

## Briefing Paper

### The Welfare Reform Bill 2011

#### Implications on Housing Benefits and other Local Authority Services

#### Purpose

The purpose of this report is to update members on forthcoming changes to the welfare system being brought forward by the UK Government and to consider potential implications for communities and staff employed by local government and the wider public sector in Wales.

#### Introduction

Over the past few months, the UK Government has published proposals to reform Housing Benefit and a range of Welfare Benefits, including Disability Living Allowance. In short the proposals are:

##### Housing Benefit:

From April 2011, there will be the removal of the five bedroom Local Housing Allowance (LHA) rate so that the maximum level is for a four bedroom property and there will be a reduction of the LHA caps for tenants in the private sector

From October 2011, LHA rates will be set so that approximately a third of privately rented properties are affordable rather than the current half

From April 2012, the reduced level of LHA which is currently paid to people aged 25 and under will be extended to people aged 35 and under

From April 2013 (and subject to legislation), LHA rates will be up-rated by Consumer Price Index (CPI) and no longer linked to local market rents and Housing Benefit for social housing tenants will be limited to the number of bedrooms required by family size (rather than the number of bedrooms in the house).

The Welfare Reform Bill 2011 also contains proposals to abolish council tax benefit however it is unclear at this time as to whether this benefit will be replaced although there is on-going discussion about a new scheme, administered by local authorities rather than being included in the Universal Credit.

##### Welfare Benefit:

The Welfare Reform Bill introduces an integrated working age benefit called Universal Credit (UC) which, depending on the claimant's circumstances, will include a standard allowance (to cover basic living costs) along with additional elements for responsibility for children and young people, housing costs and other particular needs. UC will be paid to people both in and out of work, replacing working tax credit, child tax credit, housing benefit, council tax benefit, income support, income based Job Seekers Allowance and income related Employment and Support Allowance (ESA).

The aim of UC is to smooth the transition into work by reducing the support a person receives at a consistent rate as their earnings increase and will be underpinned by responsibilities which claimants may be required to meet (these will depend on the claimant's individual circumstances).

UC will *not* however include: bereavement benefits; statutory sick pay; pension credit; statutory maternity pay; maternity allowance; industrial injuries disablement benefit; child benefit; contributory jobseeker's allowance; and contributory employment and support allowance.

Disability Living Allowance:

The UK Government has recently consulted on changes to Disability Living Allowance (DLA) which will result in the creation of a new benefit, Personal Independence Payment (PIP), to be introduced in 2013/14 when DWP will begin reassessing the working age (16-64 year olds) caseload. PIP will consider the impact an individual's impairment or health condition has on their daily lives, introducing two components: the 'mobility' component will be based on the individual's ability to get around while the 'daily living' component will be based on their ability to carry out other key activities necessary to participate in everyday life. The benefit will only be available to people with a long term health condition or impairment.

While these benefits are not devolved, and remain the responsibility of the UK Government, the effect of the policy changes will be felt by citizens in Wales, including those working in the public sector. The Government hopes that savings of £18 billion will be saved through the proposed reforms.

## Potential Impacts

It is recognised that the reforms will result in some new claimants receiving slightly less benefit than they would under the current system. It should be noted however that the Government has committed to transitional payments to ensure that no individual claimant will lose out immediately when they change to the new system. However, there is some concern about the cumulative impact of all the changes, particularly on some groups of vulnerable claimants as they are likely to be significantly worse off under the new system. For example (and taken from a Citizens Advice Bureau briefing on the Welfare Reform Bill):

- *People who fall ill or have a serious accident and have to take prolonged time off work* will be negatively affected by the plans to

replace DLA with PIP, by changes to ESA, and will get less help from the UC during the first six months of their illness than they would get at present

- *People with a disability trying to work* will be negatively affected by plans to replace DLA with PIP and will get less help from the UC than they would at present as the UC does not reflect the help currently available to disabled people through Working Tax Credits
- *People at home with a new baby, and working parents on low pay who are reliant on formal childcare* due to the less generous support that will be available to those on maternity leave under the UC and the reduction in childcare support available through the UC
- *People with large families* will lose out as a result of the overall benefit cap that will limit their weekly benefit to £500 per week.

People in each of these groups may also be further negatively affected by the reductions in other benefits, such as Housing Benefit and Council Tax Benefit. Housing professionals are also identifying a number of potential negative impacts as a consequence of the Housing Benefit changes, for example, an increased number of households at risk of homelessness; a decline in the number of private rented properties that are affordable or accessible to those claiming housing benefit; increased financial hardship and increased pressure on local economies (there is an average reduction in housing benefit of £9 per week for 99% of claimants).

In terms of the potential impact on local authorities, the following issues have already been identified (however once the reforms are introduced and implemented other impacts may also be felt):

- An increased pressure on housing options service and homelessness services and increased demand for social housing or temporary accommodation
- Increased pressure on social care services and increased demand for financial management and debt advice
- Unemployment levels may rise and there is potential for impacts on local economies (which may in turn threaten local businesses and employment opportunities)
- Negative impact on the health and wellbeing of households.

However, it should also be recognised that some claimants, such as single people on a low income living in rented accommodation with no disability or childcare costs will gain from the introduction of a Universal Credit. Also, in relation to the Housing Benefit changes, with the nine months transitional period, many people will not start to be affected until January 2012 and some will see no change until December 2013.

In July 2010, the Department for Work and Pensions undertook an Equality Impact Assessment (EqIA) of their proposals relating to Housing Benefit which identified, for example, the measures will affect working age claimants more than older people. Overall, the assessment stated that, "these measures do not appear to disadvantage one group more disproportionately than another. However, working age groups are likely to be more

affected...The assessment of the impact by individual measures shows that families are likely to be affected disproportionately by the overall caps in LHA rates....As some ethnic minority groups tend to have a higher proportion of larger families, these measures may impact on them disproportionately”.

An EqIA of “Universal Credit: welfare that works” was also undertaken by DWP in November 2010 which identifies issues such as a ‘minority’ of eligible people who cannot use online channels (as the Government intends the new benefits to be conducted primarily through the internet) and the need to identify alternative access routes or the need for more face-to-face contact (the routes favoured by many ethnic minority claimants). Issues about reading and writing English were also identified.

It is also stated that the proposals, “should help to improve the employment levels of disadvantaged groups”. In relation to the potential sanctions following the introduction of ‘conditionality’ to look for or prepare for work in relation to accessing benefits, it is also stated that “there will be a hardship regime to guard against destitution”. A commitment to undertake further EqIAs is made as further detail on the proposals is brought forward as well as including monitoring arrangements to enable DWP to understand potential impacts on groups covered by equality legislation.

There is still much detail required about how the new system will operate and before the full impact of the changes can be identified. However, while there is much support for the principles that underpin the reforms, particularly in relation to the introduction of Universal Credit, there is some concern about how the reforms will operate in practice and in particular, the cumulative effects of the different aspects.

## Mitigating Impact

While concerns about the potential cumulative impact of all the reforms being brought forward have been shared with Government during consultation and on an on-going basis (for example, the proposal to reduce Housing Benefit by 10% for those unemployed after a year has been dropped after consultation), many organisations are now considering what steps can be taken to inform people about the changes to be introduced over the forthcoming period so that they can prepare accordingly and limit any negative impact.

There have been on-going discussions between the WLGA, WAG and other interested stakeholders to identify any steps that can be taken to mitigate the impact of the changes being proposed, particularly in relation to ensuring that vulnerable people are protected. For example, WAG has established a Task and Finish Group to consider the housing related reforms and the impact this may lead to for tenants. Discussions also centre on what steps can be taken to limit and mitigate the impacts, for example,

- Communicating the changes to benefit claimants so that they are aware and can consider the impact of the changes on them as an individual or family

- Highlighting the importance of seeking early advice on financial implications and other steps that may need to be considered to reduce the impact, e.g. looking for a cheaper property to rent
- Maximising the use of Discretionary Housing Payments

As is stated above, while some of the potential impacts have been identified, the full effects will not be felt until the new system is fully operational. However, it is important that there is effective communication at all levels about the impact of these changes, both on individuals and families and in terms of organisational impact (e.g. increased demand for some services etc) so that steps can be taken to limit negative impact and ensure that people are receiving appropriate levels of benefit and support as appropriate to their circumstances.

## Conclusion

It is not possible to cover all the welfare benefit changes that are being proposed and implemented by the UK Government in this paper however it is hoped that it has been able to highlight the main changes that are being introduced and will have the greatest impact in terms of number of people affected. Whilst many organisations are considering the impact of the changes on different clientele, the full effects may not be identified until the new system has started and all the changes have taken place. The WLGA will continue to engage in relevant discussions to ensure that local authorities are kept up to date with this complex and fast changing environment and to identify any opportunities for mitigating impact and raising concerns as appropriate.

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