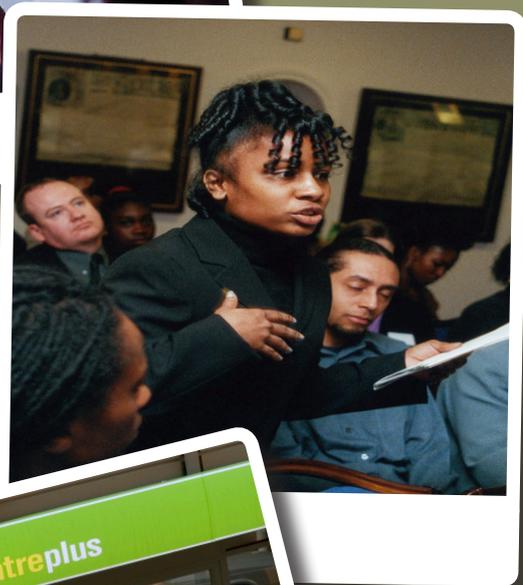


Tracking Welfare Reform: The changing role of local authorities

an extended London Councils briefing



Introduction

This is a critical year in the delivery of the government's welfare reform agenda. Local authorities are showing that they are best placed to support people through the changes.

Reductions will be made to the housing benefit of social sector tenants deemed to be under-occupying their accommodation and an overall cap on benefits will be introduced. Council tax benefit will be abolished as a national benefit and replaced with local schemes. Most working-age benefits are due to rise below inflation.

London Councils is broadly supportive of reforms to the welfare system to make work pay and simplify the UK's complicated system of benefits, but has been critical of elements of the government's welfare reform agenda that fail to take into account London-specific factors like higher rents that risk the efficacy of the reforms and increase unfunded costs for London's local authorities.

The role of local authorities in the delivery of the UK benefits system is changing. The administration of housing benefit will be wound down as Universal Credit comes into effect and councils have new responsibilities to administer council tax support and local welfare schemes that follow on from abolished elements of the national discretionary social fund.

Key London Figures

- 80,000 households affected by under-occupancy changes. The average loss in London is £22 per week; a higher average loss than any other region.
- 27,000 households affected by the benefit cap; half of all those affected nationwide.
- 456,000 Londoners will pay more council tax as a result of localisation of council tax support; many for the first time.

As we move towards Universal Credit and the structural changes to benefits administration that are implemented alongside it, local authorities are showing that they are best placed to play the lead role in delivering wrap around support services. These enable people to make and maintain a claim for Universal Credit, deliver the digital and financial skills to be able to manage the claim, and provide employment support that can enable recipients to take on some, or more, work.

If Universal Credit is to be a success, the role of local authorities in communicating change and supporting recipients who need extra support will be vital. The resource intensive work that councils have been undertaking over the past years to work with households affected by welfare reforms is the best possible preparation for ensuring future changes are as effective as possible.

What the reforms mean for London

To date, changes to the Local Housing Allowance (LHA) are the only major set of welfare reforms to have been implemented in this Parliament (for an assessment of these changes see London Councils' extended briefing: *Tracking Welfare Reform: Local Housing Allowance*). However, a total cap on the amount of benefit income an out-of-work household is able to receive will be introduced during 2013.

Initially, the benefit cap was due to be implemented in April 2013 nationwide. However, in December 2012, the government announced that four London boroughs (Bromley, Croydon, Enfield and Haringey) would implement the cap in advance of the rest of the UK. All other local authority areas will implement the cap from June 2013 and all households that should be capped will be by September 2013.

The Department for Work and Pensions estimates that the benefit cap will affect around 56,000 households in 2013/14 and a further 58,000 households in 2014/15. Of the 56,000 households affected in 2013/14, there are an estimated 80,000 adults and 190,000 children. Affected households tend to be:

- larger families, thereby attracting large child benefit and child tax credit payments
- situated in higher rent areas, thereby attracting higher housing benefit payments
- both of the above.

Because London's rents are higher (average two-bed rent in London is around £1,400 per month, compared to a UK average of £665 per month), consequently higher housing benefit payments mean that many London boroughs have more households affected by the benefit cap than entire cities elsewhere in the country.

Of the top 20 local authority areas with the highest number of affected households, 19 are in London. Manchester has less than 2 per cent as many affected households as London does.

Getting People Back to Work London Borough of Camden

Households affected by the total benefit cap in Camden are being visited at their homes by council officers to explain how the changes will affect them and the options available to sustain their tenancy. Advice is also being given to help people get back into work. A programme of visits is also being undertaken to the most vulnerable council tenants affected by the social sector size criteria (the so-called 'bedroom tax').

The focus of these visits is to get 'job ready' residents back into work, meaning they will be able to remain living in Camden. This involves working closely with the dedicated team at Job Centre Plus (JCP), which has been set up in partnership with Camden Economic Development Team, to match people with existing job vacancies. So far, around 200 people living in private rented accommodation have been allocated a case worker, who will work with the household to support them in understanding their options. A similar offer is also available to Camden's council tenants.

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The chart (over page) shows the variable impact the benefit cap would have on the same family living in some of the UK's main cities. While the families in central Birmingham, Manchester or Glasgow are unaffected by the benefit cap, an identical family living in identical accommodation in London is capped and is faced with a small number of choices:

- move into 16 or more hours of work in order to be exempt from the cap
- move into accommodation that is smaller, in a cheaper rent area, or both
- do nothing, fall into rent arrears, be evicted and present to the council as homeless.

| | LONDON (Inner East London)  | BIRMINGHAM  | MANCHESTER (Central Manchester)  | GLASGOW  |
|---|---|--|---|---|
| | Two adults over 18 in PRS seeking work two children over 10 of opposite sexes | Two adults over 18 in PRS seeking work two children over 10 of opposite sexes | Two adults over 18 in PRS seeking work two children over 10 of opposite sexes | Two adults over 18 in PRS seeking work two children over 10 of opposite sexes |
| JSA main | £112.55 | £112.55 | £112.55 | £112.55 |
| +dependent children | £65.62 | £65.62 | £65.62 | £65.62 |
| + family premium | £17.40 | £17.40 | £17.40 | £17.40 |
| Child Benefit First child | £20.30 | £20.30 | £20.30 | £20.30 |
| + second child | £13.40 | £13.40 | £13.40 | £13.40 |
| Child Tax Credit family element | £10.48 | £10.48 | £10.48 | £10.48 |
| + child element (x2) | £103.46 (£51.73 x 2) | £103.46 (£51.73 x 2) | £103.46 (£51.73 x 2) | £103.46 (£51.73 x 2) |
| Max Local Housing Allowance for 3 bed property | £340 | £126.92 | £126.92 | £137.31 |
| TOTAL BENEFIT PRE-CAP | £683.21 | £470.13 | £470.13 | £480.52 |
| CAP IMPACT | BENEFIT CAPPED BY £183.21 per week | NO CHANGE | NO CHANGE | NO CHANGE |

Councils in London have consequently been faced with a double challenge.

Firstly, to engage proportionately higher numbers of affected households assisting them to move into work where possible and offering additional housing and financial advice.

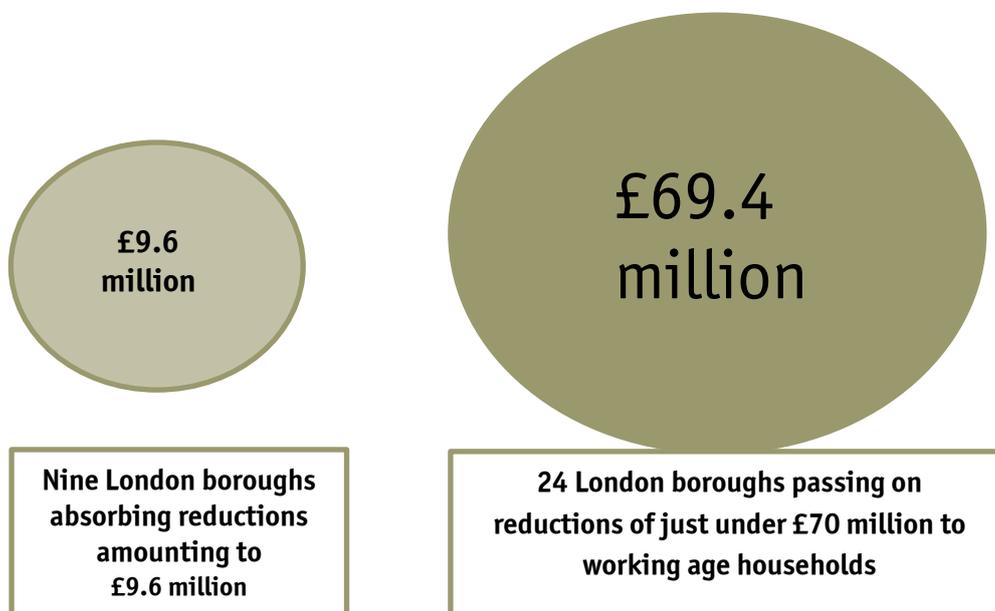
Secondly, to source sufficient accommodation within benefit cap limits to fulfil legal homelessness duties that arise from welfare reform. Benefit changes in London cannot be divorced from prevailing higher rents that result from the disparity between the supply of homes and demand in the capital.

Council tax localisation

Council tax benefit is to be abolished on 31st March 2013. The funding, minus 10 per cent, will be devolved to local councils to set up local council tax support schemes. Councils have new powers to alter capital limits and discounts (for example on second homes) that were fixed elements of the national scheme, but the government has insisted that households of pension credit age that are protected under the national scheme must continue to be protected under local schemes.

The localisation of council tax support makes local government responsible for delivering a spending reduction of 10 per cent in the national scheme costs as well as taking on the financial risk of any future rise in demand for council tax support.

London boroughs have consulted extensively over the type of schemes they will administer locally. In order to meet the cost of the 10 per cent reduction in funding, some councils are absorbing the costs and delivering a council tax support scheme that is similar to the old national scheme. Many more are having to pass on the reduction to working-age households.



Communicating the Changes London Borough of Tower Hamlets

Tower Hamlets has produced a dedicated welfare reform website as well as videos, booklets and practitioners' guides so that clear information is communicated to all stakeholders. A number of 'Money Matters' events have been held to provide specialist advice on financial management and related issues to affected households.

Welfare reform workshops have been held for more than 300 front line workers to help prepare them for the changes and a welfare reform champions programme is being rolled out whereby a member of staff from each team is offered specialist training and support to help prepare all parts of the council for the changes.

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This means that an estimated 456,000 London households will be paying more council tax from April 2013; many will be paying council tax for the first time. Concerns have been raised that these changes could lead to a rise in council tax arrears and that the cost of collecting very small amounts of council tax arrears might cost more than the value of council tax debt being enforced

Housing benefit

Changes to the amount of housing benefit (HB) available to households in private rental properties were introduced in April 2011. Maximum housing benefit is now capped at either the 30 per cent lowest rents in an area, or a nationally set maximum, whichever is the lowest.

In addition, housing benefit (LHA) payments to under 35s were changed in January 2012 so that the maximum available is the equivalent of the cost of a room in a shared property.

Maximum LHA (the calculation by which housing benefit awards are calculated for most tenants in the deregulated private sector) rates have previously risen by the Retail Prices Index measure of inflation which includes rent levels. In April 2013, the maximum rates will be uprated by the Consumer Prices Index, which does not include rents.

In the following two years maximum rates will rise by only 1 per cent. However, the Chancellor has announced that 30 per cent of the savings that accrue from these below inflation up-ratings will be set aside to exempt certain areas.

The lowest quarter of rents in London rose by almost 9 per cent in the 18 months following the 2011 changes to housing benefit. During those 18 months, the number of households in receipt of LHA/HB actually fell in some central London boroughs, despite a 16 per cent rise in London overall.

Some boroughs, including Enfield, Barnet and Newham, experienced a rise of over 25 per cent in their numbers of LHA/HB households. It appears that these localised rises are driving up some localised private rents meaning that whether someone is in receipt of housing benefit or not, welfare reform could be affecting the cost of their rent.

Explaining the Options London Borough of Lambeth

Lambeth's housing manager, Lambeth Living, has a small team of staff (funded by the council) proactively making contact with under-occupying households (over 3,000 in Lambeth) who are facing a housing benefit reduction. As well as this team running a series of mutual exchange workshops for residents and promoting housing options around downsizing, they are covering general financial inclusion (for example, access to bank accounts and affordable credit) with residents they are contacting.

Lambeth have also set up a pilot lodgings service which will support size criteria affected households to safely take in a lodger. We are working with RSLs to ensure that they are matching these efforts with under-occupying tenants and we have shared the data with them that they need to do so.

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+/- LHA households 21 months following LHA reforms (Mar 11 – Nov 12)

The growth in households in receipt of housing benefit in the private rented sector is not uniform and where there are large localised increases, some private rents appear to have been pushed up significantly.

**Towards Financial Independence
London Borough of Havering**

Helping people to deal with cuts to their housing benefit through financial advice and money management is a solution in Havering and, alongside employment support, is one of the first actions that the officers are undertaking. Havering’s Welfare Reform Working Group set up specific training to provide officers in their cross-service team with the skills necessary to offer:

- basic financial ‘health-checks’ including income and expenditure assessments
- affordability judgements
- specialist advice, including Common Financial Assessments and creditor negotiation, that will be carried out by the CAB.

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The Social Sector Size Criteria (colloquially the bedroom tax or under-occupancy penalty) introduces housing benefit penalties for households deemed to be under-occupying their social rented accommodation. There is a 14 per cent penalty if under-occupying by one bedroom and a 25 per cent penalty if under-occupying by two or more bedrooms. An estimated 80,000 households will be affected by the change in London by an average of £22 per week; the highest average loss of any region.

There is potential for the benefit cap and social sector size criteria to increase the demand for smaller private rented properties, particularly in lower rent areas of London. Should this happen, it is possible that the impacts already identified from the April 2011 changes (including non-uniform growth in LHA households and localised rent rises) will be exacerbated.

London Councils is calling on the Chancellor to exempt London from below inflation uprating.

Innovative Approaches London Borough of Brent

Brent is one of the boroughs most affected by the government's welfare changes and benefit caps with more than 2,600 households affected. Brent has been working in partnership with JCP and the voluntary sector, to mitigate the impact of these changes on residents. Key activities include:

- The **Welfare and Money Advice Team** and the **Temporary Accommodation (TA) Team** has been set up to support residents impacted by the benefit cap. On-going calls, home visits and appointments have been made for all those affected to inform them of the changes and to give some advice on employment support available and alternative / cheaper accommodation.
- A team of six '**Navigators**' are working with the most excluded families in the borough to guide them towards services that exist and support people to enter employment.
- The Welfare Money Advice Team, the TA team, Navigators and JCP are co-located within the housing department in Brent and work very closely to support people affected.
- Agreed co-location of a JCP member of staff to sit within the housing department. **Service Level Agreement** between JCP and Brent council. Working closely with JCP to signpost customers to get support with finding work including signposting to JCP Employment support including the Benefit Cap course set up specifically by JCP to support people impacted by the benefit caps. Brent has also identified key points of contact to make direct referrals to JCP.

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Local welfare provision

Elements of a national welfare scheme, the Social Fund, are abolished from April 2013 and some funding devolved to councils to deliver local welfare schemes.

Community Care Grants, available to people leaving care, and crisis loans, available to households in dire financial need, are abolished. The funding for localised schemes is not ring-fenced meaning that there is no obligation for councils to deliver any particular scheme.

Funding available for local schemes in London is around £27 million, which is 25 per cent less than was spent on the abolished elements of the Social Fund in 2011/12.

Wrap Around Welfare Support London Borough of Lewisham

Lewisham is one of 12 universal credit pilots and the only pilot in London. It has developed an approach to working with vulnerable residents, which integrates preparation for the benefit cap with wider welfare reforms. It is working with around 700 households expected to be affected by the cap taking each household through a process of triage providing support around:

- budgeting and monthly payments
- sustaining tenancies in the social and private sector
- transacting with government services online
- accessing employment and work-focused training.

Households with requirements are signposted to partners including Lewisham Credit Union or voluntary and community groups who specialise in digital training or employment advice. A welfare calculator has been developed to demonstrate the benefits of returning to work.

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Commentary

The UK spends more on welfare (including benefits, pensions and tax credits) than the gross domestic product of Ireland.

The savings that accrue from all of the benefit changes due to be implemented in this Parliament represent a proportionately small saving to that total welfare budget, yet for a family affected by one of the reforms, it could mean a huge change. The quality of advice and support received is likely to be a key indicator of outcomes.

Local authorities in London realised early on that for many households the changes that were due to be implemented would mean big upheavals and that tenancies would be at risk. Wherever possible, councils have been working with existing local employment schemes as well as JCP to get people back to work as the best way of avoiding the impact of the benefit changes, particularly the benefit cap.

Organisational Preparedness London Borough of Sutton

Sutton council has employed a dedicated welfare reform officer responsible for:

- contacting all affected households and with partners including housing associations and Sutton's 33 children centres
- creating briefings for Customer Services staff to take queries on welfare reform
- creating a booklet and e-pack for affected residents including options available
- creating a dedicated welfare reform section of the council website
- lead on the development of a new policy for discretionary housing payments.

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Whether it be in providing face-to-face support, communicating changes to hard-to-reach communities or providing vital services to get people back to work, or that enhance digital and financial capabilities, local authorities have acted to ensure that these big reforms are as painless as possible.

Ultimately, there will be some households that are not willing or able to move into employment, make alternative arrangements for accommodation or make alternative financial arrangements to absorb a reduction in income. Councils will continue to work to meet the challenge of providing suitable accommodation for households that become homeless.

Lord Freud has rightly recognised councils as 'natural intermediaries' in the benefit system and the level of work that has gone into communicating the welfare reforms and taking steps to mitigate the impacts has shown that he is right.

As implementation of universal credit progresses local authorities must continue to play a central role in providing those services that assist credit recipients to make and maintain claims, get the skills they need and, where applicable, move into work. It is also clear that additional burdens to local authorities and additional requirements to deliver and commission services must be funded and organised in a transparent way in partnership between central and local government.

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