

## Financial Hardship Fund Commissioning Brief

**Harrow Needs: people experiencing most hardship from the current economic situation and/or those who need assistance to transition to the reformed welfare system**

### Exploring Welfare Reform

For a comprehensive summary of the coalition government's Welfare Reforms to date, please 'Benefits after the Act' (pages 6-21) available from: [blog.cix.co.uk/gmorgan/2013/02/07/benefits-after-the-act-updated/](http://blog.cix.co.uk/gmorgan/2013/02/07/benefits-after-the-act-updated/)

Most of the reforms have already been implemented. The most recent was the Benefits Cap, which was implemented in Harrow in August 2013.

Universal Credit is being rolled out gradually (both geographically and demographically) and has not yet affected anyone in Harrow. Whilst there will be gainers and losers, when compared to the current system, there will not be an overall cut to welfare payments from Universal Credit. There will be a fund to support transition to Universal Credit, so this is not included in the identified needs below.

### Groups most affected by Welfare Reforms in Harrow

Average loss per claimant household is thought to be the 9<sup>th</sup> highest of all local authorities in England at an estimated £2046.<sup>1</sup>

Benefits Cap – Harrow Pre-implementation estimates (implementation in August 2013):

- At the point of implementation, about 500-600 households will be affected by the Benefits Cap at any one point. As households move in and out of this cohort, this may stabilise at a lower level.
- Of the 700 households that DWP thought would be capped (many have since been found to be exempt<sup>2</sup>), there were:
  - 130 Jobseeker Allowance claimants (those considered able to work)
  - 297 income support claimants
  - 120 Employment and Support Allowance claimants
  - 133 other
- Largest shortfalls are around £345 per week. Average is about £100.
- It is estimated that 50-100 households will need to move out of Harrow live somewhere cheaper.
- The 2012 Welfare Reform analysis showed that 96% of 'over the cap' households are families with children and the benefits reduction will be greatest for larger families.

Disabled People:

- People who are severely disabled and live on their own or just with a child have extra costs which are not faced by severely disabled people who have a partner or carer. Under the current system they are eligible for severe disability premium, but there is no equivalent for this in Universal Credit.<sup>3</sup>
- Nationally, 1000 - 5000 disabled people will face six separate cuts to their benefits income & will be £23,300 worse off per person by 2017. About 120,000 disabled people facing a triple cut, and 99,000 a quadruple cut will have their benefits reduced by at least £6,309 per person by 2017.<sup>4</sup>

<sup>1</sup> LGA, 'The Local Impacts of Welfare Reforms', August 2013

<sup>2</sup> Exemption criteria: [http://www.adviceguide.org.uk/england/benefits\\_e/benefits\\_the\\_benefit\\_cap\\_e/benefits\\_the\\_benefit\\_cap\\_and\\_housing\\_benefit\\_e/the\\_benefit\\_cap\\_and\\_housing\\_benefit\\_who\\_is\\_exempt.htm](http://www.adviceguide.org.uk/england/benefits_e/benefits_the_benefit_cap_e/benefits_the_benefit_cap_and_housing_benefit_e/the_benefit_cap_and_housing_benefit_who_is_exempt.htm)

<sup>3</sup> Harrow CAB Report: Helping our tenants to cope with welfare reform, April 2013

<sup>4</sup> <http://www.theguardian.com/society/2013/mar/27/disability-benefits-cuts-impact-demos>

An adverse economic climate and welfare reform changes have led to an increase in homelessness applications and acceptances. At June 2013 there were 81 families placed in B&B.

### **More information about Harrow context**

A wealth of information about Harrow can be found using the following:

- Harrow Informed (online, interactive tool): <https://harrowinformed.harrow.gov.uk>
  - For queries about how to make best use of this please contact [corporate.performance@harrow.gov.uk](mailto:corporate.performance@harrow.gov.uk)
- Joint Strategic Needs Assessment: [www.harrow.gov.uk/jsna](http://www.harrow.gov.uk/jsna)

### **Potential Areas of Need arising from Welfare Reform/ Economic Situation.**

A recent study found that at a national level, “Less than a quarter of welfare recipients will be in a position to mitigate reductions in benefit payments by finding work or moving to cheaper accommodation”.<sup>5</sup>

#### **1) Support with Managing Finances & accessing cheap credit**

The CAB ‘Managing Migration Pilot’ found that 73% of their clients in research areas:

- a) do not know how much money is going in or out per month (14%)
- b) find it hard to keep track of money in and out (26%)
- c) have a rough idea of monthly households spend but need support (34%)

Further 77% of clients in their research areas:

- a) often run out of money and do not know what to do (16%)
- b) often ends up borrowing money to cover living expenses (30%)
- c) have tried different things but does not think they can make real changes (32%)

Some low-income or vulnerable households use ‘payday loans’ companies which charge high interest rates. ‘StepChange’ Debt Charity has seen increased caseloads in 2013 and more people with multiple debts. This suggests that more people are taking on expensive and/or unaffordable debt, with welfare reforms a likely causal factor.<sup>6</sup>

Money Advice Service research in 2010 showed over 1 million households seeking debt advice during the year – and estimated that up to 4.4 million households may have a latent demand for similar advice.

Many Credit Unions are trying to expand membership and services to provide a lower-cost alternative to Pay Day Loans<sup>7</sup>

Low income households tend to use complex short-term budgeting strategies to manage their finances, relying on a range of sources to get by i.e. family, friends and creditors.<sup>8</sup> It is likely that welfare reform will increase the number of people needing credit and/or the ability to carefully manage their finances.

Some people hold religious beliefs prohibit them from taking a commercial loan and paying interest. Is this evidence that this is a problem in Harrow? Is alternative provision available for these groups?<sup>9</sup>

<sup>5</sup> LGA, ‘The Local Impacts of Welfare Reforms’, August 2013

<sup>6</sup> <http://www.stepchange.org/Mediacentre/Pressreleases/Paydayloanproblemsworsen.aspx>

<sup>7</sup> <http://www.telegraph.co.uk/finance/personalfinance/borrowing/10041732/Credit-union-expansion-to-force-out-payday-lenders.html> &

<http://www.guardian.co.uk/money/2012/nov/02/credit-unions-payday-loans>

<sup>8</sup> <http://www.cse.org.uk/news/view/1709>

Of 378 Harrow Council Tenants who accepted proactive offers of support from CAB in late 2012/early 2013:

- 80% said that they did not currently have money worries (although many subsequently raised queries suggesting this might not be the case, or was a real possibility in the near future).
  - This was 25% for those aged '16-24' (small sample).
- 23% (86) asked questions about debt (not necessarily all from people in debt).
- 14% said they would like training in budget management. For those age 16-24 this was 75%.

Of those who wanted training, the most popular options were: one-to-one sessions (55%) & written guidance and tips (19%). Ongoing mentoring was not popular (2%).<sup>10</sup>

CAB has been commissioned to provide financial capability training for Harrow Housing tenants in 2013/14. Additional provision would need to complement this existing provision, or target different groups.

### Ideas

- Could you help people to budget and/or keep track of their money
- Could you help more-people access cheaper credit?
- Could you help more people to pay key bills by direct debit?

### Relevant initiatives elsewhere:

- Money Management Workshops, Kingston:
  - <http://www.theguardian.com/local-government-network/2013/may/29/kingston-council-welfare-changes-health-wellbeing>

## **2) Support for taking-up benefits**

The latest estimates for benefit take-up show that a quarter to a third of many benefit types are not being taken up by those eligible to receive them .

The government anticipates that Universal Credit will increase take-up due to the single assessment and payment process. However universal credit is being rolled out gradually and there may be immediate benefits.

Work undertaken by CAB in late 2012/early 2013 with 378 Harrow Council Tenants who accepted proactive offers of support from CAB in late 2012/early 2013, increased their benefits income by £50,674 for 2013/14 – (£124 per tenant on average).<sup>11</sup>

A 2003 report 'Serious Benefits – the success of CAB Benefits Take-Up Campaigns' found that on average £1 spent on campaigns led to an average increase in benefit take-up of £85 per client (time period not stated).

More recently, under 'Warm Front' (ended in April 2013) Benefit Entitlement Checks identified on average more than £1,600 per year in additional income for those households who successfully received the service.<sup>12</sup>

### Ideas

- Could you help low income/ vulnerable households to take-up benefits that they are entitled to and thereby increase their income?

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<sup>9</sup> 'An insight into the impact of the cuts on some of the most vulnerable in Camden', Young Foundation 2012

<sup>10</sup> Harrow CAB Report: Helping our tenants to cope with welfare reform, April 2013

<sup>11</sup> Harrow CAB Report: Helping our tenants to cope with welfare reform, April 2013

<sup>12</sup> <http://www.cse.org.uk/news/view/1709>

- Could you support people to access the internet to apply for benefits online?

#### Relevant initiatives elsewhere:

- For various examples, see 'Take Up the Challenge – The role of Local Services in increasing take up of benefits and tax credits to reduce child poverty' (available on the internet).

### **3) Getting by with less**

Many households may need to adapt their behaviour to meet their needs on lower incomes.

For instance, there is evidence that some people don't have enough money to buy food. In the first couple of months after opening on 4<sup>th</sup> June 2013, Harrow Food Bank accepted 40 vouchers and fed 113 people (59 adults & 54 children), providing them with food for at least 1550 meals. Currently open two days a week, the Food Bank will open for another day in a different location from September. Vouchers are provided to people in need by professionals (e.g. GPs, Social Workers), to redeem at the Foodbank. They also provide food on other days when agencies identify emergency need. Advice agencies are present at each session to help people find more sustainable ways to meet their needs.

Studies have shown that families with reduced income will often reduce spend on food and clothing. This can have seemingly opposite impacts of obesity and malnutrition depending on the actions that the families take. Increases in cheap but calorie-rich foods and reductions in fresh fruit and vegetables is one action which may increase levels of obesity while a reduction in all foods to maintain a balanced diet can ultimately reduce the caloric intake resulting in malnutrition. This impacts on the ability to concentrate both at school and at work.

20% of Harrow adults are obese – slightly higher than London average – and it is increasing. A high proportion of people are eating the recommended 5 fruit and vegetables a day but not in the more deprived parts of the borough.

Households in Harrow may need help to eat healthily on a lower income, or mending and maintaining clothing.

Smoking rates, consumption of alcohol and drug misuse often increase in times of recession and both of the former are higher in people in more deprived communities. Although this seems a paradoxical, spending a diminished income on expensive habits, this is more about control and reduced ability to quit in these groups.

Welfare Reform may mean that more people fall into fuel poverty. DECC statistics show that on average 12.7% of households in Harrow are living in fuel poverty, which is the highest in London. In some neighbourhoods this is 18.5%. Since 2011 fuel prices have risen by an average of 20% - meaning that the position is probably worse than indicated by these statistics. People who are in fuel poverty are either paying a high proportion of their income for the essential purposes of keeping their homes warm, cooking, etc or are not using the amounts of fuel that are required to keep their home in a satisfactory living condition. Fuel poverty is most common for those living in the private rented sector.

Lack of disposable income reduces ability to travel and access services especially those "non-essential" services such as libraries and leisure services. The positive impact on having a reduced income could be an increase in the use of active methods of transport (cycling and walking), which could increase fitness levels.

There is evidence from elsewhere in London that low-income households are spending more time inside to save money, and accessing fewer leisure opportunities.<sup>13</sup>

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<sup>13</sup> 'An insight into the impact of the cuts on some of the most vulnerable in Camden', Young Foundation 2012

The council has an Emergency Relief Scheme budget to provide some essential items if a household is experiencing an emergency. The amount given to Harrow for this purpose is reduced to the spend previously allocated for Community Care Grants and Crisis Loans (Social Fund). There is concern that as the winter approaches and the changes to benefits start to impact households the current spend won't meet demand.

Ideas:

- Could you help people gain the skills and knowledge they need to live healthily on a lower income?
- Could you help increase the take-up of Free School Meals?
- Could you help people to maintain their possessions and extend their lifespan (e.g. cars/ bicycles)?
- Could you help inform decisions about when buying more expensive products will maximise value and when it will not?
- Can you support more people to stop/reduce unhealthy, expensive habits?
- Can you support households to find more efficient or economical ways of heating their homes?
- Could you help those with reducing income to access alternative forms of transport – e.g. facilitate access to bicycles/ support learning to ride, or car sharing/lift schemes?
- Can you help provide low-cost, local recreational or social activities?
- Could you setup a self-sustaining scheme to provide essential or otherwise helpful items to those who cannot afford them?

**Overarching question**

Some people are more aware of the impact of the current economic situation and welfare reforms upon them, what they should do and/or how to get support than others.

For instance, a survey of 378 Harrow Council Tenants conducted in late 2012/early 2013 concluded the following<sup>14</sup>:

- There was lower than average awareness of welfare changes in the Asian/Asian British ethnic group.
- The youngest age group (16-24) were the least aware of the changes - with almost 75% lacking awareness. The over 65 age group were 48% unaware.
- Those respondents with multiple disabilities were the least aware of the impending changes.

Ideas:

- Could you inform, advise and support groups who are least likely to know about changes that may affect them and/or support available to them?

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<sup>14</sup> Harrow CAB Report: Helping our tenants to cope with welfare reform, April 2013