

**REPORT TO:** Health and Wellbeing Board

**DATE:** 13 January 2016

**REPORTING OFFICER:** Director of Housing & Wellbeing (HHT)

**PORTFOLIO:** Health and Wellbeing

**SUBJECT:** Impact of Welfare Reform

**WARDS:** Borough wide

## **1.0 PURPOSE OF THE REPORT**

1.1 This report identifies the impact of the Welfare Reforms since 2010. It identifies the changes already introduced and further reforms to reduce the welfare budget. It highlights research which shows the impact that these have especially on health and wellbeing and details how the changes have impacted on claimants within Halton and specifically Halton Housing Trust customers.

## **2.0 RECOMMENDATION: That**

- 1) the contents of this report be noted; and**
- 2) further reports be submitted to track the ongoing impact of the reforms as they are rolled out further.**

## **3.0 SUPPORTING INFORMATION**

3.1 The creation of the Coalition Government after the election in 2010 is widely regarded as introducing the biggest changes of the welfare system since its post war inception the key reforms were:

- Universal Credit - It was first rolled out in Halton in November 2014 and there are currently 1639 Halton claimants
- Benefit Cap - There are currently 33 benefit cap cases in Halton
- Under Occupation Charge for social housing tenants (bedroom tax) - There are currently 1853 claimants affected by the bedroom tax in the borough
- Personal Independence Payment replacing Disability Living Allowance.
- Changes to the work commitment with an increase use of sanctions if claimants fail to meet the targets agreed in the work commitment
- Abolition of council tax benefit with the introduction of localised council tax relief
- Abolition of the social fund with the replacement by a localised Discretionary Support Scheme

- 3.2 Further reforms were announced in the July 2015 emergency budget and these included:
- From April 2016 lowering of the benefit cap from to £26,000 to £20,000 (£23,000 in London)
  - Housing benefit to be abolished for 18-21 year olds
  - Freezing of working age benefit rates at current level for the next four years
  - Phasing out of tax credits
  - Social renting tenants whose household income is above £30,000 to pay market rent
- 3.3 Further cuts in Welfare were announced in the Comprehensive Spending Review in November 2015 and these included:
- An abolition of the planned cuts in tax credit with the changes integrated to the full roll out of Universal Credit
  - Capping of social housing sector rent to the local housing allowance which means that single claimants under 35 will only receive the shared room rate
- 3.4 The Welfare Reforms introduced to date have been calculated to have the average financial impact on the following groups:

Group	Income loss per annum £
Pensioner Couple	30
Single Pensioner	60
Couple no children	340
Couple one dependent child	1480
Couple 2 plus dependent children	1540
Lone parent one dependent child	1950
Lone parent 2 plus dependent children	2120
Single person Household	520

In addition claimants with health problems or disabilities are expected to be hardest hit by the reforms as reductions in Incapacity Benefit are estimated to lead to an average £2000 income loss per annum in addition there are potential further losses in DLA. It has also been identified that nearly half the reduction in benefit may be expected to fall on working households

3.5 There have been a number of studies which have identified the potential health impact of poverty and unemployment and by extension the impact of welfare reform and the main concerns are as follows:

- Increase in homelessness
- Poorer mental health with an increase in self harm
- Increase in cardiovascular disease and respiratory illness
- Poorer nutrition and diet with associated health problems
- Increase in substance abuse
- Increase in stress and anxiety from both loss of income and stigma of unemployment
- Increased incidence of violent crime including domestic abuse and child protection issues

3.6 As part of a consortium Halton Housing Trust tracked the impact of welfare reform on up to 100 households for 18 months up to February 2015. One aspect tracked was the impact on health and wellbeing with:

- 77% of respondents identifying that they agree that Welfare Reform is strongly or very strongly having a negative impact on the health and wellbeing
- At the end of the review in February 2015
  - 44% identified that their health had got worse
  - 50% had identified that their health had stayed the same
  - 6% identified that their health had improved

3.7 Halton Housing Trust has identified how the following welfare changes have impacted on its customers

### 3.8 *Employment and Support Allowance*

To assist claimants to receive Employment and Support Allowance (ESA), for those unable to work due to illness and disability, medical evidence is required to support claims. There is some evidence that locally GPs are reluctant to provide medical letters/reports to support a claim and in addition there can be a charge ranging from £10 to £80 for the report.

3.9 The medical evidence often helps to support ESA claim and failure to provide medical evidence can lead to ESA claims being disallowed. To increase the potential for a successful claim there is a need to provide a specific and detailed description of the medical circumstances and if appropriate identify that the condition has deteriorated and the impact on the claimant.

3.10 Delays or failure to provide medical evidence can cause delays in benefit decision and awards being made which can increase applications to DSS for food/energy top ups and increase use of food banks, Housing Benefit suspensions leading to stress over rent arrears in addition to the mental (and related physical) aspects the claimant experiences due to the financial hardship caused.

### 3.11 *Personal Independence Payments*

For Personal Independence Payments (PIP) if a customer fail a PIP medical and is in receipt of ESA then they can potentially lose additional premiums (mainly Severe Disability and Enhanced Disability) which has the effect of reducing their ESA payment by £77.60 pw currently. So not only do they lose the PIP award some claimants on ESA can lose ESA payments also

3.12 If a PIP medical is failed mandatory reconsideration requests are mainly only successful if further medical evidence can be provided (same issues as with ESA above) or there is a significant error with the decision made at the assessment centre

3.13 There has been a migration from Disability Living Allowance (DLA) to PIP and if PIP is not awarded DLA ends and this may have a larger impact than those on existing PIP as some people, in addition to the linked benefit financial loses, will lose access to a mobility vehicle applying further additional financial pressure and potential increased social isolation

3.14 In Halton there are currently 1627 claiming PIP but only 257 of this total are in receipt of the highest PIP awards possible meaning the remainder will either be on one enhanced benefit only or the standard awards.

### 3.15 *Universal Credit*

The biggest change in the benefit system is the introduction of Universal Credit and although numbers are relatively low with 158 Trust customers currently in receipt of UC the following issues are already emerging for Trust customers.

3.16 There is a minimum 5 week wait from making a claim to receiving a payment, which had been further exacerbated by recent changes whereby for the first week of any claim no benefit is payable leading to financial hardship for claimants especially those previously paid weekly.

3.17 This has led to greater reliance on DSS, food banks and families and friends for support, with potentially the first UC payment used to clear immediate debts leading to ongoing financial hardship.

3.18 For Trust customers who are paid weekly they can struggle to cope with budgeting and managing UC claim that vary from month and month, In addition to the new responsibility for some of paying their rent direct to the landlord. The average rent arrears of UC recipients is currently £680.

3.19 Claimants can request a benefit advance on their first payment and although this assists in resolving the immediate financial hardship the requirement to repay the advance over a 6 month period can lead to ongoing financial difficulties.

- 3.20 For claimants on UC deduction from benefit for examples to clear rent arrears, council tax debt and court fines can be levied at 20% of the benefit leading to additional financial pressure by reducing the overall payment on households struggling to adjust to coping with UC.
- 3.21 With the need to complete online claimants for UC this impacts on claimants who have limited literacy and IT skills leading to delays in claims being made and payments received.
- 3.22 As part of any UC claim there is the offer of Personal Budgeting Support, however there is concern that this is a basic service often signposting and not helping the most vulnerable claimants.
- 3.23 *Spare Room Subsidy (Bedroom tax)*  
This has impacted on Trust customers, most of whom have chosen to “pay and stay”. When initially introduced there was an increase in possession action as customers with long standing static debts went further into arrears. Over time the impact of the bedroom tax has been mitigated by the use of the Discretionary Housing Payment (DHP) however these funds are only granted for a limited time and where not available the average additional cost of £16.96 per week which has added to financial hardship on struggling households
- 3.24 Although the benefit cap currently only impacts on a small number of households within the borough the reduction in the level to £20,000 will impact on more households and will impact on households with 3 children rather than the small number of larger families
- 3.25 The removal of the Social Fund has impacted on customers with a reliance on the local authority via DSS for (food and energy) and food banks. There is also an increase on reliance to other sources of grant help with - time scales for outcome can take some time (i.e. Charis Grants 12 weeks or more). In addition customers may access high interest and illegal money lenders with the impact on limited financial resources
- 3.26 To assist in mitigating the impact on the health and wellbeing of Welfare Reform on residents within Halton the following actions may be considered
- An understanding of the reforms and how this may impact on claimants within Halton especially the most vulnerable
  - An understanding that health issues as presented may be impacted by underlying issues either brought on or exacerbated by welfare reform
  - Consideration of how limited resources can be targeted to assist those with greatest vulnerability or most impacted by the changes
  - Continue to monitor and track the impact of the changes on residents within Halton

## **4.0 POLICY IMPLICATIONS**

There are no direct policy implication from this report.

## **5.0 FINANCIAL IMPLICATIONS**

There are no direct financial or resource implication from this report. However the potential impact of the changes on the health and wellbeing of residents impacted by Welfare Reform may lead to a greater call on services provided of the local authority

## **6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

### **6.1 Children and Young People in Halton**

With the increase in financial hardship as a result of the reforms there are likely to be a negative impact on families with young children. Also with the removal of housing benefit for under 21 years olds this will have an impact on the ability for some young people to maintain and sustain an independent home with potential increase in street and other homeless issues

### **6.2 Employment, Learning and Skills in Halton**

With the emphasis within the welfare reforms to “make work pay” and the support offered and; potentially the sanctions imposed this may enable some to obtain employment more quickly than before the changes

### **6.3 A Healthy Halton**

The long term impacts on health and wellbeing have been identified and these include the following:

- Poorer mental health with an increase in self harm
- Increase in cardiovascular disease and respiratory illness
- Poorer nutrition and diet with associated health problems
- Increase in substance abuse
- Increase in stress and anxiety

### **6.4 A Safer Halton**

There are potential negative impacts of a safe Halton with an increase in violence with concerns that there may be increased incidences of domestic abuse

### **6.5 Halton's Urban Renewal**

None

## **7.0 RISK ANALYSIS**

There are no risks or direct opportunities arising from the report.

## **8.0 EQUALITY AND DIVERSITY ISSUES**

There are no Any Equality and Diversity implications arising as a result of the report.

## **9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

None within the meaning of the Act.