

Appendix 2

WELFARE REFORM

1. Introduction

This paper provides an overview of the welfare reform changes to date and the planned changes announced in the July 1015 budget which are now in the Welfare Reform and Work Bill 2016 currently being debated in parliament.

It looks at the impact of these reforms on people in Coventry so far and gives some indication of what can be expected as a result of the recently announced reforms with some suggestions for actions that could be taken to mitigate these effects and some case studies to illustrate the real impact of welfare reform on local families in various circumstances.

2. Benefit Cap

The Benefit cap was implemented in September 2013 and the original plan was to cap the annual income of households who were out of work so that they did not receive more than the average earnings of a working household. For families living in Coventry the cap is currently £26,000 per year (equivalent to £500 per week). There is a lower cap for single people although it is understood that this does not affect anyone in Coventry currently. The number of families currently affected is around 120. It is known that the cap disproportionately impacts on single parents who are mostly women and on certain minority groups.

The cap is implemented by the City Council reducing the level of Housing Benefit. The cap therefore does not currently affect those who do not receive any Housing Benefit (i.e. owner occupiers and others living rent free). The impact of the cap is also limited by the level of the Housing Benefit paid so that the total income of some of those affected is not in fact reduced to £500 per week. Some families are protected from the cap (e.g. if they are working and claiming Working tax credit or if they or a member of their family is receiving certain disability benefits). By reducing the level of Housing Benefit paid to these families the potential effect of the benefit cap is to increase rent arrears and to make families vulnerable to homelessness.

Action to mitigate the effects

Advice agencies in Coventry have worked with Coventry City Council and the local social housing landlords to raise awareness of the ways in which an exemption to the benefit cap can be obtained and are working with a number of local families to achieve this. We have produced a leaflet and launched a helpline to provide support and are monitoring the outcomes of this action. The leaflet campaign has been targeted and has been issued by the local authority so that it goes only to those currently affected by the cap.

In addition, we have taken steps to raise awareness among social landlords so that they can begin to identify those who will be affected after April and take action now to claim those benefits in appropriate cases to provide some protection. Our intention is to relaunch the leaflet when the benefit cap levels are reduced so that we can assist those additional families who are affected by the cap. It will be more challenging to run the same campaign for those whose cap is imposed through

Universal Credit. However we would like to explore whether the City Council could assist in identifying these families by perhaps including an appropriate question in their Council Tax Support claim forms. Some families will be unable to gain an exemption to the benefit cap by working or by claiming disability benefits and these families are likely to remain heavily reliant on reducing their expenditure to make up the rent shortfall as well as claiming Discretionary Housing Payment.

Future changes

In the July budget the Government announced that the benefit cap would be reduced to £20,000 for families (equivalent to £384.61 per week) for families in Coventry from April 2016. It is likely that the reduction will be introduced across the UK in a phased basis and so it is likely that the start date in Coventry will be later than April 2016. The Government are estimating that 5 times the number of claimants who are currently affected by the cap will be affected after the changes and this will mean that we can expect around 600 families to be affected by this aspect of the change.

The benefit cap level of £384.61 per week means that almost all families with 3 children will have their benefit capped and some families with 2 children will have their benefit capped. Changes will mean that DWP will be able to stop core benefit money, instead of just housing benefit, therefore removing the current artificial limit. This will mean that yet more local families will be affected with the numbers increasing from a low initial number until the full impact is achieved by around 2020.

3. Freezing of working age benefits

In the July 2015 budget the government announced that they would be freezing all working age benefits for 4 years from April 2016. This freeze does not affect disability benefits. This change is included in the Welfare Reform and Work Bill.

There is little specific action that can be taken against this but advisors assisting those affected will need to ensure that all benefits are paid correctly and will also need to take action to assist with money management and debt problems. An increasing reliance on Discretionary Housing Payment may result.

4. Introduction of Personal Independence Payment

Disability Living Allowance (DLA) is being replaced by Personal Independence Payment (PIP) and to date the majority of DLA claimants have not been reassessed for PIP although this process is beginning to gather momentum. Although we do not have local figures for the number who have been transferred is about 30 %. The process of reassessing those on indefinite awards of DLA started in October 2015 and is planned to end by 2018.

To date nationally 23% of claimants who are reassessed lose all of their DLA entitlement and some others can also expect to see a reduced entitlement. There will also be some who see an increased entitlement and increases in daily living awards are frequently being achieved at appeal stage in Coventry. The structure of PIP means that it is more likely that the reduction in entitlement will affect mobility awards rather than care/daily living. A reduction in PIP entitlement also has a knock on effect on to entitlement to increased premiums paid on other benefits as well as for carers

claiming cares allowance. For those who are reliant on Motability cars a reduction in their entitlement to mobility component will also mean that they will lose their vehicle.

Action to mitigate the effects

The support of advisors for those who are going through the PIP conversion process is crucial to maximising their chances of success and also ensuring that any additional passported benefits are correctly claimed and paid. This support ranges from assisting with completing forms to mandatory reconsiderations and representation at appeals. The local tribunal service has informed us that around 33% of the appeals heard locally at present are PIP appeals. The number of appeals being heard at present locally is gradually increasing largely due to increasing numbers of PIP appeals. The local tribunal service are expecting PIP appeals to increase to a level in 2016 where 50% of the appeals heard will be PIP appeals. The Law Centre estimates its rate of success at PIP appeals to be 80% and without representation the average rate of success at appeals is around 50%. It is therefore crucial that all advisors in Coventry continue to prioritise casework to provide support to people going through the transition of DLA to PIP.

5. Conversion of Incapacity Benefit and Severe Disability Allowance to Employment and Support Allowance

Incapacity Benefit (IB) and Severe Disability Allowance (SDA) claimants are having their award converted to Employment and Support Allowance (ESA). The medical assessment applied as part of this process is more rigorous than that used by IB and ESA with the result that many claimants are losing their entitlement to ESA. This conversion process was supposed to have been completed but has been delayed due to problems arising with ATOS who are no longer carrying out the medical assessment and have been replaced by Maximus. It is estimated that around 10% of claimants have yet to undergo the conversion process and there is a stated intention that this will be completed by April 2016.

A number of reports have suggested that there are serious negative impacts on mental health for those who are going through the ESA conversion process ranging from an increased incidence of consultations with GPs to an increase in the number of suicides.

Action to mitigate the effects

Advice workers in Coventry are supporting people who are undergoing this conversion process by assisting with form completion, mandatory reconsiderations and appeal representation. In addition we have provided workshops and pop up shops to explain this process to claimants and to enable them to understand this and put their cases forward effectively. The rate of success on conversion appeals where the Law Centre represents is around 75% with around 50% successful without representation. There is a marked increased success rate at all stages where claimants are adequately supported so it is essential that this work continues to be prioritised. A successful outcome and the support of an advisor also helps to prevent or reduce the negative impacts on self-esteem and mental ill health resulting from this process.

6. Genuine Prospects of Work test

This new test is affecting EU nationals who are out of work for more than 6 months and prevents them continuing to receive Job Seekers Allowance (JSA) and Housing Benefit (HB) after this date if they have not acquired a permanent right to reside by having 5 years' legal residence in the UK or if they do not have a derived right through another route (e.g. as a carer of a child in education).

The DWP nationally are interpreting the genuine prospects of work test as being satisfied only if a job has already been secured. It can be challenging for EU nationals to understand the rules and satisfy this test particularly as they may not be provided with an interpreter to assist them at the interviews arranged before the test is applied.

We are not aware of any local figures indicating the numbers affected. The impact of this test is very serious as some claimants are denied access to all benefits and so are unable to maintain their accommodation or to provide for any essentials for themselves. Those affected are finding it very challenging to remain in the UK and have few options. They can be prey to being exploited by others as a result of their situation. Many of those affected most seriously will be in their 50s or early 60s and may have health problems preventing them being well enough to work.

There are in addition a number of ways in which access to benefits will be restricted further for EU nationals under Universal Credit. These changes will prevent many claimants who are too ill to work or who have young children or are pregnant from being able to get restrictions in their claimant commitment in the same way as non EU nationals. Many more EU nationals and their partners will be expected to be looking for work for up to 35 hours per week and consequently it can be anticipated that those who are not in a position to work will be subject to sanctions. The Government are currently considering further steps that could be taken to restrict access to benefit still further for EU nationals.

Action to mitigate the effects

Advisors are assisting to ensure that DWP are correctly interpreting this test and ensuring that claimants with language problems have explained their situation fully and that we have fully explored arguments to prevent the application of this new test. This has led to some claimants continuing to receive benefits. In other cases we may be able to secure payment of other benefits which are outside the test such as Personal Independence Payment or Carers Allowance. These will not be enough to live on permanently but may provide a cushion until the claimant or partner is able to secure employment or to decide on their future course of action.

Cases are being taken through the appeals system but none has been successful as yet. The Law Centre is looking for a case which could lead to a successful challenge of the interpretation of the test as it is currently being applied. It is likely that there is also an increased demand for support from Children's Services as a result of this test.

7. Benefits and Children

A number of measures were included in the July 2015 budget which impacted on benefits being paid to support families with children. Most of these changes are in

the Welfare Reform and Work Bill and so the details may be subject to change. These are:

1. Third and subsequent children born after April 2017 are to be excluded from claims for Tax Credits and Universal Credit unless they are part of a multiple birth or born as a result of rape. Additions will still be paid if these children are disabled. It appears that the way this change will be applied is to all those who make new claims after April 2017 and so the effect may be wider than the original stated impact as it could be applied to children born before April 2017. Housing Benefit will also be similarly affected. The family element of Child tax Credit and the equivalent in Universal Credit will be removed from April 2017 (worth about £10 per week)
2. A reduction in the level of Tax Credits is to be achieved by reducing the sums that can be earned before reducing the level of Tax Credits awarded. This issue has been the focus of considerable debate and it appears that steps will be taken to reduce the impact of this potentially by imposing further cuts on Housing Benefit. No details of these alternatives are available at the time of writing.
3. Universal Credit will be reduced by removing the work allowances (earnings disregard) from the calculation for those without children and disabilities from April 2016 and by reducing the work allowances for those with children and disabilities. This will mean that Universal Credit will no longer offer any substantial advantage to those in work other than the fact that they will not need to transfer from one set of benefits to another.
4. From April 2017 lone parents in receipt of Universal Credit will be expected to undertake work preparation once their youngest child is aged 2 and will be expected to be ready to enter employment when their youngest child is aged 3. Currently they are expected to look for work when their youngest child is aged 5. This will be supported by the provision of increased levels of free childcare for children aged 3 and 4.

Action to mitigate the effects

Currently advisors are waiting for the precise details of these changes after the Welfare Reform and Work Bill is enacted. It will be difficult to fully mitigate these effects but we will need to take steps to ensure families understand these changes, ensure that the benefit calculations are correct, and challenge any decisions that can be challenged.

There will be an increased emphasis on those benefits which are outside the scope of these changes such as Personal Independence Payment and Disability Living Allowance to ensure these are claimed by as many people as possible to mitigate the effects of these cuts. There will also be an increased need for money and debt advice to assist those families whose available income is reduced.

8. Sanctions

Sanctions have been a significant factor for many Job Seekers Allowance (JSA) and ESA claimants over the last 2 years. Currently figures indicate that the number of sanctions being imposed is reducing although it should be noted that the official figures do not include sanctions numbers for Universal Credit which are not being reported officially but which anecdotally are known to be high.

The Government has recently responded to the most recent Works and Pensions select committee report on sanctions and has outlined a number of policy changes they plan to make to reduce the impact of sanctions. These include trialling a new system to give claimants a warning notice before they are sanctioned and some changes to make it easier to get hardship payments and for these to be paid earlier in the sanction period. These changes have yet to be implemented. The Government has also recently put into place changes to ensure that Housing Benefit payments do not stop when claimants are sanctioned.

There are some concerns about the way that sanctions are operating under Universal Credit and these are that a much wider group of claimants are subject to a claimant commitment as a condition of receiving benefit. This includes claimants who are in work and claiming Universal Credit as a top up of their earnings. Claimants and their partners can still be expected to look for more work if it is considered that they are able to work for 35 hours per week. The claimant commitment conditions for Universal Credit claimants are far more onerous than those which apply for JSA claimants. Under Universal Credit sanctions are applied consecutively rather than overlapping as is currently the case. It is significantly more difficult to claim Hardship Payments under Universal credit than under JSA and ESA and under Universal credit Hardship Payments are loans which have to be repaid at the end of the sanction.

Action to mitigate the effects

The Law Centre is currently operating a sanctions hotline for 15 hours per week to support claimants in Coventry who have been sanctioned. This has been widely publicised throughout the City. Our policy is to encourage all claimants to challenge all sanctions including any past sanctions we come across that have happened in the last 13 months and we are taking all of these cases through the appeals process. The success rate in these cases is that 90% are overturned.

Unfortunately, a relatively low number of claimants are challenging their sanction decisions. It is difficult to get the message out to claimants who have been sanctioned at the right time as these are often claimants who are not at that point in touch with advice agencies. Unfortunately, our experience is that the DWP are discouraging people from challenging their sanction decisions despite the fact that so many challenges are successful.

We have put forward proposals to the local DWP to produce a local information sheet which they could distribute to people who have been sanctioned locally to make them aware of where to go for advice but DWP have refused to consider this locally although this has been agreed in other areas.

The Law Centre has also done work with foodbanks to raise awareness of the importance of challenging sanction decision and also to raise awareness of the ways that sanctions will change under Universal Credit. We are concerned that unless the regime is substantially changed and more people start to challenge their sanction decisions, foodbanks are likely to see a considerable increase in demand.

It is important that the sanctions hotline continues to operate and that advice agencies continue to encourage local claimants to challenge their sanction decision.

9. Reduced payments for people who are sick and have limited capability for work

Currently as part of the ESA medical assessment claimants who are accepted as too ill to work are categorised as having limited capability for work or having limited capability for work related activity. They are placed in the work related activity group or support group respectively. These categories attract additional sums with an extra £29.05 per week being paid for those in the work related activity group. The Government are intending to remove this additional sum from new claimants in this category from April 2017. This change is included in the Welfare Reform and Work Bill and so may be subject to change.

Actions to mitigate the effect

Advisors can take action to ensure that wherever possible claimants are placed in the support group and inevitably this will mean an increase in the number of claimants who will want to challenge their decisions. Some claimants may be able to offset some of this effect by claiming Personal Independence Payment. Advisors would need to look at raising awareness of this issue before April 2017 and could also perhaps mitigate the effects by trying to speed up medical assessments during the run up to this period. The number of claimants being placed in the Support Group is currently increasing and this will help to protect people against this change and also assists in protecting against the benefit cap.

10. Support with mortgage interest payments

From April 2018 it is intended that support with mortgage payments paid to owner occupiers who are in receipt of means tested benefits will be paid in the form of a loan which will be secured against the claimant's property and recovered on sale. This change is part of the Welfare Reform and Work Bill and will affect both current and new claimants.

Actions to mitigate the effect

Advisors will need to reconsider this when the Bill is enacted. It is unlikely that much can be done to assist this group but it would be important to ensure these changes are publicised to ensure claimants are aware of this before they are affected and can plan adequately taking this into account.

11. Changes in Benefit for Young People

A number of changes are pending:

1. From April 2017 the Government are removing the automatic entitlement to housing costs paid under Universal Credit (equivalent to Housing Benefit) There are exemptions for vulnerable people.
2. From April 2017 there will be a new youth obligation with stronger day one work requirements and a loss of benefit for those who are not in training, apprenticeship or community work placement after 6 months from April 2017.
3. Young people are also being transferred from DLA to PIP at age 16 and are often experiencing an income reduction as a result at this point.

Actions to mitigate the effect

The changes to the vulnerability definition are not too dissimilar to the current system so it is likely that many of those affected will be able to avoid the loss of entitlement to their benefits by some determined advocacy on their behalf. However this change could pose a potential threat to income for some specialist housing providers locally and so we need to ensure that these agencies are aware of the details of the new rules and the arguments that can be put forward. In theory it appears that where these arguments fail this should be because it is considered that claimants can return to live with their parents so this be an option for some. The risk is that there will be an increase in street homelessness among young people.

The changes in the youth obligation may lead to an increase in the number of young people who find it extremely difficult to sign on and instead remain dependent on their families for financial support. It is likely that parents will approach advice agencies for support in these scenarios rather than the young person concerned and it will be important to ensure that the youth obligation being offered is operated in a way that is fair and reasonable. There may be a need for advocacy work to support those who are affected.