims for couples and families in NW England
- National rollout for new claims for single people (simple claims)
 - Tranche 1 Feb – May 2015
 - Tranche 2 May – July 2015
 - Tranche 3 Sept – Nov 2015
 - Tranche 4 Dec 2014 – April 2015
- Dudley is in Tranche 1 and started to receive UC claims 23 March (Dudley) and 13 April (Halesowen and Stourbridge)

Universal Credit – national experience

- At 7 May, 99,000 claimants had made a claim for UC
- Roughly 2/3rds are unemployed and 1/3rd are in work
- Just over 50% are under 25
- Roughly 2/3rds are male and 1/3rd female
- Around 250 jobcentres out of 700 nationally are now taking at least some UC claims
- 96 jobcentres are taking claims from couples and 32 from families
- The current plan is for no new housing benefit claims to be issued from the end of 2017.
- Migration of existing claims will start at some point in 2016 (but no end date given).

Universal Credit – Dudley's experience with the rollout

- 45 claims in the Borough (19 from council tenants) as at 1 June
- Claims more complex than expected – not the new claims from single people with no dependents that we anticipated
- Claimants who missed appointments with Jobcentre appear to have been moved to UC rather than being sanctioned
- All new UC claimants who are council tenants already had significant rent arrears
- DWP communications are slow and inconsistent – information from Jobcentre, local DWP office and DWP UC processing centre: not joined up
- Digital solution not in place: DWP sending letters to us by post (in spite of our having a secure email address)
- Intensive support given to DWP claimants by us

Underoccupancy

- Underoccupancy penalty / removal of spare room subsidy / “bedroom tax” – from April 2013 so now have 2 years experience of this
- Reduction in benefit if tenant has “spare” bedroom
- 14% if one spare bedroom; 25% if two
- In Dudley, average for council tenants £11 reduction for one bedroom; £20 reduction for two bedrooms; slightly higher in housing association properties and higher again in private rented sector.

Discretionary Housing Payments (DHP)

- Government grant to fund shortfall in housing benefit owing to underoccupancy, benefit cap, and other housing issues
- Intended as short-term solution not a permanent top-up
- Relates to both social and private rented sectors
- Current year's allocation reduced: £570k (£655k in 2014/15)
- £593k spent or committed in 2015/16 (committed includes awards for the full year)
- Queries around future funding particularly as Universal Credit rolls out

Underoccupancy – impact for Dudley

- Reduction in benefit – tenants (social or private sector) may be unable to find the difference in rent
- Few smaller properties available – our only 1 bed properties are flats and we have a shortage of 2 bed houses
- Tenants may leave a 3 bed council house that they are underoccupying for a 2 bed private rented house where the rent is higher but they will receive full housing benefit – increasing costs.
- More tenancy moves lead to more turnover, more voids
- Disabled adaptations – may have made a property “too big”
- Couples unable to share a room because of disability – e.g. equipment.
- Teenagers sharing a single bedroom.
- Baby and teenager may have to share a single bedroom.
- Foster parents, especially for short-term fostering.
- Council housing rent arrears for underoccupancy - £362k at the end of 2014/15. Around 2,600 council tenants affected - £1.8m reduction in benefit, now paid by tenants / DHP / increasing arrears.
- 2 bed flats less popular as these were usually let to single people and childless couples.

Local Housing Allowance

- Changes in Local Housing Allowance rates for private sector tenants were introduced in April 2011 with a one year transitional period.
- These changes
 - reduced the maximum housing benefit payable in the private rented sector to the lowest 1/3rd of rental levels;
 - restricted benefit payments based on the number of bedrooms required;
 - reduced benefits payable to tenants aged under 35.

Benefit Cap

- Introduced in summer 2013, this restricts the maximum benefit to (currently) £350 per week (£18,200) single person and £500 per week (£26,000) couple or single parent with children – this is likely to reduce to £23,000.
- Just over 100 households were affected by the benefit cap in Dudley (around 50 council tenants).
- This is a bigger problem in London and the SE and other high-rent areas.
- It affects particularly large families and households including people with disabilities.
- Currently, only housing benefit is capped, so restrictions on benefit are limited. However, when UC is introduced, the restriction will be on the entire UC payment.

Local Welfare Assistance

- Crisis loans and community care grants transferred from DWP to local authorities from April 2013
- In Dudley we have a cashless scheme – vouchers for food and fuel, household goods provided direct
- Like most local authorities, we have underspent in the first two years.
- Late announcement on government funding: we now have £200k pa from 2015/16 onwards.

Local Welfare Assistance

- Claims are made via phone or online – the vast majority are by phone
- Call volumes have reduced in year 2, but actual claims and award numbers have remained static.
- In value terms, 75% are for white goods and furniture, although in volume terms most awards are for food and fuel.
- Our Local Welfare Assistance scheme is continually reviewed to ensure that help is going to those most in need.

Council Tax Reduction Scheme (CTRS)

- CTRS is a local scheme to assist low-income households with their council tax bills.
- Local CTR schemes replaced the national council tax benefit scheme from April 2013.
- Councils in England can devise their own scheme for working age residents (not pensioners).
- The scheme funding was also transferred to councils in April 2013 at around 90% of the expected scheme costs.
- Funding is no longer separately identifiable in the Revenue Support Grant.

Council Tax Reduction Scheme (CTRS)

- In 2013/14 Dudley protected low-income households – no change to previous entitlement
- In 2014/15 we built in an 8.5% reduction in CTR for working-age households
- A wide range of protected groups were exempt from the cuts.
- In 2015/16 the 8.5% cut has increased to 20% but the protected groups remained the same.
- The CTR scheme for 2016/17 is currently being reviewed.
- Consultation will take place during the summer.
- More income v lower collection rate / higher collection costs.

Personal Independence Payments (PIP)

- Replacing Disabled Living Allowance (DLA) from April 2013
- New claims and existing claims where circumstances have changed have been moved to PIP
- But long delays and high proportion of appeals successful.
- Government reviewing processes but claims still taking a long time from application to payment.
- All current claimants due to start to transfer from October 2015.

Issues

- Timescales for all welfare reforms have been uncertain and have changed frequently throughout
- Engagement issues – claimants tend not to think about the impact on them until their benefit changes, in spite of communications to encourage them to think about this in advance
- ICT systems – DWP's systems are not fit for purpose.
- Budgeting support and debt advice is essential – help and support all takes time particularly with individual contacts.
- For the Council, particularly in its role as a landlord, there is a risk of increases in arrears, bad debts, transaction costs and administration costs.

Further planned reduction in benefits costs

- Plan for a further £12bn to be removed from the working-age benefit bill
- Reduction in benefit cap so max benefit £23,000 for a couple / family / single parent with at least one child
- Limits on uprating working age benefits by inflation
- Restrictions for JSA (Jobseekers Allowance) for 18 – 21 year olds: time limited for 6 months max.

Other possible reductions considered include...

- Child benefit reductions – number of children / means-testing
- Remove contributory element of JSA and ESA
- Disability allowances no longer tax-free

Menu of issues for Scrutiny Committee to consider in more detail

- Impact of specific benefits:
 - Council Tax Reduction Scheme
 - Local Welfare Assistance Scheme
 - Personal Independence Payments
 - Universal Credit
 - Underoccupancy in social rented sector
 - Discretionary Housing Payments
 - Changes to Local Housing Allowance
 - Benefit Cap
- Wider themes:
 - Engagement and communication with residents and claimants
 - Partnership work including with other agencies to support claimants

Thank you – any questions?