

# Welfare Reform Bill



## Welfare Reform Bill

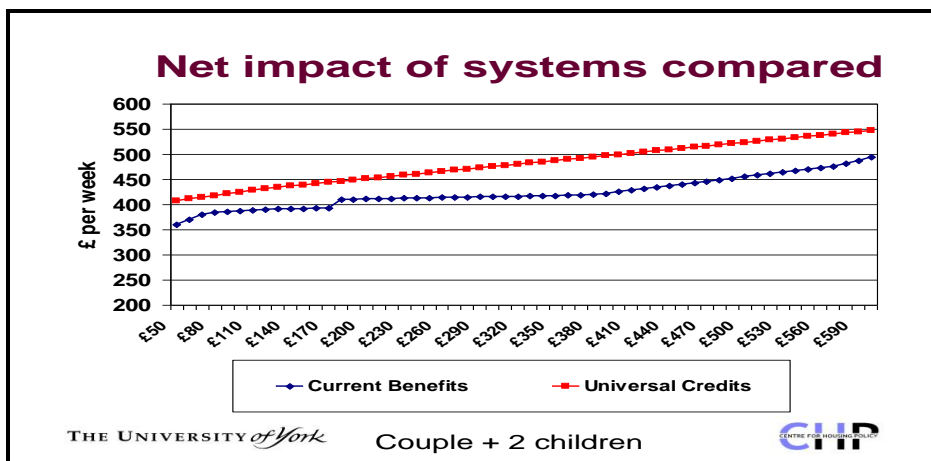
The Northern Housing Consortium will track the Welfare Reform Bill as it progresses through Parliament and will seek to represent NHC member views on its proposals.

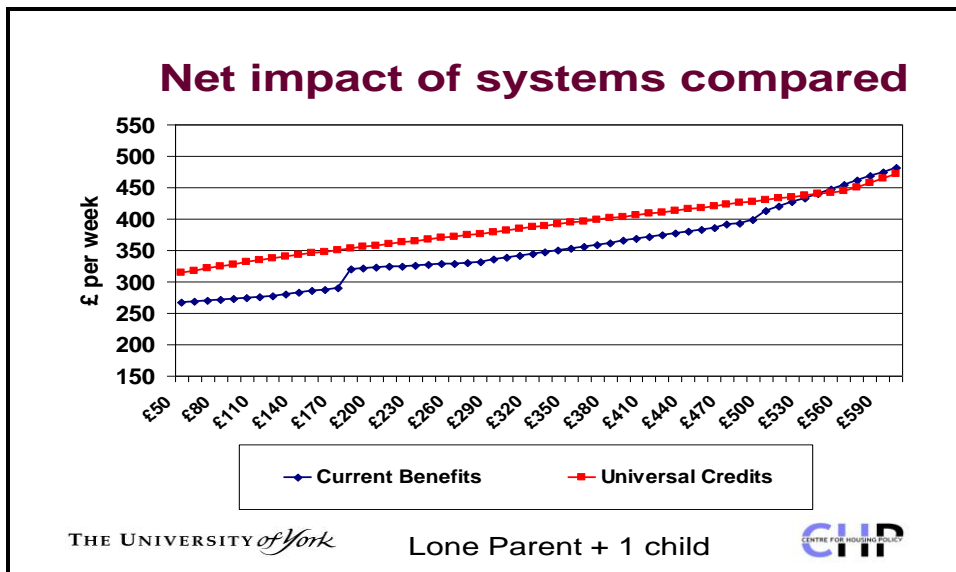
This briefing is the first in a series focusing on different elements of Welfare Reform and we would welcome feedback on the issues outlined, how they are likely to affect NHC membership and the steps you are taking to respond.

This briefing covers reforms to social housing under occupation and conditionality requirements.

## Introduction

We support the principle of introducing the Universal Credit as a means to reduce complexity of welfare benefits and evidence provided by Professor Steve Wilcox at a recent NHC conference suggests that Universal Credit will indeed mean most families are better off.





However, we have concerns that the scale of transformation required to introduce Universal Credit and its associated IT architecture may lead to delays in implementation and could lead to errors. If implementation of UC is delayed at yet other Welfare Reforms progress as planned, some families could find their household incomes compromised.

We are pleased that the government is not proceeding with original plans to reduce Housing Benefit for those on JSA. However, impact of welfare reform will be felt across the North.

### Social Housing Under-Occupation

From April 2013, all existing and new tenants (of working age) under-occupying their home will be subject to a % reduction in their Housing Benefit allowance.

DWP figures from their Impact Assessment indicate that around 679,000 households living in the social rented sector will be affected by this proposal. On average, households will see a reduction of approximately £13 per week in Housing Benefit payable.

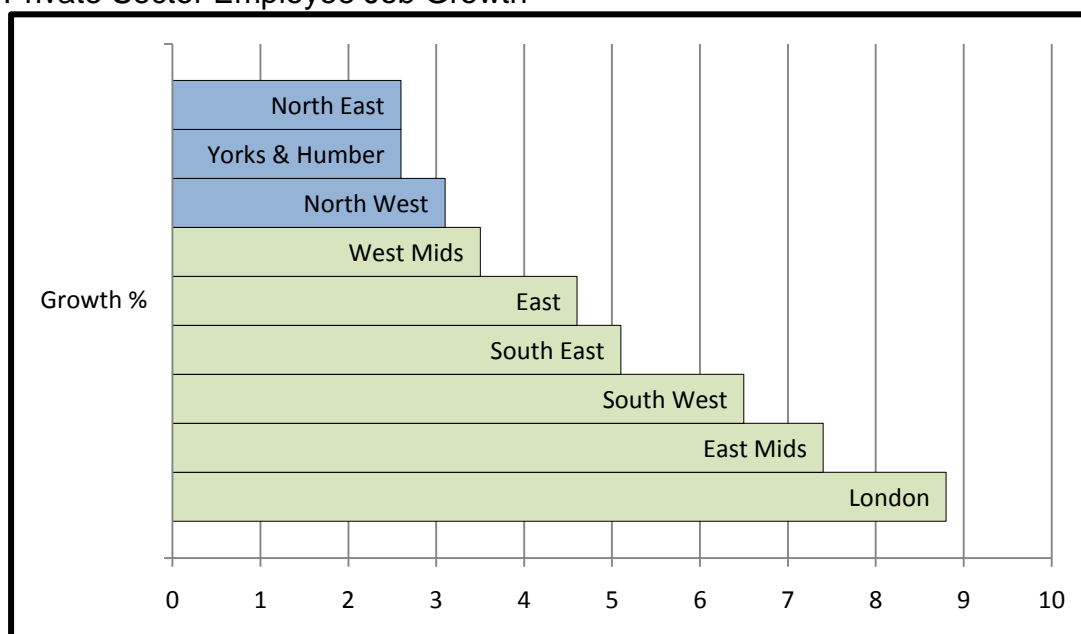
Affected householders will be faced with a choice to

- Move to accommodation which better reflects the size and composition of their household
- Continue to live in their home and make up any shortfall from other income, savings etc

DWP feel this reform will initiate behaviour change and promote mobility and provide work incentives. However, as our analysis demonstrates, the rate of job creation in the North is much lower than in other parts of the country, this,

coupled with a higher rate of reductions in public sector jobs therefore potentially hinders householders' ability to take up employment opportunities.

### Private Sector Employee Job Growth



Figures from Department of Business, Innovation and Skills – refers to April – June 2010

Of the 679,000 households likely to be affected, 78% are currently under occupying by one bedroom and consequently will see a reduction in average HB of £11 per week. 150,000 (22%) under occupy by 2 bedrooms or more and will see a HB reduction of £20 per week. Five percent of the total households affected, or 30,000 households will see a reduction of more than £25 per week in HB payable.

In terms of regional distribution of the cuts, the North is likely to see a greater impact.

Across Great Britain, approximately 32% of working age Housing Benefit tenants in the social sector will be affected. However, this figure rises for the three Northern regions. 46% of tenants in the NE will be affected by these changes and almost 20% of all tenants affected nationally live in the North West.

<i>Region</i>	<i>Estimated number of claimants affected</i>	<i>Affected claimants as % of working age social tenants in each region</i>	<i>Average weekly HB loss per affected claimant</i>
<b>North East</b>	<b>50,000</b>	<b>46%</b>	<b>£12</b>
<b>North West</b>	<b>120,000</b>	<b>43%</b>	<b>£12</b>
<b>Yorkshire and Humber</b>	<b>70,000</b>	<b>36%</b>	<b>£11</b>
East Midlands	50,000	37%	£11
West Midlands	60,000	33%	£14

Eastern	60,000	36%	£14
London	70,000	19%	£21
South East	50,000	26%	£15
South West	30,000	28%	£13
Wales	40,000	42%	£11
Scotland	70,000	32%	£11
<b>Great Britain</b>	<b>670,000</b>	<b>32%</b>	<b>£13</b>

DWP Impact Analysis, February 2011

The regional picture for under occupation (based on bedroom standard rather than the size criteria for HB purposes) shows the following.

Region	Overcrowded	At standard	Under occupied
<b>North East</b>	<b>3.4%</b>	<b>45.1%</b>	<b>51.5%</b>
<b>North West</b>	<b>4.0%</b>	<b>49.0%</b>	<b>47.0%</b>
<b>Yorkshire and Humber</b>	<b>4.6%</b>	<b>50.9%</b>	<b>44.4%</b>
East Midlands	4.2%	50.9%	44.9%
West Midlands	6.1%	50.0%	44.0%
East	5.9%	53.9%	40.2%
London	13.5%	57.2%	29.2%
South East	6.2%	58.4%	35.5%
South West	5.3%	54.9%	39.8%
<b>England</b>	<b>6.7%</b>	<b>52.9%</b>	<b>40.4%</b>

Source 2008/09 English Housing Survey/Labour Force Survey combined dataset

DWP's own assessment also highlights a greater impact in rural areas or those with lower concentrations of social rented housing as the lack of alternative accommodation may limit choices available to households affected by the HB reductions. They may then choose to move into the private rented sector which of course does not offer the same security of tenure and may not be appropriate for some vulnerable tenants.

### Impact on NHC members

As DWP figures suggest a greater impact on the northern regions it is vital that NHC members understand the potential impact on their tenants.

- What is the level of under occupation within your stock and how is this broken down by bedroom size?
- Where you have under occupation data, what proportion of this includes households likely to be affected by these reforms (working age)?
- Is your customer profiling data complete to allow you to identify affected tenants?
- How are you intending to respond to these reforms in terms of financial inclusion advice and best use of your stock?

## Household Benefit Cap

From 2013 the Government will introduce a cap on the total amount of benefit that working age people can receive. The Government wish to ensure that workless households do not receive more in benefit than working households receive in average wages. The total welfare payments (of working age households) will be limited to:

- £500 per week for couple or lone parent households
- £350 per week for single person households

Around 50,000 households will have their benefits reduced as a result of the introduction of this cap – on average a reduction of £93 per week. Although 15% of households affected will lose more than £150 per week.

The cap will apply to the combined income from main out of work benefits (Job Seekers Allowance, Income Support, Employment Support Allowance) other means tested benefits (Housing Benefit, Council Tax Benefit) Child benefit and Child Tax Credit and other benefits such as Carer's allowance.

The main groups affected by these proposals will be large families who are out of work (generally with 3 or more children) or households in high rent areas receiving large HB payments.

Geographically, London and the South East with higher rental charges will be affected by this reform to a greater extent than parts of the North. But there will be higher rent areas in the North, which coupled with higher levels of unemployment, may mean we see localised severe impacts.

## Conditionality

The Government state that through its reforms is seeking to speed up entry into employment from benefits for those able to work, it believes that attaching conditionality to receipt of benefits will assist in achieving this behaviour change.

### ***Conditionality for lone parents with youngest child aged five and six***

The youngest child threshold age for lone parents claiming Income Support (which requires six monthly attendance at Job Centre Plus (JCP)) has reduced in recent years from 16, to 7. This will now reduce to 5 years of age. Once the youngest child has reached this age, lone parents will move to claiming JSA or Employment Support Allowance (ESA) which has higher levels of conditionality attached to it.

This change is anticipated to affect around 75,000 lone parents per year. Government figures suggest that the employment rate for lone parents with youngest child aged 5-6 is 54%, lower than the 66% level for lone parents with a child between ages of 7 – 15.

## **Impact on NHC members**

- Is your customer profiling data robust to allow you to identify affected households?
- Are you engaged with JCP and the forthcoming Prime contracts on supporting work initiatives to ensure your tenants are supported in finding suitable employment?
- Are you engaged in provision of child care, perhaps as a social enterprise led by your tenants?

## ***Other conditionality and sanctions***

The Welfare Reform Bill introduces the concept of the “claimant commitment” which will be attached to all claimants of Income Support, Job Seekers Allowance and Employment Support Allowance.

The commitment sets out the claimants responsibilities in return for benefit payments. These include work related requirements including

- a work focused interview requirement,
- work preparation requirement,
- work search requirement and a
- work availability requirement.

Approaches to sanctions will be set out in the regulations but broadly cover

1. Failure to meet a requirement to prepare for work will lead to a 100% reduction in JSA or ESA until a re-engagement, followed by a fixed period sanction (1,2, then 4 weeks)
2. Failure to actively seek employment/be available for work will lead to disentitlement. Claimants can reapply immediately but now will not receive benefit for a period of 2-3 weeks. A second failure would see the fixed period increase up to three months. Under Universal Credit, these failures will lead to a fixed period sanction of 4 weeks for first failure and 3 months for the second.
3. Failure to accept a reasonable job offer, failure to apply for a job or failure to attend Mandatory Work Activity will see JSA payments ceasing – initially for a period of 3 months, six months for a second failure and three years for a third failure.
4. For lone parents on Income Support and some lone parents on ESA, the requirement is to attend a work focused interview(WFI). DWP propose to put a cap on current sanction levels which start at 20% of benefit but can reach 100%. DWP new cap will be at 40% of benefit and will not initiate sanction at the first failure to attend a WFI.

**Next Steps**

The NHC will be monitoring the Bill as it makes its passage through Parliament and will seek opportunities to reflect NHC member concerns.

We will in the course of the Bill's passage develop further Northern specific briefings reflecting the impact of reforms across your communities. If there are specific areas that you would like us to consider please do contact us.

Customer profiling will be an essential tool in assisting you to identify your customers most affected by the proposals and to find out how our new network can assist you in making best use of your customer profiling data please do see our InsightNet brochure

<http://www.northern-consortium.org.uk/page/performanceimprovement/>

For more information on our work around Welfare Reform please contact

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