



## HOMELESS LINK BRIEFING: WELFARE REFORM BILL SUMMARY OF PROPOSED CHANGES

On 16 February 2011 the Welfare Reform Bill was introduced to Parliament. The Bill legislates for the biggest change to the welfare system for over 60 years. It introduces a wide range of reforms that the government believes will deliver its commitment to make the benefits and tax credits systems fairer and simpler.

A number of these changes will directly impact on people who are homeless and the services which support them. Below is a brief overview of the key changes and some commentary about their wider implications. For a copy of all the Bill documents, please visit Department of Work and Pensions (DWP) website.<sup>1</sup>

Some of the proposals require new regulations, and the detail of the impact will not be known until the regulations are laid. These are noted below. For some, there remains a lack of clarity about how they will be implemented (e.g. the changes to the social fund) and close attention will be needed to ensure there are opportunities to influence the further proposals. Where Impact Assessments have been published by DWP, we have included some of the most relevant points to our client group.

	<b>Proposed change in the bill</b>	<b>Regulations required</b>	<b>Implications for homeless sector</b>	<b>Impact assessment</b>
<b>Universal Credit</b>	Benefit system will be restructured to create one single income replacement benefit for working age adults. This unifies current system of means tested out of work benefits, tax credits and housing support. It will improve work incentives by ensuring work pays and allowing individuals to keep more of their income as they move into work. Responsibility for children and housing costs will be included in the calculation.		Will substantially increase work incentives and conditionality.	DWP estimate that around 2.7m households will have higher entitlements as a result of Universal Credit. Transitional protection aims to ensure that there are no cash losers during the transition.  In the longer-term DWP estimate approximately 1.7m households will have notional lower entitlements than they otherwise would have done as a result of Universal Credit.

<sup>1</sup> Please see: <http://www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/welfare-reform-bill-2011/>

<p><b>Housing Benefit – ‘appropriate maximum housing benefit’ (AMHB)</b></p>	<p>Housing benefit will be rolled into an individual’s benefit entitlement under Universal Credit. This part of the bill provides for the appropriate maximum housing benefit (“AMHB”) to be determined whether an individual is entitled to housing benefit, and how much they are entitled to. AMHB will determine the claimant’s eligible rent. Rent levels will be dependent on Local Housing Allowance rates and size criteria of claimants in the social housing sector (see below).</p> <p>Clause 68 in this section gives the Secretary of State power to periodically consider re-setting LHA rates without reference to rent officer determinations, for example, if considered necessary to adjust more closely to reflect rent levels in the local area.</p>		<p>The readjustment of LHA rates presents some concern over how this can take into account local variation, ensure adjustments do not reduce the amount for which tenants are eligible, and impact on their ability to cover their rent.</p>	
<p><b>Housing Benefit – uprating local housing allowance rates by CPI</b></p>	<p>As of 2013/14 Local Housing Allowance will be calculated relative to the Consumer Price Index (CPI). Currently it is calculated relative to the Retail Price Index (RPI).</p> <p>We understand that all benefits will be rated in line with the CPI in the future.</p>		<p>As the CPI increases more slowly than the RPI the amount paid in benefit will not keep pace with the average cost of necessary goods and services.</p> <p>The value of LHA will drop against rising rent levels and means households may increasingly find themselves priced out of better quality accommodation.</p>	<p>DWP estimate by 2013 1.4 million housing benefit recipients will receive LHA and they may experience a notional loss in their benefit due to it being uprated by the Consumer Prices Index rather than market rents.</p>

<p><b>Job seekers</b></p>	<p>Claimants will be expected to meet requirements laid down in claimant commitment which will specify consequences should they fail:</p> <ul style="list-style-type: none"> <li>• Work focussed interview</li> <li>• Work preparation e.g. attending skills assessment, improving personal presentation, attending training work experience, work focussed health assessment</li> <li>• Work search – could include job applications, online profile, registering with an agency</li> </ul> <p>Claimants exempt from these requirements include those unable to work due to a physical or mental condition, carers with ‘regular and substantial caring responsibilities’ for a severely disabled person and carers of children under one year old.</p>	<p>The claimant commitment will be introduced across Job Seekers Allowance (JSA), Employment Support Allowance (ESA) and Income Support (IS) before the introduction of Universal Credit.</p>	<p>Homeless people who are claiming JSA or ESA and are in the work related activity group can expect greater pressure to prepare for and seek work.</p> <p>Giving up a job voluntarily or losing a job through misconduct will result in sanctions which could prove very difficult for people who are on a journey back to the labour market after a long period away.</p>	
<p><b>Sanctions</b></p>	<p>If a claimant fails to comply with requirements to undertake work placements, be available for work, take up offers of work, gives up work voluntarily or loses it through misconduct, sanctions will be applied in the form of benefit reduction or loss.</p> <p>Claimants will not be sanctioned if they can demonstrate ‘good’ reasons.</p>	<p>Regulations will prescribe the amount and time for which sanctions will be applied up to and not exceeding 3 years. Regulations may set out the circumstances for ‘good reasons’</p>	<p>The sanctions proposed are stringent, up to three years, but the details will not be clear until the regulations are published.</p>	<p>No formal Impact Assessment on this aspect of the bill.</p>
<p><b>Hardship payments</b></p>	<p>If sanctions result in hardship, hardship payments may be made.</p>	<p>Regulations will declare</p>	<p>Hardship payments will not be paid as a right,</p>	<p>No formal Impact Assessment on this aspect of the bill.</p>

		<p>circumstances which claimants will be treated as in hardship, matters to be taken into account, the amount and period for which a hardship payment will be made, and whether it is a loan.</p>	<p>and they may be paid as loans and recovered from future JSA.</p> <p>This potentially removes the universal safety net and opens the way to destitution.</p>	
<b>Work programme</b>	<p>Work Programme providers will be able to impose requirements on claimants, e.g. work preparation requirements or participation in particular training</p>		<p>It is important providers recognise the support needs of vulnerable claimants which may impact on their ability to meet such requirements and show flexibility in supporting them to meet these requirements.</p>	
<b>Employment Support Allowance</b>	<p>Time limit contributory ESA limited to one year for those people in the Work Related Activity Group (WRAG). Existing ESA claimants at the time of the policy change will be time limited immediately if they have been in the WRAG for one year or more. People moving to the WRAG through Incapacity Benefit reassessment will be given one year from the date they switch before they are time limited.</p> <p>A claimant commitment for people receiving ESA will be introduced mirroring the</p>	<p>Primary legislation in place by April 2012.</p>	<p>This may reduce income for homeless people who have been claiming ESA but not yet found employment.</p> <p>The time limit may increase the number of appeals against being placed in the WRAG rather than support group.</p>	<p>It is estimated that around 90% of contributory ESA customers of duration greater than 3 months and in the WRAG will be affected by a one-year time limit.</p> <p>Around half of all those affected are in the bottom two income deciles.</p>

	provisions in Universal Credit but not including work search or work availability.			
<b>Housing benefit limit according to bedroom occupancy</b>	Housing benefit will be cut to households in social housing deemed to be 'under occupying' their properties. Eligible rent will be reduced to the amount of rent for a property with the number of bedrooms deemed to be appropriate for the household members.		An estimated 670,000 households living in local authority and housing association housing will lose some of their housing benefit. If people want to stay in accommodation deemed too large they must make up any shortfall from their own income; or they must move to accommodation better suited to their size, or the Private Rented Sector (PRS). Where this does not exist people may be forced to leave their homes thereby increasing homelessness.	<p>This is likely to affect an estimated 670,000 housing benefit claimants living in the social rented sector at the time of its introduction in 2013/14 according to DWP. This is approximately 32% of all working housing benefit claimants living in social housing. At the time of its introduction each claimant will see an average reduction in housing benefit of approximately £13 per week, taking into account forecast increases in social sector rents.</p> <p>There are also costs anticipated to the administrative systems used and an estimated cost of £4m if appeals are made by those whose housing benefit entitlement is changed.</p>
<b>Total benefit cap</b>	<p>The Bill makes a provision to introduce a total benefit cap, an amount over which those claiming welfare benefits will not receive. It has been stated that this will be £500 a week for families and £350 a week for single person households.</p> <p>Carers' Allowance, Industrial Injuries Disablement Benefit, In Work Credit, and Return to Work Credit, War widows and Disability Living Allowance (DLA) excluded.</p>	Regulations will be introduced going into greater detail. This will be based on estimated average earnings and reviewed each year.	If temporary accommodation is included in the cap, which is not currently clear, the amount paid by local authorities for temporary accommodation and subsidised by housing benefit could mean that families in temporary	<p>On average the 42,780 households who will be affected will lose around £93 per week. The median loss is around £66 per week.</p> <ul style="list-style-type: none"> <li>• Around 40% will lose less than £50 per week.</li> <li>• Around 25% will lose between £50 and £100 per week.</li> <li>• Around 20% will lose between £100 and £150 per week.</li> </ul>

			<p>accommodation will be left with no money to live on. Temporary Accommodation can cost £500 per week for a family.</p>	<ul style="list-style-type: none"> <li>The remaining 15% will lose more than £150 per week.</li> </ul> <p>Approximately 40% of households likely to be affected will have five or more children. Over 80% will consist of 3 or more children.</p> <p>If a £26,000 benefit cap is introduced, the overwhelming majority of claimants expected to fall under the cap live in London - 29,890 out of 42,780 households - and 19% of all LHA claimants in the capital stand to lose out. Average losses in London are expected to be £71 a week, although many households will lose considerably more.</p>
<b>Social Fund</b>	<p>The Social Fund as part of the centrally administered benefit system will cease to exist. Crisis loans, budgeting loans and community care grants will all be abolished to be replaced by locally administered assistance from local authorities.</p> <p>Help for people moving on from hostels to furnish their homes will depend on the local authority. Support may take the form of grants, loans or assistance in kind such as the loan of furniture or provision, via a charity, of reconditioned furniture or a mixture of all of these and other initiatives. This support may be in cash, vouchers or in kind.</p>	<p>Exact nature of fund and the delivery system is currently not clear. It is likely to be more integrated with other local authority services.</p>	<p>There is a lack of detail about the amount of money which will be available or how it will be administered or assessed. This is a real concern as many homeless people rely on the social fund, community care grants and crisis loans, and may lose out in a new system.</p>	
<b>Disability</b>	<p>Replacing DLA with a new benefit -Personal</p>	<p>Entitlement to</p>	<p>DLA is an important part</p>	<p>The DWP have not produced figure</p>

<b>Living Allowance Reform</b>	<p>Independence Payment (PIP). The benefit is planned to be introduced for new claimants from 2013/14. New assessment is based on two components: the individual's ability to get around, and their ability to carry out other key activities necessary to be able to participate in daily life.</p> <p>In-patient of hospitals or residents in care homes will not be entitled to PIP. The DLA mobility component for those in care homes will be retained until March 2013</p>	<p>either will be determined with reference to a new objective assessment (details will be set out in secondary legislation).</p>	<p>of people's provides an important cash contribution to the extra costs associated with disability. It will be important reviewed and new assessment take needs fully into account.</p>	<p>on the number of individuals affected. They are working with stakeholders, including groups representing disabled people to design the objective assessment, which is still being developed.</p>
<b>Claimants dependent on drugs</b>	<p>Provisions requiring claimants who are dependent on drugs to engage in voluntary or mandatory rehabilitation plans are removed.</p>		<p>This is welcome. While offering rehabilitation is important, placing increased conditionality to do this and imposing sanctions to clients who cannot or are unable to comply often does not offer the most effective way to meet clients' needs.</p>	
<b>Entitlement to work in the UK</b>	<p>Claimants of JSA, ESA, maternity allowance and statutory payments must have an entitlement to work in the UK, which will apply after the introduction of the Universal Credit.</p>			

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