

## Appendix 2

### Summary and analysis of welfare measures announced in the July 2015 budget

Below is a table which sets out the detail of the budget as it relates to welfare reform and related issues.

The main themes of the budget in this area are:

- 1) Freezing most working age benefits for four years from April 2016
- 2) Reducing Social Sector Rents by 1% for four years
- 3) Limiting benefits in general to the amount for a family with no more than two children from 2017. (Will not apply to children born before April 2017)
- 4) Reducing the benefits cap from £26,000 to £20,000
- 5) Reducing Employment and Support Allowance for people able to do some work to the same rate as Job Seekers Allowance.
- 6) Reductions in Tax Credits and Universal Credit from April 2016 for working people
- 7) An increase in the minimum (living) wage

Group	Details	From
<b>18-21 year olds:</b>	Youth obligation 18-21s must be in work or training.	April 2017
<b>Tax Credits and Universal Credit</b>  <b>(note: A vote in the House of</b>	Taper increased from 41% to 48% (the amount which is withdrawn in tax credits as income goes above minimum income threshold).	April 2016

Appendix 2: July 2015 budget welfare changes with local analysis  
Welfare Reform, responses to recommendations made by the Centre for Economic and Social Inclusion

<p><b>Lords on 26<sup>th</sup> October may mean some of the provisions relating to tax credits are changed or delayed. Detail will be known after the Autumn Statement on 25<sup>th</sup> November 15)</b></p>		
	<p>Income thresholds in Tax Credits reduced from £6420 to £3850</p>	<p>April 2016</p>
	<p>Work allowances in Universal Credit will be abolished for non-disabled childless claimants, and reduced to £192 per month for those with housing costs and £397 per month for those without housing costs. Claimants earning below these amounts will retain their maximum award.</p>	<p>April 2016</p>
	<p>Child element of Tax Credits and Universal Credit will no longer apply to third or subsequent children born after April 2017 – there will be exceptions</p>	<p>April 2017</p>
	<p>The amount by which a persons income can change for tax credits before their award is adjusted will be reduced from £5000 to £2500</p>	<p>April 2016</p>
	<p>Family premium will no longer be awarded for new claims or new births</p>	<p>April 2017</p>
<p><b>Employment and Support Allowance (ESA)</b></p>	<p>New claimants of ESA in the Work Related Activity Group will receive the same amount of money as people on JSA, a reduction of about £30 per week</p>	<p>April 2017</p>
<p><b>Housing Benefits</b></p>	<p>Family premium will no longer be awarded for new claims or new births</p>	<p>April 2016</p>

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	Backdating restricted to 4 weeks	April 2016
	Working age HB rates frozen for four years	April 2016
	Child elements will no longer apply to third or subsequent children born after April 2017 – there will be exceptions	April 2017
	LHA rates frozen for four years	April 2016
(benefit cap)	Benefit Cap reduced from £26,000 to £20,000 in Brighton & Hove Reduced from £18,200 to £13,400 for single people	Not specified
	National Discretionary Housing Payment budget of £800million over five years. The national budget will be about the same as it was in 14/15 when the BHCC budget was £1.014million, however because the city is likely to be one of the most significantly impacted by the introduction of the £20k cap then the BHCC allocation may increase to account for that. Details are likely to be known in December 2015.	April 2016
<b>Social Sector Rents</b>	Will be reduced by 1% a year for four years	April 2017
	People earning over £30,000 will pay higher rents up to market rents	April 2017
<b>Mortgage interest relief</b>	Will become a loan	April 2018
<b>Benefit upratings</b>	Most working age benefits will be frozen for four years. Excludes some disability related and statutory schemes eg statutory sick pay	April 2016
<b>National minimum wage/living wage</b>	Increased to £7.20 for over 25s, £9 by 2020	April 2016 (2020)
<b>Child Care</b>	All 3 and 4 year olds will receive up to 30 hours child care per week	April 2017
	Parents of young children will be expected to undertake work readiness activities once the child is 2 and look for work when they are 3.	April 2017

## Analysis

### The reduction of the cap from £26,000 to £20,000

At present the cap set at £26k affects approximately 115 cases in Brighton and Hove. The full financial impact is approximately £335,000

When the cap is reduced to £20k we estimate this will affect around 650 cases which will face reductions in their housing benefit between a few pounds and £450 per week. The full financial impact of this is estimated to be around £2.3million. Of this just under 50% is likely to be a direct reduction in rental income to the council.

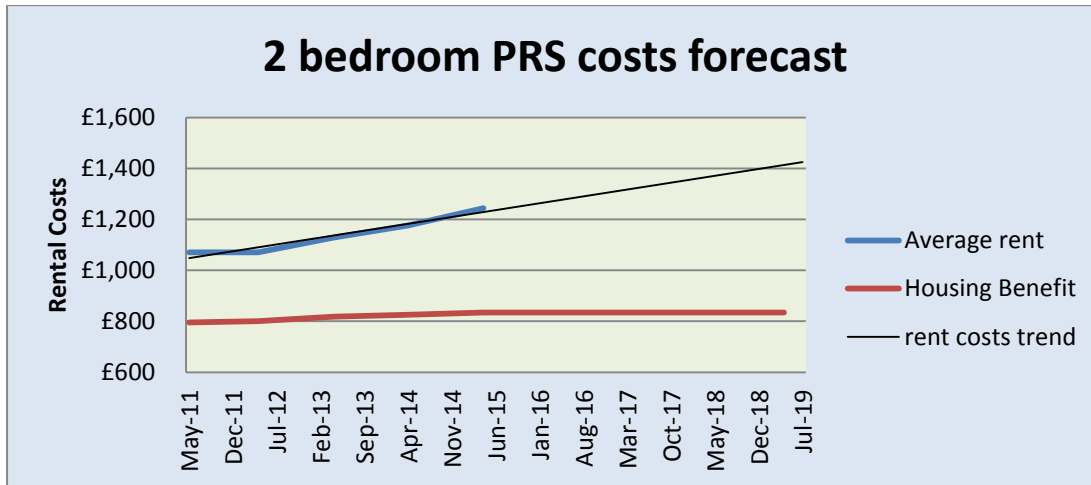
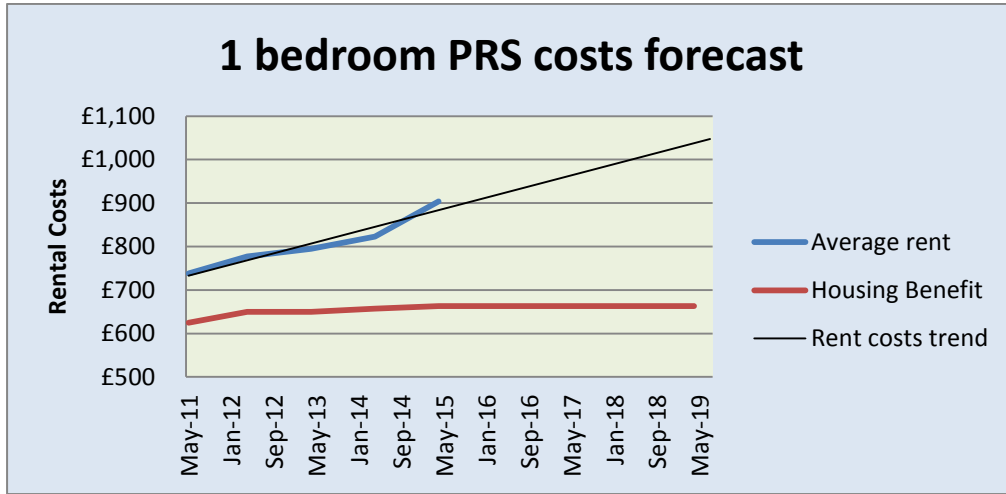
### Freezing of working age benefits

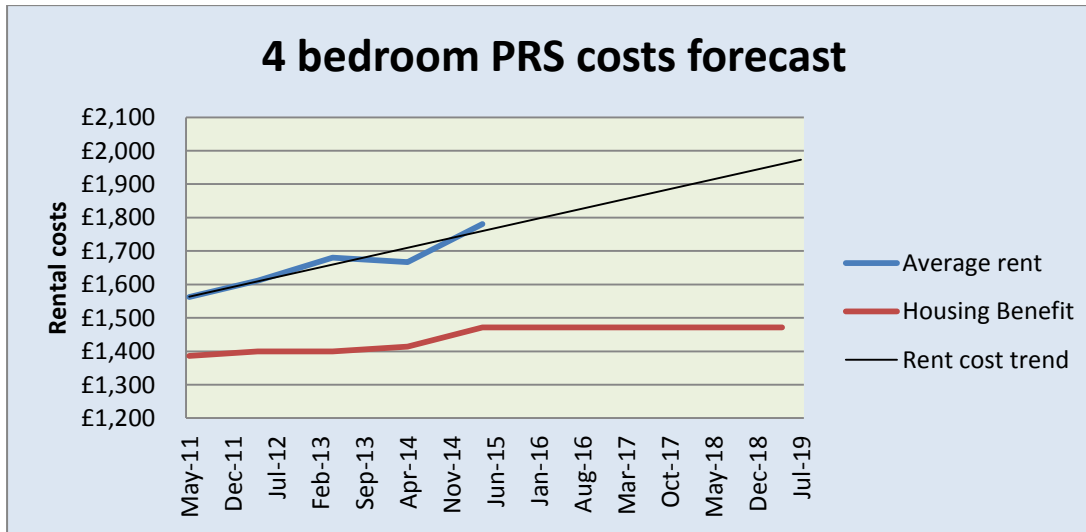
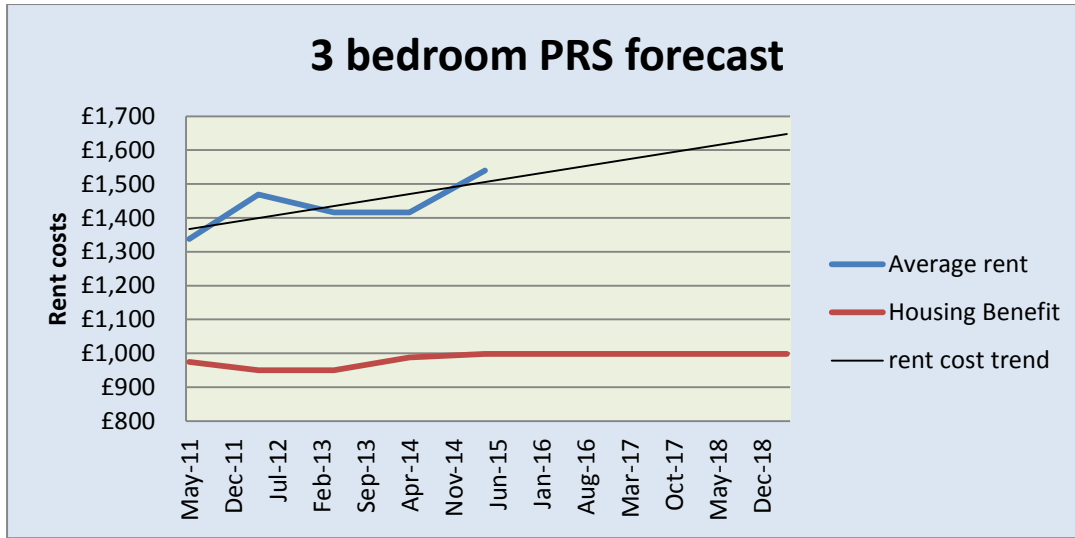
The freeze in working age benefits will affect 20,000 working age families who claim housing benefit from the council in the city, there are also a number of families who will be affected because they claim other benefits but not housing benefit for which the council does not hold figures. This will create pressure on the general cost of living for those families and assuming the private rental market continues to increase the city will become increasingly unaffordable for families who rent in this sector to live in. The report published by the Centre for Social Inclusion (CESI) looking at the impact of welfare reform in Brighton and Hove showed that the benefit freeze was one of the highest contributors to the overall relative reductions in income households faced during the first phase of welfare reform (2011 – 2015).

### Freezing of Local Housing Allowance (LHA) rates

LHA is housing benefit in the private sector. LHA rates are due to be frozen over the next four years, the following graphs set out historic rent price increases and projections against LHA costs to demonstrate the impact this may have if these rent trends continue in the City (as the graphs demonstrate there is already a sizeable difference between average rents and LHA payable). There are currently 10,900 LHA claims in the city

(Source: BHCC Housing LHA rents report)





The consequences of this relationship between rents and benefit levels if they occur according to historical trend will mean that it will be increasing difficult to live in private sector rented accommodation if a person on household is on benefits or a low income,

Tax Credits and Housing Benefit will not increase if a third of subsequent child is born after April 2017

Approximately 100 third or subsequent children are born to families in Brighton and Hove who are living on benefits each year. The consequence of having a third or subsequent child will mean receiving £53 per week less in Child Tax Credit. It can also mean a loss of housing benefit if a household rents in the private sector of up to £100 per week (although in some circumstances LHA would not increase anyway).

Tax Credit and Universal Credit changes for people who are working (May now be delayed or amended, further detail will be given at the Autumn Statement 25<sup>th</sup> November 2015)

Around 4400 households in the City are estimated to be affected by these changes. These households are likely to see a reduction on average of £870 per year. The minimum (living) wage is due to increase from £6.70 to £7.20 in April 2016 and then to £9 by 2020.

ESA work related activity group

From April 2017 new claims for Employment Support Allowance who are in the Work Related Activity group will be paid at the same rate as people who claim Job Seekers Allowance. This means they will receive approximately £30 less per week than they would have done otherwise. In Feb 2015 there were 2520 people in the city in receipt of ESA work related activity group.

Discretionary Housing Payments

The Government has announced a national Discretionary Housing Payment allocation of £800million from April 2016 over 5 years. In Brighton and Hove this will mean funding is likely to rise to about that which it was in 2014/15 which was £1,014,000 and would mean there would be a sizable gap between need and provision given the new measures introduced in this budget. This will also depend on the distribution formula and could alter significantly. Some of the reductions will be able to be covered through these discretionary funds but this will only be a short term solution. Other mitigating actions are set out in the main report and in appendix 1.