

HOUSING SELECT COMMITTEE		
<b>Title</b>	Welfare Reform Update	
<b>Key Decision</b>	No	Item No. 5
<b>Ward</b>	All wards	
<b>Contributors</b>	Executive Director of Customer Services	
<b>Class</b>		Date: 1 October 2014

## 1 Summary

1.1 The Welfare Reform Act represents the biggest change to the welfare system for over 60 years, although much of its detail and resultant impact presents an ever changing picture, both nationally and in Lewisham. However, everyone claiming benefits will be affected in some way by the reforms.

- It is expected that national rollout of Universal Credit will be completed by 2017 however no specific dates for Lewisham have yet been identified by the DWP.
- Latest figures provided by the Department of Work and Pensions (DWP) show that 378 households in Lewisham have been affected by the benefit cap since August 2012.
- Latest data indicates the number of social tenants in Lewisham affected by the bedroom tax is decreasing – 2,788 as of September 2013 which has decreased to 2,635 as at January 2014 (more recent update to be provided at the meeting).
- Analysis by the Centre for Economic and Social Inclusion on behalf of the Local Government Association (LGA) has estimated that in 2015/16, income loss for households claiming benefits in Lewisham may be £1,835 per year or £35 per week.

## 2 Purpose

2.1 This report updates members on the latest information about Welfare Reform and specifically, where available, the impact on Lewisham residents.

## 3 Recommendation

3.1 The Committee is requested to note the contents of this report. Further updates will be made available in due course.

## 4 Policy context

4.1 On the 8 March 2012, the Welfare Reform Act received Royal Assent. The Act legislates for the biggest change to the welfare system for over 60 years. The elements of the Welfare Reform Act discussed in this report are as follows:

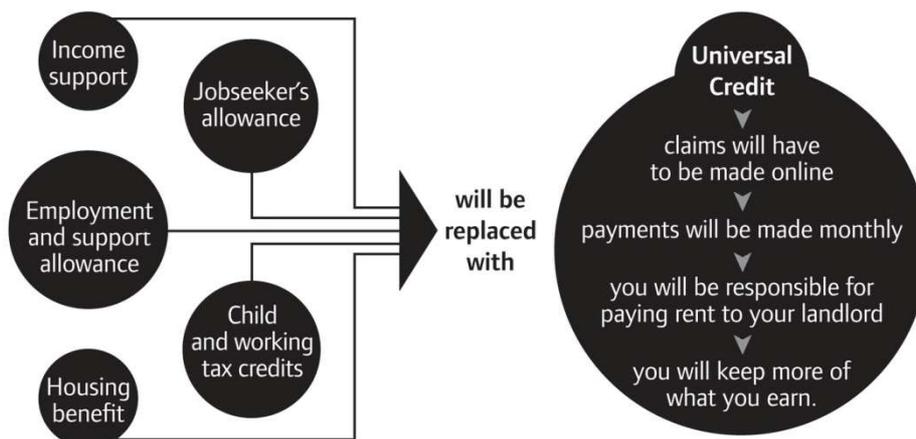
- universal credit
- the benefit cap

- bedroom tax & underoccupation
- discretionary housing payment (introduced in 2001 and not strictly part of welfare reform)
- council tax reduction scheme

## 5 Universal credit

5.1 Universal credit is a new benefit for people of working age who are either looking for work or on a low income. Its introduction aims to simplify the benefits system by bringing together a range of benefits into a single, streamlined payment. It is not applicable to pensioners although those claiming housing benefit will be affected because housing benefit will be subsumed into the universal credit payment for the majority of claimants. Pensioners will instead receive a housing credit to help towards rent as part of the new pension credit system which will be phased in between 2014 and 2017.

5.2 The benefits that will be replaced by universal credit are shown in the diagram below:



5.3 Universal credit was first introduced in April 2013 in four pathfinder areas in Tameside, Wigan, Oldham and Warrington, where newly unemployed people now receive universal credit instead of job seekers allowance. Six 'hub job centres' in Hammersmith, Rugby, Inverness, Harrogate, Bath and Shotton began taking universal credit claims from October this year - in addition to the four other centres already trialling the new system. The detailed roll out plan for universal credit has not yet been developed by the DWP, However it is still expected that all benefit claimants will have transitioned to universal credit by 2017.

### Impact update in Lewisham

5.4 Our estimates suggest that approximately 30,000<sup>1</sup> claimants in Lewisham may be affected by universal credit, meaning they are currently claiming at least one benefit which will be replaced by the new system. Clearly, numbers will fluctuate as circumstances change...

<sup>1</sup> Based on approximate number of current working age housing benefit claims.

- 5.5 Although the new benefit was not live in Lewisham, from December 2012 to February 2013, we ran a universal credit pilot testing how to support residents to transition to the new benefit. Lewisham was selected by the DWP as one of 12 local authorities asked to test the type of support residents might need to transition to the new benefit. The focus of the pilot was to work with residents affected by other welfare reforms (e.g. the benefit cap) and to support them to move into employment, sustain their tenancies, manage a monthly budget and transact online.
- 5.6 The learning from the pilot has been used to influence the next phase of work. Lewisham, in partnership with Southwark and Lambeth Council's and the local Job Centre Plus sites, was recently selected by the DWP to run a 'Universal Support-Delivered Locally' trail (previously referred to as the Local Support Services Framework or LSSF). Over the next 12 months the three councils will be working closely with Job Centre Plus colleagues to triage selected groups of benefit claimants (initially new Job Seekers Allowance and Work Programme Completers) and direct them to appropriate support services in advance of the introduction of universal credit. The learning gained from this trial will be fed into the wider roll out of universal credit and enabled the three local authorities to develop a better understanding of likely 'transitional' needs in advance of the new benefit being introduced.

## **6 Benefit cap**

- 6.1 The benefit cap places a limit on the total amount of benefits out of work households can receive. This limit is currently £500 per week for families and £350 per week for single persons without children, and includes housing benefit, jobseekers allowance, employment support allowance, income support and child tax credit. The benefit cap will be integrated into the administration of universal credit when it eventually gets rolled out. However, in the interim period, DWP are making deductions from housing benefit. Persons who qualify for working tax credit are exempt from the cap. To qualify for working tax credit, lone parents need to work 16 hours per week and couples 24 hours per week. Persons are also exempt if they are living in supported accommodation or if they are claiming one of the following benefits:
- Disability Living Allowance
  - Personal Independent Payment
  - Attendance Allowance
  - Industrial Injuries Benefit
  - Employment Support Allowance (if paid with the support component)
  - Armed Forces Compensation Scheme payments
  - War Pension Scheme payments (including War Widow's/Widower's Pension and War Disablement Pension).

## **Impact update in Lewisham**

6.2 The benefit cap came into effect in Lewisham on 12 August 2013. A number of local strategies continue to be promoted in Lewisham to help affected persons manage the financial impact. In summary, these include finding work to become eligible for working tax credit and thereby becoming exempt from the cap, moving to cheaper accommodation either in the social or private rented sector or in some cases, moving out of London where rents are less expensive, and budgeting for those persons whose loss is relatively minor and who may be able to manage the shortfall in housing benefit through other means.

## **7 Bedroom tax & underoccupation**

7.1 Welfare reform has cut the amount of benefit that persons can receive if they are deemed to have a spare bedroom in their council or housing association home. This measure was introduced for housing benefit claimants of working age from 1 April 2013.

7.2 The power to reduce housing benefit in this way is commonly referred to as the bedroom tax or underoccupation penalty. Unlike tenants in the private rented sector, rent levels for tenants in the social rented sector were not previously determined by the size of the household. This has now changed meaning housing benefit is reduced for persons of working age living in social housing who live in a property which is too large for their needs.

7.3 The reduction in housing benefit is 14% or up to £14 per week for tenants with one extra bedroom and 25% or up to £32 per week for tenants with two extra bedrooms or more. One bedroom only is allowed for each person/couple living as part of a household but the size of the bedroom is not considered as part of the calculation.

## **Impact update in Lewisham**

7.4 As of January 2014, there were 2,635 tenants affected by the bedroom tax in social housing across Lewisham. In September 2013, this equivalent figure was 2,788, meaning that there has been a decrease of 153 tenants affected by the bedroom tax over an approximate four month period (the biggest reduction was amongst single adults and lone parent families).

7.5 Four registered provider partners (housing associations) report that they no longer have any Lewisham tenants affected by the bedroom tax. These providers are Habinteg, St Mungo's, Aurora Options and Affinity Sutton.

7.6 The table below shows the five largest housing providers in Lewisham who also report a decrease in the overall number of tenants affected by the bedroom tax since June 2013. Furthermore, at the time of writing, Lewisham Homes report that approximately 61% of households affected by the bedroom tax are in rent arrears. Of these, the majority are not currently registered for a move, indeed, only 101 households have requested to move for this reason thus far. Similarly, Phoenix Community Housing report that 66% of household affected by the bedroom tax are in rent arrears.

Housing provider	Total in September 2013	Total in Jan 2014	Total decrease
Lewisham Homes (inc Regenter B3)	1130	1006	124
Phoenix Community Housing	502	487	15
L&Q	496	486	10
Hyde	198	187	11

- 8 As of the end of August 2014, there were 756 households registered as underoccupying on the housing register. The equivalent figure in March 2014 was 730 representing an increase of 26 in the past five months. Underoccupiers currently represent over 75% of band 1 applicants and over 8.9% of all applicants on the housing register which totals 8,352. To help facilitate moves for those tenants/households affected by the bedroom tax, the Council set-up a 'Trading Places' team in February 2014, comprised of a Project Officer & 4 x Support Officers. Since the project's creation, 63 tenants have been assisted to move by the Team. The properties released have then been used for households in PSL properties affected by the benefit cap and these PSL properties have, in turn, then been freed up for households moving out of B&B accommodation. At present a further 123 tenants are registered with Trading Places from a range of different landlords within the borough. Several initiatives have been demonstrated to try and facilitate moves and the Team is currently organising a series of mutual exchange / swap events for tenants registered both to the project and those overcrowded or under occupying.
- 8.1 Discretionary housing payments (DHP) were first introduced in 2001 and replaced the exceptional hardship and exceptional circumstances payments. DHP is not extra housing benefit or local housing allowance as such, but a separate payment made at the Council's discretion in cases where an individual or household needs extra help to meet their housing costs. Awards are generally made to help persons get over short term difficulties. The funding for DHP is provided by central government and is strictly limited. Each application is considered on merit and must demonstrate good reasons for requesting additional financial support. Applicants must be in receipt of housing benefit or local housing allowance to qualify for DHP.
- 8.2 Following the introduction of the benefit cap, the government has provided additional funding towards DHPs. This is specifically intended to support those persons affected by the benefit cap who may, as a result of a number of complex challenges, be unable to immediately move into work or more affordable accommodation.

### Impact update in Lewisham

- 8.3 DHP funding for Lewisham for 2014/15 is £1.6m of which, to date, £508k has been spent (including commitments to the end of this financial year) on assisting a total of 376 households in the borough.
- 8.4 The number of residents in Lewisham in receipt of either housing benefit or local housing allowance from April to September 2014 has only fluctuated minimally and is

as follows:

<b>Month</b>	<b>Total</b>
April	38,583
May	38,369
June	38,346
July	39,494
August	38,302
September	38,447

## **9 Council tax reduction scheme**

- 9.1 In April 2013, the government replaced council tax benefit (CTB) for those on low incomes with a localised council tax reduction scheme (CTRS). Eligible pensioners are not affected by the change and receive the same amount of help with their council tax as they did previously with CTB.
- 9.2 The funding for CTRS is 10% less than was previously awarded to Lewisham to cover the cost of CTB, equating to a reduction of £3.28 million in 2013/14. Because of this, the Council had to find ways of passing on this cut, whilst still providing help to residents in need through CTRS. Residents were consulted from August to October 2012 to find out how best to provide assistance to those who need it to pay their council tax. The consultation showed that the majority of residents thought that everyone should have to pay some council tax but that we should protect the most vulnerable in Lewisham by increasing council tax for second homes and some empty homes.

## **Impact update in Lewisham**

- 9.3 Since April 2013, 24,648 working age households in Lewisham have been affected by the introduction of CTRS meaning that either new or revised council tax bills were issued to them. The maximum award for working age households is limited to 85.16% of their council tax liability meaning all are required to pay at least 14.84%. The average impact per household is £3.50 per week.
- 9.4 The Council has agreed to set up a £100k hardship scheme to provide some short-term financial assistance for families affected by this change who meet certain criteria. It is expected that this funding will help between 600 and 1000 families. The financial assistance offered will be short term to cover 50% of their liability for the remainder of the financial year.

## **10 Registered provider update**

- 10.1 In March 2012, Lewisham Affordable Housing Group (LewAHG) which consists of representatives from the council and all housing and registered providers in the borough, established a welfare reform sub group which has been meeting every 6-8 weeks ever since. The purpose of the group is to share information and good practice regarding ongoing welfare reform. The group is also attended by officers from housing strategy, housing benefit, Job Centre Plus and the South East London Housing Partnership.

- 10.2 The overall objectives of the group are to understand the potential and actual impact of welfare reform on our residents and where possible, to produce a consistent and co-ordinated approach.
- 10.3 The main focus of the group is currently on:
- Bedroom tax
  - Discretionary housing payments
  - Single Room Rate
  - Universal credit introduction
  - Digital inclusion
  - Financial inclusion (e.g. establishing bank accounts for tenants who do not have)
  - Pre-payment cards
  - Segmentation (i.e. profiling about who is going to need support)
  - Changes to housing management systems in preparation for universal credit.
- 10.4 The group is also considering holding a pan organisational mutual exchange event, specifically for residents who are underoccupying and impacted by the bedroom tax, as well as trying to up skill tenants into work place training.
- 10.5 A number of registered providers have employed new benefit support officers or welfare advice officers to assist tenants with making full use of available services. At the same time, many registered providers are building reserves in anticipation of bad debt.

## **11 Financial implications**

- 11.1 There are no direct financial implications arising from this report at this time.

## **12 Legal implications**

- 12.1 There are no direct legal implications arising from this report at this time; however, within the context of the practical implications for the Local Authority as to the delivery of relevant services, (as a direct consequence of the Welfare Reform Act 2012,) the Equality Act 2010 obligations need to be considered.
- 12.2 The Equality Act 2010 (the Act) introduced a new public sector equality duty (the equality duty or the duty). It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 12.3 In summary, the Council must, in the exercise of its functions, have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.

- advance equality of opportunity between people who share a protected characteristic and those who do not.
- foster good relations between people who share a protected characteristic and those who do not.

- 12.4 The duty continues to be a “have regard duty”, and the weight to be attached to it is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations.
- 12.5 The Equality and Human Rights Commission has recently issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled “Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice”. The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at: <http://www.equalityhumanrights.com/legal-and-policy/equality-act/equality-act-codes-of-practice-and-technical-guidance/>
- 12.6 The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:
1. The essential guide to the public sector equality duty
  2. Meeting the equality duty in policy and decision-making
  3. Engagement and the equality duty
  4. Equality objectives and the equality duty
  5. Equality information and the equality duty
- 12.7 The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available at: <http://www.equalityhumanrights.com/advice-and-guidance/public-sector-equality-duty/guidance-on-the-equality-duty/>

### **13 Crime and disorder implications**

- 13.1 There are no direct crime and disorder implications arising from this report.

### **14 Equalities implications**

- 14.1 There are no direct equalities implications arising from the contents of this report, however any new policies arising from it will require an EAA or equivalent to be undertaken.

### **15 Environmental implications**

There are no direct environmental implications arising from this report.