

Advice NI Welfare Reform EQIA Response (December 2011)

Background (1)

Welfare benefit cuts are already having a significant impact on households across Northern Ireland: Incapacity Benefit migration (many will not pass the ESA medical test); Support for Mortgage Interest: shortfall created by the reduction in SMI to the Average Mortgage Rate in October 2010; Support for Mortgage Interest: withdrawal of SMI for claimants on IB-JSA for 2 years after 4th January 2009 (impacting from January 2011); Sure Start Maternity Grant: payment for a second or subsequent child abolished (from 23rd March 2011); Less generous benefit uprating formula; Childcare support within tax credits: reduced from 80% to 70% (from April 2011); Local Housing Allowance (Housing Benefit): the setting of LHA at the 30th percentile, meaning that only about 3 in 10 private rented properties will be at or below the LHA rate (April 2011). The changes mean that private tenants will receive less help with rent payments through Housing Benefit after 1st April, meaning there will be a bigger shortfall between Housing Benefit and the amount owed to the landlord.

Background (2)

Deteriorating economic situation in Northern Ireland: rising unemployment; the seasonally adjusted claimant count in October 2011 increased by 100 over the month to 60,700; 201 proposed redundancies were notified in the latest reference period and there were 94 confirmed redundancies in October 2011; weak private sector; high dependency on public sector jobs; impact of public spending cuts; high levels of youth unemployment; high levels of long term unemployed.

Background (3)

Rising cost of living: households are now increasingly cash strapped as cost of living rises; rising energy costs; food prices (food poverty); child poverty, increased homelessness; increasing indebtedness; increasing stress and mental health problems; lack of opportunities and increasing feelings of hopelessness given lack of employment opportunities.

Background (4)

Advice NI services: Advice NI's latest annual statistics (2011) reflect the growing demand upon advice services, some keynote information includes:

- 260,968 enquiries dealt with by Advice NI members (59% of which were social security related);
- 1,467 appeal cases represented by Advice NI advisers (57% increase in comparison to 2009 figures);
- Debt Action NI (a primarily face to face debt advice service funded by DETI); the service has been operating since November 2009 and up to 30th September 2011 has dealt with 3,434 clients with nearly £64.3m of debt;

- Advice NI has secured the SSA Benefit Uptake Programme 2011 (25,000 people will be targeted including older people and carers; holistic benefit assessment will be conducted by Advice NI);
- Advice NI has secured funding from the SSA Innovation Fund for 2 projects aimed at assisting benefit uptake amongst young people (to help them secure their income and allow them to think about improving their employability) and those in employment (aimed at assisting the low paid and those in part-time work to maximise their income and stay in employment);

Welfare Reform Bill

Part 1 of the Bill introduces Universal Credit which will be payable to people both in and out of work, and will replace Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Housing Benefit, Child Tax Credit and Working Tax Credit.

Part 2 provides for amendments to Employment and Support Allowance (ESA), including time limiting the payment of contributory ESA (WRAG group) to 12 months. Part 2 will also restrict access to Income Support for lone parents; to be eligible they will have to have a child under 5 years of age, compared to under 7 years at present.

Part 3 provides for the transfer of responsibility for Social Fund Crisis Loans and Community Care Grants to local authorities in England and to the devolved administrations.

Advice NI Issues & Concerns – Universal Credit:

- (1) **Benefit Cap** – In terms of age, Advice NI believes that the EQIA assertion that the cap will only apply to working age benefits and will not impact on single people or couples who have reached the qualifying age for State Pension Credit may be less than accurate. In actual fact where the older of a couple is over the qualifying age for State Pension Credit and the younger of the couple is under the qualifying age for State Pension Credit, UC will be the appropriate benefit to claim. Therefore the older of the couple who will be over the qualifying age for State Pension Credit will in fact be impacted upon by the benefit cap;
- (2) **Treatment of savings** – impact of upper limit (probably £16,000), in particular where Housing Benefit is assessed as part of the UC claim; impact on people who save; potential differential impact on older people;
- (3) **Frequency of payment** – impact of monthly payments, shows little understanding of the situation facing many low income households who find themselves budgeting day to day and week to week; potential differential impact on low income households and people with mental health problems who find it difficult to budget on this basis;
- (4) **The self-employed** – how self-employed earnings will be ascertained under UC, in particular as UC payments are to be based on real-time data from HMRC;
- (5) **Uprating** – potential impact of level of benefits falling behind cost of living of low income households;

- (6) **Housing costs** – uncertainty as to the future payment of mortgage costs, this is not explicitly stated within the Bill; uprating of housing costs, potential impact of level of support falling behind actual housing costs (both rent or mortgage); how will ‘rates’ in Northern Ireland be dealt with within UC;
- (7) **Childcare costs** – uncertainty as to how support for childcare costs will be paid within UC; what amount will be paid; issue of the lack of a childcare strategy and infrastructure in NI; fact that the approach to this issue will dictate success of the welfare to work policy in NI; uncertainty around the threshold (working hours) to access childcare support under UC;
- (8) **Passported benefits** – uncertainty as to how Free School Meals and other types of vital passported support will be made available within UC; potential differential impact upon children;
- (9) **Severe Disability Premium** – impact of proposal under UC to only pay the equivalent of the SDP to people in the equivalent of the ESA Support Group. Potential differential impact on people with disabilities (would serve to exclude those in the WRAG group, which form the majority of ESA claimants; would also serve to exclude people obtaining this payment within what is currently JSA);
- (10) **Conditionality threshold for people in work** – as UC is both an in & out of work benefit there is uncertainty as to the extent to which someone in work will be expected to participate in UC conditionality regime
- (11) **Lone Parents entitlement to Income Support** – impact of proposal to reduce the point at which single parents will be required to seek work still further, when their youngest child reaches age 5; potential for lone parents with children younger than 5 to be mandated to take part in work focussed interviews; impact of this increased conditionality on lone parents and children – and associated penalties and sanctions which might apply if lone parents are assessed as not meeting the conditionality requirements;
- (12) **Sanctions** – UC will be a single household benefit therefore any sanction will impact upon the whole household. Impact of sanctions on the household as a whole (including children); impact specifically on lone parent households; impact on people in work; impact of sanctions on people with mental health problems, learning difficulties and behavioural problems. Potential differential impact on people with disabilities & families with children;
- (13) **Welfare advice and representation** – the Bill talks about welfare advice and representation, in recognition that advice agencies will be impacted by welfare reform. Good relations exist in NI between the advice sector and the Social Security Agency for example (i) currently Advice NI is delivering on a Benefit Uptake Programme contract where the Social Security Agency contact 25,000 people who could potentially benefit from an independent benefit assessment conducted by Advice NI; (ii) funding has been made available via the SSA’s Innovation Fund, similarly aimed at increasing benefit uptake. Moving forward there needs to be (1) a clear strategy for supporting and adequately resourcing frontline and infra-structural support services over the longer term, considering that these services are poised to face unprecedented demand; (2) greater thought given to how the expertise and role of the advice sector can be harnessed and utilised within the context of welfare reform developments; & (3) further thought given to the importance of the independence of advice

services, and how this independence can be protected within the context of any future developments;

- (14) **Universal Credit pilots** – Advice NI believe that such substantial change needs to be robustly tested and piloted before general roll-out. This is a further reason why the NI Assembly should not seek accelerated passage of this piece of legislation, full scrutiny (in addition to debating the NI-specific impacts of each clause, and tailoring delivery in the NI context) will enable NI to see how the Bill becomes implemented in GB and learn from any mistakes and pitfalls encountered;
- (15) **Payment to couples** – impact of UC paid as a single payment to a household; what if something goes wrong and payment not received; potential to split payments; issue of ‘purse to wallet’; potential detrimental impact on women;
- (16) **Rates** – Council Tax is being abolished; uncertainty re situation affecting rates rebates in NI;
- (17) **Pension Credit & Universal Credit** – proposal that in future both couples must have reached pensionable age before PC becomes payable; potential detrimental impact upon older working age claimants / where one of a couple is over pensionable age;
- (18) **Pension Credit & Universal Credit** – proposal to incorporate Housing Benefit into Pension Credit thereby introducing a capital limit for PC; currently there is no upper capital limit for PC; potential detrimental impact upon PC claimants;
- (19) **Employment & Support Allowance** – entitlement to contributory Employment and Support Allowance (ESA) for claimants in the Work-Related Activity Group to be time limited to 1 year; please see previous Advice NI response for potential detrimental impacts re this issue including in terms of the profile of the 51,000 Incapacity Benefit recipients in Northern Ireland being reassessed, Incapacity Benefit recipients have been in receipt of this contribution based benefit for many years, for example approximately 10,000 are ex-Invalidity Benefit (IVB) recipients (IVB was replaced by Incapacity Benefit in 1995), therefore there is an immediate disproportionate impact upon older people. Also Advice NI would argue that this measure will unfairly impact upon people who may have worked for many years only to find that access to appropriate contribution based sickness benefit is curtailed should they fall ill; the 1 year time limit does not give enough time for recovery; is an un-evidenced time period, in fact 2 years is closer to the mark; this change reflects a potential detrimental impact on people with disabilities and longer term health problems;
- (20) **Housing Benefit** – proposal to strict HB for working age social tenants who occupy a larger property than their family size warrants; and re-set Local Housing Allowance rates without reference to rent officer determinations; potential differential impact on people with disabilities who have adapted their homes to meet their needs / is there social housing stock available to allow people to move to more suitable accommodation (under-occupancy); potential for LHA to become completely out of touch with actual market rents (uprating);

Issues – Social Fund:

1. **Abolition** – the social fund as it is currently formed is to be abolished; functions (crisis loans and community care grants) to be transferred to devolved administrations;

2. **Ring fencing** – concern that funding will not be ring-fenced and so not used to help the most vulnerable with a crisis or unexpected expenditure;
3. **Administration** – uncertain as to how any new scheme will be administered in NI;

Issues – Disability Living Allowance / Personal Independence Payments:

1. **Abolition** – DLA for working age people to be abolished and replaced with the Personal Independence Payment;
2. **Cost cutting** – Treasury Statement highlighted that this proposal to save 20% by caseload and 20% by expenditure; proposals include 6 month qualifying period as opposed to 3 month qualifying period; potential detrimental impact on people with disabilities;
3. **Qualifying criteria** – uncertainty around the qualifying criteria for the PIP;
4. **Children / older people** – uncertainty as to what Government propose regarding these two client groups;

Issues – Benefit Cap:

1. Potential differential impact on larger families and people with disabilities; with more expensive housing costs; more information required regarding potential exceptions to the benefit cap; potential for increased homelessness; impact upon ability of households to remain in current areas and stay in work;

Issues – Child Maintenance:

1. Potential detrimental impact on parents with care (and children) who will be mandated to pay a fee to use the statutory scheme;

Contact information on this Briefing Paper:

Bob Stronge (Chief Executive); Fiona Magee; (Deputy Chief Executive); Kevin Higgins (Head of Policy)

Advice NI

1 Rushfield Avenue

Belfast

BT7 3FP

Tel: 028 9064 5919

Email: bob@adviceni.net; fiona@adviceni.net; kevin@adviceni.net

Website: www.adviceni.net