

Impact analysis of recent welfare reform measures and rollout of Universal Credit

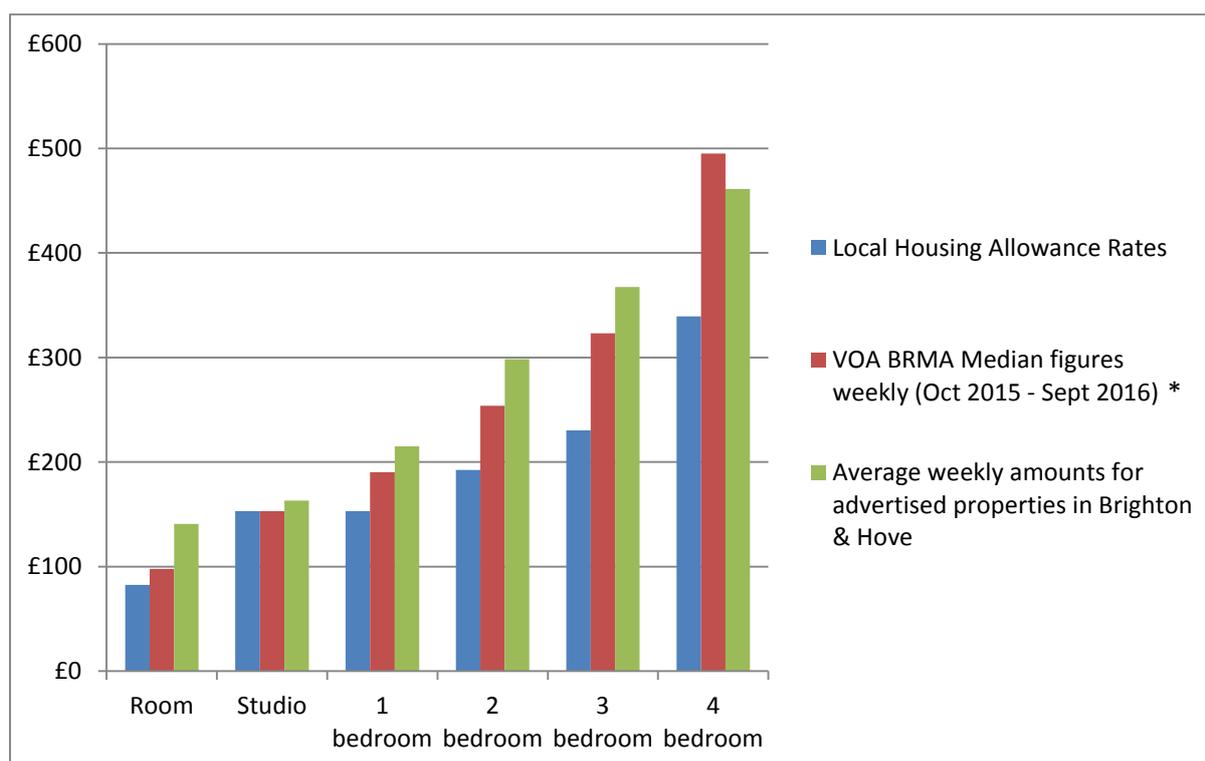
Freeze on working age benefit rates for four years from April 2016

A freeze in the rate of most working age benefits has been in place since April 2016.

The Consumer Price Index of inflation was 2.6% in April 2017.

This freeze also affects the rate at which Local Housing Allowance (LHA), which is Housing Benefit for people who live in the private sector, is paid. Prior to the freeze other measures were put in place to control the amount of LHA payable. The following graph shows a comparison of weekly LHA rates against advertised rents and Valuation Office Agency figures for median rents in the city.

Graph: Weekly Local Housing Allowance rates against local market information



Sources:

Valuation Office Agency: Private rental market summary statistics – October 2015 to September 2016.

Brighton and Hove City Council: Brighton & Hove Housing Market Report 2017 Q1 Jan-Mar

Brighton and Hove City Council: Brighton & Hove Private Sector Rent and Local Housing Allowance Comparison Report 13 April 2017

*VOA BRMA = Valuation Office Agency. BRMA = Broad Rental Market Area which is the area used by the VOA to inform average rental amounts for an area. The local BRMA is between Newhaven, Lewes and Shoreham-By-Sea.

Further information on local housing market data is published on the Brighton & Hove Council website.

A change in the Benefit Cap from £26,000 per year to £20,000 per year

The overall cap on the amount of benefit a household with children can receive was reduced in November 2016 from £26,000 per year (£500 per week) to £20,000 per year (£384 per week). For single people the amount reduced from £18,200 per year (£350 per week) to £13,400 per year (£258 per week). This started to take effect in Brighton & Hove from December 2016.

The overall impact of this change is still not clear. Before the change in the rate of the cap 67 households in the City were affected by the measure. By March 2017 440 households were impacted, however around 90 were removed from this position due to a technical change in the way management support costs are provided by government for people living in temporary accommodation. That said, we are still seeing a number of new cases each week, and some of the new cases will be on Universal Credit. The council does not have comprehensive information about the number of capped cases on Universal Credit. Households affected by the Benefit Cap receive specialist casework support to help them change their circumstances so they are no longer affected by it.

Reduction in work allowances under Universal Credit

Work allowances within Universal Credit are the amount a person can earn before it is taken into account in the assessment. These amounts were reduced from April 2017 which means the amount of Universal Credit received by people in work reduced. For people fully able to work and who are not responsible for a child, work allowances were ended altogether. The following table sets out the changes to the work allowances.

Higher work allowance for people without housing costs included in the assessment of Universal Credit		before April 2017 (per month)	from April 2017 (per month)
Single claimant	not responsible for a child or qualifying young person	£111	£0
	responsible for one or more children or qualifying young persons	£734	£397
	has limited capability for work	£647	£397
Joint claimants	neither responsible for a child or qualifying young person	£111	£0
	responsible for one or more children or qualifying young persons	£536	£397
	one or both have limited capability for work	£647	£397

		pre April 2016 (per month)	from April 2017 (per month)
Lower work allowance for people with housing costs included in the assessment of Universal Credit			
Single claimant	not responsible for a child or qualifying young person	£111	£0
	responsible for one or more children or qualifying young persons	£263	£192
	has limited capability for work	£192	£192
Joint claimants	neither responsible for a child or qualifying young person	£111	£0
	responsible for one or more children or qualifying young persons	£222	£192
	one or both have limited capability for work	£192	£192

However in the 2016 Autumn Statement the chancellor announced that the overall taper rate within Universal Credit would change from 65% to 63%. The taper rate is the amount at which Universal Credit is withdrawn as a person starts to earn more. The reduction in the taper rate will mean working people will receive a higher amount of Universal Credit.

Analysis by the Institute for Public Policy Research suggests the change in the taper rate will put £700m per year back into Universal Credit compared with £3bn per year taken out due to the changes in work allowances.

The ending of the family element in tax credits (and corresponding first child premium in Universal Credit) for new claims from April 2017 and limiting the child element of tax credits and Universal Credit for two children for new claims and births after April 2017

This provision will impact on current households who are in receipt of Tax Credits and in the future customers who are in receipt of Universal Credit.

The government has published clear information about how the impact on Tax Credit will take effect. Essentially if a parent has a third or subsequent child after 6th April 2017 they will no longer receive the Child Tax Credit element, worth £2,780 per year, for that child. There are also changes to other benefits, for example Housing Benefit, which means those benefits will not increase in response to the lower rate of Child Tax Credit payable.

It is not yet fully clear how this provision will impact within Universal Credit. Although Universal Credit will roll out for most people in Brighton and Hove in 2017, households with three or more children will not be able to claim it until at least November 2018.

There are around 3,500 families in the city who currently rely on benefits with two or more children who could be impacted by this measure were they to have another child.

There are a number of exceptions to this measure including: if you adopt a child; if you look after another child formally or informally where otherwise that child would be looked after by a local authority; if a child is born as a result of non-consensual conception.

Prior to April 2017 Child Tax Credit paid for a first child in a family attracted an extra allowance of £545 per year in addition to the standard amount. From 6th April 2017 this extra allowance will no longer be payable. The equivalent provision is also being removed from Universal Credit.

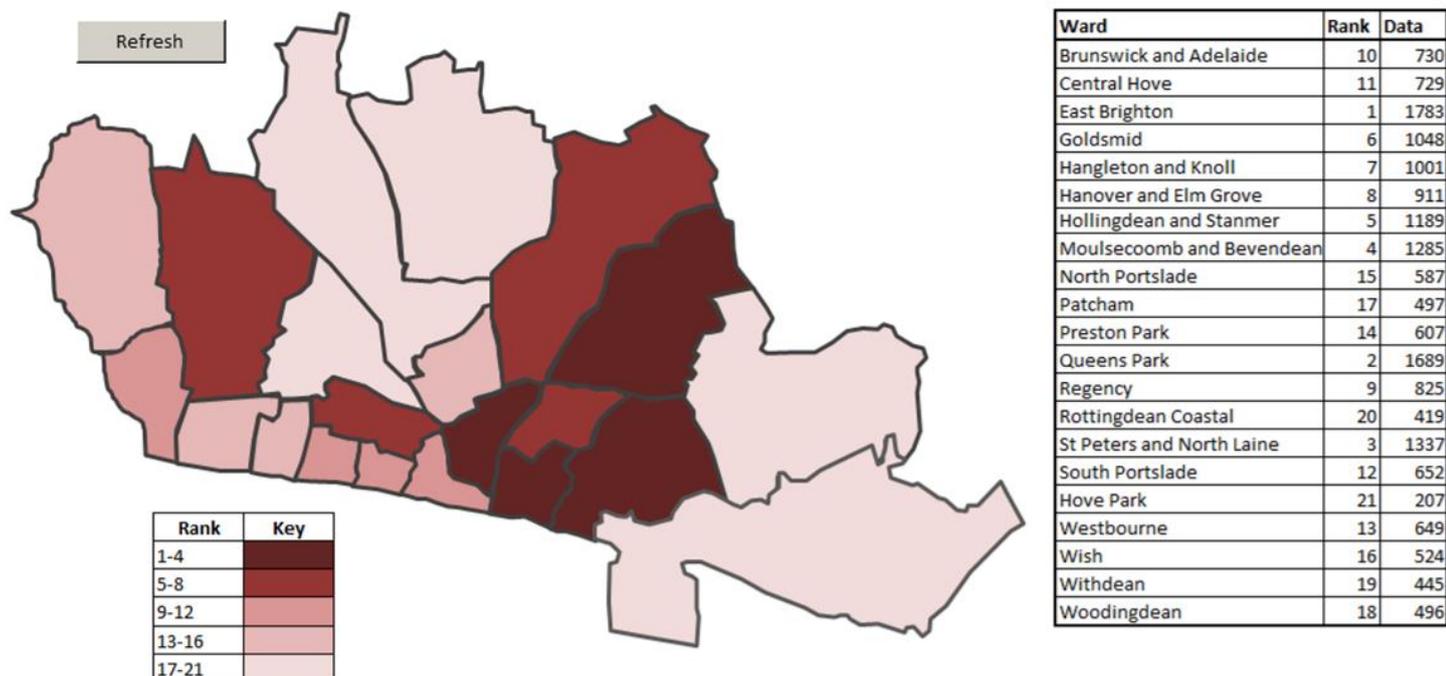
Limiting the amount of Housing Benefit available to social sector tenancies to the equivalent of that in the private sector from April 2019

From April 2019 the amount of housing costs paid under Housing Benefit and Universal Credit for people who live in social sector accommodation (usually council housing or housing owned or managed by a registered social landlord) will be limited to the amount available for tenants in the private sector. This will apply to tenancies entered into from April 2016 for people still on Housing Benefit, but to all tenancies for people on Universal Credit.

On the whole, social sector rents tend to be lower than private sector rents in the city. There will however be impacts around single people who are under 35 who will only receive up to the amount for a shared room. Additionally this provision will also impact on people living in supported accommodation where rents tend to be higher, however the government has said it will provide additional funding to local authorities so they can meet the costs of supported accommodation in their area.

Universal Credit – estimated impact by 2022

Universal Credit – estimated rollout by ward



These figures are based on current working age Housing Benefit data. It will exclude households who are in receipt of in or out of work benefits but not Housing Benefit. As such this will be an underestimation of final figures.

