

Evidence Paper: Welfare Reform

Headline impacts of reforms introduced in 2013



Produced by Corporate Research, Corporate Strategy and Communications Team,
Borough of Poole. October 2013

Purpose of this Paper

This report provides summary information on the welfare reforms that are being introduced “to help more people to move into and progress in work, while supporting the most vulnerable”¹.

Key Facts

Nationally 3.1 million households will have higher entitlement to benefit as a result of the introduction of Universal Credit. Originally to be introduced in 2013 this has now been delayed.

The Borough of Poole was among one in four local authorities who decided to protect some specified vulnerable groups when it introduced a local Council Tax Support Scheme.

The financial impact of the changes to a local Council Tax Support Scheme in Poole was limited to 4,500 claimant households.

730 housing benefit claimants in Poole were affected by the introduction of the under occupation of social housing reform when it was introduced in April 2013

Inflation is increasing at higher rate for Fuel, Food and Water; the commodities that lower income households spend proportionally more on compared to higher income households.

7,510 Poole residents were claiming out work benefits in May 2013.

Key Issues

Some of the poorest households nationally will be better off financially on Universal Credit (the key component of reforms to the welfare system). Under transitional arrangements to Universal Credit no one will be financially worse off. However the transition to Universal Credit has been delayed while other welfare reforms have been introduced meaning that some people are now financially worse off.

In their recently published Annual Report Poole’s Citizens Advice Bureau notes the impacts of welfare reforms from their perspective. “Already we are seeing clients who are going hungry or cold because the level of benefit income they have is not sufficient to meet normal every day costs. Living long term on low incomes and struggling day to day to make ends meet also places a great strain on relationships. Our advisors see daily examples of relationship breakdowns, divorce and the inevitable disputes that arise over housing and children.”²

¹ <https://www.gov.uk/government/policies/simplifying-the-welfare-system-and-making-sure-work-pays> accessed 20/11/2013.

² Page 4, Annual Report 2013/14, Poole Citizens Advice Bureau. 2013

Universal Credit

Universal Credit is central to the Government's Welfare Reform agenda; it is designed to both simplify the benefits system and improve work incentives by allowing individuals to keep more of their income as they move into work or increase their hours. The Government predict that more than half of affected households will have higher entitlement under Universal Credit³. Although it was originally intended to be introduced from April 2013, at the time of writing there is no published timetable for the introduction or for the migration of existing claimants to Universal Credit for Poole.

The Government estimates that nationally 3.1 million households will have higher entitlement as a result of the introduction of Universal Credit. 75% of these are in the lowest two fifths of the income distribution. The estimated monthly gain for these particular households is £168.

Transitional arrangements will ensure that initially there are no cash losers resulting from the transition to Universal Credit⁴. In the longer term it is estimated that 2.8 million households will have notionally lower entitlement than under current arrangements. The average reduction in entitlement for this group is £137 per month. However the Government expect that "in many cases these households will be able to increase their income because of the improved gains to work provided by Universal Credit"⁵

Although the introduction of Universal Credit has been delayed other parts of the Welfare Reform Agenda have been introduced as planned⁶.

Localisation of Council Tax Support

There were a range of different Council Tax Support schemes introduced in April 2013 that will have different impacts throughout England. The Scottish and Welsh Governments, along with 58 English local authorities have decided to absorb the costs so that there will be no financial impact to claimants of Council Tax support in their areas.⁷

One in three (114) English local authorities including the Borough of Poole introduced a scheme based on a minimum contribution of 8.5% (or less) of Council Tax liability. The Borough of Poole was also among 1 in 4 local authorities who decided to protect some specified vulnerable groups. In Poole this meant there were 1,500 households protected where there was a claimant for disability benefits or recognised caring responsibilities.

The financial impact of the changes to a local Council Tax Support Scheme in Poole was limited to 4,500 claimant households. The average financial impact for those households is £1.38 per week (£72.72 per annum) for each affected household⁸.

³ Impact Assessment: Universal Credit, Department for Work and Pensions. December 2012.

⁴ £2bn was set aside as part of the 2010 Spending Review to fund the introduction of Universal Credit.

⁵ Impact Assessment: Universal Credit (Paragraph 22), Department of Work and Pensions. December 2012.

⁶ National and Local Impacts of welfare Reform – A Literature Review, Borough of Poole. July 2013.

⁷ The Impact of Localising Council Tax Benefit, Joseph Rowntree Foundation. March 2013

⁸ 2012 figures.

Under Occupation of Social Housing and the Benefit Cap

In April 2013 there was a reduction in housing benefit for households under occupying social housing and in July 2013 a cap on benefits was introduced for households receiving more than £500 per week.

730 housing benefit claimants were affected by the introduction of changes to housing benefit in respect of under occupation of social housing when it was introduced in April 2013⁹. This number is reducing as some households are able to access alternative accommodation. The financial impact is on average £15.77 per week. In July 2013 79 claimant households were affected by a cap on benefit payments, the average financial impact for these households is £76.73.

Discretionary Housing Payments

A Discretionary Housing Payment (DHP) fund is available to help people with real need of help with housing costs. In 2013/14 additional grant funding has been provided by Government to supplement the DHP fund to help alleviate some of the difficulties households have in managing the impact of welfare reforms. The Borough of Poole DHP budget for 2013/14 is £276k. DHP spend for the first three months of 2013/14 was £69k. The total spend in 2012/13 was £67k.

One Percent Uprating

A Government decision to up rate some benefit increases by 1% in place of the Consumer Price Index (CPI) in 2014/15 and 2015/16 will reduce some claimant households income in real terms.

Inflation has a disproportionate effect on lower income households. Inflation measured by the Consumer Price Index (CPI) increased by 2.9% in the year to June 2013¹⁰. A study by the Institute of Fiscal Studies shows that households with lower incomes spend a higher proportion of their incomes on Fuel, Water and Food compared to higher income households¹¹. In the year to June 2013 the price of these items increased by;

Fuel 7.6%

- Electricity 7.7%
- Gas 8.3%

Food 3.9%

- Fruit 7.5%
- Vegetables 5.2%

Water 4.4%

The decision to limit the annual increase of some welfare benefits to 1% per annum in 2014/15 and 2015/16 instead of CPI will compound the cost of living increases for some households. It

⁹ Local impact of under occupation of social housing and the benefit cap, Borough of Poole. March 2013

¹⁰ Office of National Statistics. July 2013

¹¹ The spending patterns and inflation experience of low income households over the past decade, The Institute of Fiscal Studies. June 2011

should be noted that the Government have chosen to protect pensioners, those claiming disability benefits and carers allowance from this particular measure. A Department of Work Pensions impact assessment states that affected claimants will be on average £3.00 per week worse off than if CPI was used to up rate benefits. Single people with children have the largest impact and will be on average £5 per week worse off.

Out of Work Benefits

7,510 Poole residents were claiming out work benefits in May 2013. Some of these claimants were claiming Job Seekers Allowance and actively seeking employment. Most JSA claimants are able to find employment relatively quickly (less than six months).

The majority of claimants were claiming out of work disability benefits, most of these were long term (over five years). Nearly half of those claiming out of work disability benefits are classified as having 'mental and behavioural disorders'.

Following work capability assessments claimants previously receiving Incapacity Benefit are transferred to JSA or Employment Support Allowance. Some of those transferred to ESA will continue to be 'supported', however so far more than a thousand ESA claimants have been placed in the 'work related activity group'. These particular claimants will receive support to help get them back into work.

An increase in demand for support services can be expected as some people claiming out of work disability benefits adjust to the possibility of reduced income and the requirement to prepare for and actively seek employment. Local employers will need support and encouragement to employ people who have been out of work for a long time with poor mental health and physical disabilities. Further information on the impacts of changes from Incapacity Benefit to Employment Support Allowance is available from the Borough of Poole¹²

Further Details

For further details or queries about this report, please contact Pete Stratford, Corporate Strategy and Communications Team, Borough of Poole. Tel 01202 633306, or email p.stratford@poole.gov.uk.

Notice:

The Borough of Poole is the owner of the copyright in this report publication and all rights as defined in the Copyright, Designs and Patents Act 1988.

The consent of the Borough of Poole is not required for the report to be downloaded, copied or reproduced in any format for research, private study or for internal circulation within an organisation provided that users reproduce the information accurately, without alterations, and not in a misleading way. The Borough of Poole must be credited as the original author of the work.

¹² Evidence Paper: Welfare Reform – Incapacity Benefit and Employment Support Allowance, Corporate Research, Corporate Strategy and Communications Team, Borough of Poole. January 2014
<http://www.boroughofpoole.com/your-council/how-the-council-works/research/copyof-briefing-papers-june-2011/welfare-reform-incapacity-benefit-and-employment-support-allowance/>