



# Welfare Reform Briefing

Safer Stronger Communities Select Committee

30 November 2015

**DESCRIPTION  
OF CHANGE &  
IMPACT**

Council Tax Benefit was abolished in April 2013 and local authorities were provided with a grant (initially representing a 10% decrease in funding) to design and deliver their own schemes. Lewisham received £3.28m less in 2013/14 to run their new scheme and passed on the funding reduction to working-age council tax payers. This was approved by Mayor & Cabinet in January 2013.

Further reductions in funding have been made and passed on to working age council tax payers by making them all liable for some council tax. For 2015/16, the liability is 2.95% and the average impact is approximately 30p per week.

Collection against the 96% end of year target for 2015/16 is detailed below and incorporates revenue received between 1 April 2015 – 30 September 2015.

| Collection Results (YTD)                                      | %      |  |
|---|--------|--|
| Overall collection<br>(CTRS Claimants and non-CTRS Claimants) | 50.91% | Overall expected<br>percentage YTD<br>51.24% |
| CTRS Claimants only<br>(contributing a minimum of 2.95%)      | 44.55% |  |



The Council is able to use the provision of Section 13A (1)(c) of the Local Government Finance Act 1992 to support households who are suffering exceptional hardship as a result of their increased Council Tax liability. Staff and advice agencies are aware of the fund. To date no awards have been made under the new provision.

**DESCRIPTION OF CHANGE & IMPACT**

In contrast to the private rented sector, eligible rent levels for housing benefit claimants in social housing were not previously determined by the size of their household. However, under new social sector size criteria rules which came into effect in April 2013, tenants of working age who are deemed to be under occupying their property (i.e. living in social housing that has more bedrooms than they need, as defined by legislation) will have their housing benefit payments reduced

As of March 2015, there were **2,191 tenants** across Lewisham affected by the bedroom tax, which represents a decrease of **597 households** since September 2013 (when the total was 2,788) and an **overall decrease of 832** since June 2013 (when the total was 3,023). A more detailed demographic breakdown is provided below:

| Reduction    | Single       | Couple     | Lone Parent | Couple With Children | TOTAL        |
|--------------|--------------|------------|-------------|----------------------|--------------|
| <b>14%</b>   | 1,190 (67%)  | 115(6.3%)  | 387(21.7%)  | 79(4.3%)             | <b>1,771</b> |
| <b>25%</b>   | 324 (76.9%)  | 53 (12.5%) | 39 (9.3%)   | 4 (1.1%)             | <b>420</b>   |
| <b>TOTAL</b> | <b>1,514</b> | <b>168</b> | <b>426</b>  | <b>83</b>            | <b>2,191</b> |

← *The vast majority of those affected are single adults who have one additional bedroom*

An officer group (comprising representatives from Housing Benefit, Housing Needs, Lewisham Homes and Phoenix) has been established to **track the effectiveness of ongoing interventions** as well as **developing further strategic responses**. Alongside this, a project team has been set up in Housing Needs to **work closely with affected residents** to facilitate moves to more suitably sized/affordable accommodation. In April 2015, around 145 households receiving DHP towards the bedroom tax had their support stopped as the conditionality for receiving the support was that they would downsize their accommodation but they had failed to either register for or bid on Home Search. There is evidence of households receiving support but refusing offers to downsize their accommodation and it is likely that more robust testing of conditionality will be taken. Where households refuse offers and do not comply with conditionality, their support will be reviewed and may be withdrawn.

**IMPACT MONITORING: Bedroom Tax**



## DESCRIPTION OF CHANGE & IMPACT

The benefit cap places a limit on the total amount of benefits that an out-of-work household can claim so they will no longer receive more in welfare than the average weekly wage for working households. This limit has been set at £500 per week for families/lone parents and £350 per week for single adults. To avoid the impact of the cap, those affected either need to find work (for at least 16 hours a week), claim an exempting benefit (such as DLA), move to cheaper accommodation or undertake more effective budgeting (where the total amount lost is less significant)

At the end of September 2015, the **overall number of affected households in Lewisham was 294**. Of these households, 86 were living in Council-provided temporary accommodation, 148 were living in private rented accommodation, 23 were living in Council properties and 37 were living in housing association properties

| Financial Loss (September 2015) | % Of Households |
|---------------------------------|-----------------|
| Less than £50 per week          | 46%             |
| Between £50 and £100 per week   | 24%             |
| Between £100 and £200 per week  | 17%             |
| More than £200 per week         | 13%             |



*The majority of cases were capped between August and September 2013. It is anticipated that any new cases from this point onwards will be the result of a change in circumstances or people who have moved into the borough*

Almost all those 294 affected at September 2015 were **couples or lone parents** (287 or 98%). Of these, 56% have between one and three children and **19% have five or more children**. Most of the affected households are also **in receipt of Income Support**, so currently have no conditionality to seek employment



Lewisham has developed a number of specific approaches to support affected households within the borough, including **awarding conditional DHP** to a number of residents affected by the cap, **establishing an 'Out Of London Moves' pilot** to support households who have expressed an interest in moving to cheaper accommodation outside the capital and **launching a 'Chain Moves' pilot**, where any social housing properties with three or more bedrooms released by under occupiers are directly matched to homeless households. A Jobs Fair for households affected by the cap (mainly those in the private rented sector) was also hosted by the Council on 14<sup>th</sup> February 2014

## IMPACT MONITORING: Benefit Cap



## DESCRIPTION OF CHANGE & IMPACT

In April 2013, local authorities received an increased allocation of DHP to help mitigate the transitional impact of welfare reform. The total allocation for Lewisham was £1.6m (against an estimated welfare reform impact across the borough of over £10m per year). Some categories have been specifically funded eg properties adapted for disabilities but the Council can exercise discretion in using the remaining funds

Data for 2014/15 shows that there were **1,883 applications for DHP** which represents an increase of approximately 400% since 2012/13 :

| Outcome                                       | Number |
|---|--------|
| Award   | 1,310  |
| No award                                      | 573    |
| Decision pending/further information required | 0      |

Successful awards fell into the following categories:

- *Benefit cap: 329 awards*
- *Under occupation: 772 awards*
- *Special needs, LHA and others; 209 awards*

Since the introduction of the benefit cap in August 2013, customers who require short-term financial support to manage the impact of this change were entitled to apply for DHP. Their individual circumstances were assessed and conditions (such as gaining employment, arranging childcare, preparing CVs and attending training or moving to cheaper accommodation) were applied to awards as a means of encouraging customers to take steps to manage their financial situation and reduce longer-term reliance on welfare support.

In 2014/15 the available funding increased to £1.667m but due to increased demand, the Council actually exceeded this and spent £1.920m. The Council was allowed to use HRA funds to cover the additional costs. £1.1m went on households affected by the Benefit Cap and £604K on Bedroom Tax with the remainder awarded for other reasons.

In 2015/16 the available funding reduced to £1.2m.



The DWP have confirmed that £800m DHP will be available nationally over the next 5 year period. Details of the allocation formula are not known but if the previous one was used, Lewisham would receive an additional £500k pa but the cap has been reduced nationally therefore it's likely there will be a much greater impact outside London. The view is a greater proportion of the increased funding will be available to boroughs outside London.

# IMPACT MONITORING: Discretionary Housing Payments (DHP)



**DESCRIPTION  
OF CHANGE &  
IMPACT**

On 31 March 2013, the discretionary elements of the national Social Fund scheme (Crisis Loans and Community Care Grants) were abolished and replaced by locally-based emergency welfare assistance schemes that were designed and delivered by local authorities but funded by the DWP. Lewisham was provided with a grant of £1.5m to fund its Local Support Scheme during 2013/14, which was 18% less than the amount spend by the DWP in 2011/12

For 2015/16, funding for the support scheme ceased however the prudent approach the Council has taken meant we had a funding surplus which could be used to sustain the scheme despite ongoing funding ceasing. It was agreed that the most efficient and expedient means of delivery was on a “shared service” basis and from April 2015, Lewisham’s scheme has been delivered from Lambeth and in partnership with them and the City of London. Details of applications and expenditure since the introduction of the shared service model are as below;

| MONTH                        | NUMBER OF APPLICATIONS | NUMBER OF AWARDS | VALUE OF AWARDS |
|------------------------------|------------------------|------------------|-----------------|
| April 2015                   | 111                    | 11               | £7,565          |
| May 2015                     | 77                     | 6                | £1,472          |
| June 2015                    | 138                    | 26               | £10,603         |
| July 2015                    | 121                    | 34               | £13,195         |
| August 2015                  | 103                    | 31               | £18,244         |
| September 2015 (to 24.09.15) | 90                     | 27               | £13,630         |

**IMPACT MONITORING: Local Support Scheme**



- Replaces six key out-of-work benefits:
  - Income-related Jobseeker's Allowance,
  - Employment & Support Allowance,
  - Income Support,
  - Working Tax Credit,
  - Child Tax Credit
  - Housing Benefit
- Paid to one household member
- Paid as a single monthly payment 35 days after initial claim

Universal Credit - background



- Most people will apply online and manage their claim through an online account
- Support with housing costs will go directly to the claimant, not the landlord, with short-term safeguards where the claimant has rent arrears as part of their monthly payment
- Approximately 20,000 residents in Lewisham will transition to Universal Credit
- Scheduled to start in February 2016 with new single jobseekers only, migration scheduled to be complete by 2020
- Support delivery models for households transitioning being developed possibly in conjunction with Lambeth and Southwark

**Universal Credit – what does it mean?**





# Universal credit

| Current Benefit / Credit                               | National customer base  | Lewisham customer base    |
|--|-------------------------|---------------------------|
| Child Tax Credit                                       | 5.1m households (24.3%) | 27,400 households (23.7%) |
| Working Tax Credit                                     | 2.5m households (11.9%) | 29,400 households (25.5%) |
| Housing Benefit  | 4.9m households (23.3%) | 38,885 households (33.7%) |
| Employment and Support Allowance or Incapacity Benefit | 2.4m people (3.9%)      | 12,630 people (6.7%)      |
| Income Support   | 1.7m people (2.7%)      | 12,250 people (6.5%)      |
| Jobseekers Allowance                                   | 1.4m people (2.3%)      | 10,562 people (5.6%)      |

Higher than average claimant rates means that more Lewisham residents will be affected and more significantly impacted by the transition

Language, literacy and internet access are all likely to be barriers for some of our residents

## Universal Credit – impact



## Welfare Reform Bill

### Key proposals:

- Reducing the benefit cap to £23,000 (£15,410 for single people) – October 2016
  - Impact - 311 currently subject to the benefit cap , further 777 when the reduction is introduced.
  - Financial impact - £933k (£3k pa additional shortfall on the 311), estimated £1m for the remaining 777
  - Impact on homelessness and rent arrears, average weekly loss currently £88.16 but will increase to £145.85
  - 54% of capped households are PRS, 10% RPs, failing to make up the liability – or become exempt – will see an increase in evictions and demand for accommodation when 29% of capped households are already in TA

| Tenure Type   | Number capped | %age |
|---------------|---------------|------|
| PRS           | 168           | 54%  |
| RP (HA)       | 31            | 10%  |
| Council       | 23            | 7%   |
| TA            | 89            | 29%  |
| <b>Totals</b> | <b>311</b>    |      |

## Welfare Reform Bill – key proposals



- Maximum of 2 children included in child tax credit calculations
- Removing the entitlement to the family element of CTC unless the child / children were born before 6th April 2017, allowance currently £545pa
- Reduction in how much a family can earn before tax credit starts to be withdrawn – tax credits start to be withdrawn once family earns above £3,850 rather than £6,420
- Those aged 18 to 21 and receiving Universal Credit will only receive housing costs if they apply for an apprenticeship or traineeship, gain work-based skills, or go on a work placement 6 months after the start of their claim – **Currently 79 individuals who would be affected**
- Rents for social housing will be reduced by 1% a year for 4 years, tenants on higher incomes (over £40,000 in London) will be required to pay market rate, or near market rate, rents

## Welfare Reform Bill – key proposals



## Case Study to represent changes in tax credits from April 2016/17

Miss D has three children under 18 and works 30 hours earning £112.13 per week. She also receives £48.10 Child Benefit, £ 219.90 Child Tax Credit and £76.97 Working Tax Credit each week.

2015/16 Housing Benefit weekly award is £65.58 and Council Tax Reduction £1.63 against rent of £114.75 and Council Tax liability of £17.28.

From April 2016 her Working Tax Credit will reduce to £58.73 per week

**Note** - this will increase her Housing Benefit award to £77.43 and her Council Tax Reduction award to £3.58 each week. Although her loss from Working Tax Credit will be £ 18.24 a week, she will be £4.44 worse off overall, allowing for the increased HB and CTR.

## **Case study to demonstrate impact of the new benefit cap from October 2016**

Miss C is a lone parent with three children under 18, receiving Income Support, Child Benefit and Child Tax Credit totalling £292.09 each week.

She is already affected by the Benefit Cap because her rent is £246.66 per week, meaning her total benefit income exceeds the current weekly cap of £500.00 by £38.75.

Under the reduced Benefit Cap, equivalent to £442.30 per week from October 2016, Miss C will lose an additional £57.70 per week.

This would mean she needs to contribute £96.45 each week to her rent.

**Case Study: Existing Benefit Cap case**



## **Case study to demonstrate impact of the new benefit cap from October 2016**

Miss F is single parent of two children and a full-time student receiving Income Support, Child Benefit and Child Tax Credit totalling £184.02 (her student loan income is not included in the Benefit Cap calculation).

She receives Housing Benefit of £265.29, meaning that at present the Benefit Cap doesn't apply.

From October 2016 when the cap is reduced to £442.30, her total benefit income will exceed the cap by £7.01, meaning she will need to contribute this amount each week to her rent.

**Case Study: New Benefit Cap case 2016/17**

