Benefits and Welfare Reform Briefing - The impact of the welfare reforms on Essex citizens, the County Council, and District and Borough Council's

Introduction:
The Welfare Reform Bill, introduced in February 2011, and related changes, will bring about a radical reform of the welfare system including changes to benefits and tax credits previously announced as part of the Comprehensive Spending Review in October 2010, and the emergency budget in June 2010. In addition, a number of changes, such as limiting the amount of housing benefit paid to certain households, have already been introduced.

Taken together these reforms will have a significant and cumulative effect that will have a considerable impact on residents, the work of Essex County Council (ECC) and districts and boroughs. The aspects of the reforms that are likely to have most impact are set out below.

- Housing Benefit/Local Housing Allowance
- Disability Living Allowance reform
- Council Tax and Council Tax Benefit reform
- Incapacity related benefit reform
- Availability of advice and support to support citizens though these changes
- Pension Credit reform
- Tax Credits reform
- Social Fund reform
- Introduction of Universal Credit

A Welfare Reform Working Group, with officers from ECC and district and borough councils, has been established and this group has undertaken initial activity to scope and measure the impact of the changes and consider any actions that may be needed in response. .The group has a representative range of officers from services in ECC.

This paper seeks to provide an early assessment of the potential risks and challenges so key decision-makers can consider the impact and work together on any mitigating actions. The risks are drawn from considering the impact of the reforms from three perspectives:

1. The impact on individuals and families.
2. The direct impact on income to the County and district and borough councils;
3. The indirect impact including the potential for increased demand for statutory services, and our wider strategy for social care, in particular areas reliant on affordable housing

The paper also provides a brief analysis of the changes with a summary of the likely numbers, impacts, risks, and recommended actions

The paper does not analyse or model in detail the impact of Universal Credit, as the detail around this is still unclear, or changes to the Social Fund because this is being addressed by a separate project.

The key issues fall into a number of areas.

1. **Residents' income and ability to pay** – the reforms will lead to a loss of income that will have a direct impact on households' ability to meet all of their day-to-day living expenses (without a reduction in their costs). This will have a direct impact in terms of **loss of income for local authorities** and **increased costs related to higher numbers of households being eligible for financial assistance,** in areas such as care, and also increases in arrears in areas such as council tax. This has been quantified in the report where possible.

2. **Demographics and migration** – the reforms are likely to reinforce and in some cases accelerate existing patterns of migration and settlement. The housing benefit changes in particular mean that existing patterns of inequality will be reinforced. This will occur in two ways: **some households will move to cheaper areas in the county from elsewhere** (particularly London); secondly, **existing areas that score high on measures of deprivation are likely to see this deepen** as existing households reliant on benefits have less disposable income. This has obvious implications in terms of our strategies for health and wellbeing, economic prosperity and educational attainment. It also presents a challenge for the community budget initiative and work with families with complex needs.

3. **Impact on services** – The most discernible areas where the changes are likely to be felt are: homelessness and housing advice (including temporary accommodation); schools in areas where there are high numbers of privately rented properties that could meet additional demands from low income families moving to the area; debt and advice services, where there is an accelerated demand already that will increase further; adult social care, where some existing accommodation arrangements won't be sustainable and where there is likely to be a direct impact in terms of reduced charging income; and also health and wellbeing, where there is likely to a wider range of indirect impacts related to issues such as nutrition, child welfare and health, poor lifestyles, and poor housing conditions.

In terms of responding to these challenges chief executives and leaders may wish to consider what scope there is to influence those reforms – particularly to council tax benefit and the Social Fund replacement – so that Essex does not inadvertently lose out to other areas in terms of Whitehall allocations for the new schemes.

It is clear that there is a need to ensure that local advice and support service provision is focused on those outcomes that will do most to mitigate the impact of the reforms. Effective targeting around prevention (e.g. avoidance of recourse to "pay-day" loans) and joining up work of Credit Unions in the county with advice provision would be two areas where commissioning innovation could be taken to offset in part the increased demand for services resulting from the reforms. Action in this area needs to be collaborative across all public agencies, It also needs to be driven so that change can be delivered in a relatively short time.

The reforms will have an impact across a number of key strategies and initiatives: economic prosperity, health and wellbeing, crime and disorder, skills and employability, work with families with complex needs and Community Budgets. In each of these areas thought needs to be given to any mitigating measures that can be aligned with other innovations within these topics.

More detail on each of the changes can be found at Appendix A
A brief timeline of welfare reform can also be found at Appendix B

An overview of the likely impact the reforms is summarised in the table below:

Reform	Issue	Population affected	Authority impacted
Localisation and reform of Council Tax Benefit	10% reduction in funding available to provide Council Tax Benefits likely to result in higher levels of unpaid Council Tax	52,400 18-64 yr olds are currently claiming CTB. 65 yr olds are unlikely to be affected by the reforms	ECC - £700k to £3.5 million; District and Borough Councils - £113k to 564k
Reform of Disability Living Allowance (DLA) and transfer of claimants to replacement Personal Independence Payment (PIP)	A planned 20% reduction in the number of claimants which is likely to impact on the level of assessed charge that service users contribute to the cost of their care package Also, change will result in greater demand for advice and support services and a likely fall in the number of claimants	34,100 DLA recipients including approx 600 ILF fund users. Estimated reduction in DLA recipients is 6,820	ECC - £450k With further risk to social care contributions of between £500k and £1.9 million as a result of other benefit reforms District and Boroughs in terms of potential for rent arrears accruing given loss of key benefit for many claimants.
Housing Benefit – Single Room Rent/shared accommodation rate	People aged 25-34 will only be eligible for “shared accommodation rates” in private sector which is considerably lower than the one bedroom rate for Housing Benefit	25-34 yr olds in private sector	ECC – in terms of provision of supported housing options for vulnerable service users and residents District and Boroughs in terms of demand for services and assessments of those who have been evicted
Housing Benefit – Changes to Local Housing Allowance	Housing benefit rates will be set at 30% of local rents as opposed to 50% potentially excluding people from the rental market	All Housing Benefit recipients in the private sector	ECC – in terms of provision of supported housing options for vulnerable service users and residents District and Boroughs in terms of demand for services and assessments of those who have been evicted
Incapacity benefits and reassessment	People currently receiving certain incapacity related benefits will be reassessed for eligibility for ESA resulting in greater demand for advice and support services and a likely fall in the number of claimants	18-64 yr olds	All Districts and Boroughs and ECC in terms of provision and allocation of resources to support advice sector. District and Boroughs in terms of changes to benefits as a result of reassessment and potential for arrears
Tax Credits	From April 2012 families will need to work more hours each week (24) before they are entitled to claim Working Tax Credit.	18-64 yr olds	ECC - Reduced income may mean increased demand for S17 payments
Pension Credit	Plans to introduce a capital limit to Pension Credit which means many older people will no longer be able to receive this help and other related help that flows from it (i.e. full Housing and Council Tax Benefit) even though their income may be low.	Older people	Districts and Boroughs in terms of potential for arrears if those affected are unclear about change and effect on other benefits.
Benefit increases linked will be linked to CPI and not RPI	This is likely to reduce the income of people in receipt of benefits, and could further impact on inability to pay rents as rental increase are often over and above RPI	All	Rent levels likely to increase quicker than benefit levels therefore shortfalls ECC in terms of potential for reduced income.

1) The Impact of welfare reforms on individuals and families
To put the changes into some context and highlight their interconnectivity, scenarios drawing on real life case studies have been prepared which show the potential impact on a range of people.

Jim – a single adult with autism living independently
Jim is 31 and has autism. He receives support from friends and family and does not access council-funded services. He lives in a 1-bed privately rented flat in Uttlesford which costs £115.38 per week. This is paid by Housing Benefit. He claims Employment and Support Allowance (ESA) of £99.85 per week and receives the middle rate care component of Disability Living Allowance (DLA) of £49.30 a week.

Jim will have to have his entitlement to DLA reassessed, and there is a risk that he will not be eligible for the Personal Independence Payment (PiP) - the replacement for DLA resulting in a reduction to Jim's income of **£49.30 a week.**

Losing his DLA will also mean that with the new housing benefit reforms Jim will only be eligible for the Shared Accommodation Rate/Single Room Rate which in Uttlesford is £76.19 per week. Jim will have to make up the shortfall of **£39.19 a week** himself.

In total Jim could be **£88.49 a week worse off.**

There are a number of potential consequences of this.
Jim is unlikely to be able to afford his rent and is at risk of being evicted, presenting considerable demand on the homelessness services and additional costs in his district council. Any changes to his living situation will place Jim at a higher risk of needing statutory social care services from the County Council.

Jim is very likely to have his ESA assessed. In order to continue to receive his benefit he must comply with certain conditions including going to the Jobcentre regularly for interviews. Unless Jim is supported with this there is a real risk that his benefit could stop completely. He would then need additional advice and support to help him challenge the decision.

Jim's autism related symptoms are likely to worsen as a result of the stress these changes will place on him, resulting in more unpredictable behaviour possibly leading to mental health issues, self neglect of his physical health or behaviour interpreted by the police as anti social. All of these could entail an increased unplanned cost to state provided services

Pam – a mother of a severely disabled child
Pam lives in a 3-bedroomed Housing Association property with her severely disabled 3-year old son who requires 24-hour care and uses a wheelchair. His disability means that he needs to store large of equipment in a small bedroom that is also sometimes used by a carer. Prior to moving in, their home had already been specially adapted for wheelchair use and had a lift. Further adaptations were added, including permanent hoists in the living room, the son's bedroom and the bathroom at a cost of £12,000.

Under the size-related criteria, she could lose up to **£13 per week** Housing Benefit that she cannot afford. She may therefore be forced to apply to the local authority to be re-housed in more affordable accommodation.

Re-housing Pam and her son would require adapting another property, moving away from local family support networks, and possibly away from the medical and support staff on whom they depend.

Geoff – a social care user
Geoff is single and lives in a local authority self contained flat. He has major mobility difficulties as a result of having had an amputation. He currently receives Incapacity Benefit with a top up of Income Support totalling £165.70 per week. Because he gets Income Support he automatically receives full Housing and Council Tax Benefit. He also receives the higher rate mobility (£51.40 a week) and highest rate care (£73.60 a week) component of DLA.

Geoff receives a care package from the local authority for which he is charged a contribution of £66.47 per week.

The charge takes into account the care component of his DLA and leaves Geoff with an income equivalent to Income Support levels plus 25%, after any disability related expenditure has been taken into account.

If Geoff loses his DLA as a result of the reassessment for the Personal Independence Payment he will lose **£125 per week.**

He could also lose valuable additions to his Income Support which would mean he would stop getting this benefit and automatic entitlement to full Housing and Council Tax Benefit. He may need support to challenge the DLA decision, and to manage his income during the appeals process to avoid rent arrears and getting into debt. Emergency support from April 2013 to cope with this potential shortfall will no longer be available from the DWP as these funds will have been transferred to the County Council and the scheme and methods of support may be very different.

He would not have sufficient income to contribute to the cost of his care package, therefore incurring additional costs to the Council of **£66.47** per week.

John - a single young man with learning difficulties living independently
John is a 24 year old man with learning disabilities living in privately rented supported accommodation with 3 other young men in Colchester. He received £99.85 per week Incapacity Benefit and the lowest rate mobility (£19.55 per week) and lower rate care (£19.55) components of Disability Living Allowance (DLA). He receives £100 per week Housing Benefit towards his total rent of £110 per week. He pays the shortfall of £10 per week (for cable television and other ineligible service charges) out of his other benefits.

- In **August 2011** his Incapacity Benefit was re-assessed and he was found fit for work (and therefore ineligible for Employment and Support Allowance) and now has to sign on and claim Jobseekers’ Allowance of £67.50 per week - **a loss of benefit of £32.35 per week**.
- In **January 2012**, his Housing Benefit is reviewed and reduced to the Shared Accommodation Rate of £63.50 per week – **a loss of £36.50 per week**. He is not covered by any of the exempt groups.
- In **April 2013**, his Disability Living Allowance could be re-assessed. He may be awarded the standard component of the Personal Independence Payment for ’managing daily activities’ but nothing for mobility needs – **a loss of at least £19.55 per week**.

John could be eligible for a ‘top-up’ of Income Support to include the severe disability premium which would mean that he would be exempt from the Shared Accommodation Rate and housing Benefit would cover £100 per week of his rent. However he would need support to identify that he is eligible for this and to claim.

Sylvia who cares for her mother, Maude
Sylvia is aged 36 and lives in a self contained flat in Epping. It costs £110 per week. Sylvia gave up work when she was 28 in order to provide care for her mother. Sylvia claims Carers Allowance with a top up of Income Support and in addition, receives maximum Housing and Council Tax Benefits, and full help with health costs such as free prescriptions.

Sylvia's mother Maude is aged 62 and lives nearby. She receives the higher rate mobility component (£51.40) and the middle rate care component (£49.30) of Disability Living Allowance (DLA) and lives in her own 1 bed roomed bungalow. She has an occupational pension, widow's pension and has savings of £20,000. She gets Pension Guarantee Credit and full help with the cost of her Council Tax benefit. She uses her mobility component to pay for a car which also helps Sylvia in her caring role. Because Maude gets higher rate mobility component, she is also exempt from road tax.

Maude has had her DLA reviewed and has been told she does not qualify for the replacement benefit - Personal Independence Payment therefore losing **£100.70 per week**. Both Maude and Sylvia will lose the use of the car. If a capital limit of £16,000 is reintroduced to Pension Credit, Maude will loose her Pension Credit and the help towards her Council Tax.

Sylvia will no longer qualify for Carers Allowance, Income Support, or the maximum Housing and Council Tax Benefit because they all flow from Maude's DLA.

If the decision needs to be challenged, then both Maude and Sylvia will require expert help and support to launch the necessary challenges and prevent debt, and housing related arrears. The availability of this support may be greatly reduced given the changes to funding of advice via Legal Aid.

A young person leaving care
A 22 year old unemployed care leaver already faces considerable challenges finding a landlord who will accept them as they are young, have no references, no rent guarantor, and are reliant on Housing Benefit to pay the rent. The proposals that housing benefit rates will only cover 30% of local rents as opposed to 50% will further decrease the housing options available.

There is a risk that care leavers will be forced to take on rents that they cannot afford. This can lead to a cycle of rent arrears and eviction. They may be deemed to be intentionally homeless as a result, and would not necessarily fall within the statutory responsibilities of the District and Borough Council's to find them accommodation. Many social housing providers will not want to accept a referral for a care leaver/young person who has already accrued rent arrears.

The reality is that they may end up 'sofa surfing' or sleeping rough with limited quality of life and a greater risk of engaging in acquisitive crime to supplement their income.

Mandy – a complex family
Mandy (33) is a single parent living in a 4-bedroomed property in Braintree. She has four children: Courtney (12), Leon (14), Brad (17) and Kylie (16). She has no savings. She receives Income Support (as a carer), Child Benefit, Child Tax Credits and Carers Allowance. Her Housing Benefit covers all her weekly rent of £196.15 per week. She has suffered with depression over many years.

Courtney has slight developmental delay and receives speech therapy. She gets the lower rate care component of Disability Living Allowance (DLA).

Leon has been diagnosed with autistic spectrum disorder. He attends a special needs residential school for children with challenging behaviour but comes home every weekend. He is subject to unpredictable bursts of rage and needs to be accompanied everywhere. He regularly wets the bed and cannot toilet himself. He gets both higher rate care (when at home) and mobility component of DLA.

Brad has a moderate learning disability and attends a special needs course at college which is to help him prepare for independent living, including cooking and travelling to work as he gets panicky in unfamiliar places. He gets the lower rates of Disability Living Allowance care and mobility. He is hoping to move into his own one-bed roomed flat so that his friends and family can stay and support him regularly. This means he does not call on social/support services.

Mandy's parents are already family carers for **Kylie**, her estranged 16 year old daughter and have two children of their own. They live in privately rented accommodation.

Mandy can no longer cope with the pressures on her family and asks for Courtney to be put "in care" and for Leon's visits to be stopped. Courtney is placed with Mandy's parents on a voluntary basis but they are unable to accommodate Leon.

Courtney is unlikely to qualify for Personal Independence Payment resulting in a loss of **£18.95 per week.**

If Brad moved into independent living near his family he will not be covered by any of the exempt groups and his Housing Benefit would be restricted to the shared accommodation rate leaving him with a potentially unaffordable shortfall. It is therefore unlikely that he could afford to leave home. Nor would he qualify for the non-contributory work-related activity rate of Employment & Support Allowance worth **£94.25 per week**. From April 2012 he would lose this completely given the changes to time limiting the benefit. He is also unlikely to qualify for Personal Independence Payment, thereby losing nearly **£38 per week.**

Because Mandy now lives on her own, she'll have to sign on for Jobseekers Allowance. This, as well as other events above, is likely to lead to loss of transitional protection. Her Housing Benefit will now be re-assessed and restricted to the Shared Accommodation Rate/Single Room Rate which is **£76.19 pwk** which constitutes a loss of Housing Benefit of **£119.96 per week**. Mandy would therefore be forced to move to a much smaller property, thus compromising any attempts to return her children to her care. Alternatively the Council may have to pay the shortfall in her Housing Benefits to keep her in her existing property or apply for a substantial Discretionary Housing Payment.

Leon would have been getting the higher rate mobility component of DLA under the Disability Living Allowance 'severe mental impairment criteria'. There are no such criteria under Personal Independence Payment and he will potentially lose **£51.40 per week.**

2) The direct impact on income to the County and District and Borough Councils;

Localisation of Council Tax Benefit:
Expenditure on Council Tax Benefit in 2011/12 is estimated to be in the region of £94 million, broken down by £43.8 million to older people and £50.4 million to people of working age. Council Tax Benefit will reduce by 10% for the 13/14 financial year (£9.4 million), and these reductions will be confined to adults of working age.

There is a significant risk of underpayment. This risk would be shared between the County Council and District and Borough Councils. Essex receives on average 75% of Council Tax and District and Borough Councils receive on average 12% of Council Tax Benefits (the remains being split between Fire and Police authorities and Parish Councils).

10% underpayment would result in a cost of **£705,000 risk to ECC** and **£112,800 risk for the District and Borough Councils**.

50% underpayment would result in a cost of **£3,525,000 risk to ECC** and **£564,000 to District and Borough Councils**.

Move from Disability Living Allowance to Personal Independence Payment: The care component of DLA is currently taken into account when calculating a person's contribution to the cost of their social care package. It is estimated that 20% of current DLA claimants will lose their entitlement when transferring over to PIP. The number of people receiving the care component of DLA and paying client contributions is listed below.

	People	Weekly Assessed Charge	Estimated Annual Contributions
People receiving low rate care DLA	41	£3,510	£183,007
People receiving mid rate care DLA	945	£41,779	£2,178,379
People receiving high rate care DLA	1014	£44,238	£2,306,546

Note:
Although the highest rate of care component is not factored into the calculation of the client contribution, it is useful to consider the amount of income generated from clients who receive it should a 20% reduction in the claimant count occur. It is also an important issue in terms of those service users receive ILF funds. Work is underway to clarify the number of service users and the costs of their care packages.

Assuming that all 41 people receiving the low rate of care (£19.55 a week) will no longer receive a benefit that contributes to their assessed charge equates to an impact of **£41,793.**

Assuming a further 159 people will also lose benefits that contribute to their assessed charge (20% of 2,000 people = 200 people consisting of 41 people currently receiving low rate care and 159 people receiving mid rate care (£49.30 a week) equates to a further **£408,710.**

The total risk to the County Council as a result of reduced client contributions is therefore estimated to **£450,503.**

Reduction in people's ability to contribute to the cost of their social care: Although the DLA Care component is currently the only benefit that is taken into account when assessing people's contribution to their social care, changes to other benefits may have an impact of the overall level of client contributions. For example: an individual with personal savings to the extent that they are assessed as being able to contribute to the cost of their care package may currently be able to meet the cost of other living expenses through their benefits income. Any loss of income would increase the likelihood of people using their savings for daily living, and as a result contributing less to the cost of their support.

Currently 3,653 people receive benefits other than the care component of DLA and contribute £19 million to the cost of their social care package. Based on an average weekly contribution of £99.93 per week, the impact of a:
3% reduction in claimants would be **£571k**
5% reduction in claimants would be **£952k**
10% reduction in claimants would be **£1.9 million**

It is also important to realise that in many circumstances if a person loses a benefit such as DLA, then entitlement to other benefits may also be lost – e.g. entitlement to income related Employment and Support Allowance (ESA). If a person receives income related ESA, they are automatically entitled to maximum Housing and Council Tax Benefits. Clients will need timely advice and support to deal with changes such as these and also to facilitate maximum take up where appropriate. This is demonstrated by the disabled adult example/PowerPoint slide and John's case study given above.

3) The Indirect Impact of welfare reforms:

The welfare reforms are likely to take a significant amount of money out of the economy for the poorest citizens of Essex.

- The removal of Council Tax Benefit is estimated to remove £9.4 million across Essex.
- The move from DLA to PIP will result in the number of claimants reducing from 34,100 to 27,280, and could remove £7 million across Essex (assuming that people currently in receipt of the lowest level of benefits that will lose out)
- Changes to Housing Benefit will mean that people have to make up shortfall in rent themselves further removing money from the economy.

This will not only impact on benefit recipients but the local businesses (shops, services, and landlords) that these people use.

The links between income and physical and emotional well-being are well established. Reforms that reduce income to our poorest citizens are likely to impact on their ability to remain self supporting. The tipping point that leads families, vulnerable adults and older people to need input from council funded social care services is often the result of a number of factors and life events that combine to reduce people's overall resilience. It is impossible to model the impact that the welfare reforms will have on demand for social care services because the relationship between income and resilience is so complex, but the reforms will have an impact and it will be important to monitor this as and when they are implemented.

A significant impact on social care services will be the availability of affordable housing. Whilst some reforms are likely to encourage people to want their adult children to leave home (e.g. non-dependent deductions), others will work to make it extremely difficult for these people to find affordable rentals (the housing benefit reforms).

Homelessness is a real risk for people who will not be able to afford increased rents and / or deductions in housing benefits. This will be aggravated by the possibility that other benefit changes could affect their ability to comply with the conditions of their benefit entitlement. Particular concerns are around young people, those with chaotic life styles, and those with substance/alcohol dependencies. Those with moderate learning disabilities may be affected by the Single Room Rent if they lose entitlement to Disability Living Allowance when they are transferred to Personal Independence Payment, therefore increasing the possibility/risk that they will be unable to afford and sustain their tenancies. Any increased levels of homelessness will place additional demands on the homelessness services of District and Borough Councils. Whilst the majority of people potentially made homeless due to rent arrears are unlikely to be accepted as homeless by districts, any increase in the numbers placed in bed and breakfast or temporary accommodation will have a detrimental financial effect on districts and boroughs.

On a strategic level, housing strategies and local allocation policies will need to be considered in the light that fewer people will be able to access housing benefits, and that fewer properties will fall within the rentals levels that housing benefit will cover. There is already a significant shortfall in the availability of specialist housing for adults with learning disabilities and physical impairments, and extra care for older people. Demographic pressures will exacerbate this situation. With limited availability of affordable rentals comes the risk of increased pressure on social care funding to meet the costs of people's accommodation – whether this be for emergency s17 Children's Act payments to cover immediate shortfalls in rent to avoid homelessness, or for increased demand for residential care for vulnerable adults and older people because of a lack of specialist affordable housing.

The changes in housing benefit rates to cover 30% of local rents as opposed to 50% is likely to have a significant effect on inward migration to our most deprived areas. People, particularly in areas where rental levels are high such as London, will need to find affordable accommodation and are likely to look to areas where there is supply of rental properties within the new housing benefit levels. These areas are likely to be less affluent, and there is a real risk that our most deprived areas will attract vulnerable and dependent people placing even greater strain on statutory services.

The extension of the shared room rate to single under 35s not only places a financial strain on the individuals concerned but could impact adversely on parent/child relationships. Whereas an estranged parent in self-contained accommodation would be able to have his/her children to stay overnight, this is much more difficult in shared accommodation and may lead to parents losing touch with their children.

As incomes fall there is the likelihood that people will look to other sources of income. The rate of acquisitive crime is likely to increase and the growth of illegal lending (loan sharks) that has been seen during the recession is likely to continue as the income for some of our poorest citizens falls.

The provision of advice and information will be vital to support citizens to navigate their way through the significant changes associated with these reforms. Changes to the funding of advice agencies and Legal Aid come at a time when the need for these services is increasing, given the potential for challenges to benefit decisions, and need for debt and housing and employment advice in particular.

At a personal level, the pressure that these changes create on people is likely to result in more unhealthy habits and lifestyles ie more smoking, abuse of alcohol and drugs, less healthy eating habits and reduced levels of physical activity. Over time, these behaviours will have a causal effect on the incidence of long term conditions. Mental health issues will also increase. The net effect will be decreased life expectancy, an increase in health inequalities across the county and an increased cost to the NHS.

Points for discussion:
The paper describes the estimated financial impact of the welfare reforms to both the County Council and District and Borough Council's. Leaders may wish to consider their roles in lobbying government to ensure central government fully understand the potential financial risk to County and District / Borough Councils of these reforms.

There will be a need to ensure advice and support services are targeted effectively. Benefits advice and support is currently funded from a number of sources, and provided by a range of organisations in the statutory and voluntary sector. Commissioners and providers of benefits advice and support may want to consider how they can work better together to make best use of the combined resources available to meet the increased demand for these services resulting from the reforms.

Councils may also wish to consider using existing resources such as Children's Centres, the Family Information and Advice service, libraries, local offices, and developing the information available through their websites and via their contact centres to meet the expected demand for benefits advice and information.

Staff with regular contact with citizens in the statutory and voluntary sector are likely to face increased demand to support people through the welfare reforms. Leaders will need to consider the training requirements of staff to support them in this.

Appendix A

Summary of the main changes and current claimant count

Housing Benefit (HB)/Local Housing Allowance (LHA)

Local Housing Allowance – numerous changes have been made to Housing Benefit (in terms of calculating) and the levels payable in the private sector (i.e. the capping of the maximum weekly amount of LHA) is expected to bring about an increase in the number of people migrating to Essex from London as rental levels in Essex are lower. This may start to have an impact in the very near future given that January 2012 marks the first phase of 'anniversaries' of current claims affected. Those moving into Essex will place an additional demand on many services.

Non – dependant deductions – these amounts are deducted from claimants benefits where they have another adult (i.e. adult child) living in the property with them. The amount of deduction has increased this year for the first time since 2001 reducing the amount of benefit received and in some cases losing benefit completely. This could lead to many young people/adults being asked to leave their parents homes.

Single Room Rate - From January 2012 – the single room rate will now apply to those aged 35 and under. Currently, most single people aged under 25 can only be paid the lowest LHA rate, the 'Shared Accommodation' rate/shared room rate, regardless of the type of accommodation they actually live in. This rate is usually considerably less than the one bedroom rate. There are exceptions to this, i.e. where the tenant is severely disabled i.e. and receives a severe disability premium or is a care leaver aged under 22.

Social Sector under occupancy – the same room restrictions that apply to LHA will be introduced in the social sector therefore restricting the amount that can be paid in Housing Benefit.
NB: this change was defeated in the Lords but it is still subject to parliamentary approval. Although some statements have been made to ensure certain people are not disadvantaged, i.e. foster carers, there is still likely to be impact on other residents which is difficult to quantify at present.

HB Claimants across Essex (November 2011)#

District	All HB claimants	Social Rented sector	Private Rented sector
Basildon	14,410	10,960	3,450
Braintree	9,030	6,540	2,490
Brentwood	3,210	2,340	870
Castle Point	4,360	1,600	2,760
Chelmsford	8,640	6,310	2,330
Colchester	11,640	7,420	4,220
Epping Forest	7,100	5,140	1,960
Harlow	8,670	7,000	1,670
Maldon	3,220	2,110	1,110
Rochford	3,410	1,960	1,450
Tendring	12,010	4,410	7,600
Uttlesford	3,340	2,430	910
Total	**89,040**	**58,220**	**30,820**

Disability Living Allowance – reform of DLA and the introduction of Personal Independence Payment. (PiP) Because the rules will be narrower, less people will be entitled to receive PiP. A considerable number of our residents and service users will be affected by these changes and proposals. In addition, there will be implications for social care and charging for social care. Changes in entitlement to this benefit can have a knock on effect on other benefits and possibly to the benefits of carers. There is an anticipated reduction of 20% of the current claimant count.
At February 2011 there were 31,400 people of working age getting DLA.

Working age DLA claimants - number in thousands

District	**DLA Claimants (000's)**
Basildon	5.02
Braintree	3.64
Brentwood	1.24
Castle Point	2.16
Chelmsford	3.37
Colchester	4.69
Epping Forest	2.39
Harlow	2.27
Maldon	1.39
Rochford	1.57
Tendring	5.23
Uttlesford	1.13
Total	**34.1**

A further impact of this reform could impact on **ILF** fund users as this is linked to entitlement to the highest rate of care component of DLA. In addition, it is still to be determined what level of PiP will passport to ILF if the fund still exists at the time PiP is implemented.
Work is underway to clarify how many ECC service users could be affected and the likely costs in terms of the care packages.

Carers could also be affected by the change to DLA given entitlement to Carers Allowance and other carers benefits is based on the disabled person receiving either middle or highest rate of DLA.
In February 2011 – Carers Allowance caseload in thousands was:

District	**Carers Allowance (000's)**
Basildon	2.95
Braintree	2.01
Brentwood	0.73
Castle Point	1.6
Chelmsford	1.75
Colchester	2.32
Epping Forest	1.41
Harlow	1.28
Maldon	0.94
Rochford	1.11
Tendring	3.55
Uttlesford	0.71
Total	**20.36**

Reform of Council Tax and Council Tax Benefit
Each district and borough will have a local scheme of 'Council Tax' and rebates for certain groups of residents. There is an anticipated 10% loss in funding. Work is currently underway in the design of the new local schemes.

Council Tax Benefit claimants across Essex (November 2011)

District	All CTB Recipients
Basildon	17,840
Braintree	10,940
Brentwood	4,390
Castle Point	7,580
Chelmsford	10,270
Colchester	13,320
Epping Forest	9,000
Harlow	9,520
Maldon	4,490
Rochford	5,330
Tendring	17,800
Uttlesford	4,010
Total	**114,490**

Incapacity benefits and reassessment
Residents across Essex are already going through the reassessment programme from older incapacity related benefits to the new Employment and Support Allowance and medical test. The need for support with the reassessment forms, medical and appeals (as many are wrongly being found fit for work) are already being felt. Many are reporting serious concerns with those suffering from mental health problems having their condition exacerbated.

Changes to entitlement to this benefit can have a knock on effect on other benefits. It is hard to ascertain how many residents are receiving incapacity related benefits (and how many have been reassessed) as the methodology of collection of DWP data is not comprehensive across the range of benefits affected by this change. In addition, given the changing landscape accurate data is not currently available from DWP on progress. However figures below show likely numbers affected:

District	Total to be re-assessed
Basildon	6,250
Braintree	4,280
Brentwood	1,540
Castle Point	2,510
Chelmsford	3,650
Colchester	5,220
Epping Forest	2,980
Harlow	2,850
Maldon	1,460
Rochford	1,700
Tendring	5,920
Uttlesford	1,200
Total	39,560

Caseload extracted from Neighbourhood Stats (ONS) but latest stats date back to Aug 09. later figures are available but do not include those on Income Support on the grounds of incapacity for work. Unclear whether caseload includes numbers receiving solely IS on incapacity grounds

Employment and Support Allowance (ESA)
People claiming contribution based ESA (which includes many young people with disabilities) and who are placed people in the Work Related Activity Group will have their claims limited to one year. They will then have their family income and savings assessed to see if they qualify for the means-tested version of the benefit. This will be difficult if a person has a partner who works over 24 hours a week because, regardless of their income, they are unable to claim income related ESA because of this rule. Contribution Based ESA for young people is also to be abolished.
NB: this change was defeated in the Lords but it is still subject to parliamentary approval.

Availability of advice and support – this is now being reduced through changes to Legal Aid and is not going to be available for help with benefit issues, some housing, employment or debt issues. These changes come at a time of significant change to benefits when demand for these services will be increased.

Pension Credit
Many older people rely on Pension Credit to supplement their retirement provision. Currently there is no capital limit, enabling some older people who may have modest savings (over £16,000) to receive additional support through Pension Credit. Some older people who receive Pension Guarantee Credit also automatically receive other help such as full help with rent and/or Council Tax (regardless of their capital). There are plans to introduce a capital limit to Pension Credit which means many older people will no longer be able to receive this help, even though their income may be low.

Tax Credits – families and disabled workers may be already experiencing a reduction in the amount they receive in Tax Credits as a result of earlier changes and changes to help with childcare. And from **April 2012** families will need to work more hours each week (24) before they are entitled to claim Working Tax Credit.

District	Families with children							No Children	Total
	Out of work		With CTC more than the family element		With CTC at or below the family element		Childcare element		
	Families	Children	Families	Children	Families	Children	Families		
Basildon	5.0	9.7	6.6	12.6	4.9	7.6	0.8	1.0	17.6
Braintree	2.8	5.2	5.8	10.8	4.6	7.2	0.9	1.0	14.1
Brentwood	0.9	1.5	1.9	3.5	1.5	2.4	0.3	0.3	4.6
Castle Point	1.7	3.0	3.1	5.7	2.6	4.3	0.4	0.4	7.8
Chelmsford	2.6	4.7	5.2	9.5	4.7	7.5	0.8	0.6	13.2
Colchester	3.2	5.9	7.0	13.0	5.2	8.1	1.3	1.0	16.3
Epping Forest	2.6	4.6	3.6	6.4	2.9	4.4	0.6	0.5	9.6
Harlow	2.5	4.8	4.0	7.5	2.7	4.1	0.7	0.5	9.7
Maldon	1.1	2.0	2.1	4.0	1.7	2.6	0.3	0.3	5.2
Rochford	1.1	2.0	2.7	5.1	2.6	4.3	0.3	0.4	6.8
Tendring	3.4	6.8	5.5	10.7	3.2	4.8	0.7	1.1	13.2
Uttlesford	0.9	1.7	2.4	4.4	2.0	3.2	0.3	0.4	5.7
Totals	27.6	51.7	49.9	93.2	38.6	60.5	7.3	7.6	123.7

Numbers in thousands

As at April 2011 as many as **123,700** households relied on Tax Credits to supplement their income, and at least **7,300** working families will see a reduction in the help they receive through Tax Credits towards their childcare costs.

Reform of the social fund – Community Care Grants and Crisis Loans are to be abolished and the DWP will be transferring funds to Local Authorities (top tier and unitaries) to provide emergency local provision etc for certain people. This will bring additional resource demands on ECC and is a whole new function.
As stated previously, work is already underway to model the potential design for Essex.

Universal Credit – (UC) a number of benefits and tax credits will be replaced by UC. Whilst the detail is still being worked out, it is clear that many people will receive less help though this new form of support than their current levels of benefit.
In addition, UC will introduce a cap on the amount of weekly benefit some households can receive; passported help is still to be decided as is the help available for childcare; people will receive the Credit through one single payment which will present serious difficulties to some people and households. With the risk of increased debt, rent arrears and potential homelessness.

Indexation change to benefit uprating
The switch of the uprating index used (switch from RPI to CPI) for uprating benefits has indicated that overtime, people reliant on benefits for income will have less money because the CPI usually increases at a much slower rate. Therefore producing less income generally. This will mean potentially less income can be generated from charging for care from those receiving benefits.

Appendix B

Timetable for Welfare Reform and related changes 2012 onwards

From January 2012

- Single under 25 rate for LHA (one bedroom in shared accommodation) extended to single people under 35.
- Lone parents whose youngest child is aged 5 or above will need to claim jobseekers allowance rather than income support.
- The maximum fee that local authorities can charge for a blue badge will go up from £2 to £12 for badges issued with a start date of 1 January 2012.

From April 2012

- Abolition of youth ESA for new claimants. Existing claimants at that date will be able to continue claiming, but entitlement will be limited to 12 months. Time spent on youth ESA prior to April 2012 will count towards the time limit. **This measure was defeated in the Lords and is still subject to parliamentary approval**
- Couples with children must work 24 hours a week between them, with one partner working at least 16 hours a week in order to qualify for the WTC.
- Contributory ESA time limited to one year for those in the work related activity group. **This measure was defeated in the Lords and is still subject to parliamentary approval**
- The Government contribution to discretionary housing payments will be increased by £40 million in each year from 2012-13.
- The family element of the child tax credit will be withdrawn immediately after the child element.
- The period for which a tax credit claim and certain changes of circumstances can be backdated will be reduced from three months to one month.
- The 50 plus element will be removed from the working tax credit.
- A disregard of £2,500 will be introduced in the tax credits system for in-year falls in income.
- Local Housing Allowance rates will be fixed at the April 2012 rate and will not change until April 2013.

From 2013

- A new £500 a week cap on welfare benefits will apply to combined income derived from benefits including jobseekers allowance, income support, employment support allowance, housing and council tax benefits, child benefit, and carers allowance. Payments such as social fund loans and free school meals are not affected, and people with disability living allowance and war widows will also be excluded.
- Launch of Universal Credit pathfinder to demonstrate how the new scheme will work.
- Child benefit withdrawn from households paying tax at the higher rate.

From April 2013

- Working age disability living allowance (DLA) to be replaced by a new Personal Independence Payment (PiP). **The detail of this is still subject to final consultation.**
- The level of in-year rises of income that will be disregarded from calculations of tax credit entitlement will decrease from £10,000 to £5,000.
- Local housing allowance rates will be uprated in line with consumer price index (CPI).

- Housing entitlements for working age people in the social sector will reflect family size. **This measure was defeated in the Lords and is still subject to parliamentary approval**
- Localisation and roll out of reform of Council Tax. **This still subject to final consultation.**
- Emergency Local Provision – abolition of community care grants and crisis loans

From June 2013

- All new working age claimants will claim PIP Instead of DLA

From October 2013

- National roll out of universal credit. Between October 2013 and April 2014 those making a new claim will receive universal credit in place of jobseekers allowance, employment support allowance, housing benefit, working tax credit or child tax credit. Existing claimants will also be moved onto UC if they are already receiving one of these benefits and their circumstances change significantly.

From March 2014

- Migration of existing incapacity benefits claimants (incapacity benefit, severe disablement allowance and income support on disability grounds) onto employment and support allowance should be completed by the end of March.

From April 2014

- Existing claimants may be given a priority move onto universal credit if it is considered that they will benefit from this.

From December 2014

- The proposed date for the abolition of those remaining cases of pre-tax credit income support/income-based jobseeker's allowance child additions is 31 December 2014. Previously the date of transfer was to have been 31 December 2011 (and before then 2008).

From April 2015

- Post Office card account (POCA) to be reviewed.

From end of 2015

- Between the end of 2015 and the end of 2017 those who have not been moved onto universal credit already will be moved during this time.

From October 2020

- State pension age for both men and women increases to 66.

From April 2026

- The Government will start to raise the State Pension age to 67 in stages from this date. See the autumn statement 2011.

From April 2028

State pension age will be 67.