

**Resources and Transformation Scrutiny Committee - 14th September 2015**

**Report of the Strategic Director Resources and Transformation**

**Welfare Reform – modelling the impact of the government’s welfare reforms across the Borough**

**Purpose of Report**

1. To provide further information to the Committee in respect of questions raised at the previous meeting.

**Background**

2. The annual programme for this Scrutiny Committee has identified *the latest Welfare Reforms and their impact on Dudley* as an area for detailed consideration during 2015/16. At the meeting on 18th June 2015, the Committee received an overview of the main areas of change and the impact that this is likely to have on residents in Dudley.
3. Members requested further information at a future meeting on:
  - Mapping the impact geographically
  - Personal financial impact

**Local context**

4. Dudley is the largest of the four Black Country boroughs geographically, with also the largest population (313,600 in 2012). Population density is the second lowest of the four boroughs, and Dudley also has the highest proportion both of people aged over 60 and of economically active people. Dudley has the lowest percentage of Jobseeker’s Allowance (JSA) claimants in the four boroughs at 4.6% of the working age population, but this is still above the national average for England (3.1%), and 38.1% of claimants in Dudley are on JSA for more than a year (England average 30%). Average earnings of £22,224 (2012) in Dudley are lower than the England average (£26,800 in 2012) and also lower than the West Midlands average (£25,446)<sup>1</sup>.

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<sup>1</sup> Sources: Indices of Deprivation 2010, Dudley Borough Statistics, and 2012 updates, Corporate Policy and Research

- In 2010, Dudley was the 104<sup>th</sup> most deprived borough of 326 in total. Locally, this places Dudley 6<sup>th</sup> out of the 7 West Midlands metropolitan areas in terms of deprivation.

Local Authority	Rank of average Super Output Area score 2010 (1 = most deprived; 326 = least deprived)
Birmingham	9
Sandwell	12
Wolverhampton	21
Walsall	30
Coventry	50
Dudley	104
Solihull	179

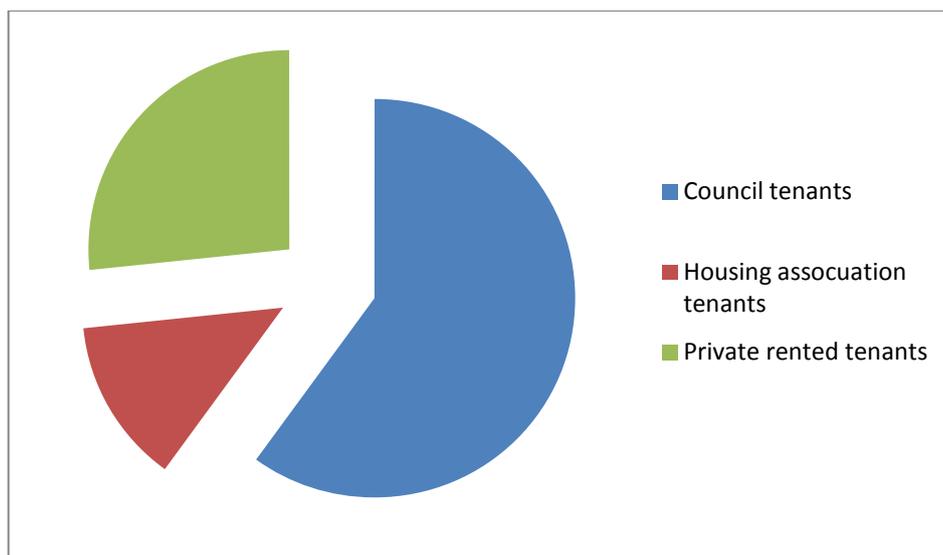
However, this overall picture masks significant areas of deprivation. Appendix 1 shows the Super Output Areas (SOAs) that are in the 20% most deprived in England, with 47 of the 202 SOAs in the borough being in this category. These cover 23.9% of the borough population (2010 data). This information is based on the 2010 datasets, which are the most recent provided by the Department for Communities and Local Government. The next release of data on indices of deprivation is scheduled for September 2015.

### Housing Benefit

- DMBC administers housing benefit for tenants in the borough who are claiming benefits (Employment and Support Allowance, Income Support, Jobseeker's Allowance or Pension Credit) or who are on a low income and have less than £16,000 in savings<sup>2</sup>.
- Housing Benefit can be claimed across all tenures (council, housing associations and private landlords). In Dudley, we have just over 24,100 housing benefit claimants, with 14,500 council tenants, 3,200 housing association tenants and 6,400 private rented sector tenants.

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<sup>2</sup> Source of all data: Benefits and Rent system reports at end July 2015.

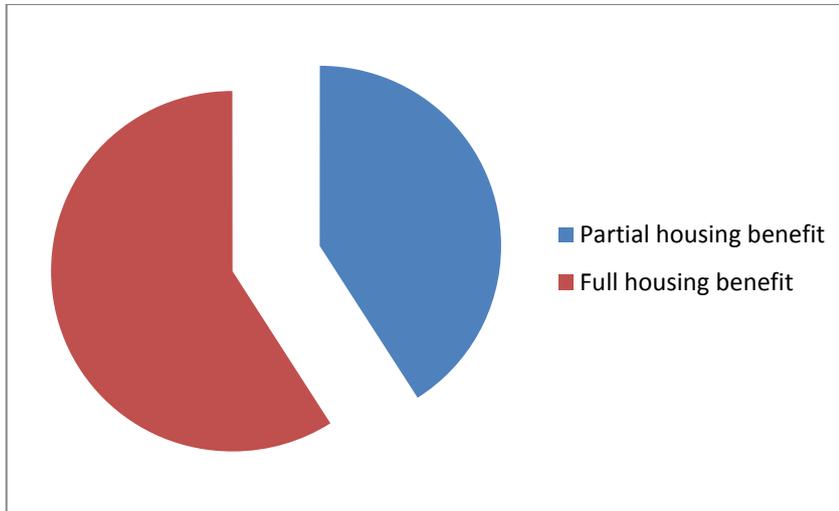


8. Appendix 2 shows the geographic distribution of all housing benefit claims in the borough, for all claimants regardless of tenure. The highest concentrations of claimants are in Wren's Nest and Central Dudley.
9. Around 65% of council tenancies are eligible for Housing Benefit, at any point, generally in addition to other benefits. We have just under 22,500 council dwellings, with on average 2.7% (around 600) being empty at any time. Appendix 3 shows the geographic distribution of housing benefit claims across the borough for council tenants, and also indicates the location of current UC claims. The highest concentrations of benefit claimants are similar to those identified for all tenures. Appendix 4 shows the distribution of claims for housing association tenants and Appendix 5 shows the distribution for tenants who are privately renting and claiming housing benefit.
10. We have around 4,400<sup>3</sup> housing association properties in the borough, which indicates around 73% claiming housing benefit, a slightly higher proportion than for council tenants, and we have around 12,000<sup>4</sup> private rented properties, equating to around 53% claiming housing benefit.
11. The high incidence of housing benefit claims in the housing association and private rented sectors highlights the level of need within the community. We have relatively few large, institutional landlords in the private sector, with many landlords owning fewer than 10 properties. With increased restrictions from financial institutions on granting mortgages, we will need to keep the size and nature of the private rented sector under close review.

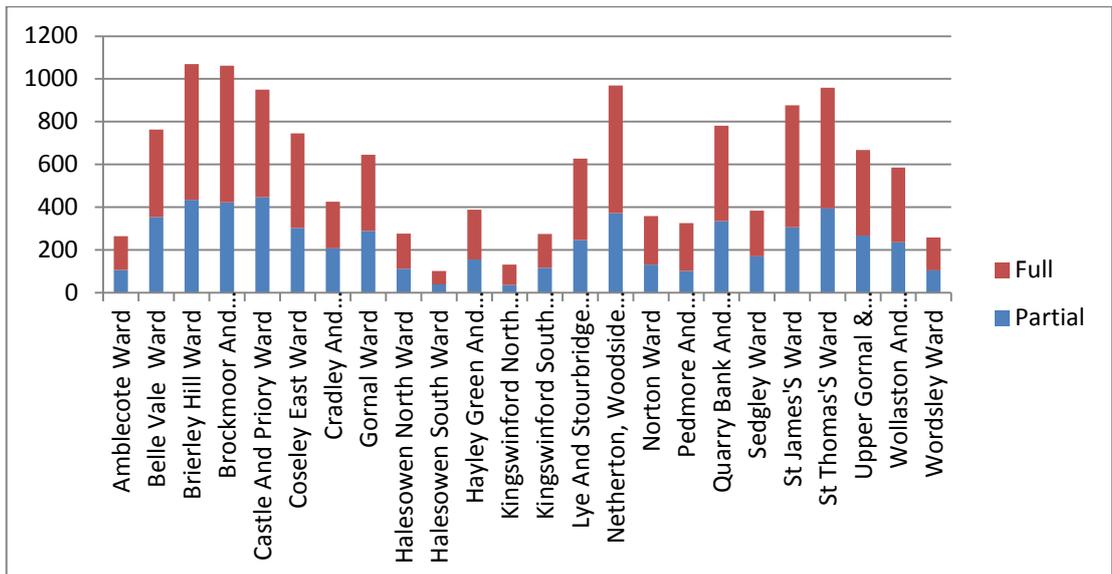
<sup>3</sup> Source: Housing Strategy 2013-16

<sup>4</sup> Source: 2011 Census

12. Of the DMBC tenants eligible for housing benefit, 59% are eligible to have their rent fully paid by housing benefit, while 41% receive partial benefit and have to pay a proportion of their rent. The chart overleaf shows this split for all council tenants:



Analysed by ward, the chart below shows the distribution at ward level for full and partial housing benefit:



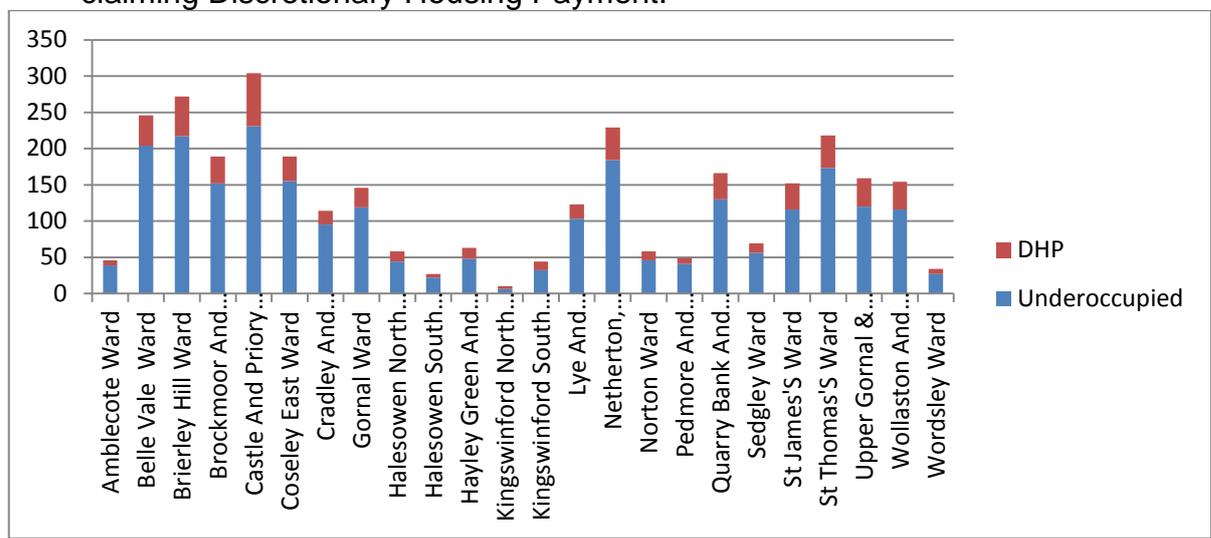
### Underoccupancy

13. Just under 2,500 tenants are currently recorded as underoccupying their property and are therefore subject to reduction in housing benefit or UC. This number has reduced gradually from just over 2,700 when the underoccupancy penalty was introduced in April 2013, as some tenants have reached pensionable age and are therefore no longer subject to this. Some tenants have moved to smaller properties, while others have seen a change in their household composition which may mean that they

are now considered to be fully occupying the property. Appendix 6 shows the distribution of tenants affected by the underoccupancy penalty. Overall in the borough, over £2m annually was, prior to the underoccupancy rules, paid by housing benefit but is now payable by tenants themselves, or by the award of Discretionary Housing Payments (DHP) for which our current year's total budget is £945,000.

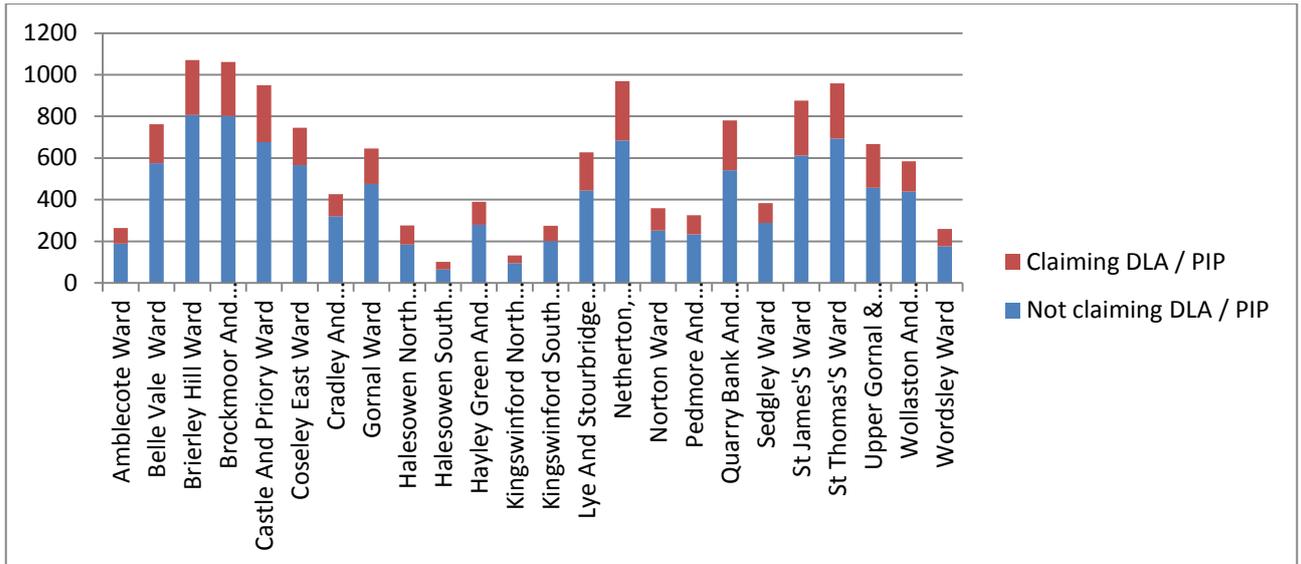
14. Appendix 7 shows the distribution of tenants affected by the underoccupancy penalty who have been awarded DHP to meet the shortfall in housing benefit. DHPs can be awarded for any tenancy tenure, and our resources are not sufficient to be able to award DHP to all tenants affected by underoccupancy.

15. The table below shows the distribution at ward level, including those claiming Discretionary Housing Payment.



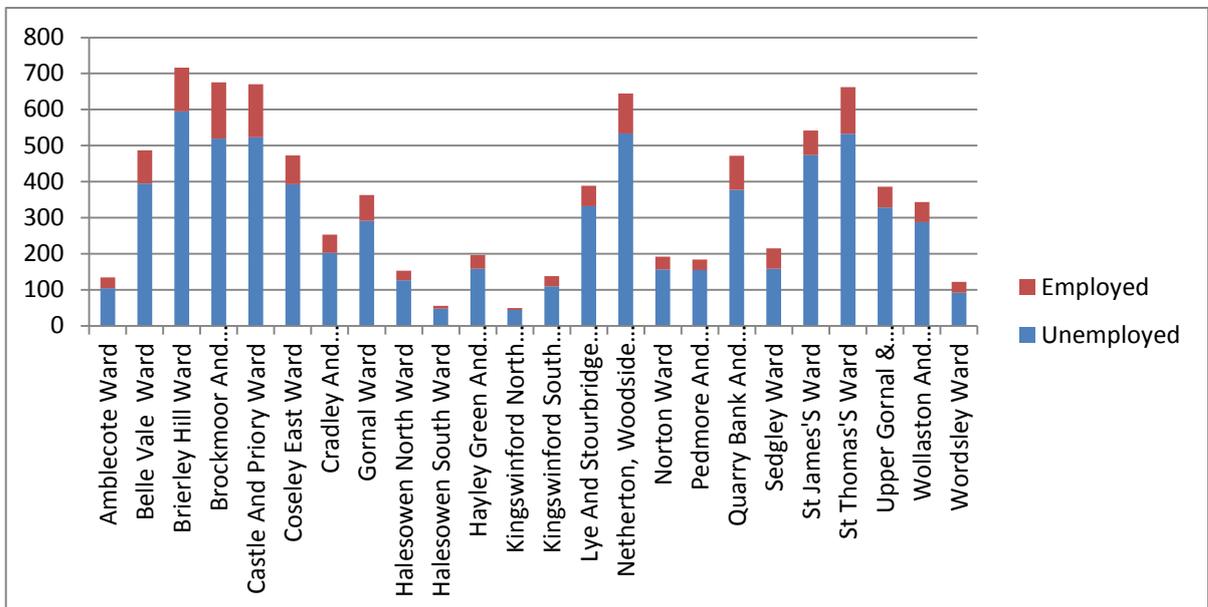
### Disability benefits

16. 3,800 council tenants entitled to housing benefit are also eligible for disability benefits (Disability Living Allowance (DLA) or Personal Independence Payment (PIP)). Appendix 8 shows the geographic distribution of these tenants, and the table below shows the distribution by ward as a proportion of total claimants.



Employment

17. Our records for our council tenants show that just over 1,500 tenants of working age (19%) who are eligible for housing benefit are employed and almost 7,000 (81%) are not employed. The table below shows the analysis at ward level and Appendix 9 shows the geographic distribution of these tenants. It should be noted that individual circumstances will change and this shows the position recorded on our system as at end June 2015.



## Age

18. Only 1% (144) of council tenants are under 21, with 40% (almost 5,600) being of pensionable age. The chart below shows the current age distribution of council tenants.



19. The Government has recently introduced further restrictions on benefit claims from people aged under 21, with their assumption being that those aged under 21 should be living at home unless there are specific circumstances preventing this, or unless they are in work. In addition, the amount of housing benefit that younger people (aged under 35) can claim in the private rented sector is also currently restricted to a maximum of £60 per week (this assumes that they will be sharing accommodation, rather than having a property of their own).

## Universal Credit

20. Since March 2015 we have seen the introduction of Universal Credit (UC) in Dudley, which will eventually replace six key working age benefits, as noted in the previous meeting. At present, UC is being rolled out to new, single claimants, with a planned extension in the future to cover first new couple / family claims and then migration of existing claims over to UC.
21. We currently have 61 council tenants who have moved to UC (as at end July). Geographic locations of these claimants are indicated at Appendix 3 as "x" on the map. Many of these are not completely new claims, as some claimants who were on JSA but have had a break in claim have been moved onto UC. Our claim numbers are therefore increasing at a swifter rate than we had originally anticipated.
22. Generally, the initial UC claimants are not consistently located in the areas of greatest deprivation. This would be expected, as the rollout is for new claimants, implying people who have just moved out of employment rather than those who have not been employed for some

time. However, there are some pockets of UC claims in areas of high deprivation (e.g. Brierley Hill), representing claimants who have missed jobcentre appointments and have been moved to UC. Nationally, the initial rollout of UC is affecting mainly young, unemployed men, and there are some locations, for instance some of the high-rise blocks, where we have a large number of younger, male tenants.

23. In total, housing benefit has been stopped for 100 tenants in total (council properties and housing association / private rented properties) as they have moved to UC. In addition, there may well be more people in Dudley who have moved to UC, but if they were previously in work, not claiming housing benefit, not a council tenant and not requiring Personal Budgeting Support, we would not necessarily become aware that they are claiming UC.
24. Of the council tenants who have moved to UC, 54 (89%) had rent arrears when their UC claim began. Their average rent arrears was £552, with a range from £50 to £3,335 and a total at the end of July of £40,800 owed. We have applied for managed payments, where the housing element of UC is paid directly to the landlord by DWP, in 22 cases. However, these are not being granted unless the tenant has 8 weeks arrears following their UC claim, so we are expecting to see more of this group moving onto managed payments. Initial findings from the first phase of the national rollout of UC indicate that around 33% of claimants are on managed payments, which is broadly in line with our initial experience of 36%.
25. When UC is fully rolled out, we would expect around 8,500 council tenants to receive this, with only around 6,000 who are over working age remaining on housing benefit. Around 4,700 tenants who are currently of working age and receiving full housing benefit are likely to move onto UC and be expected to pay their rent to the landlord directly, representing around £19m of rental income in a year that was previously transferred via the housing benefit system with very little underpayment / arrears. In addition, there are 3,800 tenants who are currently paid partial housing benefit who will also move to UC and will also now be expected to pay their full rent to the landlord, representing a further £16m of rental income each year.
26. This will inevitably have an impact on rent collection and income levels of the council as a landlord, and work is progressing to model this and seek ways of mitigating the adverse effect on service standards that may result.

#### Local Welfare Assistance

27. The Local Welfare Assistance (LWA) scheme was set up from April 2013 to replace the DWP's system of crisis grants and loans. Each local authority developed its own scheme, and Dudley's scheme operates a

cashless system providing food and fuel vouchers, white goods, items of furniture and, in specific cases, carpeting, clothing and removal costs.

28. Awards must be applied for by phone (no charge is incurred) or online and can be granted in cases of benefit delay / sanction; domestic violence; homelessness; leaving care, prison or another institution; unforeseen circumstances or urgent need (e.g. new cooker needed etc). In 2014/15, just under 1,400 awards for Local Welfare Assistance were granted. Appendix 10 gives a breakdown of the reasons for granting the application: almost 80% were for urgent need / unforeseen circumstances; just over 14% were as a result of benefit delay or sanction, and the remaining less than 6% were because of homelessness, leaving institutions and domestic violence.
29. Appendix 11 shows the geographic distribution of successful Local Welfare Assistance awards. Any resident can claim Local Welfare Assistance: this grant is tenure-blind and can be awarded to homeowners as well as tenants if they meet the criteria.

#### Council Tax Reduction Scheme

30. Appendix 12 shows the geographic distribution of the 30,500 residents who claim Council Tax Reduction. This local scheme replaced the national Council Tax Benefit scheme with effect from April 2013.
31. Proposals to change the Council Tax Reduction Scheme from April 2016 are covered by a separate agenda item at this meeting.

#### Benefit cap

32. Relatively few Dudley residents (just over 100) were affected by the initial introduction of the benefit cap (£26,000 for couples / families and £18,200 for single claimants). With the proposed reduction to £20,000 for couples / families and £13,400 for single claimants, we expect that more of our residents will be affected, but we do not have this data yet, and we do not yet have a confirmed date for the introduction of the reduced benefit cap.
33. For a couple or family, £20,000 works out at £1,666 actual income per month or £385 per week. For a single person, £13,400 is equivalent to £1,116 per month or £257 per week.
34. For example, a single claimant aged over 25 could receive the standard personal allowance (JSA / UC) of £318 per month plus £400 per month housing element and be well below the £1,116 cap. However, if they were also entitled to the £316 per month for limited capability for work and work-related activity, this would take their UC up to £1,034, leaving them potentially vulnerable to rent increases.

35. For a family, particularly those with 3 or more children and possibly disabled members of the household, we are likely to see more people affected by the benefit cap. For example, a family with neither parent working and 4 children would receive £499 per month basic allowance plus £973 per month for the children. This is £1,472 per month, leaving only £194 per month for the rental element, so they would be affected by the benefit cap by around £200 or more per month. This does not allow for any additional UC elements, for instance if one or more members of the household are disabled, or have caring responsibilities.
36. If a family with neither parent working had 3 children and lived in a property with rent of £110 per week (£460 per month), they would receive £499 per month basic allowance plus £740 per month for the children. This is £1,239 per month, leaving only £427 per month for their rental element, so this family would be capped at £1,666 total UC rather than receiving £1,699 per month.
37. A single parent who is not working, with 3 children, one of whom is severely disabled, in a property with rent of £110 per week (£460 per month), would, without the benefit cap, receive £499 basic allowance, £460 housing element, £740 for the three children and £368 disabled child allowance. In total this is £2,067, or £401 per month over the benefit cap. Again, the maximum UC this family would receive will be £1,666 per month.
38. While claimants remain on legacy benefits (Jobseeker's, Housing Benefit etc), the impact of the benefit cap will be limited as it is only deducted from housing benefit. So if a family's benefits are £300 per week over the benefit cap level, but their rent is £90 per week, currently only £89.50 will be deducted from their housing benefit. This would mean that they would retain a notional entitlement of 50p per week housing benefit, to maintain them on the system, but they would have to find the money to pay their rent from their other benefit payments. When UC is introduced, this family would see their total benefit capped at the maximum level, and they would see a reduction of the full £300 per week.
39. In Dudley, we have so far seen only large and complex families, generally also with disabled members, affected by the benefit cap. As the cap is reduced, we are likely to see many more households being affected by the cap.

## **Finance**

40. Housing Benefit payments are funded via government grant. There are also a separate allocation of grant for Discretionary Housing Payments, though local authorities may spend more than their allocation if resources and priorities allow. Spending on Discretionary Housing Payments is limited to 2.5 times the government allocation to a local authority.

41. Rent for council homes is collected and administered through the Housing Revenue Account, and is ring-fenced so it can only be spent on the management, maintenance and improvement of council homes. Local authorities must not budget for a deficit on the Housing Revenue Account.

### **Law**

42. Awards of benefit are made under the relevant legislation. The Welfare Reform Act 2012 introduced Universal Credit, the benefit cap, underoccupancy penalties and a number of other changes to the benefit system, and the Welfare Reform and Work Bill, which is currently going through Parliament, will bring into effect further changes, including those highlighted in the Chancellor's July 2015 budget announcement.

### **Equality Impact**

43. All awards of benefit are made in line with relevant legislation and with the Council's equality policies.

### **Recommendation**

44. It is recommended that Members note the contents of this report.



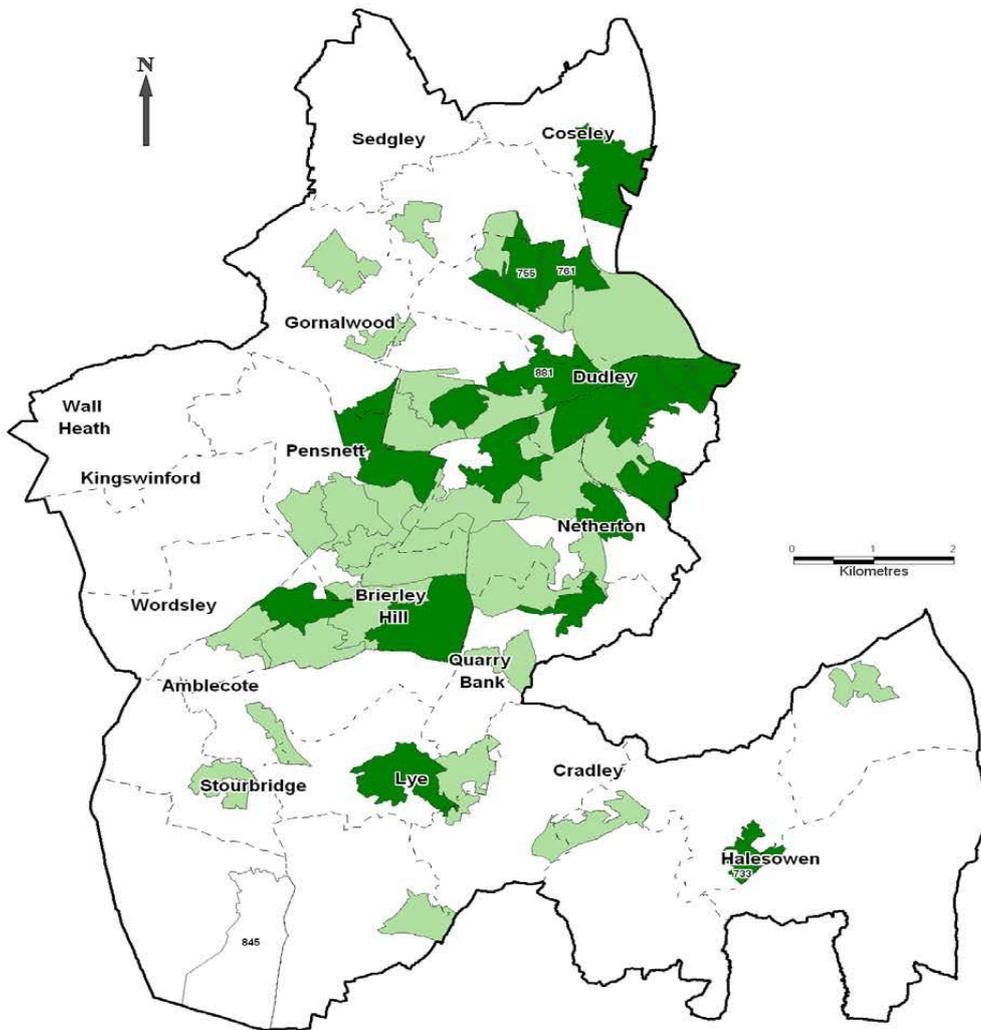
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# Appendix 1

The Index of Multiple Deprivation 2010  
Super Output Areas in Dudley Borough that are in the 20% most deprived in England

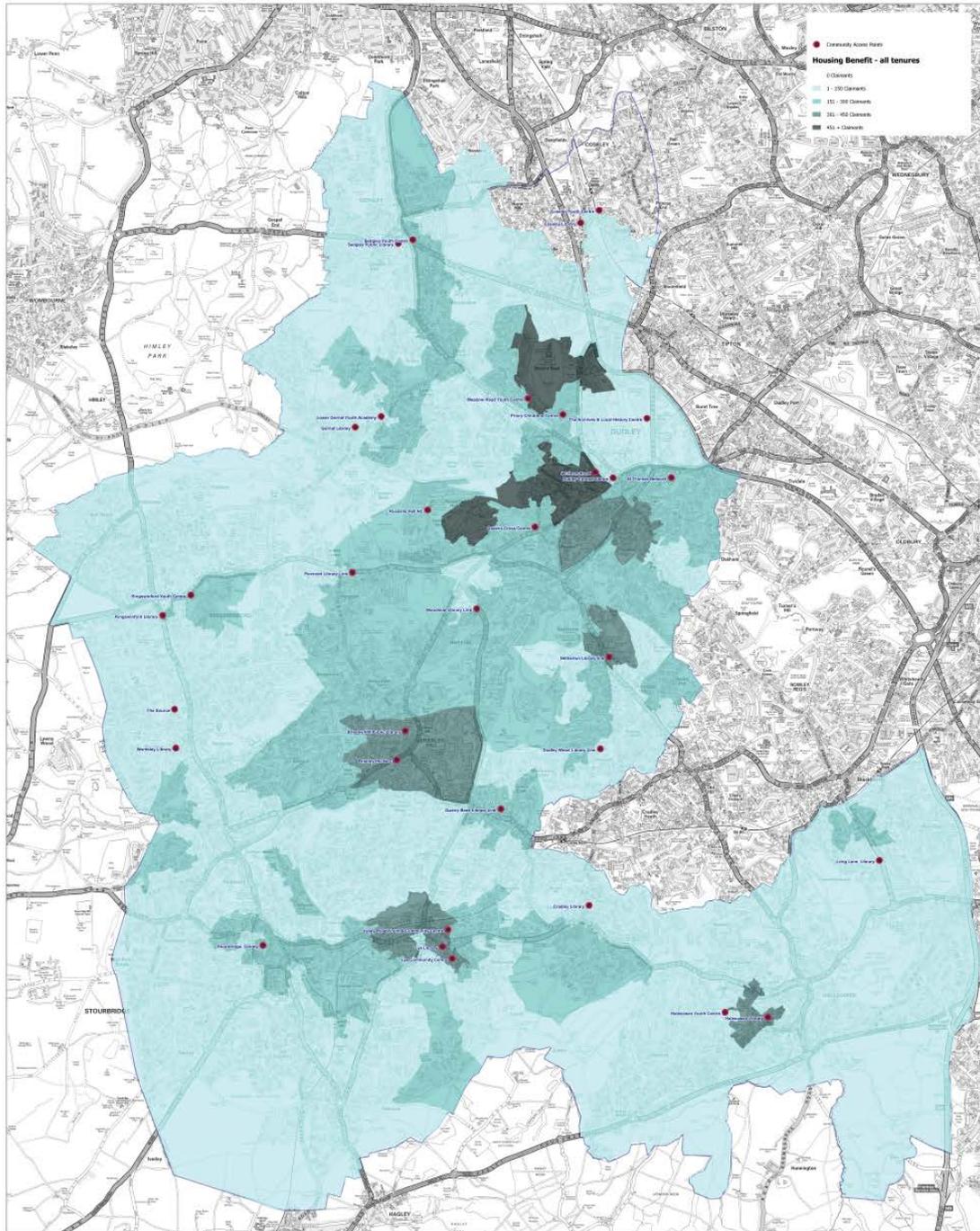


## KEY

- 10% most deprived
- > 10% to 20% most deprived
- Super Output Area boundary
- Electoral Ward boundary

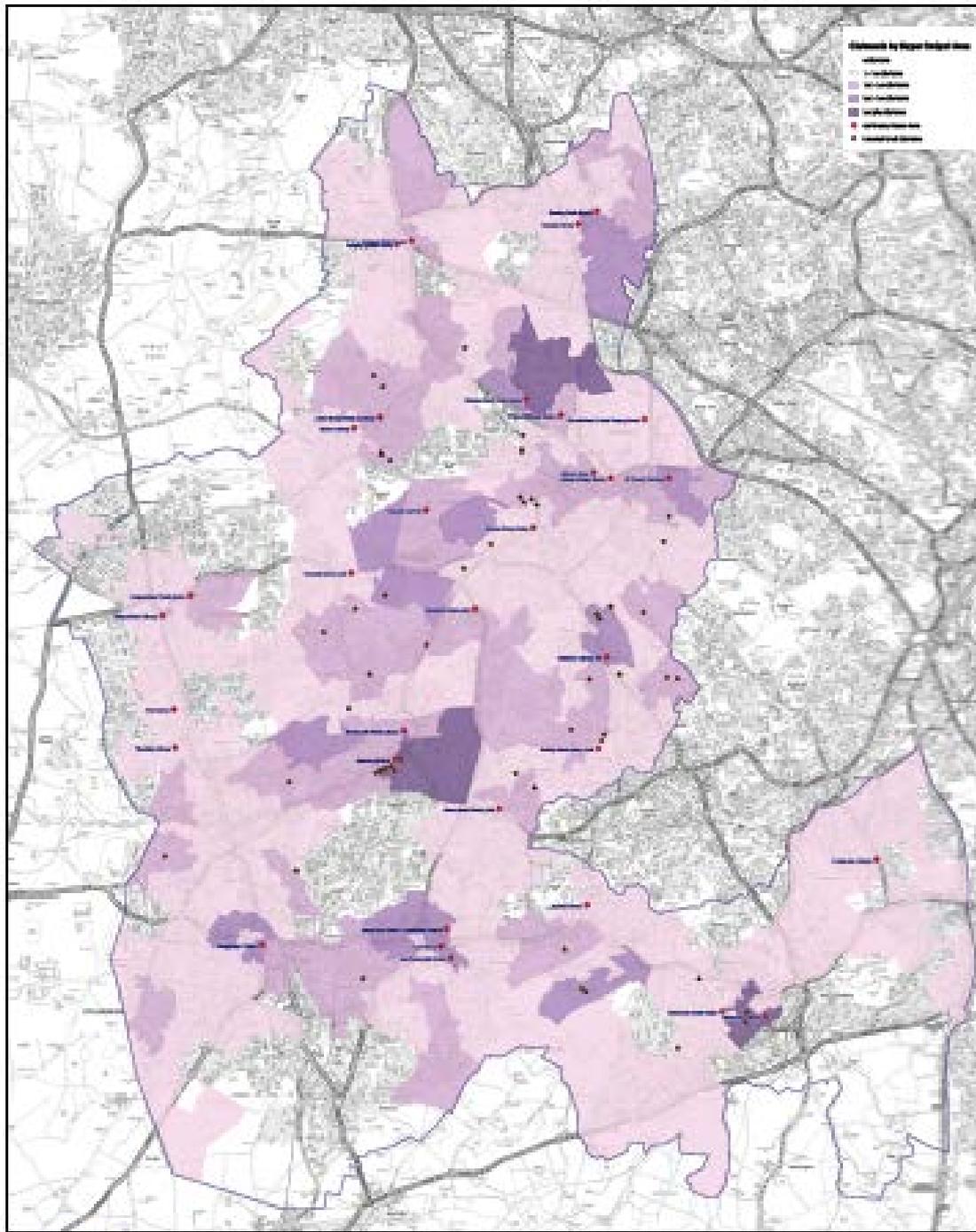
## Appendix 2

### Geographic distribution of Housing Benefit Claims – all tenures (council, Housing Association and private rented)



Appendix 3

Geographic distribution of Housing Benefit Claims for council tenants



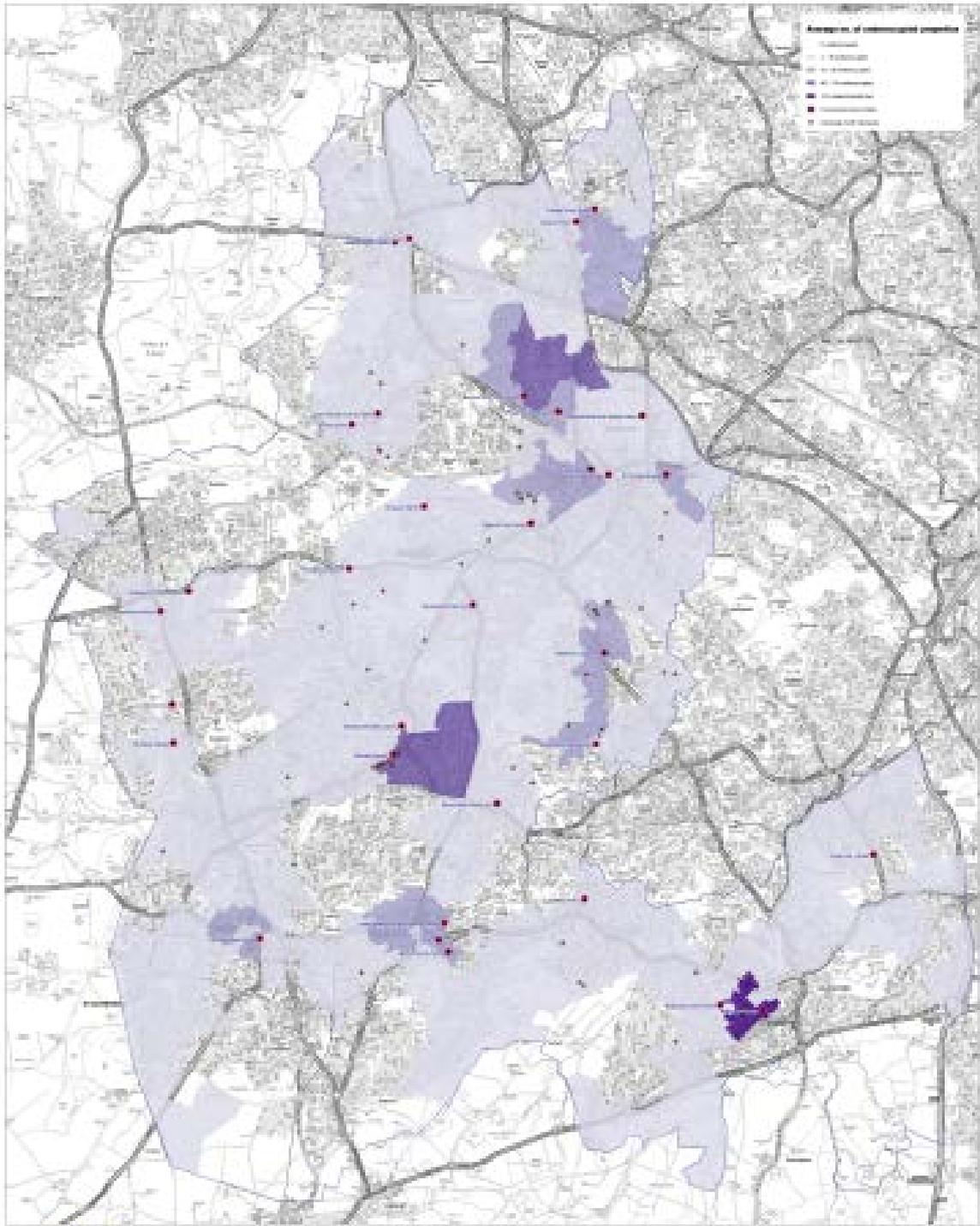
**Super Output Area Groupings by Number of Housing Benefit Claims  
(showing Universal Credit claimants and sites with Public Access PC's) 2018**





Appendix 6

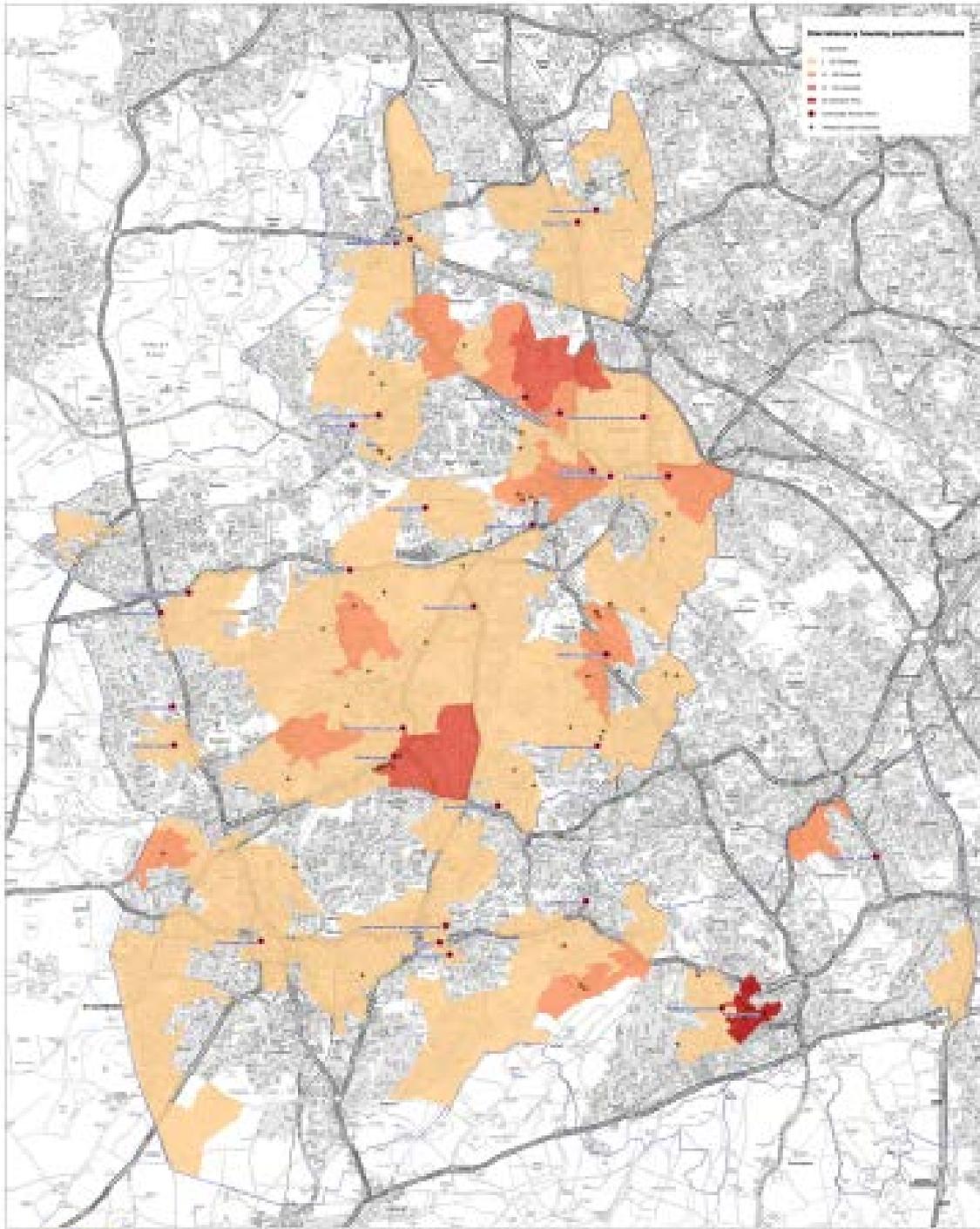
Geographic distribution of Housing Benefit claimants considered to be underoccupying their property (council tenants)



Super Output Area Groupings by average number of underoccupied properties (allowing Universal Credit claimants and sites with Public Access PO's) 2015

Appendix 7

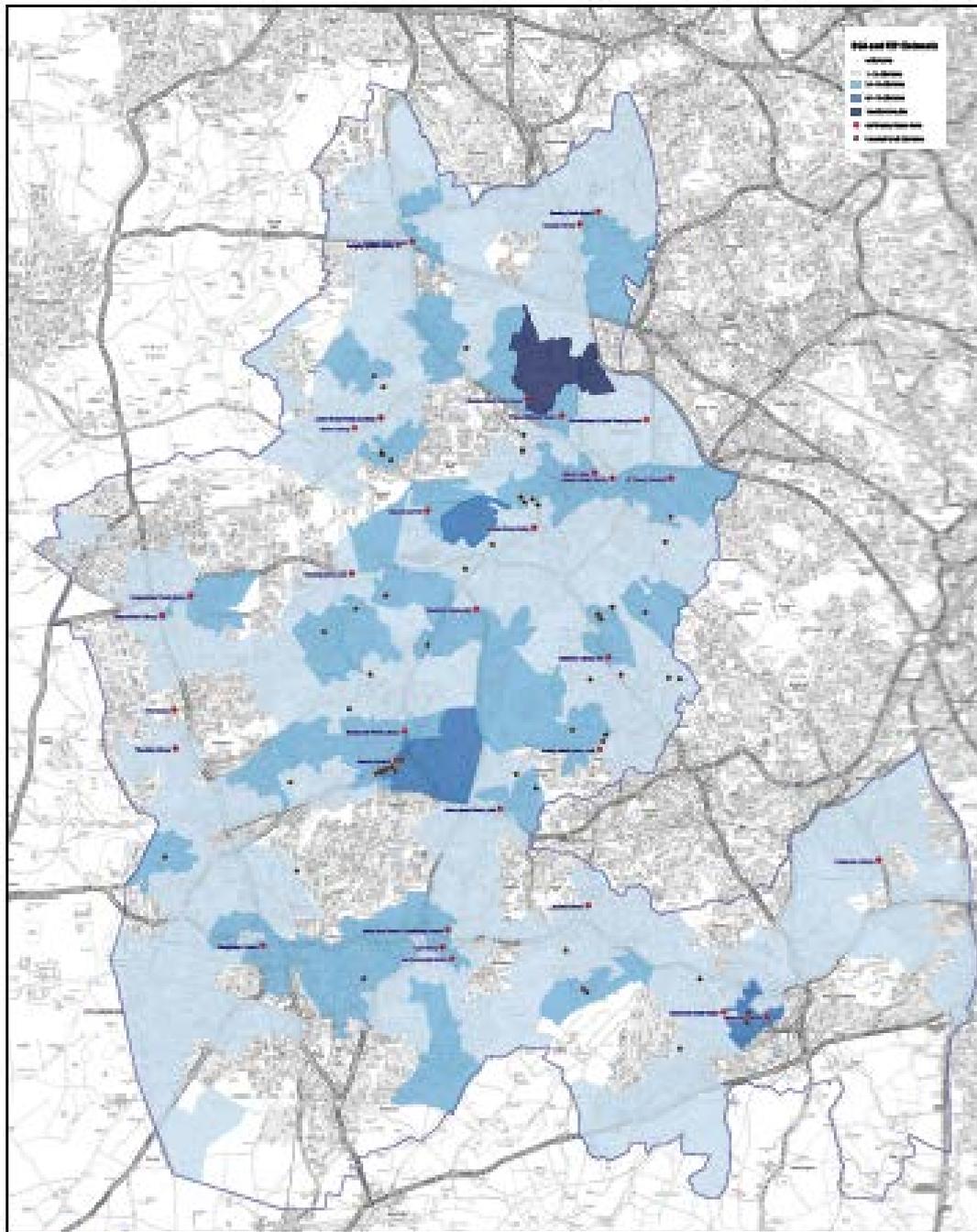
Geographic distribution of Housing Benefit claimants considered to be underoccupying their property and claiming Discretionary Housing Payments (DHP) (council tenants)



Super Output Area Groupings by Number of Discretionary housing payment claimants (following Universal Credit claimants and sites with Public Access PC's) 2015

Appendix 8

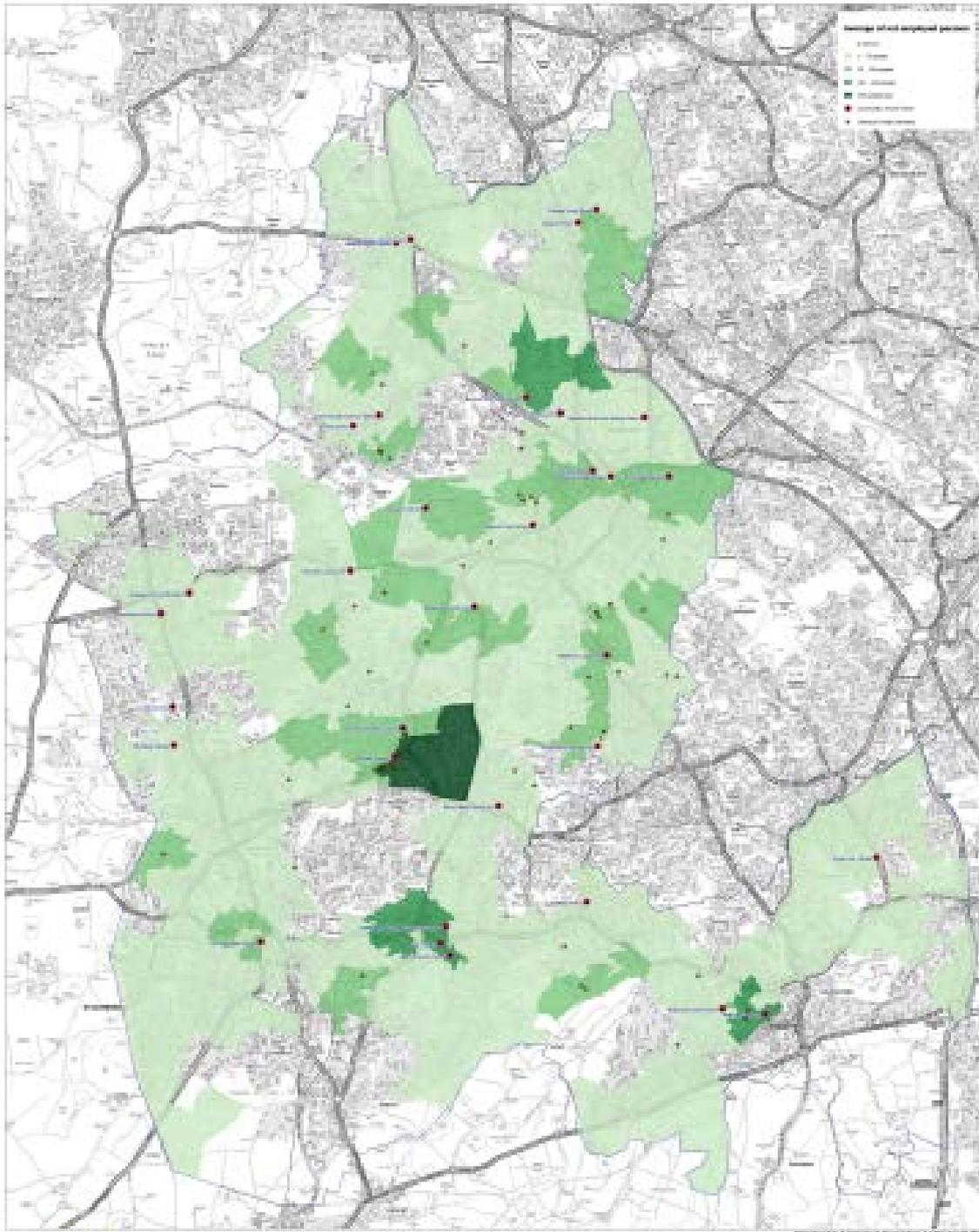
Geographic distribution of Housing Benefit claimants also eligible for Disability Living Allowance (PLA) or Personal Independence Payment (PIP)



**Super Output Area Groupings by Number of Disability Living Allowance and Personal Independence Claimants (showing Universal Credit claimants and also with Public Access PO's) 2018**

Appendix 9

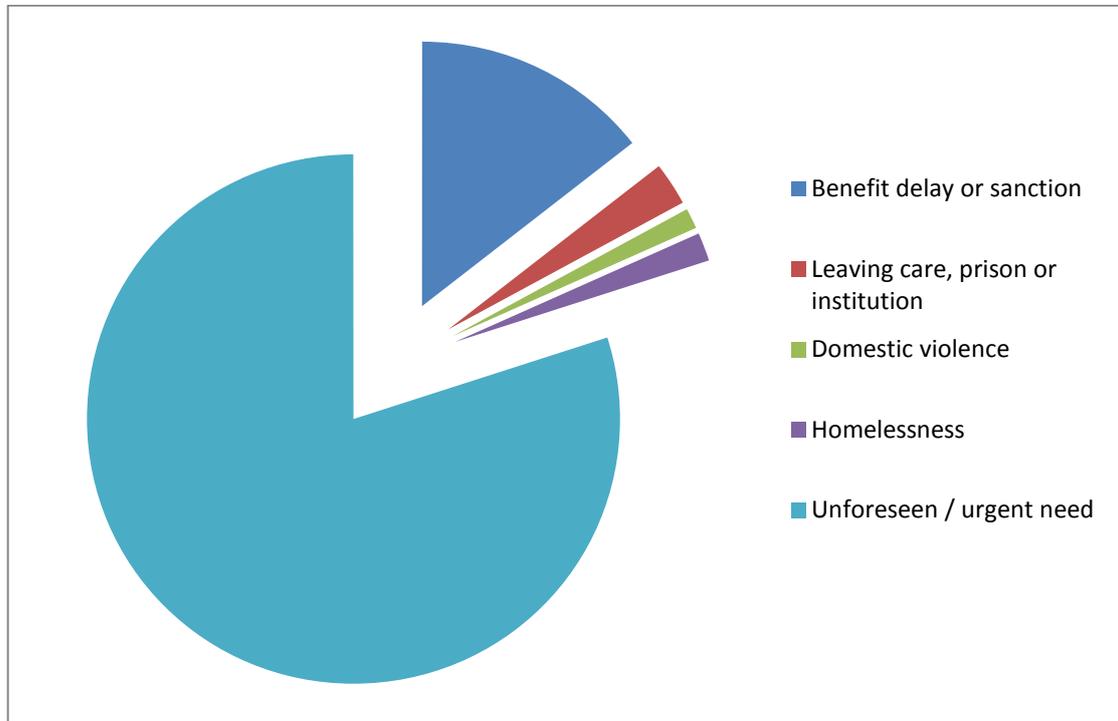
Geographic distribution of Housing Benefit claimants of working age and not in employment (council tenants)



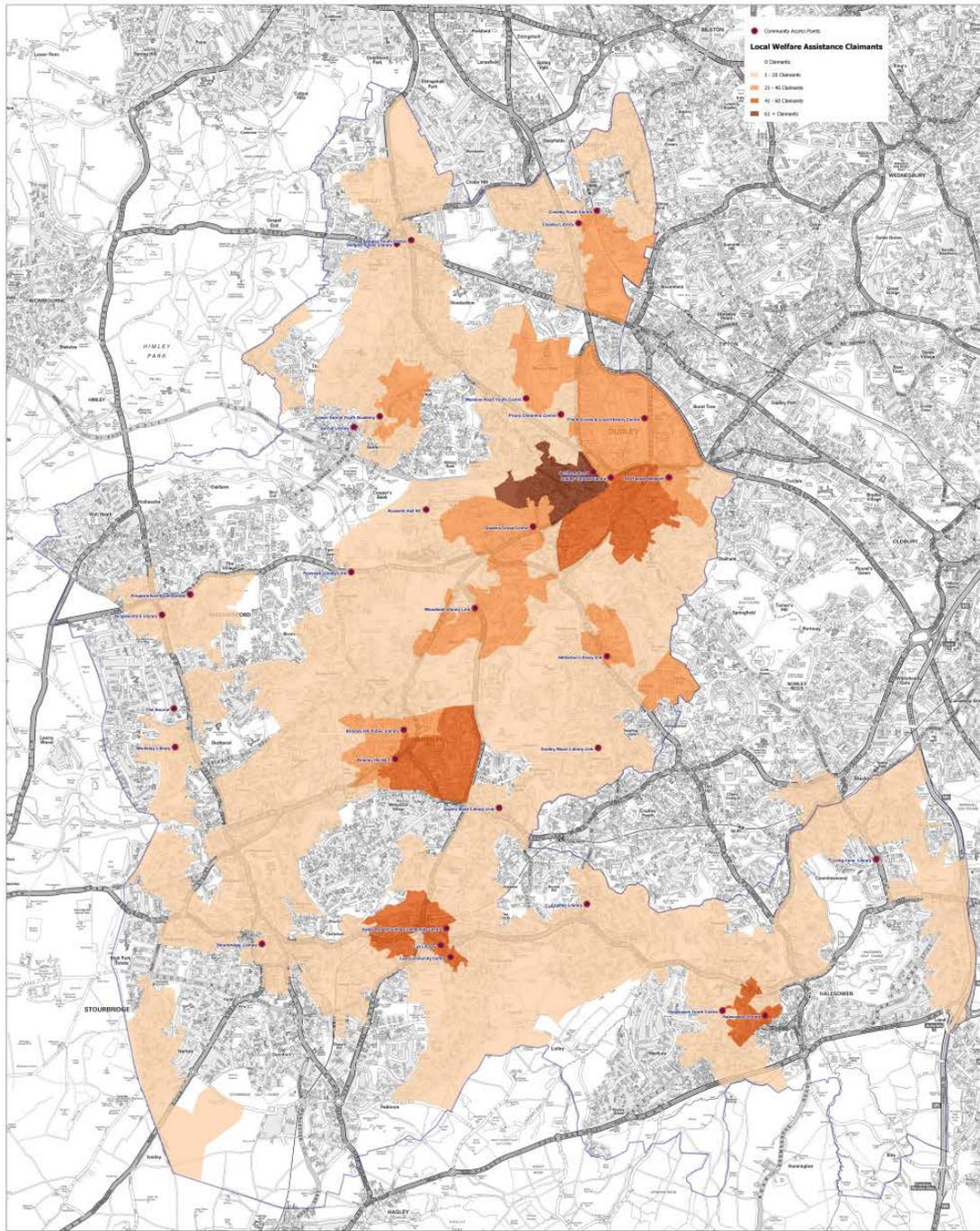
Dudley Output Area Groupings by average number of not employed people (allowing Universal Credit claimants and sites with Public Access PO's) 2015

## Appendix 10

### Reasons for award of Local Welfare Assistance 2014/15



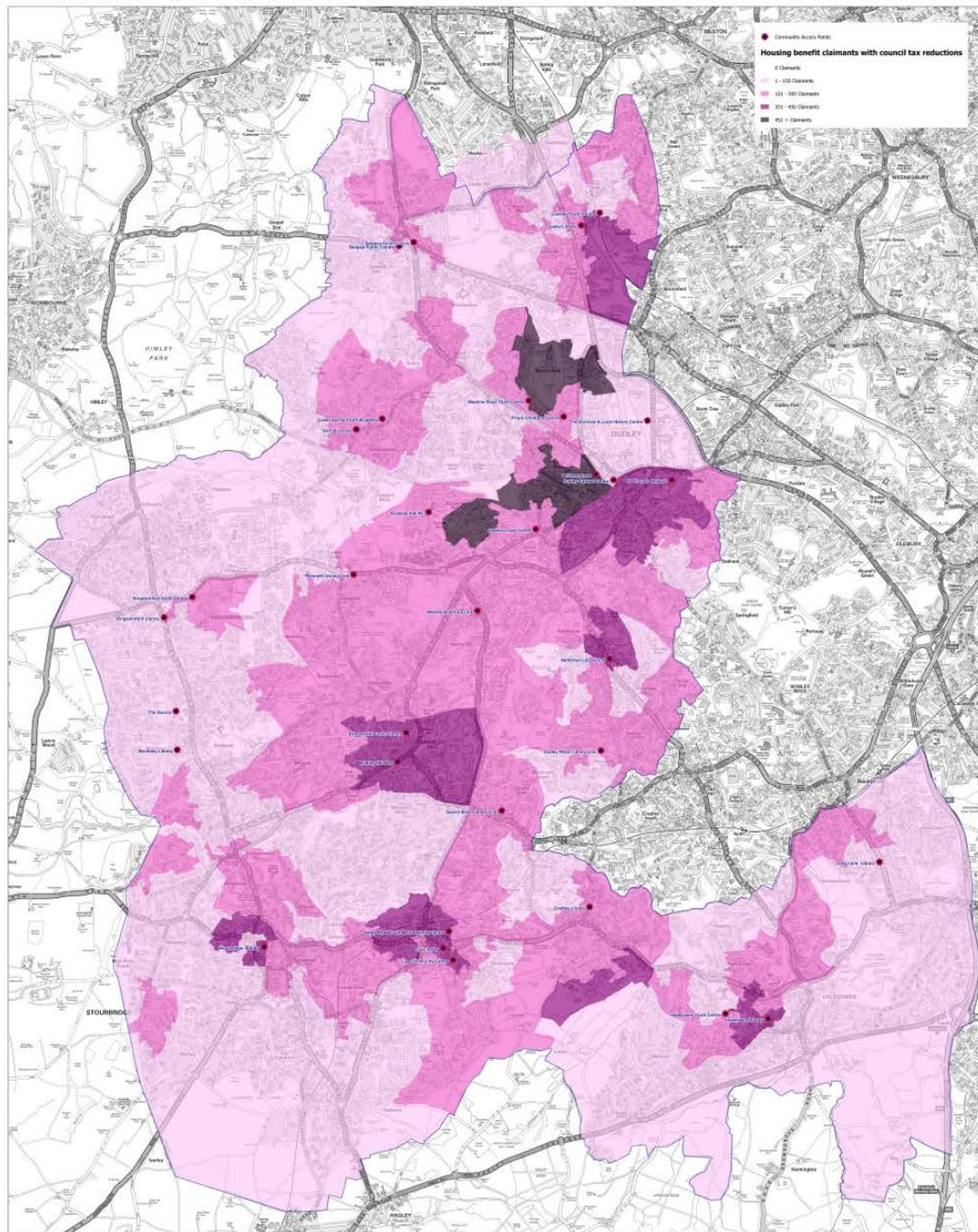
Appendix 11  
 Geographic distribution of people who have successfully claimed Local  
 Welfare Assistance in 2014/15



Super Output Area Groupings by average number of Local Welfare Assistance Grant Claimants  
 (showing sites with Public Access PC's) 2015

# Appendix 12

## Geographic distribution of CTR (Council Tax Reduction) claimants 2014-15



**Super Output Area Groupings by average number of housing benefit claimants with council tax reductions (showing sites with Public Access PC's) 2015**