

# Changes to DWP and Local Authority provision: an overview as at March 2011



## Contents

|   |    |
|---|----|
| 1) Caveats .....  | 2  |
| 2) Overall .....  | 2  |
| 3) Preliminary: Poverty as reported in 2010.....  | 2  |
| A) Housing costs: Housing Benefit (HB), Local Housing Allowance (LHA) and Support for Mortgage Interest (SMI) ..... | 3  |
| B) Tax Credits.....   | 5  |
| C) Other benefits for children .....  | 6  |
| D) Employment & Support Allowance (ESA) .....   | 7  |
| E) Disability Living Allowance .....  | 8  |
| F) Students.....  | 8  |
| G) Elderly people .....   | 9  |
| H) Other .....  | 9  |
| I) Local Authority provision .....  | 10 |
| J) Housing .....  | 12 |

## 1) Caveats

### Two caveats: these notes

- 1) are not exhaustive nor guaranteed to be up to date. Proposals are continually being introduced and amended.
- 2) do not include assessment of the proposed Universal Benefit.

## 2) Overall

- 1) **Cumulative reduction in benefit rates:** most benefit rates (excluding state retirement pension & pension guarantee credit) are for the first time to be pegged to Consumer Price Index not the higher Retail Price Index: this will have a cumulative effect over time. As at March 2011 CPI is 4% and RPI 5.3%. Nb. social housing rents rise by RPI, i.e. they will rise faster than housing benefit.
- 2) **Greatest negative impact on richest and poorest:** taking into account impacts of benefit/tax credit, income tax, national insurance and VAT changes, this is the conclusion of the Institute of Fiscal Studies.
- 3) **Failures to change:** we will all be able to see needed changes which haven't happened: e.g. benefit support for part-time non-disabled students, enabling adults to reskill themselves; adequate support for carers.

## 3) Preliminary: Poverty as reported in 2010

*Poverty line = 60% of median UK income after housing costs.*

*'Severe poverty' = 50% below median UK income.*

Millennium Cohort Study 2010:

- 30% of families have income below poverty line.
- Nearly 20% of 7 year-olds live in severe poverty.
- Nearly 75% Pakistani/Bangladeshi children, 51% of black children, 26% of white children, 24% of Indian children in poverty. (Figures from Millennium Cohort study 2010.)
- 16% of children living in poverty live in households with one or more disabled adults.
- 29% of children living in poverty live with unemployed lone parents.

DWP 'Household Below Average Income' (HBAI) figures 2010:

- 61% of children in poverty live in a household where at least one adult is in employment, calculated after housing costs taken into account. 59% before housing costs taken into account.

East of England, 2008/09: 20% of population are in households below poverty line.

## **A) Housing costs: Housing Benefit (HB), Local Housing Allowance (LHA) and Support for Mortgage Interest (SMI)**

### **1) Current situation for tenants and mortgage-holders**

#### **(a) Public sector rented properties** (mainly Local Authority & Housing Association):

- i) HB is calculated using a basic 'applicable amount' based on individual circumstances (eg single person; single parent; couple; number of non-dependent adults etc), then adjusted to further circumstances (eg disability). (Non-dependents are non-disabled adults living in the household, who are deemed to make contributions to the rent on a sliding scale according to their income, regardless of whether they do.)
- ii) Existing Cambridge City Council rent rates are below Housing Association or private rates. From April 2011, they will rise by RPI inflation rate plus £2pw; they will continue to rise above inflation to 2015/16 to achieve national convergence of LA rents prescribed by government. Garage rents also rise from April 2011.
- iii) Existing South Cambs DC rentals will rise by inflation rate plus max of £2pw to achieve convergence as for City Council.

#### **(b) Private sector rented properties**

- i) HB is calculated via Local Housing Allowance (LHA): currently uses the median (mid point/50% point) of private rents in the geographical 'Broad Market Rental Area' (BMRA); limited according to family size to a maximum of 5 children.
- ii) BMRA is a tough measure: a Parliamentary answer in March 2010 showed 48% of LHA claimants nationwide received payments below actual rents.
- iii) Cambridge area is one of the most adversely affected: our BMRA is very wide and rural rentals pull down the median well below Cambridge city rents. Oxford Consultants for Social Inclusion (OCSI) data (Oct 2010) show Cambridge as the only area in England with as high a difference between LHA and private rent rates as London.

#### **(c) Discretionary Housing Payments (DHP)**

- i) Available from local authority to cover shortfalls in LHA, HB and council tax benefit; central government is providing an 'extra' £10m 2010-11 then extra £40m pa.
- ii) Increase is generally accepted as wholly inadequate to rising need.

#### **(d) Support for Mortgage Interest**

- i) Paid to homeowners receiving means-tested benefits at fixed interest rate irrespective of rate paid by individual mortgagee. Level paid was frozen at 6.08% in late 2008. Reduced to 3.63% in October 2010, below most mortgage rates.
- ii) Paid for up to 2 years for people who claimed income-related Job Seekers Allowance after 5 January 2009; no time limit for people on income support, income-related Employment & Support Allowance or Pension Credit. People on JSA will start to be affected from 5 January 2011.

## **2) Proposed changes to LHA for private sector tenants**

- (a) Reduction in LHA from median (50% point) to third percentile (30% point): ie a cut of 20%. Brought forward to April 2011, with some transitional arrangements for existing tenants.
- (b) National cap on LHA rates payable on each size of property; maximum family size reduced to 4 children. April 2011.

## **3) Proposed changes to HB for public sector tenants**

- (a) Housing Association (HA): new Affordable Rent tenancies with rents set at maximum of 80% of market rate. April 2011
- (b) Local Authority (LA) and HA: housing benefit to be capped to locally calculated maximum according to family size as for LHA; extra room rate permitted for people with disabilities. April 2011

## **4) Proposed changes to HB for public and private sector tenants**

- (a) Increase in non-dependent deductions. These were frozen in 2001/02, but will be raised to reflect rises in rent since that date. April 2011.
- (b) Payments to single people under 35 to be restricted to single room rate (currently applies to single under 25-year old private tenants). January 2012. Transitional protection as yet uncertain.

## **5) Purpose of changes**

- (a) To reduce heavy cost of housing benefit;
- (b) To induce landlords to reduce rents;
- (c) To provide incentives for return to work.

## **6) Possible/likely effects**

NB useful data available from Cambridge Centre for Housing & Planning Research (CCHPR) & Shelter, amongst others.

- (a) Little impact on return to work: nationally, the majority of those likely to be in severe difficulty as result of changes are retired, sick or employed.
- (b) No reduction of rents: where there's pressure on housing, private landlords will cease letting to benefit claimants, who will have to move; prices in cheaper housing may rise because of shortage. The proportion of private rentals to benefit claimants in Cambridge is one of the lowest in the country: ie there is a large market for non-benefit tenants, removing the incentive to decrease rents for benefit tenants.
- (c) Greatest impact on lowest-income families: there's projected to be an increase households with residual income (ie after rent paid) below £50pw for couple and below £50-100 for couple.

- (d) Impacts start showing most in 2012/13: Institute of Fiscal Studies forecasts significant increases in poverty amongst children, working-age parents and working-age adults without children; 2010 Comprehensive Spending Review forecasts no measurable rise in child poverty as a result of its reforms, but does not include impact of Local Housing Allowance changes.
- (e) Disruption to families & communities through evictions & forced house-moves to cheaper areas. CCHPR estimates between 37,000 and 72,000 families with children nationally will be evicted/will have to move as a result of changes to LHA. Anecdotally, Cambridge CAB is already seeing increasing numbers of private-rental clients with severe rent anxieties.
- (f) Impact of family-size cap on families of fluctuating size: eg where teenage children try moving out, planning to return if it doesn't work; or where children go into care. Degree of future LA flexibility in such circumstances is unknown.
- (g) Impact on separated parents/access to children: under 35s only eligible for single-room rate: no provision for extra bedroom for single parents without primary custody of children (mainly men).
- (h) Non-dependent deductions: stress on families where there is an imbalance of power and non-rent-paying adult children refuse to contribute to rent-paying parents: a fairly common situation.

## **B) Tax Credits**

### **1) Proposed changes (from April 2011)**

#### **(a) Working tax credits:**

- i) Freeze in basic and 30-hours rates April 2011-12 & 2012-13.
- ii) Increase in first & second tax credit withdrawal rates to 41%: previously first threshold withdrawal rate was 39%, second was 6.67%. ie as wages rise, WTC falls faster, particularly for higher incomes.
- iii) Reduction of second income threshold to £40,000 from £50,000: ie above £40,000 earnings, the second withdrawal rate begins.
- iv) Income disregard for rise in income reduced from £25,000 to £10,000 in 2011/12; further reduction to £5,000 planned for April 2013.
- v) Introduction of income disregard for falls in income from 2012-13.
- vi) Tougher eligibility for couples with children claiming WTC: increase in hours jointly worked from 16 to 24 hours.
- vii) 10% cut in childcare costs (from 80% to 70% of care cost; maximum eligible care cost for two or more children is £300pw. ie 80% of £300 = £240).
- viii) Easier eligibility for over-60s claiming WTC: decrease in hours worked from 30 to 16.

#### **(b) Child Tax Credits:**

- i) Rise in child element above indexation 2011-12 & 2012-13.
- ii) Abolition of baby element 2011.
- iii) Planned supplement of CTC to children aged 1-2 cancelled.

## 2) Purpose of changes

- (a) Cut costs
- (b) Encourage return to work

## 3) Possible/likely effects

- i) Effects are highly variable according to circumstances. Rise in CTC child element is off-set by other tax credit & child benefit losses. Lowest earning families with children may gain from Tax Credit changes, but will still lose from overall shift to CPI for other benefits.
- (b) Impact of reduced disregard for rise in income: currently, when income increases in a year by less than £25,000, WTC is calculated on last year's income, giving a higher eligibility. (Eligibility falls sharply the following year when WTC is calculated on the higher income.) In future, last year's (lower) figures can only be used if income rises by less than £10,000 (£5,000 from 2013): ie if the increase is greater than £10,000 (£5,000), the claimant loses the higher-rate of WTC payable on last year's low income.
  - i) Eg: mother returning to work after being on maternity leave may increase her income by over £10,000 (£5,000) and will lose heavily by being assessed on this year's higher rate.
  - ii) There will also be an increased overpayment problem: those returning to work part-way through the year may be assessed on last year's income; then if income has increased by more than £10,000 (£5,000), they will be reassessed at end of year and found to have an overpayment.
- (c) Impact of new disregard for fall in income: currently, if this year's income falls below last year's, WTC entitlement is calculated on this year's lower income (giving an increased entitlement to WTC). In future, this year's income will only be used if it falls by more than £2,500 (ie smaller losses of income will not be offset by increased WTC).
- (d) Cut in childcare make work less affordable; this will be worse for those having to live outside towns/dependent on public transport.

## C) Other benefits for children

- (a) **Single parents:** income support entitlement currently till child aged 7; to move to age 5 in 2012. Parents of children aged 3-5 and receiving income support to have to participate in work-related activity.
- (b) **Child Benefit:** frozen 2011-12 & 2012-13 & removed for individuals earning more than £44,000pa. Couples who each earn under £44,000 will be unaffected.
- (c) **Child Trust Fund:** abolished from April 2011; sums payable reduced in August 2010 from £250 each child + additional £250 for lower income children to £50 each child + additional £50 for lower income children.
- (d) **Health in Pregnancy Grants:** abolished from April 2011.
- (e) **Sure Start maternity grant:** only for first child from April 2011.

- (f) **Budgeting loans:** to be extended to include maternity needs to compensate for loss of maternity grant; not to begin for 8-12 months after April 2011.
- (g) **Maternity Leave:** Mothers to be able to transfer to father up to 6 months of her maternity leave. April 2011 (see section G below).

## **D) Employment & Support Allowance (ESA)**

### **1) Proposed changes**

- (a) **End of Incapacity Benefit:** reassessment of all claimants (including those on Income Support on basis of incapacity) and shift of those found eligible to ESA 2011-14. End of system by which IB/IS claimants trying work could revert to IB/IS: end January 2011.
- (b) **Contribution-based ESA** to be paid only for a year. Those eligible for income-related ESA can continue. ie those with savings or working partners will cease to receive benefit. (nb contribution-based JSA is already payable only for 6 months).
- (c) **Work Capability Assessment:** recommendations of Harrington Report have been accepted; new Descriptors for Work Capability Assessment & Limited Capability for Work Assessment have been published, used wef 28 March 2011.
- (d) **Pathways to Work** ends April 2011; to be replaced July 2011 by Work Programme (integrated with JSA claimants; contracts yet to be awarded & details unknown).

### **2) Purpose: cost-cutting & encouraging/enabling/enforcing return to work**

### **3) Possible/likely effects**

- (a) Shift of claimants to JSA/increased numbers dropping out of all benefit claims as result of harder eligibility criteria for ESA than IB. Cambridge Job Centre has increased its disability adviser team for JSA. Cambridge City less seriously affected than parts of country with high rates of unemployment/falling employment, but the change will seriously affect those whose long-term unemployment, learning, health and/or literacy problems don't readily fall within ESA criteria.
- (b) End of long-term incapacity claims which are not subject to reassessment or conditionality.
- (c) Further major strains on families through loss of contribution-related ESA after a year. Relationship problems correlate with incapacity of a previously-working partner.

## E) Disability Living Allowance

### 1) Proposed changes

- (a) Replacement of DLA by Independent Living Payment from 2013/14. Government's response to the recent consultation is at <http://www.dwp.gov.uk/docs/dla-reform-response.pdf>. Still to be non-taxable, non-means-tested, with two components; to be more 'objectively' assessed including ESA-style medical assessment for all but terminally ill & some others. Automatic entitlement only for terminally ill.
- (b) Regular reviews to be built in for all claimants.
- (c) Possible element of conditionality.
- (d) Mobility component to be withdrawn for LA-funded people in care homes from 2012.

### 2) Purposes

Reduce costs; simplify/make more accessible; make more objective; ensure that it goes to those most in need & that eligibility is monitored; cease double funding of individuals (via adult social care etc).

### 3) Possible/likely effects

- (a) Current DLA is not transparent or readily accessible; but consultation paper doesn't portray a benefit which will be more transparent or readily accessible: it talks of such improvements but it's hard to see where they are.
- (b) Serious anxieties about medical assessment in the light of ESA experience.
- (c) Office for National Statistics figures on benefit fraud show DLA fraud as amongst the lowest of benefit frauds: not clear that changes are essential for that purpose.
- (d) Loss of mobility component devastating for independence/quality of life.

## F) Students

### 1) Proposed changes

- (a) Closure of Education Maintenance Allowance (EMA) (up to £30pw for low-income-family 16-19 year-olds continuing in further education; paid conditionally on attendance at college). Wef Jan 2011 for new claimants. Young people already receiving EMA for academic year 2010/11 will continue to receive it. Transitional arrangements provide that
  - i) those who successfully applied for EMA in academic year 2009/10 will continue to receive it at their existing rate until the end of 2011/12.
  - ii) those who are in their first year of post-16 study and receiving the maximum payment of £30pw will be eligible for £20pw to the end of academic year 2011/12.These transitional arrangements also include a £180m bursary scheme, partly guaranteed to the most vulnerable and partly on a discretionary basis through colleges:

- iii) care-leavers and those on income support or who are in care will receive a guaranteed bursary of £1200 pa from September 2011 in place of EMA
  - iv) other students facing hardship can apply to their school, college or training provider for a discretionary bursary.
- (b) Young People's Guarantee (work experience or training for 16-24 year-old JSA claimants) to be replaced by Work Programme (partnerships between government and public/private/voluntary sector 'providers'). Local Work Programme provider is Papworth Trust, subcontracted to Igneus.

## 2) Purpose

- (a) Better targeting of help to low-income children;
- (b) More cost-effective help to long-term unemployed people, minimising State dependence.

## 3) Likely/possible effects

- (a) Institute of Fiscal Studies denies that EMA is not cost-effective: comparable 'deadweight' (ie those who would anyway go to college) not unusual in public spending; evidence that EMA ensures better attendance & performance eg lessening need of part-time jobs.
- (b) Effectiveness of Young People's Guarantee uncertain: very recent programme. Likely effectiveness of Work Programme unknown.

## G) Elderly people

### 1) Changes

- (a) State Retirement Pension to rise by RPI not CPI April 2011.
- (b) State Retirement Pension age for women from April 2010 to match men's; rise speeded up to 65 by 2018; also rise for men & women to 66 by 2020.
- (c) Pension Guarantee Credit, Winter Fuel Payments & Cold Weather Payments: age of eligibility raising in line with State Retirement Pension.
- (d) Winter Fuel Payment: cut of £50 for new recipients & of £100 for over-80s.
- (e) Working tax credits: more liberal; see above.
- (f) Pension Savings Credit: to be frozen for 4 years from April 2011.

### 2) Possible/likely effects

- a) Older people are generally assessed as being the most favourably treated by changes.

## H) Other

- (a) **New Enterprise Allowance:** to help JSA claimants over 6 months start up in business. April 2011

- (b) **NI contributions:** family members including grandparents to get NI contributions if they look after family members aged under 13 for at least 20 hrs pw. April 2011
- (c) **Maternity Leave:** Mothers to be able to transfer to father up to 6 months of her maternity leave. April 2011.
- (d) **Tell Us Once** service: enabling government & local authority departments to pass on information of a death, with permission. Being introduced now.
- (e) **Food vouchers:** available from JC+ for those in hardship eg because turned down for crisis loan or benefit delay; voucher for 3 days' food; 3 in a row for each period of hardship; 3 periods of hardship permitted in a year. April 2011.
- (f) **Crisis loans for living expenses:** to be limited to 3 in a 12-month period.
- (g) Community care grants and some crisis loan provision: to be transferred to local authority control.

## I) Local Authority provision

For local information, visit Cambridgeshire County Council website, including

[http://www2.cambridgeshire.gov.uk/db/council2.nsf/c3cf865e3cc1131380256a6b0037e439/4e6c2e10ed7870288025781e003cb1d7/\\$FILE/110125-3bii.doc](http://www2.cambridgeshire.gov.uk/db/council2.nsf/c3cf865e3cc1131380256a6b0037e439/4e6c2e10ed7870288025781e003cb1d7/$FILE/110125-3bii.doc)

### 1) Changes

Overall loss of funding and increase in responsibilities.

#### (a) Central government funding:

- i) Cambridge City estimates a loss of 29% in central government funding over 2 years: figures depend on how they are calculated!

#### (b) Social care:

- i) 'Extra' £1bn for LAs announced in spending review; not ring-fenced.
- ii) Further £1bn from NHS to support joint working with LAs.
- iii) Cambridgeshire County Council Community care threshold remains set at 'substantial'; an increasing number of authorities are moving to 'critical' only. Nb in 1997-2006 there was a 25% fall in households receiving LA care payments nationally, despite rising need; partly reflects the increasing amount spent on households with elderly/seriously disabled members.
- iv) Cambridgeshire County council: resources allocated to meet eligible needs reduced by 25% from 1 September 2010. Impact is being 'closely monitored in terms of complaints, requests for reassessments, performance management etc.' according to Cambridgeshire County Council website. Allocation not expected to be reduced further.
- v) Cambridgeshire County Council: anticipated fall in residential care provision due to below-inflation fee increases paid by Adult Social Care.  
**Public Health Service:** to be based in upper tier Local Authorities (Cambridgeshire County Council): Public Health Consultation closes 31st March: <http://www.dh.gov.uk/en/Consultations/Liveconsultations/index.htm>
- vi) complex structure of shared responsibilities with NHS & GP consortia.

- vii) Role for voluntary sector organisations in objective-setting Health & Wellbeing Boards.
- viii) Strong overlaps between public health, welfare benefits, social care and mental & physical health services.  
**Young people:** Cambridgeshire County Council:
  - ix) Loss of automatic 1:1 work for post-16 year-old options: to be only for vulnerable/those likely to make poor transition to adulthood
  - x) Reductions to/end of sports, arts-based & other activities
  - xi) Targeting of children's centres on families & communities considered to be most vulnerable/deprived
  - xii) Cuts/reductions in subsidies for post-16 transport to school for those on low income; cuts in home-to-school transport for pupils with disabilities. nb also loss of education maintenance allowance.
  - xiii) Transport support to school for pupils whose families have moved at short notice to be limited to those where domestic violence or a risk of care proceedings is involved. Nb increased likelihood of house-moves as result of changes in Local Housing Allowance/ housing benefit, provision of social housing etc.
- (c) **Localities Bill** introduces wide range of changes of responsibility/structure, including changes to housing law & planning controls.
- (d) **Council Tax rates** to be set locally: implications for Cambridge area unknown.
- (e) **Supporting People programme:**
  - i) cut in central government funding (loss of admin grant);
  - ii) programme remains theoretically in place but is not ring-fenced.
- (f) **Independent Living Fund:** frozen for current year, then ending.
- (g) **Disabled Facilities Grant:** said to be a central government 'priority';
  - i) central government grant rising from £168.8 million to £180 million in 2011-12, and to £185 million a year by 2014-15;
  - ii) not ring-fenced.
- (h) Transport
  - i) Cambs County Council has a 25% cut in core funding for Local Transport Plan 2011/2012.
  - ii) Bus pass: reduction in central government subsidy paid to bus operators.
  - iii) Bus subsidies reduced Feb 2011: 100% cuts to all subsidised bus routes over 4 years.
  - iv) Stagecoach deregistering 50 bus routes from 17 Feb 2011.

## 2) Purpose

Cost-cutting, local accountability, etc.

## 3) Possible/likely effects

- (a) Lower levels of/more targeted support funding of voluntary bodies.
- (b) Lower levels of support for people assessed as eligible for adult social care.

- (c) Less choice of residential care; County Council anticipates that this may mean some people having to move into care further from home.
- (d) Reduced support for children and parents.
- (e) major problems of exclusion / employment problems through loss of public transport.

## J) Housing

### 1) Changes

- (a) 'Flexible tenancies' for Local Authorities and Housing Associations: legislation to be introduced
  - i) fixed tenure, minimum 2 years.
  - ii) No rights of tenants to make improvements.
  - iii) Rights to exchange & to buy.
  - iv) Protection of tenure for existing secure tenants who transfer/exchange.
  - v) Gives landlord power to renew flexible tenancy at end of 2 years; or to shift tenant into private sector after fixed term: underlying assumption that social housing is primarily a short-term measure to answer particular vulnerabilities.
- (b) 'Affordable rent' option for Housing Associations April 2011
  - i) Applicable to 'flexible tenancies';
  - ii) higher than social rent ie max 80% of market rent.
- (c) **Social housing for life** to be guaranteed to some new tenants: elderly or long-term illness/disability.
- (d) **Single homeless**: increased central government 'support' (unspecified) for LA and voluntary sector help with housing in private sector.
- (e) **Homelessness duty** to be satisfied by offer of one-year private rental;
  - i) need not be in same area;
  - ii) has to be reasonable offer in circumstances;
  - iii) tenant no right to refuse.

### 2) Purpose

- (a) Reduce pressure on social housing by increasing mobility of tenants within social sector via transfer/exchange; increasing social landlords' power to shift tenants into private sector.
- (b) Reduce homelessness by increased flexibility in use of social & private sectors.
- (c) Underlying rationale: social housing primarily a provision for particularly vulnerable; should not be consumed by those not/no longer deemed in particular need; home ownership or private rental the norm for most households.

### 3) Possible/likely effects

- (a) Reduction in house-blocking by tenants unable to transfer/exchange into more suitable accommodation

- (b) Reduction in security over time, as new tenants are granted flexible rather than secure tenancies
- (c) Shift in purpose of social housing to emergency accommodation rather than housing for life
- (d) Loss of home for life for non-owner occupiers: increased numbers in 2-year rentals with no long-term security, rights to renovate etc.

**NB: note also proposed cuts in civil legal aid funding for advice on**

- welfare benefits,
- family (save where violence/child abduction/forced marriage involved),
- education,
- employment,
- immigration and
- debt & housing (save where immediate loss of housing involved).

This will seriously affect both legal practices and advice centres such as CAB, and seems certain to increase levels of debt, homelessness, school exclusion, unfair work practices and domestic violence, and to reduce effective benefit take-up; associated increases in mental illness.

The Association of Public Health Observatories 2010 report shows Cambridge City as having rates of statutory homelessness, binge-drinking adults, violent crime and admission to hospital for alcohol-related harm which are 'significantly worse than England average', its lowest category.

This signals a significant proportion of highly vulnerable people, including their partners and children, in need of active measures of support in times of change.

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*updated 13<sup>th</sup> April 2011*