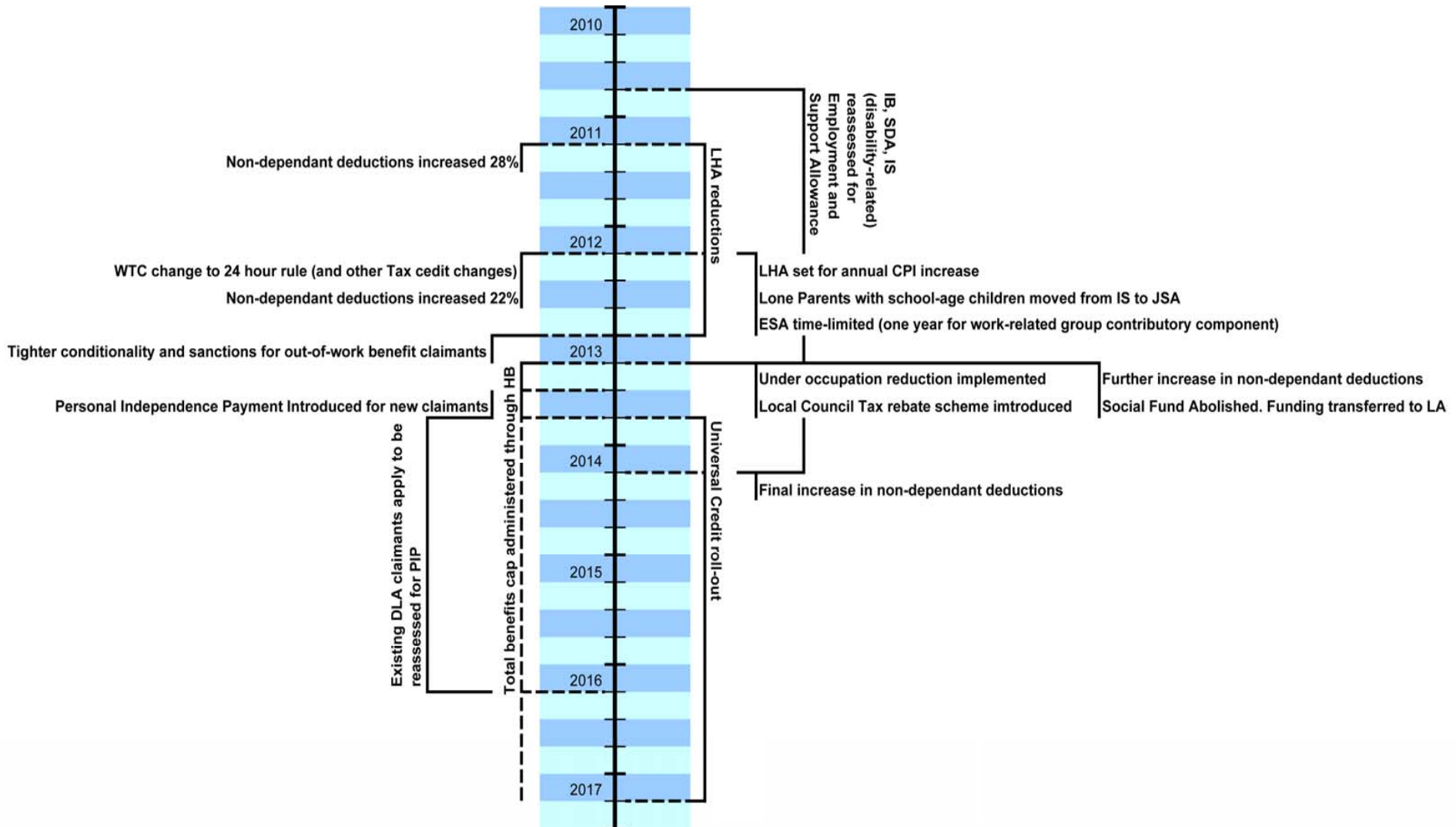


Welfare reform.
Changes to housing (and other)
benefits and their impacts.

Briefing to Tipton Town Scrutiny Panel

26th November 2012

A timeline of reforms



Cumulative “policy hits”

← 2011 to 2017 →

Benefit household type	Welfare reform aspect	LHA percentile change	LHA 4 bed limit	LHA shared accommodation rate	Non-dependant deduction increase	Working Tax Credit hours rule change	IB, SDA, IS reassessed for ESA	Contributory ESA limited to 365 days	Lone parents with school-age children no longer on Income Support	Size criteria rule - social housing	Total benefits cap	Local council tax	DLA reassessed for PIP (NB rate not yet set for new payment)	Universal credit
Pensioners (20,000)		up to 500	Probably none	Does not apply		Does not apply	Does not apply	Does not apply	Does not apply	NB "mixed age" pensioner couples will not be exempt under universal credit		Local policy re "mixed age" couple households?	Does not apply	NB "mixed age" pensioner couples will be treated as Universal Credit couples, rather than pensioner credit couples
Low income working (7,500)		up to 2500				circa 2000					vulnerable if couple working fewer than 24 hours - approximately 35 households			
Workless (18,000)		up to 4900				Does not apply					approximately 395			
Total households		8000	100	600	at least 1000	1500?	6000	700?	up to 4500?	5000	430	?	2600?	25000
Potential cost		£4m			£0.5m?	up to £6m	£10m-£30m	£2.5m?	up to £5m per year	£3m	£1.6m	£3.2m	£5m-£20m (or more?)	

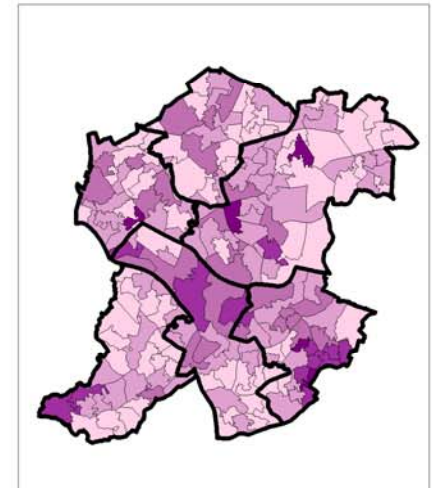
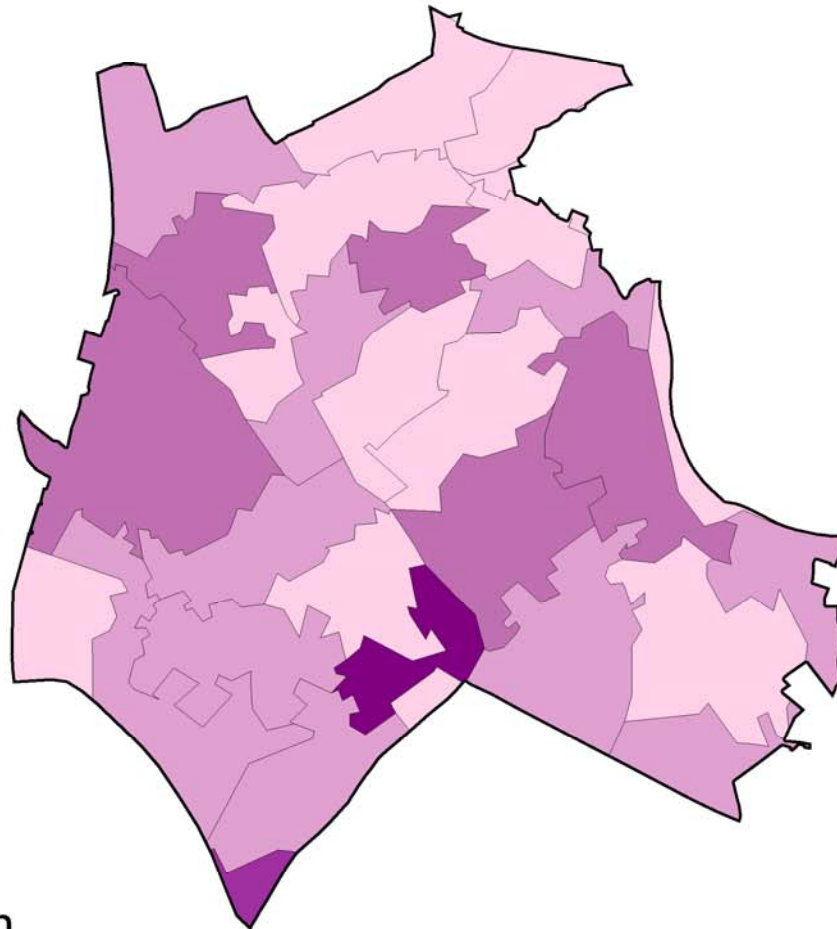
Housing-related reforms

Private rented sector

Changed from April 2011

- **Local Housing Allowance rate change from 50th to 30th percentile**
 - About 964 people affected in Tipton (7,900 in Sandwell)
 - Reduction of £5 to £68 per week, throughout Sandwell
- **Removal of £15 top up – 1,300 people affected in Sandwell**
- **Max LHA rate restricted to 4 bedroom rate**
 - About 4 families affected in Tipton (about 100 in Sandwell) – protection of 9 months
 - Reduction up to £68 per week
- **Shared rate of LHA extended to anyone under 35 years of age**
 - About 93 people in Tipton losing up to £30 per week

LHA Reductions by LSOA



Estimates aggregated loss of LHA
£s per year (based on average £10 pw)

- 54,600 to 67,600 (5)
- 41,600 to 54,600 (13)
- 28,600 to 41,600 (28)
- 15,600 to 28,600 (67)
- 2,600 to 15,600 (74)

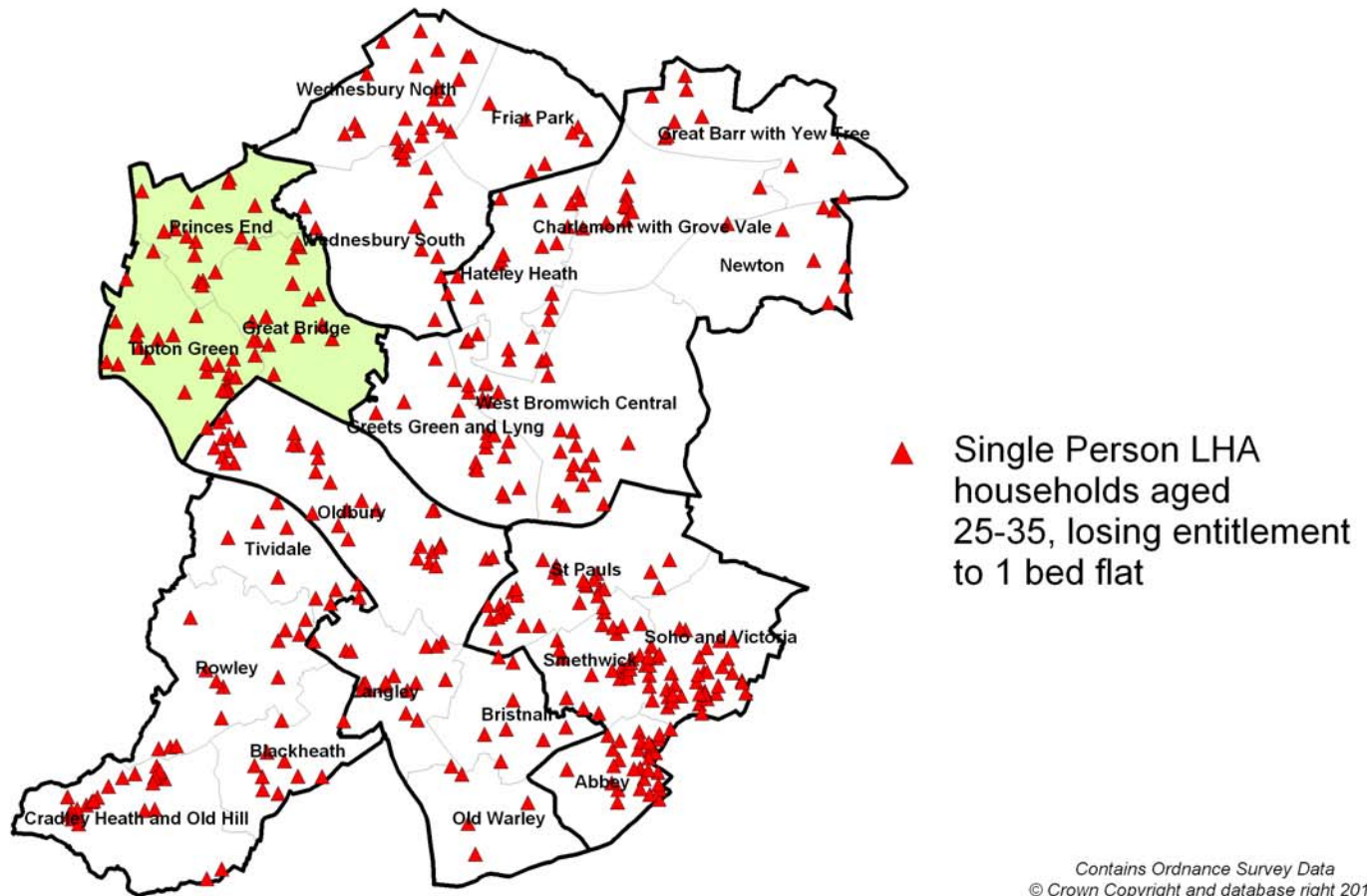
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LHA household Impacts

LHA household impacts

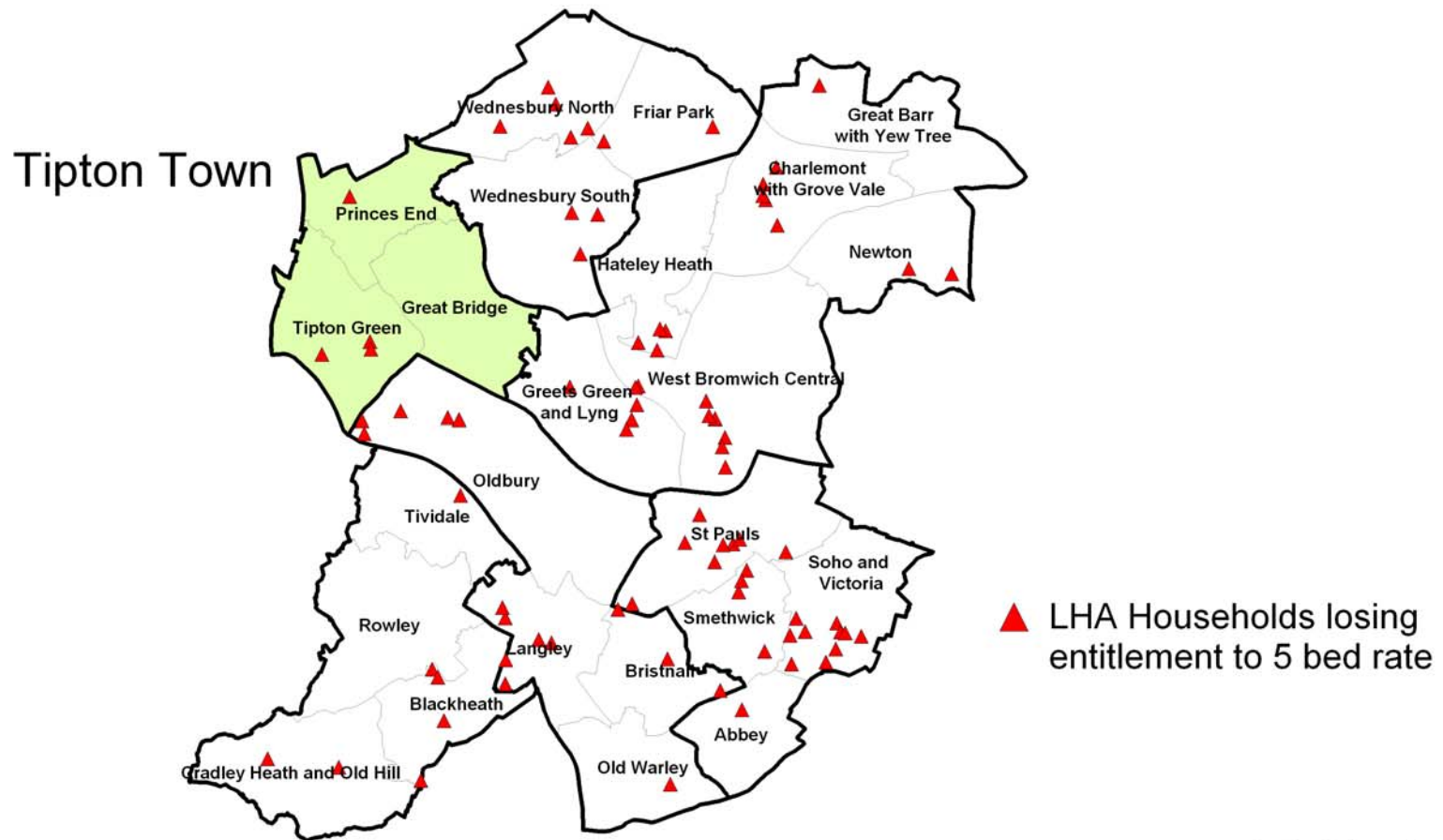


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LHA household impacts



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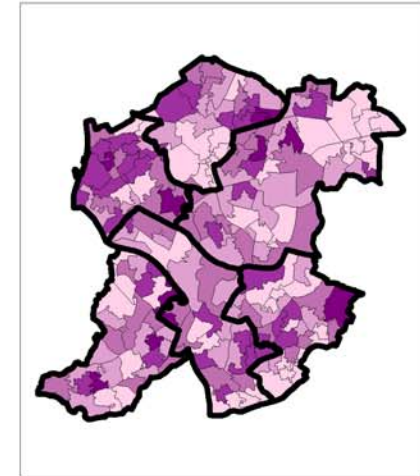
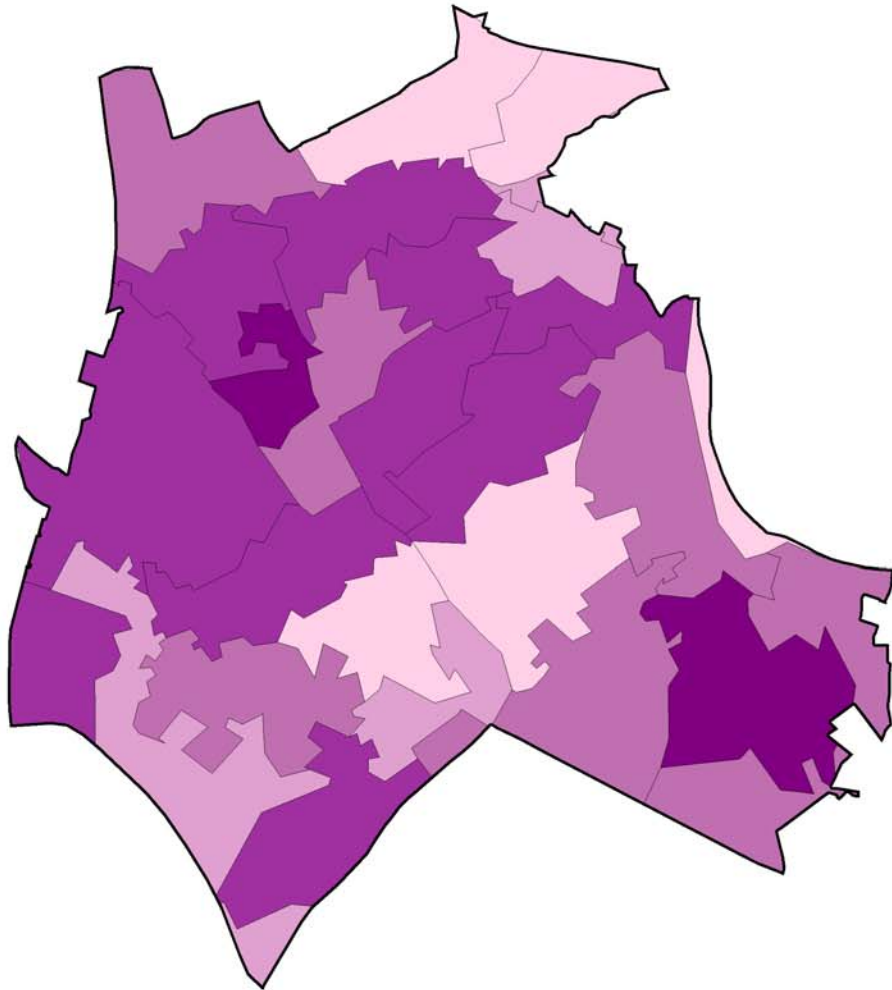
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Social rented sector

Changes from April 2013

- Households with more bedrooms than they need will have benefit reduced – by 14% for one extra bedroom; 25% for two or more
- Affects around 836 households in Tipton (4,500 Sandwell)
- Average reduction in benefit is £10 per week for one extra bedroom; £20 per week for two or more

Housing benefit reductions by LSOA - under-occupied households



Estimated aggregated reduction of Housing Benefit
£s per year (based on £10 or £20 pw for under-occupying households)

760 to 1,620	(11)
460 to 760	(36)
270 to 460	(39)
90 to 270	(50)
0 to 90	(51)

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Increase in deduction for non-dependants – private and social sectors

Changes between April 2011 and April 2014

- 4 annual increases
- 56% higher deduction in 2012, compared to 2010 level
- By 2014, will have increased by up to 90%, compared to 2010 level
- Has affected at least **1000** households
- Losses (current year) range from about £2 pw to about £15 pw, depending on earning status of non-dependant.

Reforms relating to availability for work

Employment and Support Allowance (ESA)

Changes between October 2010 and April 2014

- ESA replaces Incapacity Benefit, Severe Disablement Allowance and Income Support (disability-related)
- All claimants reassessed (stricter criteria) over a 3 year period.
- 1.5 million cases being reassessed nationally
- Current proportion of cases reassessed as 'fully fit for work' is 37%
- Tipton has 2,540 claims, (Feb 2012)
- This could mean up to **940** people losing their benefit in Tipton (Sandwell 6,000)

ESA time limit

Changed from May 2012

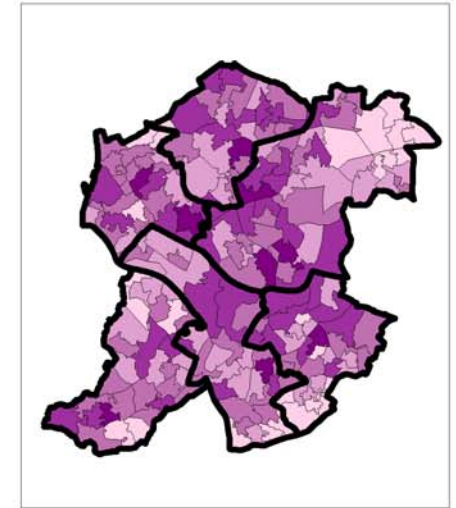
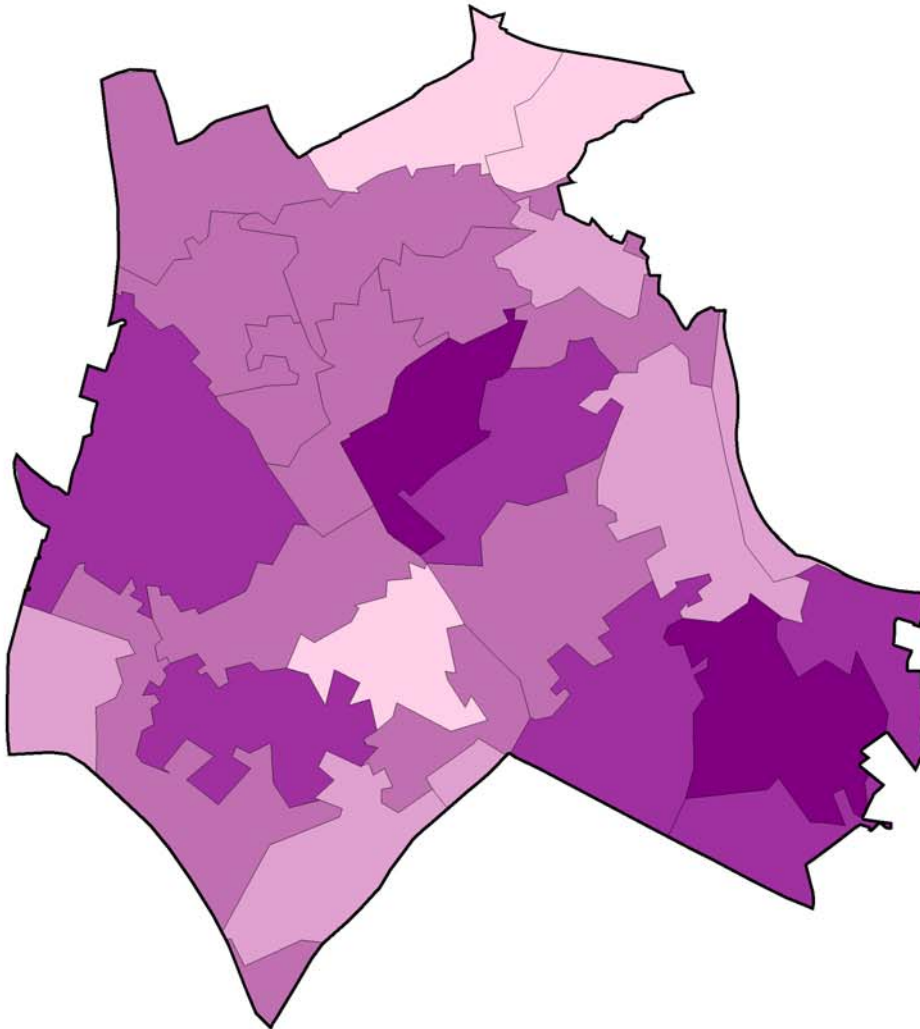
- One-year time limit on contributory Employment and Support Allowance
- Immediate effect means some claimants will have had their benefit stopped on 1st May 2012
- Several hundred claimants likely to be affected in Sandwell

Personal Independence Payments

Changes between April 2013 and April 2016

- PIP replaces Disability Living Allowance (DLA) for working age people (16 to 64)
- PIP introduced for new claimants April 2013
- Existing DLA claimants apply to be reassessed for PIP (stricter criteria) June 2013 to April 2016
- In Tipton there are about 3,450 (Feb 12) DLA recipients, of whom about 1,600 are aged 16-59.
- 20% reduction under PIP would mean about 300 people losing benefits

Working Age DLA Claimants



Estimated numbers of working age DLA claimants
Based on DWP numbers for LSOAs, Nov 11

108 to 130	(9)
86 to 108	(41)
64 to 86	(61)
42 to 64	(50)
20 to 42	(26)

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Lone Parents on Income Support

Changed from May 2012

- Lone parent with child aged five or over no longer entitled to Income Support
- Change does not apply to single parent aged under 18
- May be able to apply for alternative benefit, e.g. JSA or ESA
- Number losing benefit in Sandwell is unknown, but may be up to 4,500

Conditionality and sanctions

Changes from Third Quarter 2012

- Four conditionality groups:
 1. Active job search – JSA claimants
 2. Work preparation – ESA (work group)
 3. Keeping in touch – Lone parents (child aged over one, less than five) on IS or ESA
 4. No conditionality – ESA (support group), lone parents with child aged under one
- ‘Claimant commitment’ introduced at individual level
- Under Universal Credit threshold can be raised to include greater numbers of recipients

Reforms relating to 'making
work pay'

Working Tax Credit

Changed from April 2012

- Minimum number of hours worked per week for couple households increased.
- Previously 16 hours (between a couple) would qualify
- Now minimum of 24 hours between a couple, with one partner working at least 16 hours
- May have affected approximately **1500** Sandwell households, including up to **3500** children
- Average loss of around **£2600** p.a. per household up to **£3796** p.a.

Universal Credit

Introduced between October 2013 and April 2017

Universal Credit – a single monthly payment, which

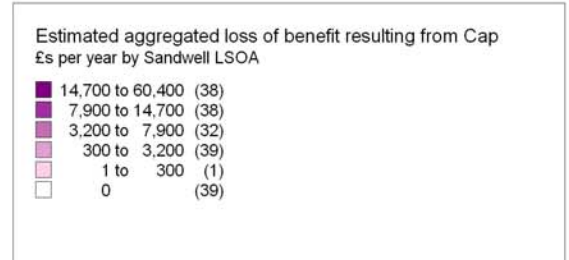
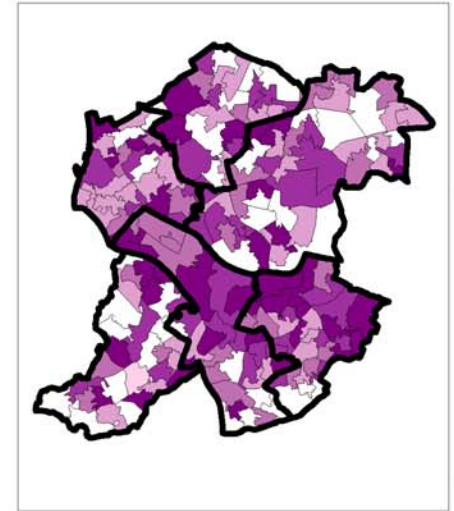
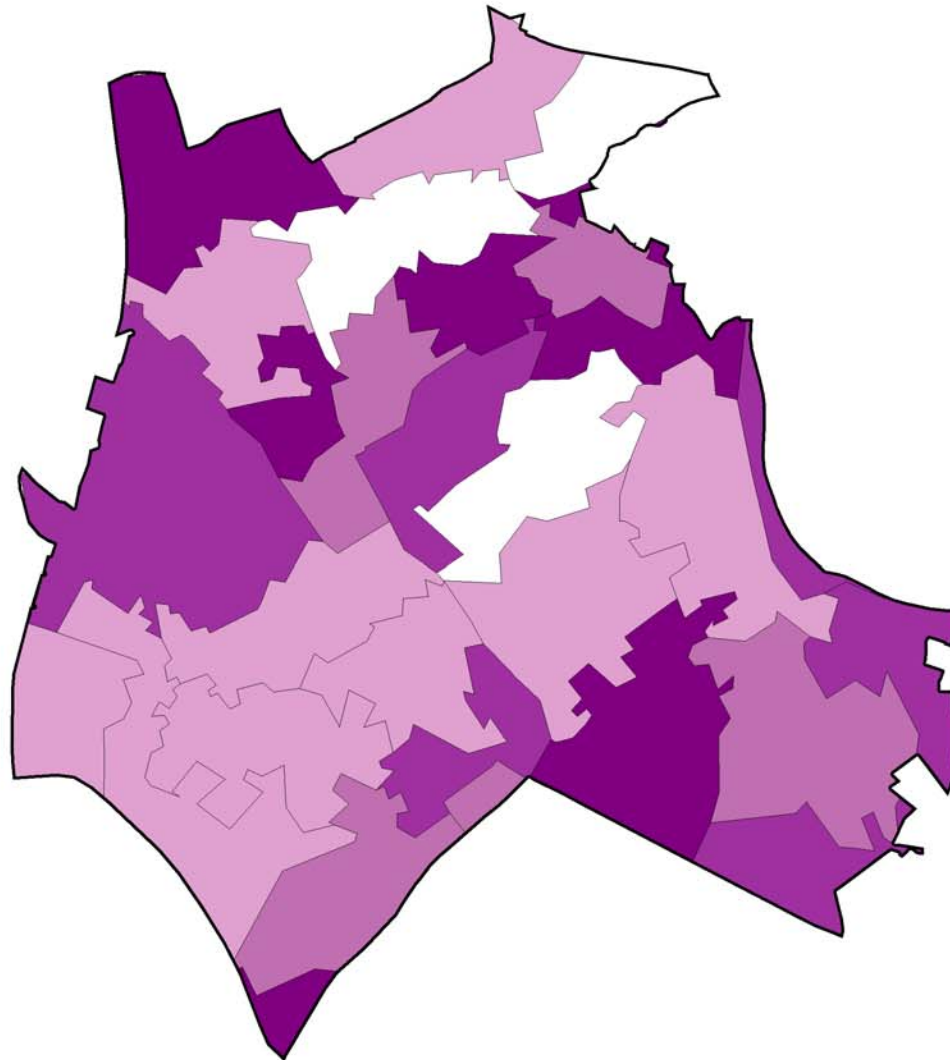
1. Replaces a number of benefits
2. Aims to improve work incentives
3. Should smooth transition into/out of work
4. Attempts to simplify the system
5. Hopes to cut back on fraud
6. And to reduce in-work poverty
7. Makes payments directly to individuals
8. Is “digital by default”
9. Affects out of work benefit claimants – 6,000 in Tipton (35,600 in Sandwell)

Total benefits cap

Introduced April 2013

- From April 2013, benefits received will be limited to **£500** per week (or **£350** per week for single person households)
- The cap will initially be administered by SMBC through reduction of housing benefit. Ultimately, it will be administered through Universal Credit
- This will not affect those in receipt of working tax credit or disability benefit
- September 2012 estimate: **42** households in Tipton, losing a total of approximately **£127,000** in annual benefits. (**299** for Sandwell, losing a total of **£1m** in annual benefits)
- In Sandwell the largest single loss from one household is **£362** per week

Benefits cap reduction by LSOA



Administrative changes affecting Sandwell MBC

Local Council Tax Reduction Scheme

- Existing Council Tax Benefit scheme to be abolished.
- All LAs to provide a localised scheme as of 1st April 2013.
- Available funds to finance scheme reduced by 10% (c. £3.2m in Sandwell)
- Pensioner households must be protected
- Proposed local scheme should not undermine principle of making work pay

Abolition of Social Fund

- Government abolishing current Social Fund system – Community Care Grants and Crisis Loans.
- New Local Welfare Provision to be provided by Local Authorities from April 2013.
- Not ring fenced resource.
- Settlement £1.33m for 2013/14 plus admin funding of £282k.
- Set up funding of £13k.

Overall impact of welfare reforms on Sandwell

Reducing the spend on welfare

- The Government aims to reduce the welfare bill by **£18bn** (out of **£150bn**).
- The DWP spends about **£820m** in Sandwell
- Reduction of **£100m** in Sandwell

Overall impact of welfare reductions- modelled by ward- Tipton Town



Estimated distribution of all benefit reductions
Based on benefits received by non-pensioner
Households. *
£m per year, modelled to total of £100m

- 6.7 to 7.75 (1)
- 4.56 to 5.63 (7)
- 3.49 to 4.56 (7)
- 2.42 to 3.49 (9)

*This map represents a modelled estimate of all welfare reductions, assuming an even rate of reduction for all non-pensioner benefit households known to Revenues and Benefits, and controlling the total reduction to the nominal total of £100m.

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Major Impacts

Housing

- Private and social rented sector tenants lose benefits

Work availability

- More people expected to be fit for work – benefits reduced/removed
- Entitlements won't last as long, e.g. for Lone Parents and some ESA claimants

Financial competence

- Direct payment of housing benefit to tenants
- Monthly “salary-style” universal credit payment
- Assumption of computer literacy and internet access

Making work pay

- Pressure to find work – greater competition for scarce jobs
- Some households will have to find work/increase their hours in order to avoid the benefits cap

Who is affected?

- **20,000** pensioner households across Sandwell are largely protected (but not entirely)
- **Around 3,800** non-pensioner households in Tipton will be affected, some by multiple impacts (25,000 in Sandwell)
- An estimated 23% of the households in Tipton will feel the impact of welfare reform. (Compared to an estimate of 20% in Sandwell as a whole)
- Approximately **27,000 children** will be affected in Sandwell

What might they do?

Split the family

Try to find cheaper/smaller housing

Come to Sandwell seeking cheaper housing

Get a short-term loan

Combine with other households - overcrowd

Live in shared accommodation (HMOs & 'sofa-surfing')

Cut back on other things - a poorer quality of life

Get a job/find more hours

Look for cheaper childcare options

Become stressed/depressed

Increase drug/alcohol dependency?

Get angry

Become a parent to improve entitlement?

Turn to crime?

Get into debt/arrears

Seek help

Impact on poverty

- Deeper poverty
- Wider spread of poverty
- More people in poverty
- More children in poverty

Sandwell family incomes **before** welfare reform



Median income or higher



Low income



Income deprivation



Relative poverty



Severe poverty



Median income (national)

Poverty line

Sandwell family incomes **after** welfare reform?



Median income or higher



Low income



Income deprivation



Relative poverty



Severe poverty



Median income (national)

Poverty line

Indicative estimate of change