

<b>Briefing for:</b>	<b>Overview and Scrutiny Committee</b>
<b>Title:</b>	<b>Impact of Welfare Reforms – OSC Project discussion paper</b>
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## **1. Background**

- 1.1. As part of the Overview and Scrutiny Committee work programme engagement process it was suggested that the Committee undertake a project on the impact of Welfare reforms.
- 1.2. This project was approved for inclusion in the work programme by the Overview and Scrutiny Committee at its meeting in July 2012.
- 1.3. The purpose of this briefing is to provide information to the Panel to enable them to discuss and agree the focus and objectives of this project.

## **2. Welfare Reform Act 2012**

- 2.1. The Welfare reforms are considered to be the biggest overhaul of the benefits system since the 1940's.
- 2.2. The aim of the reforms is to simplify the benefits system in order to improve incentives to work. The reforms also contribute to the government's aim of cutting the welfare bill by £18 billion by 2015.

### **Universal Credit**

- 2.3. A Universal Credit will replace Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Housing Benefit,



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Child Tax Credit, and Working Tax Credit and will be paid via a single monthly payment.

- 2.4. Support for childcare will be absorbed into Universal Credit.
- 2.5. The amount of Universal Credit will depend on a claimant's level of income and other family circumstances (as in existing benefits). The total will be calculated with reference to four elements:
  - A standard allowance to cover basic living costs
  - Support for those with children
  - Support for housing costs
  - Support for what the Act terms "other particular needs and circumstances".
- 2.6. From a combination of each of these elements a maximum payment will be calculated, which will then be reduced according to the earned and unearned income of the claimant.
- 2.7. Universal Credit will be rolled out in three phases from October 2013 until the end of 2017.

### **Changes to Housing Benefit under universal credit**

- 2.8. Any working-age household deemed to be under-occupying their home will lose part of their Housing Benefit from April 2013.
- 2.9. Housing Benefit will be restricted by the size criteria to allow for one bedroom for each person or couple living as part of the household, with the following exceptions:
  - Children under 16 of the same gender will be expected to share
  - Children under 10 will be expected to share regardless of gender
  - Disabled tenant or partner requiring a non-resident overnight carer will be allowed an extra room.
- 2.10. The Department for Work and Pensions estimates that approximately 31% of working age Housing Benefit Claimants are under occupying in social rented accommodation. It is estimated that the average reduction in Housing Benefit entitlement will be £14 per week in 2013/14<sup>1</sup>.

### **Benefit cap**

- 2.11. From April 2013 a £26,000 cap will be introduced on the total amount of benefit that working age people can receive. This will mean that workless households should no longer receive more in benefits than the average earnings of working households.

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<sup>1</sup> *Housing Benefit: Size Criteria for People Renting in the Social Rented Sector, DWP, EIA, March 2012*



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2.12. The level of the cap will be:

- £500 per week for couples (with or without children) and lone parents
- £350 per week for single adults<sup>2</sup>.

2.13. In the first instance, the cap will be administered jointly by DWP and local authorities through deductions from Housing Benefit payments. In the longer term it will form part of the new Universal Credit system<sup>3</sup>.

2.14. A DWP impact assessment estimates that 49% of those affected live in Greater London<sup>4</sup>, which points to the overwhelming likelihood that it is Housing Benefit that will cause claimants to go over the cap<sup>5</sup>.

2.15. While the cap will be administered through the new Universal Credit system once it is in place, prior to its introduction the cap will be administered by Local Authorities through Housing Benefit payments.

### **Social Fund**

2.16. The Act devolves a discretionary element of the Social Fund to the localisation of Community care grants and Crisis loans, the third element of the “Discretionary Social fund” will be incorporated in Universal Credit. The Regulated Social Fund scheme which includes maternity help, cold weather etc will still be administered by JobCentre Plus.

2.17. Local authorities will then decide how to distribute this money.

### **Council Tax benefit**

2.18. The Government is planning on localising Council Tax Benefit from April 2013. Funding will come from non ring-fenced grants paid directly to local authorities with a 10% reduction in the amount available.

2.19. Local authorities are responsible for developing their own schemes, which must be approved by 31<sup>st</sup> January 2013 to be in place by 1<sup>st</sup> April 2013.

2.20. Pensioners must be protected under all schemes devised by local authorities.

## **3. Challenges for local authorities**

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<sup>2</sup> Benefit Cap – Frequently Asked Questions, DWP, July 2012

<sup>3</sup> <http://www.dwp.gov.uk/adviser/updates/benefit-cap/>

<sup>4</sup> Benefits Cap Fact Sheet, DWP, July 2012

<sup>5</sup> Local Government Information Unit briefing



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3.1. The Local Government Information Unit<sup>6</sup>, sees the following challenges for local authorities:

- Changes to Council Tax Benefit will have to be consulted on, agreed and implemented in a very short timescale. This includes ensuring there is an IT system in place to support the new schemes.
- Implementing a local scheme without exceeding the government grant allocation and whilst protecting the most vulnerable will lead to the burden of the cuts being shouldered by a relatively small set of people.
- Alongside Council Tax Benefit changes Councils have to arrange for the delivery of a new local welfare payments system (replaces the Social Fund). This fund relates to some of the most disadvantaged residents of a borough and therefore it needs to be effectively handled, ensuring that these residents are deterred from turning to loan sharks and high cost lenders.
- Housing Benefit changes will mean that Councils have to work out how to deal with a situation in which there is an insufficient supply of suitable properties to accommodate those deemed to be under-occupying. Should the reforms result in the movement of benefit claimants then there may be a large number of people moving from areas with a higher cost of living to areas with a lower cost. Ensuring continuity of education, care, and other support will place significant pressure on Councils to develop effective and collaborative communication processes.

## **4. Local Context**

### **Housing**

- 4.1 In setting a national benefits cap of £500 a week for childless couples and families with children, no allowance has been made for the number of children in the household or the impact the size and tenure of the home has on housing costs. No allowance has been made, either, for regional variations in property prices or the cost and availability of accommodation. Larger families in high rent areas will, therefore, be particularly affected.
- 4.2 For a large number of non working families, the £500 benefits cap will put most private rented accommodation in London beyond their reach. It will also severely restrict the amount of money that many homeless families with 3 or more children can afford to pay for their temporary accommodation. Although social housing rents are lower than private sector and temporary accommodation rents a limited number of larger families living in Council or housing association homes will also be affected.

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<sup>6</sup> Welfare Reform 2012, Policy Briefing, LGIU



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- 4.3 The families that will be most affected by the benefits cap will be those with 3 or more children who are living in the private rented sector or are homeless and living in temporary accommodation secured the Council. It is estimated that there are approximately 800 families (350 in private rented accommodation and 450 in temporary accommodation) in this situation.
- 4.4 It is estimated that, unless action is taken to provide hundreds of homeless families and private tenants with alternative accommodation that they can afford within the benefits cap, the Council will incur temporary accommodation rent shortfalls of approximately £6 million a year.
- 4.5 In order to mitigate the financial impact on families and the Council, it will be necessary for some homeless families to be placed in accommodation outside London if they are unable to afford the rent in London and, where they are deemed to be exceptionally vulnerable, it is safe and appropriate to do so.
- 4.6 Discussions are taking place with other boroughs in the North London Sub Region (Barnet, Camden, Enfield, Islington and Westminster) to explore the merits and practicalities of establishing a North London Consortium to procure temporary accommodation outside of London.
- 4.7 A multi agency Practical Support Hub has been set up in Haringey to provide advice and practical help for residents who may be affected by the benefits cap with a view to them remaining in their current accommodation, where possible, and identifying the most affordable housing option if they need to move. The Practical Support Hub includes money advisers and support workers, has access to employment advice, and has input from the Children and Young People's Service.
- 4.8 Homes for Haringey, Community Housing Services and local housing associations are also working to raise awareness of the impact of the under-occupation penalty on social housing tenants, and to provide tenants with the advice and encouragement to maximise their income and arrange a mutual exchange.
- 4.9 The potential movement of large numbers of families (mainly as result of the benefits cap) will have a significant impact on local schools and other services, such as GPs.

### **Council Tax Benefit & Devolved Social Fund**

- 4.10 The number of Council Tax Benefit Claimants over the past three years has risen by 11% in Haringey, and it is anticipated that this trend will continue due to the current economic climate.
- 4.11 As at July 2012<sup>7</sup> Haringey had 36,000 Council Tax Benefit Claimants comprising of 35% of all households with pensioners making up approximately 30% of the caseload.

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<sup>7</sup> Council Tax Benefit (CTB) Scheme – Options for Consideration and Final Approval, Haringey Cabinet Report, July 2012



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4.12 Haringey estimates that the financial loss based on the anticipated increase in number of claimants and the 10% cut in central government funding will be between 12% and 15% (£4.56 million to £5.70 million)<sup>8</sup>.

4.13 The Council is currently consulting on a local Council Tax Support Scheme to replace Council Tax Benefit. The proposal is to:

- “Reduce payments to all working age claimants by an equal flat proportion in line with the reduction in Government funding. This is expected to be approximately 20%. This means that every household of working age would have to pay something towards their Council Tax bill
- Reduce the amount of savings and investments people are allowed to have and still be entitled to claim from £16,000 to £10,000
- Remove entitlement if less than a £1 per week is currently awarded
- Reduce the maximum period to back date any claim.”<sup>9</sup>

4.14 The consultation page, with more information on the proposed scheme, and the consultation questionnaire can be found [here](#).

4.15 As of early October 2012 there had been approximately 700 responses to the consultation, with the majority of respondents indicating that they feel that other groups should be protected, as well as pensioners.

4.16 The final scheme proposal will go to Full Council in January for approval and Cabinet prior to this.

4.17 The Benefits and Local Taxation Service is also due to develop a local criteria for applications for the devolved Social Fund. This fund is anticipated to be used as a fund to help residents buy items such as a new fridge or other household effects. The intention is to support local businesses in the programme.

4.18 Challenges the Local Taxation and Benefit Service face include:

- Formulating a robust and cost effective Enforcement Policy and a Collection Policy to collect small sums of Council Tax from residents who no longer receive full Council Tax benefit.
- Defining protected groups, outside of pensioners, should the scheme be changed following consultation responses.
- Defining the criteria for applications to the devolved Social Fund.

## **5. Jobs for Haringey**

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<sup>8</sup> Council Tax Benefit (CTB) Scheme – Options for Consideration and Final Approval, Haringey Cabinet Report, July 2012

<sup>9</sup> <http://www.haringey.gov.uk/www.haringey.gov.uk/benefits-reduction>



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- 5.1 27,620 people in Haringey are claiming an out of work benefit<sup>10</sup> (February 2012), equivalent to 17.4% of the population aged 16-64. This claim rate is significantly higher than the rates in London (12.6%) and England (12.1%). The claim rate in Haringey is amongst the highest 10% across all local authority areas in England.
- 5.2 Earlier this year Haringey launched a new programme, Jobs for Haringey, to help tackle worklessness in Haringey. The aims of the programme are to:
- *“Create a minimum of 200 jobs through the establishment of a Jobs Fund.*
  - *Support a minimum of 600 people into sustained employment (for at least 26 weeks) through specialist employability provision.”<sup>11</sup>*
- 5.3 Jobs for Haringey delivers one-to-one support with job search, applications and interviews, and jobs will go hand-in-hand with specialised training backed by the College of Haringey, Enfield and North East London as well as the Haringey Adult Learning Service<sup>12</sup>. The aim is to try and get residents back into work and maximise their incomes so that they are not dependent on benefits, and are able to stay in Haringey.
- 5.4 The Economic Development Team is also working with Reed in Partnership (a Department of Work and Pensions Work Programme contractor) to link them up with the housing service on a project to help families who are out of work gain employment and which needs a Council referral to the service to be eligible.
- 5.5 At August 2012, 17 jobs have been created through the Haringey Jobs Fund. There are now agreements in place with employers to create at least another 53 jobs by 31 March 2013<sup>13</sup>.

### **Public Health**

- 5.6 Haringey Public Health is part of the London Health Inequalities Network, the Network is working with UCL Institute (formerly the Marmot Team) to assist in the development of an indicator set to assess the impact of welfare reforms, both in the shorter and longer term.

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<sup>10</sup> Out of work benefits include: Job Seekers Allowance, Employment & Support Allowance, Incapacity Benefit, Severe Disablement Allowance, Income Support and Pension Credit (where the person is under state pension age).

<sup>11</sup> Anew approach to worklessness, Cabinet report, Haringey Council, April 2012

<sup>12</sup> <http://www.haringey.gov.uk/index/jobs-and-training/gettingajob/jobsforharingey.htm>

<sup>13</sup> Place and Sustainability: Directorate Plan 2012-14, Haringey Council, October 2012



- 5.7 This indicator set aims to use data at a local and national level, which already exists, in order to provide local agencies with a comprehensive overview of how local residents are being impacted by welfare reform changes. It is envisaged that this data will also assist local agencies in commissioning decisions.
- 5.8 Public Health is currently looking at opportunities to minimise the impact of the welfare reforms. This includes the possible development of 'Top ten tips' which residents can do in order to maximise their income and the development of a Business Case for having welfare advisors in key GP surgeries. This is being submitted to the Clinical Commissioning Group in the next few weeks.

### **5.9 Haringey Citizen's Advice Bureau**

- 5.10 The Haringey Citizen's Advice Bureau have recently published their Annual Report for 2011/12. In this report the CAB notes the following in relation to Welfare Reforms:

*"... changes have already begun and we have already seen clients who have been negatively affected with incomes reduced and their ability to afford their housing costs put at risk. Future changes are likely to bring further cuts in income. It is estimated that half of all Local Housing Allowance claimants' will be negatively affected the majority of which live in the east of the borough. It is also estimated that 1500 households will be affected by the overall benefits cap due to come in from April 2013 with up to 600 of these losing more than £100 per week. The national Child Poverty Action Group calculates that a family with 6 children will effectively not receive any help with rent or Council Tax due to the cap.<sup>14</sup>"*

- 5.11 The Annual report also notes that the top three areas where their advice has been sought were Benefits, Debt and Housing issues:

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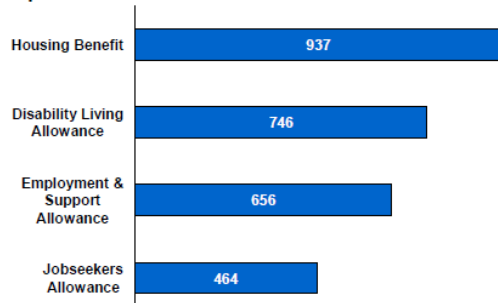
<sup>14</sup> Haringey Citizens Advice Bureau Annual Report 2011/12



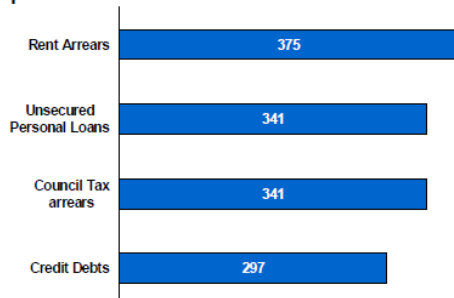


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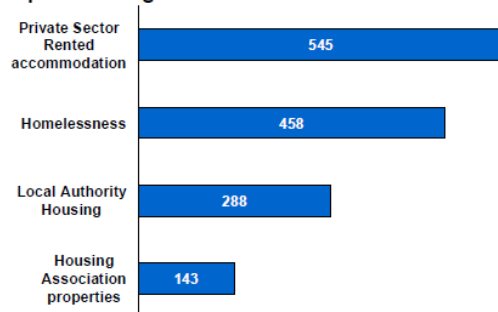
#### Top 4 Benefit issues



#### Top 4 Debt issues



#### Top 4 Housing issues



## 6 Overview and Scrutiny involvement

6.1 It is anticipated that scrutiny involvement will assist:

- the council in the preparation for the impact of welfare reforms
- inform local **policy development** in respect welfare reforms
- in performance monitoring the roll out of proposals in relation to Housing Benefit
- in benchmarking the preparation and plans against other local authorities
- develop recommendations for targeted and **effective use of resources**.

6.2 Specific areas for scrutiny involvement are proposed to be:

- To assist Community Housing Services in monitoring the success and timeliness of the Council's response to the roll out of the proposed changes in relation to the benefits cap, the under-occupation penalty and Universal Credit, and to act as a 'quality check' for the service.
- To assist the Benefits and Local Taxation service in developing a policy for the collection and enforcement of Council Tax from people whom it would not



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be cost effective or proportional to the amount owed to pursue court processes.

- To assist the Benefits and Local Taxation service in defining who should be protected from Council Tax Benefit changes (dependent on the outcome of the consultation).
- To assist the Benefits and Local taxation service in a local scheme for the devolved Social Fund.
- To make recommendations based on a service mapping exercise of the support and advice services available to residents of the borough for signposting.
- Bench marking with other authorities
- Community engagement in order to inform local service development.

### 6.3 Framework for scrutiny involvement

6.3.1 It is proposed that the work outlined above will take place over the course of 3-4 themed meetings.

6.3.2 The timing and content of these meetings will be dependent upon service milestones in order to add value to work being done.

## Appendix 1

Taken from “*The economic downturn and policy changes on health inequalities in London*”, UCL Institute of Health Equity, June 2012

‘Since taking office in 2010, the coalition government has introduced a number of reforms to the welfare system, primarily through the 2010 Comprehensive Spending Review and the 2011 Welfare Reform Bill. The main reforms which might affect employment, income, housing and health inequalities of Londoners are outlined in the table below’.

Implementation	The reform	Impact
<b>Main Welfare Reforms</b>		
April 2011	Start to use CPI rather than RPI to uprate all benefits	Benefits are likely to have a lower value than they might otherwise have done and the shortfall will accrue over time
April 2011	Maximum LHA set at the 30th percentile of local rents, rather than the median. This effectively means claimants will only be able to choose from 30 per cent of properties in their local area of the appropriate size for their family rather than 50 per cent. N.b. some people were protected until January 12 – but those not protected were restricted immediately.	Lower HB for households paying more than 30 per cent of the average rent for that size property in their area
April 2011 (delayed until January 2012)	Capping maximum LHA payable for each property size: £250/week for 1 bed; £290/week for 2 bed; £340/week for 3 bed; £400/week for 4 or more bed (ends 5 bedroom rate)	Lower LHA for households eligible for the 5-bedroom rate; lower LHA for claimants whose current rent exceeds the cap
April 2013	Increase maximum LHA rates over time by CPI inflation, rather than by reference to actual market rents	Over time this is likely to increase the shortfall between LHA and rent costs
April 2013	Cap the amount a workless family can receive in benefits to no more than an average family gets from work after tax, at around £500/week for couple and lone parent households and around £350/week for single adult households. Does not apply to working households	Lower benefits for households who might otherwise exceed the cap. Expensive housing costs are the most likely reason for exceeding the cap and households may need to re-think their housing options
<b>Tax Credit Changes</b>		
April 2011	Remove the baby element of the Child Tax Credit	Reduced income for families with children under one year



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April 2011	Reduce the percentage of childcare costs that parents can claim through the childcare element of the WTC from 80 to 70 per cent	Reduced income for families with children
April 2011	Withdraw the family element of the WTC for those earning over £40,000, instead of £50,000	Reduced tax credit eligibility for higher income families with children
April 2011	Freeze the basic and 30 hour elements of the WTC for 3 years	Reduced income for some receiving WTC for 3 years
April 2011	Increase in the rate at which tax credits are withdrawn from 39 to 41 per cent	Reduced income for some receiving WTC
April 2011	Increases in income of more than £10k (rather than £25k) will reduce tax credit payments within that same year	Short-term reduced income for some receiving WTC, whose circumstances alter
April 2011	Child element of the tax credit increased by £180 above CPI indexation	One-off payment for households with children
April 2012	Couples with children must work 24 hours a week between them, with one partner working at least 16 hours a week in order to qualify for WTC (Exceptions apply if the working person is over 60, or if one of the couple qualifies for the 'disability element' of WTC, is ill, a hospital inpatient or in prison.)	Couples with children working 16–24 hours a week will lose their entitlement to WTC
April 2012	Falls in income of up to £2500 will not increase tax credit payments until the following tax year (And, if income falls by more than £2500, tax credits will be recalculated for that year, but ignoring the first £2500 of that reduction.)	Short-term reduced income for some receiving WTC whose circumstances alter
April 2012	Reduced income limits for CTC. Actual rates are not yet definite, income limit depends on individual circumstances	Reduced tax credit eligibility for higher income families with children
April 2012	Payments can only be back-dated one month prior to claim, instead of three	Potential short-term (2 months maximum) reduced income for some receiving WTC whose circumstances alter
April 2012	50-plus element of WTC will end. This causes changes to number of working hours needed to receive WTC	Reduced incomes (and in some cases reduced eligibility for WTC) for those over 50 receiving WTC
April 2013	Increases in income of more than £5k (rather than £10k) will reduce tax credit payments within that same year ('introduction of a disregard for income falls')	Short-term reduced income for some receiving WTC, whose circumstances alter
<b>Housing Benefit</b>		



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January 2012	Increase the age threshold for the Shared Room Rate in Housing Benefit from 25 to 35	Reduced LHA for single people aged 25–34
April 2011	Deductions for non-dependents living with HB claimants increased	Lower HB for claimants living with non-dependents
April 2011	HB claimants with disability and non-resident carer entitled to funding for extra bedroom	Disabled HB claimants with a non-resident carer will receive funding for an extra bedroom
April 2011	Stop claimants' entitlement to keep up to £15 'excess' above actual rent if it was below the maximum LHA Allowable	Lower HB for those claiming less than maximum LHA allowable
April 2013	Reductions in HB for those of working age living in social housing that is under-occupied	Reduced HB for working-age claimants living in under-occupied social housing
<b>Other Welfare Changes</b>		
April 2011	Freeze in Child Benefit rates for three years	Reduced income for families with children
April 2011	Lone parents with a child over 5 moved from Income Support to JSA	Lone parents will be required to actively seek work
April 2011	Sure Start Maternity Grant limited to first child	Loss of a household's Sure Start Maternity Grant for all but the first child
January 2011	Health in Pregnancy Grant (£190 to all expectant mothers) abolished	Loss of one off payment to pregnant mothers
January 2013	Withdraw Child Benefit from families where one parent earns more than £50,000	Reduce incomes for families where one parent earns more than £50,000
April 2012	Time limit contribution-based ESA for those in Work Related Activity Group	Possible reductions for some in the Work Related Activity Group
April 2013	Introduce objective medical assessments for all DLA claimants	Little change in income if assessment confirms eligibility for PiP. Reduced income if assessment does not consider the individual to be eligible
April 2013	Reduce spending on Council Tax Benefits by 10 per cent and localise it	Reductions in CTB for individual households or the local authority to bear