

Oxford Strategic Partnership

The Impact of Welfare Reform

INTRODUCTION:

There have been significant changes in the way that Housing Benefit (HB) in the Private Rented Sector (PRS) is paid. From next year there are more changes to HB which will affect Social Sector and PRS Tenants. Additionally next year sees the introduction of Universal Credit, which will see HB incorporated with other benefits, and administered by the Department for Work and Pensions (DWP) together with Her Majesty's Revenue and Customs (HMRC).

The immediate impact of the HB changes will be that people find their income reduced, and therefore their tenancies may be at risk. In the longer term Universal Credit could cause confusion for tenants as it may be unclear who they should go to make a new claim, or to discuss their claim.

BACKGROUND:

The Welfare Reform Bill received Royal Assent on the 8th March, following seven defeats in the House of Lords, becoming the Welfare Reform Act 2012. The Act puts into law a landmark bill for the coalition government which ministers claim represents the biggest overhaul of the benefits system since the 1940s.

The Welfare Reform Act draws much of its content, and its broad vision, from the 2010 welfare reform white paper *Universal Credit: Welfare that Works*. At the centre of this is the idea of replacing a number of benefits with a single streamlined benefit called Universal Credit (UC)¹. UC is payable on a monthly basis to people both in and out of work. It is to be phased in from October 2013, with all households transferred to UC by the end of 2017. In addition the Act introduces changes relating to HB, Council Tax benefit, Disability benefits and Employment and Support Allowance.

DETAIL OF THE CHANGES:

The main elements of the Act are listed below.

Change to calculation of Local Housing Allowance (LHA).

Prior to 1 April 2011, LHA (which is HB paid to PRS tenants) was calculated at the median value of rents in the local area. From 1 April 2011 this has been calculated at the 30th percentile of rents. The change for people whose claim started prior to 1 April 2011 is subject to transitional protection. However this protection will end for everyone by 31 December 2012.

Also from 1 April 2011 the 5 bedroom rate of LHA was abolished, so the maximum rate that can be paid is that for 4 bedroom properties. This is subject to the same transition as above.

¹ UC replaces Income Support, income-based Job Seekers Allowance, income-related Employment and Support Allowance, Housing benefit, Child Tax Credit and Working Tax Credit.

These changes will affect everyone who rents privately and claims HB, reducing their income, and making it harder for people to find affordable accommodation in Oxford.

Changes to 25-34 year olds who live by themselves.

Prior to 1 January 2012 people aged 18-24, living by themselves in the PRS were only entitled to receive benefit paid at the shared room rate, instead of the one bedroom rate. Financially this is about half of the one bedroom rate. This arrangement has now been extended to 25-34 year olds. However there are exemptions for people who have moved on from hostel accommodation and those who pose a significant risk to others.

Thames Valley Probation Service have expressed concerns about the impact on their service users, most of which are between 18 and 35, and already suffer from the long-standing problem of housing ex-offenders.

Application of the Consumer Price Index (CPI) to LHA

From April 2013, LHA is to be increased annually by the lesser of either CPI or rent officer review. The intention is that this will help keep private rents at more affordable levels. (There is a power reserved to the Secretary of State to intervene to align rates with local rents if they think it is required.)

Size eligibility criteria extended to social housing

Size eligibility criteria, currently in place in the private rented sector, is to be extended to social housing from 1 April 2013. This means that any working-age household deemed to be under-occupying their home will either have to move to a smaller property or lose part of their Housing benefit from April 2013. The deductions for under-occupancy will be 14% for one room and 25% for two or more rooms.

There are currently no exemptions proposed for this change, although Local Authorities have some discretion to consider cases where a child needs a separate room due to their requirements in relation to a disability or illness.

The DWP estimate that there are 32% of working age people in the social sector, who are under-occupying, although this is thought to be more prevalent in the north. If underoccupation is 25% in Oxford, this would affect around 1000 households.

The DWP are increasing the amount of grant available for Discretionary Housing Payments, to enable Local Authorities to determine how best to support those in most need. However the additional DHP funding will only be able to support a small proportion of those affected.

Benefits cap

Benefits for out-of-work households are to be capped from 2013 onwards. Until the Universal Credit system is introduced this cap will be implemented by district authorities by reducing the amount of Housing Benefit. This will only apply to working age people.

The cap will be set at a measure of working households' average net earnings. This is £500 per week for lone parents or couples and £350 per week for single childless people.

Large families are likely to be impacted by this change. The measure for calculating the maximum benefit has been criticised as it does not take into account household size, household circumstances, or variations in housing cost, meaning the change will mainly affect large families (those requiring four bedrooms or more).

This could see a rise in families classed as 'intentionally homeless' i.e. where families have deliberately done (or not done) something that causes them to leave accommodation which they could otherwise have stayed in. These families become the responsibility of the county council due to its statutory duties in relation to ensuring children are not homeless.

It has been suggested that families may choose to migrate to cheaper areas (and Oxford City Council are already advising some city households to do so) as a result of the Act, potentially across authority boundaries. Any resulting movement of benefit claimants will have an effect in terms of ensuring continuity of services.

The DWP have provided us with a list of approximately 200 families who are likely to be affected by this measure. These people have been written to, and phoned by the DWP to advise them of their situation.

Again the DWP have said that Local Authorities should make use of additional DHP funding to assist those most in need as a result of this change.

End of direct benefit payments to social housing landlords

Payment of Housing benefit will no longer be paid direct to social housing landlords. Instead, tenants will receive the benefit as part of their UC, every month. The idea behind this is to replicate the experience of receiving a monthly salary. Oxford City Council is currently part of a national pilot to help establish how direct payments should be implemented.

Social landlords are concerned that this measure will see an increase in arrears, and in the amount of work they need to do with their tenants.

The Disability Living Allowance (DLA) to be replaced by the Personal Independence Payment (PIP)

Working age people currently receiving the DLA will have to make a fresh claim to receive the new benefit that replaces it from April 2013, PIP. The budget for PIP will be 20% less than DLA so the aim is to focus funds on the most disabled. It follows that there will be working age people who qualified for DLA that will not qualify for PIP. DLA will continue for children under 16 and people over the age of 65.

Changes to contribution-based Employment and Support Allowance

For people in the 'Work Related Activity Group' (i.e. people assessed as being able to take steps to prepare for work) the amount of time over which contribution-based Employment Support Allowance (which was introduced to replace Incapacity Benefit for new claimants in 2008) can be claimed will be limited to 365 days. The 'Youth'

provision, enabling young people to qualify for the benefit without paying NI contributions, will be abolished. This has proved contentious as this also includes disabled young people.

Changes to the Social Fund

The Social Fund comprises a number of different types of payment made to those on a low income to help with one off costs, or particular items of expenditure. Two items that form the Social Fund (Community Care Grants and Crisis Loans) are due to be localised. Funding for these payments will be provided to Top Tier and Unitary Councils, to deal with as they see fit. The money will not be ring fenced. Oxfordshire County Council is currently deciding how to utilise this money, with one option being to let District Councils administer it on their behalf.

Administering these payments would enable us to focus help where it is needed most. However it presents a challenge in delivery, due to the complex problems faced by many of the recipients of such payments.

MITIGATION OF THE IMPACT

The government's intention with their program of Welfare Reform is to encourage people back into work, and to try and ensure that it pays to be working, rather than claiming Housing Benefits. As a Local Authority it is important that we support people affected by these changes as best we can. This may involve helping people find work, or there may be other things we need to do.

Our funding for Discretionary Housing Payments (DHP) is £220,000, and we are able to top this up by one and a half times the amount of grant. We have already added further funds to this grant, to create a total of £350,000 for this year. Our grant next year should be increased, and this is one way of supporting people affected by the HB changes. Due to the likely demand for DHP's though, it is not practical to support people with DHP's on an ongoing basis.

Our Housing department is available to help people with Housing issues. Whilst it is difficult to find affordable property in Oxford, we can assist people in looking for somewhere cheaper live. We also can help people negotiate a lower rent with their landlord when their tenancy is up for renewal. It can often be better for a landlord to keep a reliable tenant on a lower rent, than looking for someone new.

We have also been selected to run a Universal Credit pilot. The focus of our pilot will be to try and support people into work, and remove barriers to work by making the best use of available resources both inside the Council and from external partners. Caseworkers will work with people who stand to lose most from the changes to Housing Benefit (HB) to try and assist them with moving into work or increasing their hours of work. We aim to contact 1000 people who will be most affected by the HB changes over the next year to try and improve their situation.