

The Impact of Welfare Reform on Coventry – Factsheet and Briefing Note March 2014

Overall impact

A number of external assessments on the impact of welfare reform, suggest that the impact of the reforms will be greater on Coventry and those residents who receive benefits than most local authorities. A model by Sheffield Hallam estimates the full impact to be £112 million annually (not including Universal Credit (UC)), whereas the Local Government Association estimates that Coventry households who claim benefits will lose around £1,600 per year on average (again not including UC).

The greatest financial impact on the Coventry economy will be as a result of changes to Child Benefit and Tax Credits, both impacting on a large number of Coventry households (not necessarily low income households) and will have a large cumulative impact on the income of the city (estimated to be around £15 million and £23 million loss to residents and the economic respectively).

DWP

The limited datasets and time lags in the available DWP data, along with the large number of claimants appealing decisions, make it difficult to analyse and understand the impact of the reassessment of claimants and changes to Incapacity Benefit (IB), Employment and Support Allowance (ESA) and Disability Living Allowance (DLA). Broad estimates using national projections and local claimant numbers suggest a cut of over £20 million to these benefits. An estimated 3,000 people will lose around £3,600 a year through DLA changes and just under 10,000 will lose on average £1,500 a year from ESA after being found fit for work. Those moving from IB to ESA are estimated to have mixed fortunes, with over 7,000 (those assessed to have the most severe ill-health or disability) seeing a small increase (between £62 and £268 a year) in their benefits but 3,500 seeing a larger fall of £1,500 a year on average. In addition to the financial impact of these changes, the reassessment process and appeal process (which has a high success rate) has caused much worry and stress to already vulnerable residents.

The most recent published DWP figures show that at August 2013 there were 13,770 Coventry residents claiming out-of-work sickness and disability related benefits (ESA and IB). Between October 2010 and March 2013 6,560 residents claiming IB were assessed for ESA. Of these 28% were found fit for work (and are not entitled to ESA). Of the remaining 72%, 56% were placed in a Work Related Activity Group and 44% in a Support Group (and are not expected to undertake work related activity). For new ESA claims across the West Midlands (Coventry data is not published) during Jan to March 2013 42% were found fit for work.

In August 2013 there were 13,740 working aged Coventry residents receiving Disability Living Allowance and will be reassessed for entitlement to Personal Independence Payment (PIP). PIP assessments have been introduced for new claims but the number for Coventry residents has not been published.

Analysis of the housing benefit database for those households who contain a disabled person and have been affected by a housing benefit cut, has identified households which may also be impacted negatively

by DWP reassessments for ESA, DLA and PIP (and see multiple impacts on their benefits). This shows that 1,496 households contain someone with a disability and have had their housing benefit reduced (31% of the 4,800 households who claim housing benefit and include someone with a disability). These households are most likely to have seen a reduction in the LHA room rate (865 households) or be deemed as under occupied (631 households). Households that do include a disabled person are more likely to be deemed to be under occupied than those that do not (13% compared to 8% respectively).

Housing Benefit

Monitoring the housing benefit changes since they have been implemented shows that fewer households in the city were affected by the benefit cap than originally thought, with only 144 homes capped in October 2013. Since October the number households which are capped has fluctuated, rising to 155 homes in December 2013 and then falling to 149 in February 2014. During this time the average loss to households and overall loss to the city had reduced slightly.

In the last three quarters there has been a reduction in the number of households which are deemed to be under occupied (398 fewer homes, to 2,426 homes under occupied in February 2014), although during this period the number of homes under occupied by two or more beds has fluctuated and the average reduction in financial terms to households has increased. The Service is currently working through the recently identified issue of people who have been resident and receipt of housing benefit prior to January 1996. These people will be excluded from the reduction from 1st April 2013 to 2nd March 2014. The Government has legislated to reinstate the reduction from 3rd March 2014. We expect up to 600 households will benefit from this temporary 'loophole'.

Although the reforms to housing benefit through under occupancy rules and an overall cap on benefits seem to have grabbed the press and public's attention, the changes to the housing benefit system are much broader than those two changes, thus impacting on a multitude of claimant types. Analysis of housing benefits shows the following reforms and those groups of residents who have suffered adversely:

- the LHA room rate change, impacting 8,500 private sector tenants
- 20 large families affected by the four bed cap
- the abolition of the £15 excess, resulted in a loss to 210 households
- the extension of the shared room rate, resulted in 689 claimants aged between 26 and 35 year having limited entitlement to a shared accommodation benefit rate
- those hit by under occupancy
- and the overall benefit cap which generally impacted on large families

A greater understanding of the housing benefit changes show a mixture of impacts, for example the LHA room rate change and under occupancy changes have a relatively smaller financial impact on households (less than £800 a year), but do affect a large number of households, thus having a greater impact on the city. The benefit cap on the other hand has only affected 149 households in the city, but has had a greater financial impact on these households (seeing an average annual loss of £3,000 a year).

Overall, between June 2013 and January 2014 the number of households claiming housing benefit has fallen and £30,000 a week less being paid out in housing benefit in the city. Households more likely to lose the most housing benefit include:

- couples
- those including children under 5 years old
- larger households

- those in work
- those in Foleshill, St Michaels & Henley wards,
- in the private sector
- or in receipt of ESA or Income Support

In addition to the initial cuts to benefits as a result of welfare reform changes, an estimated £21.4 million will be cut from working age benefits, child benefit and local housing allowance within housing benefit, as a result of a 1 per cent up-rating of these benefits. This change will impact, less directly than other changes, with household benefits not keeping up with inflation (meaning households will be worse off than previously).

Impact of reforms

The direct financial impact of welfare reform on Coventry households are clear to see, but in contrast the knock on effect of this loss in finance is more difficult to quantify. The fall out of these welfare reform changes are being tracked through a number of indicators.

Information from Whitefriars, Orbit and Midland Heart Housing Associations suggest that rent arrears, terminations and evictions have slightly increased since these changes were introduced and Foodbank usage has increased. Support to reduce the impact of the changes, through Discretionary Housing Payment and Community Support Grant show few have been awarded these, which suggests either the projected number of households who require help has been overestimated or those households who require the support are not applying.

One of the main goals of the changes to the welfare state was to “make work pay”. Although data from the annual population survey is slightly lagged there is no evidence that these changes have impacted positively on employment, unemployment and inactivity yet.

Discretionary Housing Payments (DHP)

The DHP fund is a discretionary fund to help people (who are entitled to Housing Benefit) with their housing costs where there is a shortfall between their benefit payments and their rent. It can also be used to help people into more affordable property, by helping with a ‘bond’ or ‘rent in advance’.

The fund in Coventry more than doubled between 2012/13 and 2013/14 to just under £800,000. There has been an understandable wish by some voluntary organisations, RSLs and councillors to ensure the Council fully maximises this fund – which has always been fully utilised in previous years. Applications for DHP payments have gone up by at least 3 times compared to last year.

At the start of the year, the Service took a very measured approach to making DHP awards, due to the unknown impact of the many welfare reforms being introduced. At the beginning of January, there was still over £389,000 unallocated (part of this is also due to the delayed implementation of the national Benefit Cap). The Service has been working closely with Housing and others (RSLs/CAB/Law Centre) to help to target the spending over the final quarter of the year – especially targeting ‘bedroom tax’ cases. Initiatives have included the ‘pop-up shop’ on 21st January (hosted by CAB) which attracted over 60 personal and enquires on the day (and over a further 200 calls to the Service during the week). There are over 240 applications not yet assessed and more resource has been moved to the team to deal with the outstanding volume of claims.

The service is also reviewing previous applications which have been refused – and is re-assessing the claims based on a more generous ‘excess income’ criteria. This approach is expected to ensure the spending of the DWP allocation is maximised – the initiative has already seen a significant (over £50,000) weekly rise in the awards made.

Community Support Grants (CSGs)

As part of the Government reform programme, the Council introduced its own local Community Support Grant Policy from April 2013. The scheme is the replacement for the DWP’s abolished Crisis Loans and Community Care Grants.

The Council was allocated around £1.2 million pa to support people across the City. The Councils policy introduced pre-paid cards (for food and ‘goods’), replacing the previous cash-based schemes. The policy has been successful in targeting resources to ensure the need is met. For example, people in crisis needing white goods are provided with a ‘spend card’ at Argos – specifically to purchase the goods they need.

The Benefit Service developed the policy by working very closely with the 3rd sector. The new scheme has worked very well as a result – although the spending is much lower than originally anticipated. By mid-February 2014, only around £325,000 of the grant had been spent. The Service is confident that genuine need has been met. Taking the cash out of the system has reduced abuse, and ensured a more focused approach to help meet need locally. Unspent money (non ‘ring-fenced’) can be used to support other priority areas in the Council as a result.

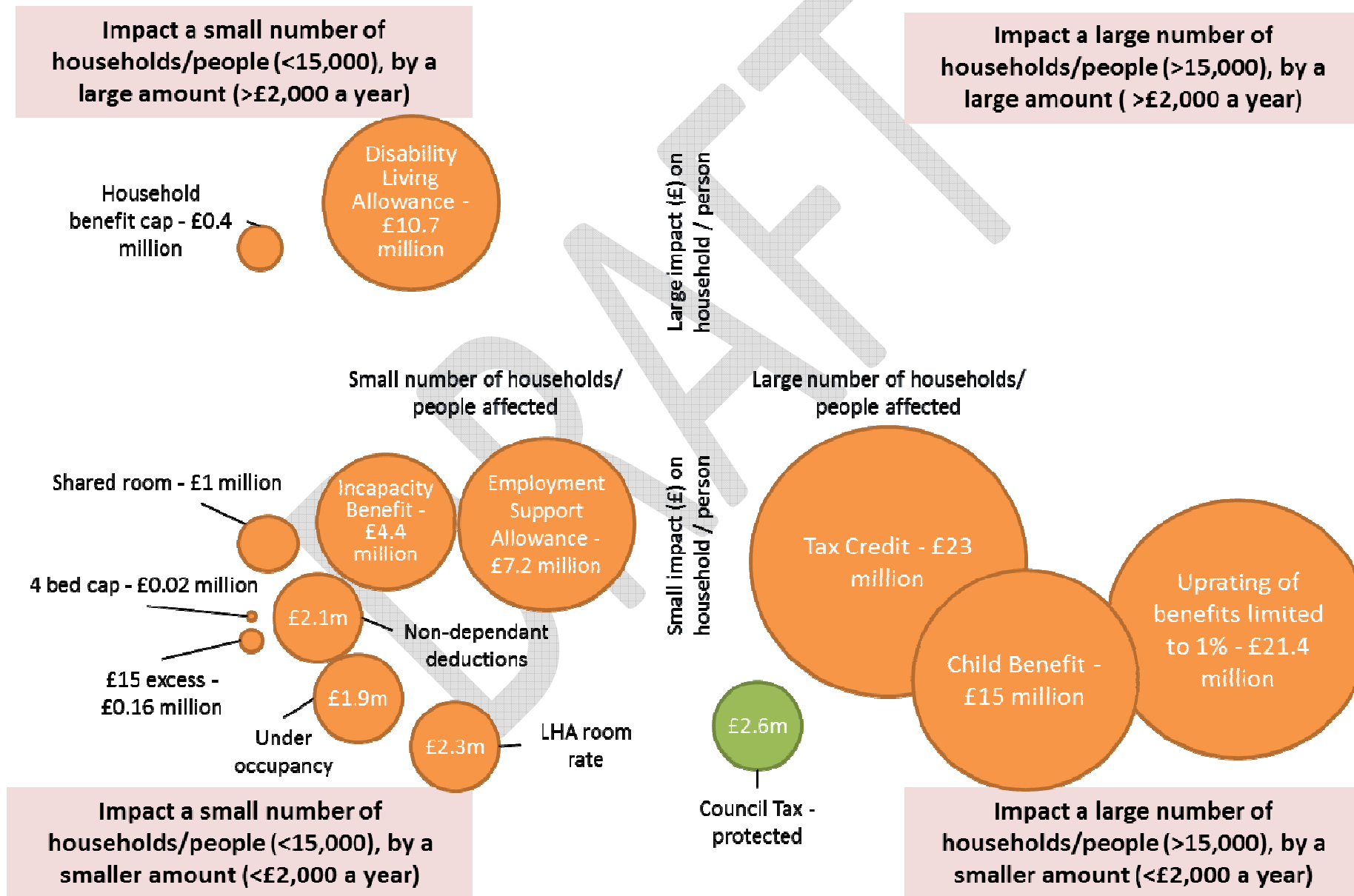
The Impact of Welfare Reform on Coventry

	Average Annual change to the individual or household	Numbers affected	Annual loss to the Coventry economy
Local Housing Allowance changes...			
.....LHA room rate change	+£124 -£120 and -£360	1,407 households 8,668 households	-£2.3m
.....Four bedroom cap	-£947	20 households	-£19,000
.....Abolishing the £15 excess	-£780	210 households	-£164,000
.....Extension of the shared room rate (under 35)	-£1,392	689 households	-£1m
Under occupancy (bedroom tax)	-£791	2,426 households	-£1.9m
Household benefit cap	-£2,890	149 households	-£0.4m
Incapacity Benefit (estimates)	+£62 +£268 -£1,542*	4,169 people 2,993 people 3,528 people	-£4.4m
Employment and Support Allowance (estimates)	-£1,479	9,600 people	-£7.2m
Disability Living Allowance (estimates)	-£3,640*	2,948 people	-£10.7m
Localisation of Council Tax benefits	£128 protected	23,314 protected	-£2.6m
Other predicted losses (using the Sheffield Hallam Model. The figures show the impact when the reforms have come into full effect.)			
Child Benefit	-£362	41,300 households	-£15m
Non-dependent deductions	-£1,121	1,900 households	-£2.1m
Tax Credit	-£812	28,500 households	-£23.1m
Up-rating of benefits limited to 1%	? Unknown	? Unknown	-£21.4m
Universal credit (due to be rolled out by 2017)	? Unknown	? Unknown	? Unknown
Total Coventry estimated future annual losses			-£112m
Total estimated annual losses as a result of welfare reform for England as a whole per working age adult			-£470
Total estimated annual losses as a result of welfare reform for Coventry per working age adult			-£540

*Reduced by £2,317 if aged under 25.

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Note: size of the circle represents the impact on the economy





Welfare Reform Changes

	Short-term impact	2010 Baseline year	Previous year (2012)	Three previous months/quarters	Two previous months/quarters	Previous month/quarter	Latest	Impact	Ownership
Under occupancy	Number of households affected	-	-	2,824	2,674	2,632	2,426		CCC – Martin Bennett/ Richard Evans
	- 14% reduction			2,351	2,241	2,181	2,048		
	- 25% reduction			473	433	451	378		
	Average reduction	-	-	£14.00	£15.23	£15.30	£15.21		CCC – Martin Bennett/ Richard Evans
	Total weekly loss	-	-	£39,527	£40,735	£40,275	£36,902		CCC – Martin Bennett/ Richard Evans
Household benefit cap	Number of households affected	-	-	277*	144	155	149		CCC – Martin Bennett/ Richard Evans
	Average reduction	-	-	-	£63.59	£57.33	£55.57		CCC – Martin Bennett/ Richard Evans
	Total weekly loss	-	-	-	£9,157	£8,829	£8,289		CCC – Martin Bennett/ Richard Evans
Housing Benefit	Number of households claiming	-	-	29,624	29,506	29,392	29,273		CCC – Martin Bennett/ Richard Evans
	Average weekly claim	-	-	£87.00	£86.82	£86.85	£86.98		CCC – Martin Bennett/ Richard Evans
	Total weekly claim	-	-	£2,577,425	£2,561,705	£2,552,737	£2,546,099		CCC – Martin Bennett/ Richard Evans
Claimant count	ESA and IB claimant (August)	14,580	14,210	13,990	13,920	13,770	13,770		NOMIS – Richard Evans
	Disability Living Allowance (August)	18,140	18,730	18,930	19,050	19,130	19,080		NOMIS – Richard Evans
	Job Seekers Allowance (Jan)	11,532	10,512	8,183	7,867	7,815	7,907		NOMIS – Richard Evans
	Total out-of-work benefit claimants (May)	15.3%	13.8%	13.2%	13.3%	13.0%	12.7%		NOMIS – Richard Evans
Sanctions	JSA Sanctions – Adverse decisions (Oct-Jun)						4,740		DWP - Gaynor Smith
	ESA Sanctions (Mercia area) – Adverse decisions (Dec-Jun)						410		DWP - Gaynor Smith

*Estimated impact before the cap was introduced

Welfare Reform Short-term Impact Indicators

	Short-term impact	2010 Baseline year	Previous year (2012)	Three previous months/ quarters	Two previous months/ quarters	Previous month/ quarter	Latest	Impact	Ownership
Activity	Employment rate (Oct-Sept)*	66.3%	64.9%	64.9	62.5%	64.1%	64.3%	-	NOMIS – Richard Evans
	Unemployment rate (model-based, Oct-Sept)*	9.7%	8.6%	8.7%	9.4%	9.6%	9.1%	-	NOMIS – Richard Evans
	Economic Inactivity (Oct-Sept)*	26.8%	29.3%	29.0%	31.0%	29.1%	29.8%	-	NOMIS – Richard Evans
Housing	Whitefriars rent arrears as % of rent debit (Apr-Mar)	2.71%	2.66%			3.68%	3.83%**		WM Housing – Katie Moore/ Simon Brooke
	Whitefriars evictions (as % of stock) (Apr-Mar)	77 (0.47%)	123 (0.76%)			56	75**		WM Housing – Katie Moore/ Simon Brooke
	Whitefriars terminations increase						122 (8.7%)**		WM Housing – Katie Moore/ Simon Brooke
	Midland Heart rent arrears as % of gross rent debit (Apr-Mar)		4.62%			10.49%	11.15%***		Midland Heart Elaine Shirley
	Midland Heart evictions as a % of stock (Apr-Mar)		0.71%				0.79%***		Midland Heart Elaine Shirley
	Midland Heart terminations (Apr-Mar)		202				204***		Midland Heart Elaine Shirley
	Orbit rent arrears as % of gross rent debit (Apr-Mar)		4.02%			4.16	6.17%****		Midland Heart Elaine Shirley
	Orbit evictions as a % of stock (Apr-Mar)		0.66%					-	Midland Heart Elaine Shirley
	Orbit terminations (Apr-Mar)		134					-	Midland Heart Elaine Shirley
	Homeless and in priority need (Apr 12-Mar 13)	538	576				540		DCLG – Richard Evans
	Homefinder registrations - Under occupied by 2 or more bedrooms and have a 1B priority - Under occupied by 1 bedrooms and have a 2a priority			14,789	14,458	14,271	14,499 54 261	-	CCC Housing – Anthea Smith
	Council tax support take up	36,742	36,699				35,722^	-	CCC – Martin Bennett
	Council tax arrears, Total Enforcement (Jan)			11,592 £4,457,488	12,260 £4,295,344	11,068 £3,363,219	14,268 £4,031,859	-	CCC Revenues & Benefits – Andrew Broadhead
	Discretionary Housing Payments - claims (% of which are Welfare) - Awarded (£800,000 fund)	296	586	411 (46%) £160,459	679 (49%) £262,617	748 (50%) £289,201	869 (50%) £409,182	?	CCC Revenues & Benefits – Tim Savill/ Martin Bennett
Community Support Grant - Awarded (£1.2 million fund)				£253,718	£275,124	£325,251	?	CCC Revenues & Benefits – Tim Savill/ Martin Bennett	
Other	Food bank - Average users per month - Reason for use – benefit changes	128	1,050				1,333 13%		Foodbank – Tim Reese
	Advice services referrals - Welfare reform referrals								Sue Bent/ Neighbourhood Action

*Survey based indicator which have a confidence % i.e. a change may be due to survey inaccuracies

Mid-year financial year data, if data is in the previous month/quarter column this compares to same period last year **April-December 2013/** April- October 2013/**December 2013

^Up to mid-November 2013

Welfare Reform Long-term Indicators

	Long-term impact	2010 Baseline year	2011	2012	2013	Comments
Households	Child poverty	26%**	27% (25%**)	23%		
	Number of looked after children (rate per 10,000 children aged under 18 years) - (March)	590 (86)	585 (84)	575 (82)	620 (87)	Compared to a rate of 60 in England in 2013.
	Reported victims of domestic violence and abuse			3,048	2,899	
	Number of people reporting high levels of anxiety (Well Being Survey Apr-Mar)*			35.93	35.61	
	Fuel poverty	21.1%	15.7%			
Housing	Average private sector monthly rent VOA (Apr-Mar)	-		£512	£520	
	Vacant dwelling	4,167	3,943	4,163		
Wealth	Gross disposable household Income per head at current basic prices	£12,542	£12,751			Compared to £16,034 in the UK in 2011.
	Annual gross pay*	£23,311	£24,986	£24,779		Compared to £26,462 in the UK in 2012.
	Individual insolvency rates per 10,000 adult population Debt relief orders rates per 10,000 adult population	10.3 3.2	6.3 3.9	4.7 4.7		
Health	Inequality in life expectancy at birth (the Slope Index of Inequality) - Male - Female	11.7 years 7.9 years				8.9 years in England 5.9 years in England
Gov spending	Housing Benefit Expenditure (Apr-Mar)	£114.7m	£122.6m	£127.5m		
	Council Tax Benefit Expenditure (Apr-Mar)	£29.5m	£30.9m	£30.3m		
	All DWP Benefits Expenditure (Apr-Mar)	£748.6m	£766.8m	£788.0m		

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** HMRC