

EXECUTIVE BOARD – 22 JULY 2014

Subject:	Welfare Reform One Year On		
Corporate Director(s)/ Director(s):	Geoff Walker - Director of Strategic Finance and Chief Finance Officer (Acting)		
Portfolio Holder(s):	Councillor Graham Chapman, Deputy Leader/Portfolio Holder for Resources and Neighbourhood Regeneration		
Report author and contact details:	Liz Jones – Interim Head of Corporate Policy 0115 876 3367 liz.jones@nottinghamcity.gov.uk Anna Coltman – Policy Officer 0115 876 4257 anna.coltman@nottinghamcity.gov.uk		
Key Decision	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	Subject to call-in
			<input type="checkbox"/> Yes
			<input checked="" type="checkbox"/> No
Reasons:	<input type="checkbox"/> Expenditure	<input type="checkbox"/> Income	<input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision
			<input type="checkbox"/> Revenue
			<input type="checkbox"/> Capital
Significant impact on communities living or working in two or more wards in the City			<input checked="" type="checkbox"/> Yes
			<input type="checkbox"/> No
Total value of the decision: N/A			
Wards affected: All	Date of consultation with Portfolio Holder(s): 10 July 2014		
Relevant Council Plan Strategic Priority:			
Cutting unemployment by a quarter			<input type="checkbox"/>
Cut crime and anti-social behaviour			<input type="checkbox"/>
Ensure more school leavers get a job, training or further education than any other City			<input type="checkbox"/>
Your neighbourhood as clean as the City Centre			<input type="checkbox"/>
Help keep your energy bills down			<input type="checkbox"/>
Good access to public transport			<input type="checkbox"/>
Nottingham has a good mix of housing			<input type="checkbox"/>
Nottingham is a good place to do business, invest and create jobs			<input type="checkbox"/>
Nottingham offers a wide range of leisure activities, parks and sporting events			<input type="checkbox"/>
Support early intervention activities			<input checked="" type="checkbox"/>
Deliver effective, value for money services to our citizens			<input checked="" type="checkbox"/>
Summary of issues (including benefits to citizens/service users):			
This report presents an overview of the impact of the welfare reforms introduced since April 2013. In the context of the Full Council motion adopted in January 2014, setting out the Council's concerns of the effects of the welfare reforms, the purpose of the report is to provide senior decision makers and council partners with an update of the effects of welfare reform for Nottingham citizens and services and what actions have been and are being taken to respond and to mitigate the impacts for Nottingham citizens.			
Exempt information:			
None			
Recommendation(s):			
1. To note the: <ol style="list-style-type: none"> a) impact of the welfare reforms, introduced since April 2013, on Nottingham's citizens and economy, set out in Appendix A; b) actions that have been and are being taken to respond and to mitigate the impacts for Nottingham citizens. 			

2. To recommend that Full Council consider impact of the welfare reforms, introduced since April 2013, on Nottingham's citizens and economy.

3. To recommend that this knowledge and insight is considered in the recommissioning of advice services.

1 REASONS FOR RECOMMENDATIONS

1.1 At the meeting of Full Council on 27 January 2014, a motion was carried which set out the Council's concern about the effects of the cuts in welfare and local government spending on citizens and on the economy in Nottingham.

1.2 The report *Welfare Reform – One Year On* presents an overview of the impact of the welfare reforms introduced since April 2013. The purpose is to provide an update for senior decision makers and council partners on the concerns raised within the Full Council motion. We recommend that the Executive Board note the impacts of welfare reforms for citizens and services and the actions that have been and are being taken to respond and to mitigate the impacts for Nottingham citizens.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

2.1 The Welfare Reform Act 2012 became law on 8 March 2012. The Act introduces the most fundamental changes to the benefits and tax credits system for 60 years. The changes began in 2010 and will continue into 2014 and beyond. In 2013 a number of very significant changes to the funding and administration of welfare and benefits were introduced across England.

2.2 During 2012/13 Nottingham City Council responded to the Government's welfare reforms and tried as much as possible to mitigate the adverse effects of the reforms for the most vulnerable citizens in Nottingham. The Council continues to closely monitor its policies and works with partners to understand the ongoing impacts for citizens and services and to manage the risks.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

Not applicable

4 FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY/VAT)

Not applicable

5 RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS AND CRIME AND DISORDER ACT IMPLICATIONS)

Not applicable

6 SOCIAL VALUE CONSIDERATIONS

Not applicable

7 REGARD TO THE NHS CONSTITUTION

Not Applicable

8 EQUALITY IMPACT ASSESSMENT (EIA)

Has the equality impact been assessed?

- (a) not needed (report does not contain proposals for new or changing policies, services or functions, financial decisions or decisions about implementation of policies development outside the Council)
- (b) No
- (c) Yes – Equality Impact Assessment attached

9 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)

None

10 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT

10.1 Welfare Reform Act 2012

10.2 Full Council Motion – 27th January 2014

10.3 Welfare Reform – One Year On (Nottingham City Council Policy Alert)

11 OTHER COLLEAGUES WHO HAVE PROVIDED INPUT

11.1 Liz Jones – Corporate Policy

11.2 Geoff Oxendale – Policy and Research

policy alert

July 2014

[@NCCPolicy](#)

Welfare Reform One Year On (2013-2014)

Introduction

This Policy Alert presents an overview of the impact of the welfare reforms introduced since April 2013. The purpose is to provide senior decision makers and council partners with an understanding of the impacts of welfare reform for Nottingham citizens and services and what actions have been and are being taken to respond and to mitigate the impacts for Nottingham citizens.

Background

The Welfare Reform Act 2012 became law on 8 March 2012. The Act introduces the most fundamental changes to the benefits and tax credits system for 60 years. The changes began in 2010 and will continue into 2014 and beyond (see Appendix 3 for a summary of changes to welfare and benefits between 2011 and 2014). The Government's stated aims of the reforms are to simplify the welfare system and to encourage people on benefits to find and stay in paid employment.

The changes were originally expected to save £18bn however, in 2012 the Government's budget outlined a further £10bn of cuts to welfare spending and in the Chancellors Autumn Statement on 5th November 2012, an additional £3.7bn savings were identified bringing the overall cuts in welfare expenditure nearer to £22bn a year by 2014-15.

In 2013 a number of very significant changes were introduced; council tax benefit and elements of the social fund were abolished with funding and responsibility for local Council Tax Support Schemes and welfare assistance schemes passing to local authorities. The Benefits Cap was implemented in September and the phased introduction of a new benefit, Personal Independence Payment, began in October.

Headlines

- **Welfare Reform is having a significant impact on some of the most financially vulnerable citizens living in Nottingham, particularly in areas with high concentrations of benefits claimants.**

The maps in Appendix 1 and 2 attempt to show the areas of the city most likely to be affected by benefit reforms.

- **The reforms could take circa £18.3m out of the Nottingham economy – through reductions in available household income.**

We have calculated this by mapping the number of people or households affected by benefit reforms and the financial implications for both the people affected and the City as a whole.

- **The welfare reforms present significant challenges to Nottingham City Council (NCC) and exposure to significant financial risk.**



The transfer of reduced funding and additional responsibility from central Government for local Council Tax Support and welfare (hardship) assistance came at a time of significantly reduced funding for local authorities. As a result of the additional financial pressure facing NCC and partners, additional resources were committed to provide advice and support services for citizens affected by the welfare reforms.

Key Messages – What have the policy changes achieved?

- **It is too early to tell whether the Government’s overall policy objective from the welfare reforms to support improved work incentives has been achieved.**
An overview of benefits claimants in Nottingham is provided below. Benefit reforms are likely to have had an impact on people transferring between benefits however; it is not clear how benefit claimants in Nottingham have responded to the changes affecting them such as a reduction in their household income.
- **The change to under occupancy rules for social housing tenants has not achieved the objectives of the policy which were to encourage greater mobility within the social rented sector and to make better use of available social housing stock.** 3% of Nottingham City Homes (NCH) tenants who were affected by the under occupancy rules have successfully moved to more appropriate sized properties. In April 2014 NCH has reported £270k of rent arrears for tenants affected by the under-occupancy changes.
- **NCC introduced a local Council Tax Support Scheme while at the same time the Council’s funding to support such a scheme was reduced. Approximately 19,000 citizens are now paying Council Tax for the first time.** NCC has reported an increase in the levels of Council Tax arrears.
- **It is not clear in Nottingham whether the Benefits Cap has achieved the Government’s aim of supporting people into work. The impact of the cap will be felt by larger households, particularly those with children. The Council retains a statutory duty to house homeless families.**
- **The Council, Council partners and voluntary, community and advice sector services have targeted significant resources (human resources, time, material and financial resources) to prepare citizens for the reforms and to respond to the needs of those citizens affected by the reforms to date.** In 2013 Advice Nottingham undertook a monitoring exercise to map client numbers. Findings strongly indicated that support and advice agencies across the City experienced an increase in demand for advice about changes to benefits and debt. Discussions with other cities suggest that this is being mirrored across the Core Cities.
- **Citizens facing the biggest potential financial losses as a direct result of welfare changes will be those in receipt of Incapacity Benefit (IB) and the Disability Living Allowance (DLA).** We estimate relatively big average financial losses for a fairly large group of people who are likely to have limited opportunities to earn extra income, who face greater challenges in finding suitable employment and who also have additional medical or living costs.
- **The number of people being referred for sanctions has gone up since the new stricter sanctions regime was introduced in October 2012. Referrals for sanctions each month in the first year of the new regime were 35% higher than the previous year.** The main increase in Nottingham has been in referrals which are either cancelled or are decided in the claimant’s favour. Young people (18-24 year olds) are disproportionately more likely to be sanctioned (source: DWP sanctions decisions data 2012/13)

Appendix 2 (Map 3) shows the numbers of individuals receiving sanctions between October 2012 and September 2013 by Super Output Area.

- **Further reforms such as the introduction of Personal Independence Payments and Universal Credit (UC) are likely to have implications for Nottingham citizens, however the impacts of these reforms are not yet known.** UC will affect large numbers of citizens in Nottingham both in-work and out of work. By 2015/16, the Government intends to reduce working age DLA expenditure by 20% and they expect around 500,000 fewer individuals to be in receipt of Personal Independence Payment by 2015/16 compared to what would have happened under DLA (source: DWP DLA reform impact assessment, May 2012).

Benefit claimants in Nottingham

The latest Nottingham City Council Benefits Bulletin (February 2014) reports that:
Since March 2010:

- The total number of benefit claimants of working age fell,
- The number of Job Seekers Allowance (JSA) claimants increased from 11,503 to 12,651 and,
- The number of people on out of work benefits in Nottingham has fallen from 36,810 (February 2010) to 33,960 (August 2013);

The fall in the total number of benefits claimants and the number of unemployed people in Nottingham reflects a number of factors including improvements in the economy and actions by NCC to generate local employment opportunities. In 2013/14, a total of 2,524 people have been helped into jobs through the Apprenticeship Hub (482 jobs), the Employer Hub (956 jobs), the Nottingham Jobs Fair (500 people). The Innovation Fund has helped 260 young people into work and helped 286 achieve a level 1-4 qualification. The Nottingham Jobs Fund created 271 jobs between April 2013 and March 2014. There has also been a natural increase in the working age population in the city along with some inward migration.

Although fewer people in Nottingham are claiming benefits and the transfer from other benefits such as Incapacity Benefit and Income Support to JSA has slowed, there remains a relatively high proportion of JSA claimants who have been claiming the benefit in the long-term (2 years and over). Benefit reforms are likely to have had an impact on this trend because the people transferring to JSA are likely to have significant issues such as long breaks from the labour market or childcare commitments.

What the Council did to prepare citizens for these changes

Communications

- The Council worked closely and where appropriate, shared information with key partners to raise awareness of the welfare changes due to come in and to prepare them to help our citizens.
- We also shaped communications for our citizens, colleagues and partners to help raise awareness and signpost people to appropriate help and advice.
- We wrote directly to all households affected (where we could identify them) to advise them of the changes and offer support.

We also:

- Created bespoke welfare reform web pages and a comprehensive information booklet and wrote to all citizens affected by changes to Council Tax and the Benefits Cap,
- Worked with partners to develop communications strategies and ensure citizens received timely information and key messages about the reforms.
- Took opportunities to make sure people knew about the changes through targeted communications such as radio campaigns and faith sector/volunteer briefing events.

Policy responses

During 2012/13 the Council consulted with citizens and partners to develop **local policies** (a local discretionary Council Tax Support Scheme; a local discretionary Hardship Support Scheme; a Small Loans Scheme and an updated Discretionary Housing Payments Policy) to respond to the Government's welfare changes.

NCC has tried as much as possible to mitigate the adverse effects of the Government's welfare reforms for the most vulnerable citizens. We continue to manage the risks by closely monitoring the policies to understand the ongoing impacts.

- The Council designed and introduced a local Council Tax Support Scheme which used a combination of Government, and council funding. In 2013/14, the Scheme took advantage of Government transitional funding and used income from empty properties to set a minimum contribution level in the City. This meant that all working age people had to pay at least 8.5% of their Council Tax Bill.
- Councillors agreed to use the total allocation of welfare assistance funding to develop a local discretionary Hardship Scheme including a Small Loans Scheme administered by Nottingham Credit Union.

During the development and implementation of both schemes, local views and opinions were sought through public consultations, service-user focus groups, online surveys for frontline staff and learning and training sessions for partners.

Partnership Working

In order to mitigate the impact of the welfare reforms and protect vulnerable citizens, the Council and partners have cooperated to understand the issues affecting certain groups of people and have developed solutions in partnership with NCH, registered social landlords and housing organisations, advice agencies across the city, representatives of voluntary, community and faith groups, food banks and the Department for Work and Pensions (DWP).

Examples include:

- **The Evictions Prevention Protocol.** This seeks to prevent evictions as a result of the under-occupancy charge; since April 2013 no evictions have occurred as a result of tenants under occupying their property.
- **The Sanctions Protocol.** This sets out actions NCC and DWP colleagues will take to investigate 'inappropriate' sanctions decisions and assist claimants with appealing decisions.
- Council officers have delivered training on the Hardship Support Scheme for food bank volunteers and have worked closely with the faith, voluntary and community groups to understand emerging needs and changing demand among vulnerable citizens. Through strong partnership working, NCC has gathered intelligence and insight to develop appropriate responses, such as those above, to address needs and demand.

Informing and Influencing

- Briefings and presentations have been prepared for senior council officers, Councillors and MPs.
- As response was submitted to the CLG Select Committee inquiry on the implementation of welfare reform by local authorities. The response highlighted the experience of Nottingham citizens and the impact for NCC.
- NCC assisted Nottingham Community and Voluntary Service (NCVS) in a response to an independent review of JSA sanctions.

Evidence Gathering and analysis

- **Welfare Reform Impacts Task and Finish Group (WRITAF).** This group worked to identify and shape responses to the individual and emerging future impacts of the welfare changes. Research undertaken by the group included case study interviews with citizens and work to quantify and map the cumulative impacts of the welfare changes.
- The work of WRITAF (above) highlighted the need for more **integrated advice and support services** to build resilience to the welfare reforms within communities. This is a priority for NCC and work to identify citizens most at risk from the impacts of the welfare reforms continues.
- **Core Cities Welfare Reform Group.** Working with this group NCC developed a set of indicators to track the progress of the welfare reforms in Nottingham and across the Core Cities.

Looking Back

Impacts for citizens

Anecdotally, partners including advice agencies report that Nottingham citizens are facing increasing financial hardship as a result of the welfare reforms.

Council Tax support

The changes to **Council Tax benefit** has had the widest impact with approximately 25,600 households affected. The council took advantage of the transitional funding and other sources of income to mitigate the financial impact on households in Nottingham, however because Council Tax benefit was a means-tested system, this reform has affected some of the city's poorest households.

At quarter 4 (April 2014), for those people affected by the changes to Council Tax benefit:

- 58% had paid their Council Tax bill in full
- 23% had paid part of their Council Tax bill
- 19% had not paid anything towards their Council Tax bill

The Government introduced changes to enforcement regulations which included changes to Bailiff Fees. Citizens will now be expected to pay £75 once a liability order has been issued. Costs can increase by at least a further £235 if an enforcement action is taken.

Social Sector Size Criteria (Under Occupancy)

The number of Nottingham households affected by under occupancy rules (NCH and Registered Social Landlords) is as follows:

- In April 2013, approximately **6,000 households** were affected
- In April 2014, approximately **3,986 households¹** were affected

In April 2014, **1,343** NCH tenants were in arrears with their rent who were not in arrears before the under occupancy charge was introduced.

At quarter 4, of the 3,986 NCH tenants who were affected by the under occupancy rule:

- 55% had paid their rent in full.
- 1% had not paid anything towards their rent
- 97 NCH tenants (3% of all NCH tenants who are under occupying) had 'downsized' as a result of the under occupancy rule.
- 100% of NCC funding for Discretionary Housing Payments (DHPs) had been awarded to Nottingham citizens. NCC reported an increase in the number of applications for DHPs throughout 2013/14.

Benefits Cap

At the end of quarter 4, 156 tenants in Nottingham were affected by the Benefits Cap, which is applied through a reduction in Housing Benefit (HB). Although a relatively small number of people in Nottingham are affected by this reform, some have seen a significant reduction in HB. The majority of people are losing between £0 - £100 of their HB while the highest loss is in the range of between £190 - £200 per week.

Employment Support Allowance (ESA)

Between April 2011 and April 2014, current claimants of Incapacity Benefit (IB), severe disablement allowance and income support had their claim transferred to ESA while their benefit entitlement was being reassessed subject to a work capability assessment. In November 2013, 13,760 people in Nottingham had been transferred to Employment Support Allowance (ESA). Of these 13,760 people, 3,400 were in the process of being reassessed while another 2,990 were still claiming IB and were waiting to be transferred to ESA.

¹ This figure includes tenants of the following social housing organisations - NCHA, NCH, Tuntum Housing, Metropolitan, Guinness and Longhurst & Havelock

Personal Independence Payment (PIP)

In 2013 there were approximately 20,000 people in Nottingham claiming Disability Living Allowance. Reassessments for the Personal Independence Payment began in October 2013 and in February 2014, 130 people had been reassessed and were claiming PIP. Delays have been reported in carrying out reassessments and decision-making in parts of the country where assessments are carried out by Capita (this includes the East Midlands).

Delays to PIP processing

The old system of Disability Living Allowance relied on a self-assessment form. However, under the new system, claimants are assessed face-to-face and their situation is reviewed more often. In February 2014, the National Audit Office published a report highlighting the "distress and financial difficulties" faced by claimants because of the slow processing of PIP claims under the new system.

New appeals rules and procedures

New benefit appeal rights were implemented from October 2013. There is now a requirement for a claimant to ask for a 'mandatory reconsideration' (MR) (a request for the decision to be reversed) before an appeal against a benefits decision can be made. The claimant is sent a 'mandatory reconsideration notice' which is the official recognition of a right of appeal. Standard advice is to request a revision within one month after the date on which the claimant was sent the benefit decision. Late appeals claims can result in a claimant losing their right to appeal a decision at a first-tier tribunal.

ESA claimants who have applied for MR are without payment of ESA; they are only entitled to claim JSA while the MR is pending. There is no time limit for how long the MR process can take (DWP state that there is a minimum wait period of 2 weeks). The very real concern is that many claimants will abandon their dispute because of the financial strain on them and their families.

Impacts for Nottingham City Council

Council Tax Support

- The Council's overall Council Tax collection rate is down by 0.3% on 2012/13
- The Council has collected 76% of Council Tax from people affected by the changes to Council Tax support.

Discretionary Housing Payments

Nottingham City Council's total DHP fund for 2013/14 was £696,031. The Council spent 100% of this initial allocation with 80% of awards being made to tenants who were under occupying. In February 2014 the Council successfully applied for an additional £500k of DHP funding for 2013/14. This additional funding has enabled the Council to support financially and socially vulnerable households in the City. While the Council's DHP allocation increased in 2013/14, to alleviate some of the impacts of welfare reform, in particular the Size Criteria and the Benefit Cap, the number of claims rose in 2013/14 by 148% and between 2012/13 and 2013/14 awards made increased by 569%.

Impact for partners

Nottingham City Homes have spent £450k in additional staffing resources for supporting tenants affected and for arrears collection. A further £50k has been spent on the Rightsize project which supports tenants with costs associated with moving (downsizing) for example removal costs.

Housing and homelessness services

Partners working in frontline services in Nottingham were asked about their clients experiences of welfare reform. In summary, feedback indicates that:

- In the private rented sector there is a lack of suitable, affordable accommodation and high demand for one and two bedroom properties.
- Shared accommodation for under 35s is not always appropriate especially if tenants suffer with mental health issues or drug or alcohol addictions.
- The loss of DWP Crisis Loan for rent-in-advance payments has had a 'huge impact' on young people.
- There has been a 'significant increase' in the volume of tenants who wish to 'downsize'.

- Tenants are experiencing additional stress and anxiety;
- There has been increased demand for service/assistance to complete forms / provide negotiations on behalf of vulnerable tenants.
- The increased number of sanctions issued and the claimant commitment are adding to existing financial difficulties experienced by service users.
- Reported impacts include increased referral to food banks, debts with utility providers and rent arrears.
- Many service users are not aware of alternative, more affordable forms of credit and lending and are turning to friends or family, pay day lenders or loan sharks.

Looking Forward

Changes to welfare and benefits 2014

Benefits Up-rating legislation

It is important to note the effects of the Welfare Benefits Up-rating Act (2013) alongside other tax and benefits changes. The Act caps annual increases in most working age benefits at 1% in cash terms in 2014/15 and 2015/16. Given current forecasts of inflation, this implies a cumulative 4% real cut in the benefits affected². Because the up-rating changes apply to almost all benefits and tax credits, both in-work and out-of-work households are affected.

Council Tax Support

In 2014/15, all working age people living in Nottingham will pay at least 20% towards their council tax bill.

Personal Independence Payment (PIP)

In the East Midlands, claims for Disability Living Allowance are no longer being accepted, all new claims are now for PIP. From October 2015 onwards, the Government will contact all existing claimants of Disability Living Allowance (DLA) and invite them to claim PIP. All DLA recipients are expected to have moved onto PIP (if eligible) by 2016/17.

Help to Work Programme

In Nottingham there are currently **over 2,000 people** who will be eligible to take part in the Help to Work scheme. Help to Work is a mandatory scheme and is backed up by the DWP sanction regime. Claimants will be expected to attend a job centre daily, attend a community work placement or take part in further training.

Universal Credit

The timings for the full national rollout of UC are currently unclear. The Government states that all current claimants will be transferred to UC by 2017. There remains significant uncertainty about whether the UC benefit will be implemented successfully. The Council has asked for contingency plans for IT failure and risk management plans to be shared with local authorities.

In response to the **Communities and Local Government Committee inquiry on the implementation of welfare reform**, Nottingham City Council highlighted several concerns about the implementation of UC and the risks created for citizens and local authorities including:

- The separation of Council Tax Support from UC may well undermine the overall policy intent of UC, especially in relation to simplification and improving incentives to work. And, in the longer term, separating the claims process for Council Tax Support and housing costs (which go into UC) may well cause confusion for citizens.
- The need for greater dialogue and greater transparency from DWP in relation to UC so that local authorities can start to prepare for the introduction of UC and to avoid significant disruption and concern to local communities.

² The Institute of Fiscal Studies. [The Effects of the Welfare Benefits Up-rating Bill](#). January 2013

- The Council has already allocated a significant amount of resources to prepare for welfare changes. We do have concerns about the lack of time for the findings from the UC pilots to influence the implementation of the new UC system. The pilots are critical to understanding how UC will work and the role local authorities are expected to have in supporting the delivery of UC via face to face support.

Impacts for citizens

Personal Independence Payment

The latest data (August 2013) shows 20,180 people in Nottingham claiming DLA. Of these:

- 12,900 were aged 16-64 years
- 2,100 were under 16 years
- 5,180 were over 65 years

It is difficult to predict exactly what the impact will be on Nottingham citizens who currently receive DLA and exactly when they will be affected; given that current DLA will only be 'invited' to claim PIP when their current award for DLA expires. However, the government expect that the national PIP caseload will be around 500,000 fewer than if DLA were to continue.³ This suggests that across the UK including Nottingham, there will be people who will lose their entitlement to a disability benefit when their claim for DLA expires. The removal of the lower rate care component within PIP means that people with a lower level of disability who still continue to experience additional costs may lose out under PIP.

Benefits Up-rating

Capping the up-rating of benefits at 1% up to 2016 will result in a reduction in the real value of benefits for people of working age.

Help to Work Programme

Claimants could incur significant travel costs to attend either a job centre daily or community work placements and the number of people receiving JSA sanctions could increase as a result of failing to attend daily appointments or placements.

Universal Credit

The DWP UC impact assessment⁴ estimates that:

- Around **3.1 million households will have higher entitlement as a result of UC**. The average gain for this group is estimated to be £168 per month (around 75% of these households are in the bottom two quintiles of the income distribution).
- Around 1.9 million households see an increase in entitlement of more than £100 per month
- In the longer-term approximately **2.8 million households will have notionally lower entitlement** than they otherwise would have done as a result of UC, since these individuals are typically on lower than average incomes the impact on individual welfare may be proportionately higher. The average reduction in entitlement for this group is estimated to be £137 per month.
- **The average impact of UC across all households is estimated to be an increase in entitlement of £16 per month.**

However, there are a number of implications for all UC claimants including:

- The full national rollout of UC is not known
- There is widespread concern about managing Universal Credit online. Claimants will be expected to use online systems to make claims and manage changes to their UC claim. To do this they will require access to the internet/PCs.

³ DWP Disability Living Allowance Reform Impact Assessment May 2012

⁴ DWP UC Impact Assessment December 2012 -

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220177/universal-credit-wr2011-ia.pdf

- Claimants will receive UC in monthly payments as opposed to current weekly or fortnightly payments. Since the monthly amount will not be itemised either, tenants will also need to understand how much their monthly rent is. They will also need to understand what other elements are included in their UC, e.g. costs for children/childcare, etc in order to ensure effective budgeting. They will need to manage this monthly payment and budget accordingly.
- Payments to one person in a household. There are concerns too that the payment of Universal Credit to one person in a household could, in some instances, upset the family dynamic: potentially putting that individual in a position of considerable power and influence.
- Under payments/ overpayments may cause acute hardship or financial instability for some more vulnerable claimants.

Impacts for Nottingham City Council

Council Tax Support

The Council has identified the following risks associated with administering a local Council Tax Support Scheme:

- Any Increases in demand for support will increase the cost of the scheme for the Council.
- The Council has experienced a loss of collection (Each 1% reduction / increase in collection rate makes £22k difference in cost).

Personal Independence Payment

- There may be an increase in demand for council services, particularly advice services as people seek to make a claim for PIP or appeal an outcome of an assessment for PIP.
- There may be cost implications for the Council to support people who are not eligible for PIP - Disability Rights UK estimate that if 14% of the disabled people losing DLA required help from council social care services this is 70,000 people and the annual cost could be between £742.6 million and £2.3 billion a year (a large variance as a result of the wide difference between homecare and residential care costs to councils). These figures are estimates but reveal some potentially very high costs of abolishing DLA for working age disabled people.

Universal Credit

There are some uncertainties for Nottingham City Council:

- There is confusion about transition of Housing Benefit administration under UC. The Council is not able to plan for workforce changes and resources needed to respond.
- There may be an increase in demand for advice services including both NCC Welfare Rights and commissioned services.

Comment

[National Housing Federation – One year on: The impact of welfare reforms on housing association tenants \(May 2014\)](#)

Ipsos Mori conducted this research to look at the impact of welfare reform specifically from the tenant perspective. The survey findings show how welfare reforms are impacting on housing association tenants.

- 67% of affected tenants are currently finding it difficult to afford to pay their rent.
- 46% of affected tenants say they have needed to borrow money to help pay their rent (an increase from 12% in April 2013).
- 42% of affected tenants say that they are currently in arrears.
- 55% of affected tenants say that in the last 12 month, they have very often run out of money.
- 79% say they are not looking to move.
- 6% of affected tenants say they had looked for a job as a direct result of being affected by the policy.

Impacts of Personal Independence Payment

A Disability Rights UK survey highlighted the risks of claimants losing DLA:

- 56% of the people in work said they would have to stop or reduce work if they lost DLA;
- 16% suggested cuts to DLA would result in higher NHS use; and
- 14% suggested a likely need for more use of council services*

*i.e. residential care placements for family members if they lost the financial means to support people at home or moving to care homes to avoid being 'burdens' on families

Impacts of Universal Credit

The Institute of Fiscal Studies (IFS) has said that there are a complicated range of winners and losers under UC. The IFS **estimates that there will be 2.5 million winners; 1.4 million losers; and 2.5 million who will not be affected at all.** People who are working part time are the most likely to benefit from UC, but many people, particularly **lone parents and two earner couples with children will lose out.**

Winners - Those working **under 16 hours a week** will benefit from UC's new taper rate, meaning their benefits will increase with every hour worked, rather than at present where their benefits jump at 16 or 24 hours as they become entitled to Working Tax Credits.

Losers - As the current system for assisting with childcare costs will be replicated within UC, **lone parents who want to increase their hours will find that after 16 hours their childcare costs begin to eat away at any additional earnings.** There will also be fewer incentives for second earners to increase their hours, as the taper rate under UC is higher than that which exists under the current system. (Currently, once a claimants' income reaches a certain threshold, their tax credits are withdrawn by 41p for every pound that their income exceeds that threshold. There will be a single taper under UC of 65p in every pound).

Joseph Rowntree Foundation – July 2013⁵

For lone parents and second earners on the minimum wage, working 30 or more hours a week will reduce disposable income compared with working fewer hours. Above this level, working extra hours triggers higher childcare bills and reduced UC payments, and brings income into taxation.

Child Poverty Action Group⁶

A 65% taper rate actually represents little if any improvement on the current system for the majority of claimants, particularly when the effects of the withdrawal of council tax benefit and other benefits are factored in. There also appears to be no evidence that allowing claimants to keep 35 pence of every £1 of earnings will act as significant work incentive and no analysis of the influence of low pay, poor conditions of employment, lack and costs of child care provision, transport costs and, crucially, the regional labour market, as work disincentives.

Advice Nottingham

In a recent report '[Children in an Age of Austerity](#)', the Advice Nottingham consortium presented an evaluation of the effects of the welfare reforms on children in Nottingham. Headline findings include:

- Families deemed to be 'under occupying' their accommodation are experiencing financial hardship and face either increased costs or potentially moving home and losing social support networks.
- Children may have to change schools or travel further to get to school if their families are forced to move as a result of under-occupancy.
- Non-resident parents/carers face financial penalties for under-occupancy or losing the room their children use, potentially reducing parent-child contact.
- Families reliant on benefits are struggling to meet their requirement to contribute to council tax, often for the first time, resulting in financial hardship and debt.
- Disabled parents and parents of disabled children are facing financial hardship due to changes to the awarding of disability benefits.
- Parents subject to benefit sanctions are relying almost entirely on food banks to feed their children.

⁵ <http://www.jrf.org.uk/publications/universal-credit-mis>

⁶ <http://www.cpaq.org.uk/content/universal-credit-universal-panacea>

Further reading

[Welfare Reform Act 2012](#)

[Welfare Benefits Up-rating Act 2013](#)

Alert prepared by

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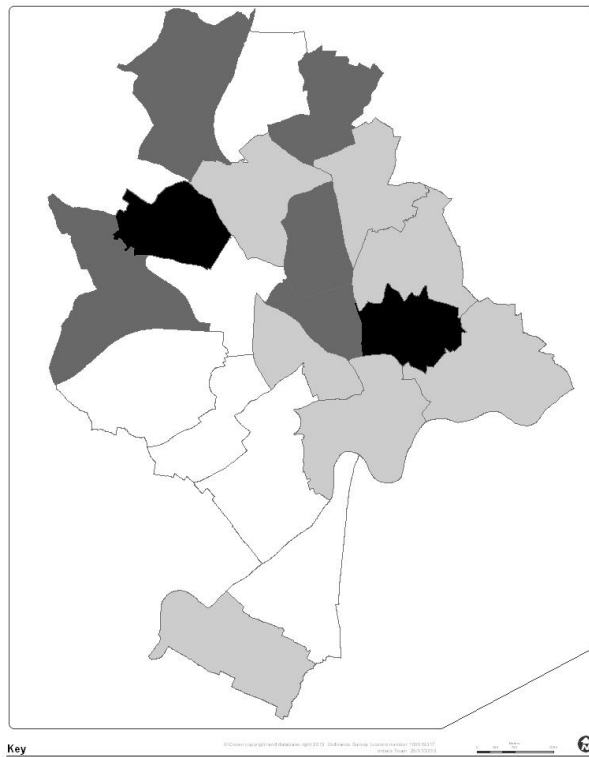
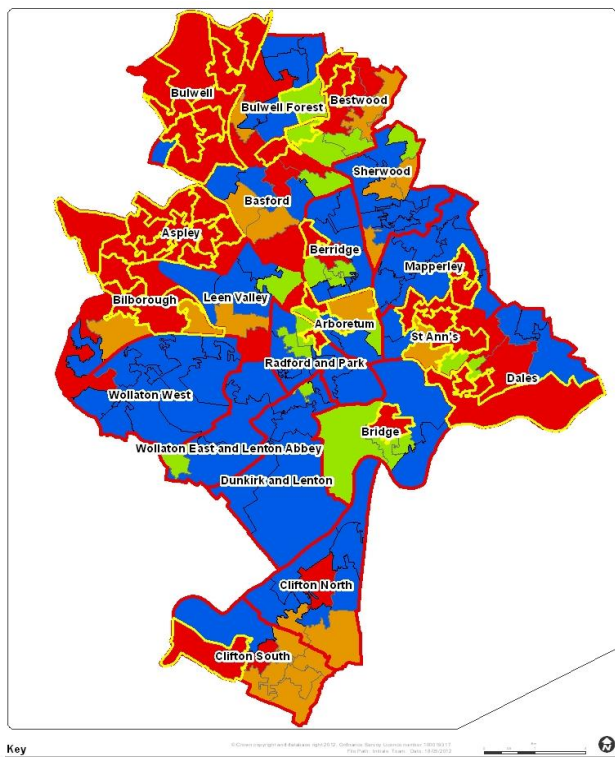
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Appendix 1

Map 1: Map of concentrations of Council Tax Benefit and sickness benefit claimants

Map 2: Map of people likely to be affected by IB/ESA/DLA reforms



Map 1 shows data on the percentage of working age households who claim Council Tax reduction and the percentage of working age people who claim Incapacity Benefit, Employment Support Allowance or Disability Living Allowance.

- The red areas have above average proportions of both benefits. These areas correlate strongly with the areas highlighted in yellow which are in the 10% most deprived areas in the country from the 2010 Index of Deprivation.
- Areas in orange show a high proportion of people claiming one of the sickness benefits (IB, ESA and/or DLA) but below average levels of Council Tax Benefit and green areas have high CTB but low sickness.

Map 2 uses Census data to try and locate the wards with most people at risk of losing out under the reforms to the sickness benefits. A Census question asked if people had a limiting long term illness or disability and whether this limited their day to day activities a lot or a little. The results of this question are compared to the number of claimants of IB/ESA/DLA in each ward. This showed that there were 19,400 people claiming one or more sickness benefit and 14,300 who were affected a lot in their day to day activities.



Appendix A

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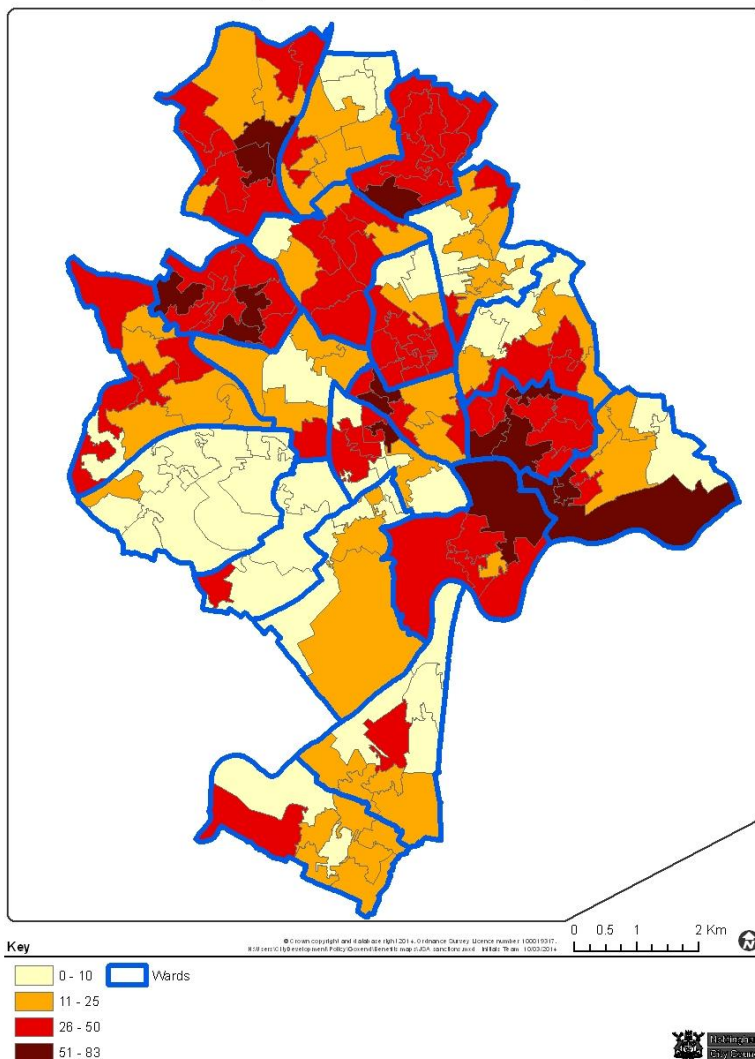
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Appendix 2

Map 3 shows the numbers of individuals receiving sanctions between October 2012 and September 2013 by Super Output Area.

Map 3

Individuals affected by JSA sanctions Oct 12 to Sept 13



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Appendix 3

Changes to welfare and benefits 2011 – 2013

- **All benefits, tax credits** and public service **pensions** were increased annually in line with the **CPI rather than RPI** - saving the Exchequer **£5.8bn** a year by 2014/15 as CPI is generally lower than RPI.
- **Working Tax Credits** (WTCs) for lower income families were frozen and couples with children now have to work 24 hours instead of 16 to qualify for WTC's. The changes will save **£3.2bn** by 2014/15.
- **Child benefit** was frozen for three years and **lone parents** with their youngest child over 5 were moved onto Jobseekers Allowance rather than Income Support. This measure is projected to save £3bn by 2015.
- Child Benefit rules changed in January 2013 - Families where one parent is earning more than £50,000 a year will no longer be able to claim the total amount of child benefit.
- **Education Maintenance Allowance** was abolished for 16-19yr olds. This measure saved the Exchequer over £560m per year.
- All existing Incapacity Benefit claimants are being **re-assessed** through a work capability assessment. Those deemed capable of working will be moved onto JSA and those not capable of working will be moved onto Employment Support Allowance (ESA). The June 2010 Budget estimated that in 2014-15 this would save the Government nearly £6 billion, one of the largest of the individual changes to benefits made in 2010. Are there 2 groups of ESA folks?]
- **Winter Fuel payments** reverted to the "standard" rates of £200 (under 80s) or £300 (80 yrs +) from winter 2011/2012. This saved £700m in 2011/12.
- From January 2012, anyone under 35 can only claim housing benefit on shared accommodation rate to help with their rent (rather than being able to claim for self-contained one-bedroom accommodation as previously). This measure is expected to save around £200m per year.

Summary of welfare reforms 2013 – 2014

Many of the key reforms in the 2012 Act have taken effect during 2013 and many will continue to be implemented include the introduction of:

- New responsibilities for Local Authorities to administer localised welfare schemes (**Council Tax Support** and **local welfare assistance** in lieu of the discretionary Social Fund).
- Changes to Housing Benefit entitlement for social housing tenants (**Social Sector Size Criteria**)
- A cap on the total amount of benefits households can receive;
- A new benefit called **Personal Independence Payment**. Eventually it will replace Disability Living Allowance for people aged 16 to 64;
- A new **Claimant Commitment** for jobseekers setting out job seeking actions they must take in return for receiving benefits and consequences (i.e. sanctions) that will be imposed if they fail to carry out agreed actions;
- Stricter penalties for people who commit benefit fraud;
- **Universal Credit**. A new benefit that seeks to integrate current in-work support and out-of-work benefits for working age people.
- **The Welfare Benefits Up-rating Act 2013**. This Act introduced a cap of 1% on the annual increases in most working-age benefits (in cash terms) in up to 2016.