

## Impacts of Welfare Reform

### SUMMARY

- 1.1 The Welfare Reform Act 2012 legislated for the biggest change to the welfare system in over 60 years, with the Government stating their commitment to deliver a total saving of £18 billion over five years. A number of these reforms have already come into force on 1 April 2013. Further changes will be implemented through 2013 with an expected completion date for all the changes to be in place by 2017. Detailed in the supporting information are all of the changes to date and the majority of changes still to be implemented.
- 1.2 The cumulative financial impact of these welfare reforms is a £5.1m reduction in the benefits previously paid by the Council to Derby residents to help with rent and council tax liabilities. These detail as:
  - 1) £2.7m - abolition of council tax benefit
  - 2) £1.9m - reduced housing benefit as a result of the bedroom size criteria - over half of which impacts on the Council's own rent collection.
  - 3) £0.5m - reduced housing benefit as a result of Local Housing Allowance changes and the Housing Benefit Cap.
- 1.3 These changes to benefits have significant impacts on affected Derby residents and discretionary funds have been made available to the Council to ease those impacts:
  - Discretionary Housing Payments – DHP
  - Discretionary Council Tax Hardship - CTH
  - Local Assistance Scheme – LAS
- 1.4 The discretionary funds are cash limited and it is important that monies are used in the most appropriate manner. In particular, the Council must ensure that decisions around discretionary fund allocations meet the needs of the most vulnerable.
- 1.5 Additionally this report highlights the wider welfare reform changes implemented and planned by the Department of Work and Pensions. The financial effect of the benefit changes administered by the DWP has not been profiled locally, but the impacts will

be greater than the reductions to Derby City Council benefits described in section 1.2.

## RECOMMENDATION

- 2.1 To note the financial impacts on Derby residents affected by the welfare reforms and our responses.

## REASONS FOR RECOMMENDATION

- 3.1 PHL Board requested a report on the impact to date of welfare reforms

## Supporting information

### Welfare Reform Changes (further technical detail is attached at appendix 2)

- 4.1 **Cutting entitlement to contribution based Employment and Support Allowance to one year**

Introduced: April 2011

Predicted national saving: £2 billion a year by 2014

Employment and Support Allowance (ESA) is the benefit which used to be called Incapacity Benefit. Nationally this cut will affect about 1 million people and reduce their incomes by up to £2 billion by 2014.

- 4.2 **Local Housing Allowance set at the 30th percentile**

Introduced: October 2011

Predicted national saving: £475million a year by 2014

Local Housing (LHA) is the amount deemed necessary to pay for private rented accommodation in any given area. It is the maximum rent that will be paid in a claim for Housing Benefit. Setting the maximum rent allowable for LHA at the 30th percentile will mean that people claiming LHA to cover the whole of their rent will only have access to the bottom 30% of the market instead of the bottom half of it.

- 4.3 **Child Benefit frozen and means tested**

Introduced: April 2011 and January 2013

Predicted national saving: £975million a year by 2014

At current inflation rates a family with two children will see the value of their Child Benefit fall from £33.70 per week to £29.26 per week.

- 4.4 **Up-rating of tax credits and benefits limited to 1% until 2016**

Introduced from: April 2013

Predicted national saving: £2.3 billion by 2016

The measure introduced in the 2012 Autumn statement proposes limiting the uprating of Job Seekers Allowance, Employment and Support Allowance, Income Support, elements of Housing Benefit, Maternity Allowance, Statutory Sick, Maternity and Adoption Pay and elements of tax credits to 1% a year until 2016.

**4.5 Reassessment of Incapacity Benefit (IB) claimants under Employment and Support Allowance (ESA) rules**

Introduced: currently in operation

The criteria for ESA is tighter than for IB and it is intended that the Work Capability Assessment will lead to many people being disqualified from Incapacity Benefit. Locally up to 50% of Incapacity Benefit claimants could lose benefit. This could result in a loss of income of on average of £28 per week.

**4.6 Personal Independence Payments**

Introduced pilot in 2013, national new claims from June 2013.

Predicted national savings £2.2 billion

The Personal Independence Payment (PIP) replaces working age Disability Living Allowance from 2013-14. PIPs will be phased in between a pilot phase for new claims from April 2013 and existing cases will be reassessed on a rolling basis to complete the transition by 2016.

**4.7 Introduction of Universal Credit**

Introduced: in pilot areas from April 2013 - nationally for new claims from October 2013.

Predicted national cost: £2.1 billion

Universal Credit will combine most means tested benefits and tax credits into one. The intention is to make processing claims simpler, improve take-up, reduce error and be cheaper to administer. The Government estimates that about 2.7 million households will have higher entitlements as a result of Universal Credit, with more than one million households seeing an increase in entitlements of more than £25 a week.

**4.8 Although the design of Universal Credit is to improve and modernise the benefit system, bringing it in line with the world of work through monthly payments direct to households, the system will create barriers for many applicants. The DWP has published a Local Support Services Framework document which sets out the approach they want local authorities, through partnership working, to take in helping provide targeted local support. The DWP are willing to fund this on an outcome basis and funding arrangements will be announced in October.**

Potential issues include a stricter regime of conditions and sanctions, capital limits which don't exist for current working tax credits claimants, monthly payments of benefit direct to the claimant (including rent payments), and reduced payments for

single people aged under 25 and those with severe disabilities.

#### **4.9 Under Occupancy Restrictions Implemented 1 April 2013**

A total of 2,182 tenants in Derby are subject to a 14% restriction on their housing benefit, this equates to an average shortfall of £12 per week.

507 tenants are subject to a 25% restriction totalling an average shortfall of £22 per week.

#### **4.10 Benefit Cap Restrictions Implemented 15<sup>th</sup> July – Mid August 2013**

The Benefit Cap for working age households came into effect from 15 July 2013. From data obtained from the DWP the total number of household affected by the Benefit Cap in Derby is 200.

The Benefit Cap applies to combined income from the main out of work benefits, plus child benefit and child tax credits. The cap limits are;

- £500 per week for couples and lone parents
- £350 per week for single adults

#### **4.11 Temporary Accommodation April 2013**

Reforms are proposed to the subsidy arrangements for temporary accommodation. Currently there is little known about the Government's proposals around this, further information will be available from September 2013 onwards. There maybe financial implications for the Council.

### **The Councils Response to the Welfare Reform Changes**

#### **4.12 Discretionary Housing Payment Scheme**

The Discretionary Financial Assistance Regulations (2001) provide a statutory duty to the Council to operate the Discretionary Housing Payment (DHP) scheme. These regulations were amended for 1 April 2013 to provide increased support for households impacted by the reductions in Housing Benefit as a result of the Welfare Reform Act. In addition, Government increased the amount of funding for DHP in 2013/14 to help people manage the transitional period of welfare reform. Cabinet agreed a revised DHP policy on 20 March 2013. The Government sets a limit on how much Councils can spend on DHP and makes a partial contribution to that limit, Derby's allocation being £560,754. Although the Government's intention is that the majority of this is used to help those affected by the Housing Benefit related welfare reforms, ultimately we have discretion to decide when awards will be made. Clearly there is a huge difference between the volumes of customers who have had/ will have their Housing Benefit reduced by the welfare reforms, and the amount of financial support we can provide via DHP.

- 4.13 Applicants meeting all the eligibility criteria will, depending on which priority group they are in, be awarded DHP based on a percentage of their shortfall in Housing Benefit. For foster carers and those with substantial disabled adaptations awards will be for 12 months, with a rolling review process in place. All other awards will be for maximum

of 6 months. All applicants will be required to undergo an income and expenditure check. DHP whilst helpful is a short term solution. We need to consider the longer term response for these households once DHP ceases. To date we have received 536 DHP applications.

#### **4.14 Council Tax**

In response to the changes in Council Tax the Council has developed a discretionary Council Tax Hardship Fund.

The Government prescribed that from 1 April 2013 DHPs cannot be used to support customers who require help with their Council Tax liability. In response to this Cabinet agreed a Discretionary CTH Policy on 20 March 2013, and set aside £200,000 for 2013/14. This funding is to be used to help those citizens affected by the following Council Tax changes:

- Abolition of council tax benefit and replacement with local council tax support scheme.
- Changes to the amount of council tax charged on empty properties.

4.15 As with DHP, there is a huge difference between the support we can provide via CTH and those impacted. To prioritise this limited funding to those most in need priority groups will mirror those for DHPs. All applicants will be required to undergo an income and expenditure check. To date we have had 117 hardship applications.

#### **4.16 Local Assistance Scheme – LAS**

A new Local Assistance Scheme – LAS – administered by the Council from 1 April 2013 replaced the discretionary elements of the Department for Work and Pensions' Social Fund.

The LAS is a cashless scheme providing support for vulnerable residents who cannot meet their immediate short-term financial needs in an emergency. It also offers HomeStart vouchers to help vulnerable people return to, or remain in, the community. It aligns with existing services in Derby to make better use of funding. Cabinet agreed a LAS policy, on 20 March 2013.

4.17 The LAS is monitored monthly by the Director of Customer Management and a three month review in July saw a number of enhancements to the scheme were introduced:

- Provide top-up payments for utilities cards/keys
- Remove local connection criteria for those fleeing violence and hate crime
- Provide HomeStart vouchers for applicants who have recently left hospital where all other criteria are met
- Increase our work with third sector to provide HomeStart goods and services
- Make budgeting advice mandatory for those receiving an LAS award
- Maintain a back-up supply of dried and tinned goods in the Council House

- To provide food parcels for people subject to a disallowance or sanction to an Income Support; Income Based Jobseeker's Allowance; Pension Credit or Income Related Employment Support Allowance
- To work with public health to ensure no duplication of funding

#### **4.18 The Derby Advice service has:**

- Facilitated a take up event with Derby Homes and Derwent Living tenants, regarding the under occupancy restriction.
- Provided a benefit cap event with targeted support for those families hardest hit (30) by the benefit cap restriction.
- Provided a take up event at the Royal Derby Hospital.
- Worked in partnership with job centre plus to provide assistance and support for people being affected by redundancy.
- Targeted take up of Disability Living Allowance prior to the introduction of personal independence payments (PIP).
- Provided an extensive training programme to internal and external agencies to raise awareness of the changes, and offer support through its provisions of services to customers.

#### **4.19 The Housing Options Service has:**

- Opened up discussions with Erewash Credit Union (ECU) to enable vulnerable customers who are supported through its bond bank scheme to access credit union accounts.
- Funded the development of a Rent Payment Account (for the private sector) which will enable these customers to have their rent paid directly to their landlord.
- Worked alongside Customer Management department colleagues to help to develop the hierarchy assessment tool currently being used to assess if a customer is eligible for DHP or Council Tax hardship.
- Assisted Customer Management department colleagues in the development of the Local Assistance policy.
- Implemented financial assessments for all customers who approach the service as homeless.
- Agreed with ECU that they will provide a staffing resource within the council to provide advice and assistance to customers on the products available through the credit union including responsible lending and low cost loans.
- Sought Cabinet Member approval to withhold available properties to let from the Derby Homefinder system and allow direct matches to tenants affected by under occupancy restrictions. 23 tenants have been successfully rehoused through this process.
- Held a mutual exchange event in partnership with Derby Homes to facilitate affected tenants meeting and agreeing mutual exchanges between them. Following this event there has been 10 successful mutual exchanges.
- Started to work with the Housing Strategy and Development Unit to identify

new build properties coming on line for direct matches to affected households in terms of the under occupancy restriction and or benefit cap.

- Derby Homes are actively seeking to build and purchase smaller properties within their resources and in partnership with the council and OSCAR.

#### **4.20 Contact with Tenants regarding the under occupancy restrictions:**

Housing Benefit Department have:

- Written to all tenants known to be under-occupying, providing details about the charge and contact information for the Council's Housing Options Centre.
- Notified affected claimants of the exact changes in their awards at the end of March 2013.

#### **4.21 Assistance with moving**

- The Council's allocation's policy gives preference to those that are under-occupying accommodation. And, additional preference is given to those that are under-occupying accommodation by 2 or more bedrooms. Some properties will be advertised so that priority is given to under-occupiers, over and above other housing needs.
- Tenants can apply for a mutual exchange.
- Derby Homes' have a Home Release Scheme – pay removal costs, connect washer and cooker, and pay £500.

#### **4.22 How Derby Homes will deal with rent arrears**

- Where tenants are unable to meet the shortfall, but are looking for alternative accommodation, Derby Homes will help them apply for discretionary housing payments (although the budget is limited). Derby Homes will then await the outcome of the application before starting possession proceedings.
- Derby Homes will follow the pre-action protocol for possession claims based on rent arrears and will continue to signpost to budgeting and debt advice
- Where a tenant has made a successful homeless person's application, derby homes will only start possession proceedings if the tenant has turned down an offer of suitable alternative accommodation.

#### **4.23 Each of these individual measures will impact directly on people's personal income and will increase arrears in the councils and other landlord rents, which in turn will reduce landlord's inclination to accept those on benefits. The DWP have provided**

additional new burdens funding to local authorities - £51,256 in 2012/13. The Housing Options and Advice services received £26,550 of this funding. This was used to bolster the Derby Advice side of the service and provide increased money advice and debt advice to customers who were to be affected by welfare reform changes.

- 4.24 The DWP have provided new burdens funding for this year of £90K. This funding will again be available to Housing Options and Advice Service who will receive an additional £39,878, which will be used to increase capacity both within the Derby Advice Service, and Housing Options to help to prevent homelessness, particularly by those most affected by the changes i.e. households affected by the benefit cap, under-occupancy restrictions.
- 4.25 These issues could combine to increase homelessness in the city and across the country. They will also impact on the councils rent collection, although the HRA business plan has allowed for an increase in arrears and bad debts, there is a risk that this may be insufficient if further welfare reforms are introduced or if the planned ones impact more than has been estimated to date.

#### 4.26 **Customer Demand**

There continues to be a significant demand for council services from older people and people with disabilities. The impact of welfare reform has seen an increased demand on services from families with children, young single people and those in low paid and part-time work.

- 4.27 Anecdotally service users are reporting that reduced income as a result of benefit changes is producing a reliance on food banks, inability to maintain rent and mortgage payments and an increase in personal debt (particularly to pay day lenders). Service users are routinely reporting that the benefit changes they are affected by are causing stress and in many cases exacerbating existing health problems.
- 4.28 The Hope Centre reports that it distributed 51 food parcels in the period April-June 2012 compared with 684 in April-June 2013. The council received 531 applications for Discretionary Housing Payments for the financial year April 2012-March 2013 compared with 536 for the period April 2013- July 08<sup>th</sup> 2013. Derby Advice dealt with 679 queries in April 2012 compared with 1023 in April 2013.

FT Austerity Map – filtered to East Midlands Local Authority areas – See Appendix 3.

### **OTHER OPTIONS CONSIDERED**

- 5.1 None

This report has been approved by the following officers:

<b>Legal officer</b> <b>Financial officer</b> <b>Human Resources officer</b> <b>Estates/Property officer</b> <b>Service Director(s)</b>	Brian Frisby
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<b>Other(s)</b>	Kath Gruber Cath Roff
<b>For more information contact:</b> <b>Background papers:</b> <b>List of appendices:</b>	Lisa Callow/Richard Machin 01332 640101 Lisa.Callow@derby.gov.uk None Appendix 1 – Implications Appendix 2 – Welfare Reform Changes Appendix 3 – FT austerity map data

<b>IMPLICATIONS</b>
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**Financial and Value for Money**

- 1.1 The government contribution to the Discretionary Housing Payment fund for 2013/14 is £560,754.
- 1.2 The Council has set aside from its own reserves £200k for the Council Tax Discretionary Hardship Fund.
- 1.3 The Local Assistance Scheme programme funding for 2013/14 and 2014/15 is £986,595 per annum.
- 1.4 The Department for Work and Pensions has provided New Burdens funding of £51.256 in 2012/13 and £90K for 2013/14.

**Legal**

- 2.1 The provision of Housing Benefit Discretionary Housing Payments is legislated for under the Discretionary Financial Assistance Regulations 2001.
- 2.2 The Council Tax Hardship Payment fund is legislated for in section 13A (1) (c) of the Local Government Finance Act 1992.
- 2.3 The Local Assistance scheme has been developed in response to the Welfare Reform Act 2012.

**Personnel**

- 3.1 None

**Equalities Impact**

- 4.1 None

**Health and Safety**

- 5.1 None

**Environmental Sustainability**

- 6.1 None

## **Property and Asset Management**

7.1 None

## **Risk Management**

8.1 None

## **Corporate objectives and priorities for change**

9.1 Changes arising from the Welfare Reform Act 2012 are linked to the Council's priority of developing good quality services that meet local needs.

## **Welfare Reform Changes**

### **Cutting entitlement to contribution based Employment and Support Allowance to one year**

Introduced: April 2011

Predicted national saving: £2 billion a year by 2014

Employment and Support Allowance (ESA) is the benefit which used to be called Incapacity Benefit. Nationally this cut will affect about 1 million people and reduce their incomes by up to £2 billion by 2014. It will hit hardest those with longest term sickness, cancer, heart or circulatory disease and other illnesses. This change will cut the income particularly of those with a working or pensioned partner who have no entitlement to the means tested element of ESA. This changes the traditional National Insurance Principle, whereby people pay national insurance and are protected in times of need.

### **Local Housing Allowance set at the 30th percentile**

Introduced: October 2011

Predicted national saving: £475million a year by 2014

Local Housing (LHA) is the amount deemed necessary to pay for private rented accommodation in any given area. It is the maximum rent that will be paid in a claim for Housing Benefit. Setting the maximum rent allowable for LHA at the 30th percentile will mean that people claiming LHA to cover the whole of their rent will only have access to the bottom 30% of the market instead of the bottom half of it. As a result more people will turn to the Council for help. Many will have a legal right to assistance from the Council. The change may therefore create more work and generate more associated costs for the local authority. The cost to Derby residents of this change is included in £0.5m – reduced housing benefit as a result of Local Housing Allowance changes and the Housing Benefit Cap.

### **Child Benefit frozen and means tested**

Introduced: April 2011 and January 2013

Predicted national saving: £975million a year by 2014

At current inflation rates a family with two children will see the value of their Child Benefit fall from £33.70 per week to £29.26 per week.

### **Up-rating of tax credits and benefits limited to 1% until 2016**

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Predicted national saving: £2.3 billion by 2016

The measure introduced in the 2012 Autumn statement proposes limiting the uprating of Job Seekers Allowance, Employment and Support Allowance, Income Support, elements of

Housing Benefit, Maternity Allowance, Statutory Sick, Maternity and Adoption Pay and elements of tax credits to 1% a year until 2016. This breaks the historic link between benefit uprating and inflation and means for the first time that the value of people's benefits will fall in real terms regardless of other changes. Forecasts show losses by 2016 ranging from £4.50 a week for a single unemployed person to £13 a week for a family with two children where one adult is working and earning £13,000 p.a. This change will also have an adverse effect on levels of Local Housing Allowance (LHA), which will be uprated annually by 1% from 2014 following one year at CPI (2013). In the ten years to 2007/8 median rents rose by almost 70 per cent whereas CPI rose by less than 20 per cent.

### **Reassessment of Incapacity Benefit (IB) claimants under Employment and Support Allowance (ESA) rules**

Introduced: currently in operation

The criteria for ESA is tighter than for IB and it is intended that the Work Capability Assessment will lead to many people being disqualified from Incapacity Benefit. Department of Work and Pensions (DWP) research shows that between October 2008 and February 2010, 122,000 decisions to remove entitlement to ESA were appealed. In 39% of cases the decision to refuse benefit was overturned. Locally up to 50% of Incapacity Benefit claimants could lose benefit. This could result in a loss of income of on average of £28 per week. A single person who fails to qualify for ESA would lose 30% of their weekly income.

### **Personal Independence Payments**

Introduced pilot in 2013, national new claims from June 2013.

Predicted national savings £2.2 billion

The Personal Independence Payment (PIP) replaces working age Disability Living Allowance from 2013-14. PIPs will be phased in between a pilot phase for new claims from April 2013 and existing cases will be reassessed on a rolling basis to complete the transition by 2016. There will be two components – daily living and mobility each paid at a standard or enhanced rate. Assessment will be by a face to face assessment with a health care professional. From October 2013 many people being reassessed who qualified under the old criteria for Disability Living Allowance (approximately 20%) will find that they do not qualify under the PIP criteria, or they qualify for less. There are currently over 13,000 DLA claimants in Derby.

### **Introduction of Universal Credit**

Introduced: in pilot areas from April 2013 - nationally for new claims from October 2013.

Predicted national cost: £2.1 billion

Universal Credit will combine most means tested benefits and tax credits into one. The intention is to make processing claims simpler, improve take-up, reduce error and be cheaper to administer. The Government estimates that about 2.7 million households will have higher entitlements as a result of Universal Credit, with more than one million households seeing an increase in entitlements of more than £25 a week.

Although the design of Universal Credit is to improve and modernise the benefit system, bringing it in line with the world of work through monthly payments direct to households, the system will create barriers for many applicants. The DWP has published a Local Support Services Framework document which sets out the approach they want local authorities,

through partnership working, to take in helping provide targeted local support. The DWP are willing to fund this on an outcome basis and funding arrangements will be announced in October.

Derby already has well-developed delivery partnerships that bring organisations together to support residents within the current welfare benefits system. The Council has formed a steering group, reporting through to the Child and Family Poverty Commission. This group is to develop a UC delivery partnership agreement that supports people within the UC system and address some of the potential problems people may face as detailed below:

## **Potential Issues**

### ***Conditionality & sanctions***

Universal Credit will see the introduction of fixed penalties for what could be genuine mistakes arising from the changes to the system and the methods of claiming. Job seekers allowance claimants in Derby are already subject to this new regime of conditions and sanctions, however, the conditions and sanctions will be extended once introduced to all UC claimants.

### ***Introduction of savings limit***

At present there is no savings limit for Tax Credits so capital is completely disregarded. Under Universal Credit only capital under £6,000 will be disregarded, anything between £6,000 and £16,000 will attract a tariff income of £4.35 a month for every £250 or part thereof will be assumed. Any savings over £16,000 will exclude the claimant from Universal Credit. Transitional protection will protect existing claimants but it is not clear yet how long this will last.

### ***Monthly payments & budgeting issues***

Many households used to budgeting weekly will struggle to switch to monthly payments - this may lead to an increased uptake of payday loans, other sub-prime credit products and even greater resort to loan sharks as families struggle to cope at the end of the month.

### ***Loss of Direct Payments for rent***

Rent will be part of the Universal Credit so claimants will no longer be able to automatically opt for payments to be made directly to the landlord. This is likely to be compounded by under-occupancy penalties and increased non-dependent deductions. Early pilots of this change have shown significant increases in rent arrears which could lead to people losing their home as they struggle to manage balance of the demand between the rent debt and a pay day loan.

Lord Freud, recently speaking at a chartered institute of housing conference, advised; "Letting claimants pay their own rent is an important way of breaking down barriers to help people into work. I believe that these measures strike the right balance between ensuring that both the tenant and landlord are protected, but also gives individuals some time to get to grips with direct payments."

Three levels of protection will exist:

- Decisions about whether tenants should receive direct payments will be made in collaboration with social landlords
- If arrears build up to the equivalent of 1 month's rent the decision to make direct

- payments will be reviewed
- If arrears reach the equivalent of 2 months rent, the claimant will have housing payments switched to the landlord, or managed payments

Lord Freud added:

“The key to making direct payments work will be our on-going collaboration with landlords, but I am determined that managed rent payments should not be a permanent solution. Once arrears have been paid, we will look to return tenants to direct payments, with the right support in place. Once arrears have been cleared, the DWP will work with landlords to return tenants to direct payments. In most cases, following the tenant being offered budgeting support, they will return to direct payments within 6 months of the arrears being paid off.”

These safeguards were developed following findings from the Direct Payment Demonstration Projects that are currently running in 6 areas across Britain.

### ***Loss of higher rate personal allowance for single parents under 25***

Under Universal Credit single parents under the age of 25 will no longer be entitled to receive the higher rate of personal allowance. Instead, they will receive the same rate of allowance as an under 25 year old without any children. This means that out-of-work single parents between the ages of 18 and 25 will receive £15 per week less than they would under the current system – a loss of £780 a year. This £15 a week reduction in personal allowance for parents under 25 will also affect working single parents who would otherwise receive Working Tax Credits, meaning that in total approximately 240,000 single parent families under 25 will be affected by this change.

### ***Changes for disabled people in work***

At present disabled people working more than 16 hours per week are entitled to the disability element of Working Tax Credit. It is payable to those who have a disability or condition that makes it more difficult for them to find and sustain employment. It is important because disabled people frequently face extra costs from working which cannot be met by schemes such as Access to Work. 116,000 families receive the disability element of Working Tax Credit worth £54 a week. Under Universal Credit any person requiring additional support because they are disabled will have to take the Work Capability Assessment. Anyone who is found to be fully ‘fit for work’ in the Work Capability Assessment will receive no extra financial help within Universal Credit. In the current system, this additional financial support is provided through the disability element of Working Tax Credit.

### ***Reduction in support for severely disabled people (SDP)***

People who are severely disabled and live on their own, or just with a child, have extra costs which are not faced by those who have a partner or carer. Under the current system they are eligible for severe disability premium, but there is no equivalent for this in Universal Credit. The Severe Disability Premium is currently worth £58 a week. While existing recipients will be protected under the transitional arrangements, new claimants and existing claimants who become disabled will be worse off under the new scheme with no opportunity to improve their circumstances.

### ***Under Occupancy Restrictions Implemented 1 April 2013***

A total of 2,182 tenants in derby are subject to a 14% restriction on their housing benefit, this equates to an average shortfall of £12 per week .

507 tenants are subject to a 25% restriction totalling an average shortfall of £22 per week.

### **Options for claimants with an under occupancy restriction:**

Claimants have a choice:

1. Pay the shortfall (from other income, savings, moving to work, increasing working hours, taking in boarders/ lodgers, have family members contribute more, discretionary housing payments); or
2. Move to smaller accommodation, where the charge will not apply.

### **Benefit Cap Restrictions Implemented 15<sup>th</sup> July – Mid August 2013**

The Benefit Cap for working age households came into effect from 15 July 2013. From data obtained from the DWP the total number of household affected by the Benefit Cap in Derby is 200.

The Benefit Cap applies to combined income from the main out of work benefits, plus child benefit and child tax credits. The cap limits are;

- £500 per week for couples and lone parents
- £350 per week for single adults

Where restrictions are applied to claimants in relation to the benefit cap, the shortfall is taken from the housing element of their benefits. The benefit cap implemented from 15 July 2013 will affect approximately 200 households in Derby.

The hardest hit households have been identified and we are currently carrying out home visits to see if customers can be placed into an exemption category as those in receipt of particular benefits can be exempt from the cap. The top 30 hardest hit households have an average of 7 children. All but 3 of these families are currently in the private rented sector. Eviction is likely to be the result of rent arrears, at which point the families may present as homeless to Housing Options.

The threshold for homelessness assistance is low, and if they do present our interim duties will be triggered. This means we will have a duty to place them into temporary accommodation pending our enquiries/investigations into their homeless claim. The average cost of an average size family to be placed into temporary accommodation is £200 per week. The average length of stay in temporary accommodation is 66 days. This equates to approximately a 9 week stay totalling £1,800 per household. Currently we have 130 four plus bed properties in our housing stock, all of which are currently let.

### **Temporary Accommodation April 2013**

Reforms are proposed to the subsidy arrangements for temporary accommodation. Currently there is little known about the Government's proposals around this, further information will be available from September 2013 onwards. Early indications are that the reforms propose to change the way in which local authorities are funded for provision of temporary accommodation. There may be some financial implications for the Council in the future in



terms of these proposals particularly in relation to Milestone House (circa £250k).