

APPENDIX 6

WELFARE REFORMS: A SUMMARY.

Background:

The Welfare Reform Act (2012) represents the biggest change to the welfare benefit system in 60 years. These changes have been designed to create a simpler and fairer system and encourage more claimants into employment by making work pay. The changes affect mainly working age claimants (in-work and out-of-work) and cover a whole spectrum of welfare and housing benefit changes, paving the way for the introduction of Universal Credit in 2017.

The Southampton Homelessness Prevention Strategy 2013/18 predicts these reforms – and the effect they will have on individuals – will be the single biggest challenge to preventing and tackling homelessness over the coming years. The combination of more claimants actively seeking work, looking to reduce the size and/or cost of their accommodation, whilst seeing their income from benefits reduced, may lead to increased levels of homelessness.

Summary of the Welfare Reforms:

A number of welfare reforms have been implemented since 2011 and the programme continues through to 2017 when the roll out of Universal Credit is scheduled to be fully implemented.

The reforms can be grouped into four broad categories:

- Reforms only affecting those in work, particularly changes to Tax Credits and the elements within this to support low income households (Working Tax Credit and Child Tax Credit).
- Reforms targeting those claiming benefits for a health condition or disability, particularly the removal of contributory ESA (Employment and Support Allowance) from most of those claiming for more than a year and the replacement of DLA (Disability Living Allowance) with PIP (Personal Independence Payment).
- Housing Benefit Reforms - affecting those in work and out of work – including Local Housing Allowance, Benefit Cap and the social sector size criteria ('spare room subsidy'/'bedroom tax').
- Other Reforms - affecting those in work and out of work – including changes to Council Tax Benefit, up-rating of benefits by 1% instead of inflation and changes to non-dependant deductions.

There are data limitations around claimant information which mean analysis of the cumulative impact of the reforms on households with particular characteristics is not possible but available evidence suggests that

households with a disabled person and larger families are some of the 'hardest hit'.

Local Impacts of Welfare Reforms in Southampton:

The programme of reforms has been underway since 2011. Baseline data is now collated across departments to capture and track the impact of welfare reforms. A range of local and national data has been used to predict and used to develop partnership work and effective targeting of support.

The cumulative impact of housing benefit reform during 2011/12 was estimated to take £2 million per annum out of the local economy, much of it paid to local landlords.

Housing Benefit Reforms 2011/12:

Housing Benefit Reforms 2011/12	Number of Claimants affected	Average weekly reduction per claimant	Estimated Annual reduction in HB payments (full year)
Removal of LHA excess payments above rent level	325	£9.42	£159,200
Restricting LHA rates to 4 bedroom level	46	£95.04	£227,300
Reducing LHA rates from median in range of rents to 30 th point	4564	£7.30	£1,732,500
Increasing non dependant charges	557	£6.99	£202,500
Total			£2,321,500

Key Changes April 2013:

Change	Description	Number of Claimants/ Households Affected April
Benefit Cap	Max £500 per week - family Max £350 per week – single person	168 households (some affected by more than £300 per week)
Social Sector Size Criteria	Entitlement reduced by 14% or 25% (one or two bedrooms) for under-occupation	1,992 Housing Benefit Claimants (1,442 Council Tenants and 550 Social Sector)
Council Tax Benefit	Localisation of Council Tax Benefit	15,000 households. Average £3.67 per week
Social Fund	Localisation of the of the discretionary elements of the Social Fund - Crisis Loans and Community Care Grants	In 2011/12, 820 Community Care Grants and 4,430 Crisis Loans were awarded to residents in Southampton.

Estimated Local Impacts of Key Reforms 2015/2016: Southampton

The table below gives an overview of the estimated impact on Southampton for 2015/16 based in the LGA 'local impact model'. In total, it predicts an overall financial impact of £53 Million, affecting 34,157 households with an average loss of £1,551 per year.

Welfare Reform Impact (not including Universal Credit)		HB LHA	Social sector size criteria	Non-dependent deductions	CTB	Tax Credits	DLA	1% up rating	ESA Time Limit	Benefit cap
Total	Numbers affected	6,500	2,004	1,278	15,400	23,900	7,690	34,157	2,144	202
	Overall impact (£m)	7.4	1.3	0.6	1.8	20.0	5.4	10.8	4.9	0.7
	Average loss (£/affected)	1,132	670	498	120	838	708	315	2,286	3,304
Employed	Numbers affected	2,608	424	358	5,236	17,900	692	20,818	609	N/A
	Overall impact (£m)	2.7	0.2	0.2	0.6	20.9	0.5	4.3	1.4	N/A
	Average loss (£/affected)	1,032	507	498	120	1,167	708	206	2,286	N/A
Not employed	Numbers affected	3,892	1,580	920	10,164	6,000	6,998	13,338	1,535	202
	Overall impact (£m)	4.7	1.1	0.5	1.2	-0.9	5.0	6.5	3.5	0.7
	Average loss (£/affected)	1,200	713	498	120	-147	708	485	2,286	3,304

Estimated Local Impacts of Key Reforms: How we compare with other cities.

The table below provides a summary of the overall predicted impacts on some of the core cities for 2015/16.

	TOTAL				EMPLOYED			NOT EMPLOYED		
	Numbers affected	Overall impact (£m reduction)	Average loss (£/year)	Average loss: rank	Numbers affected	Overall impact (£m reduction)	Average loss (£/year)	Numbers affected	Overall impact (£m reduction)	Average loss (£/year)
Southampton	34,157	53	1,551	143	20,818	30.8	1,479	13,338	22	1,664
Portsmouth	29,344	45.2	1,540	160	17,760	26.4	1,486	11,583	19	1,622
Liverpool	97,144	154.5	1,591	110	50,488	71.9	1,424	46,655	83	1,771
Sheffield	82,845	123.9	1,495	220	48,417	71.7	1,482	34,428	52	1,514
Bristol	63,335	90.1	1,422	306	35,576	48.2	1,354	27,759	42	1,510
Leeds	110,440	171	1,548	146	63,982	98.2	1,534	46,458	72.8	1,567
Newcastle	45,092	68.5	1,519	188	24,667	36	1,459	20,424	32.5	1,591