



Report of: Director of Financial Operations and Customer Services

Meeting of	Date	Agenda Item	Ward(s)
Policy & Performance Scrutiny Committee	2 November 2017		All

Delete as appropriate	Exempt	Non-exempt
-----------------------	--------	------------

SUBJECT: WELFARE REFORM UPDATE

1. Synopsis

- 1.1 The government's wide-ranging reforms to the welfare state are now well underway. Many Islington residents have been or will be affected by the changes already implemented and those still to come.
- 1.2 This report sets out the most recent reforms to be implemented including a focus on Universal Credit. It also looks at the Islington picture and what the Council has been doing to support those most affected.

2. Recommendations

- 2.1 To note the impacts of recent reforms as set out in Section 4
- 2.2 To note the range of support provided by the Council to those residents most affected by changes to welfare benefits, including new measures recently agreed by the Resident Support Scheme Board to support those affected by the loss of Family Premium and single people disproportionately affected by the lower Benefit Cap (Section 5)
- 2.3 For the Committee to discuss and agree what they consider to be an appropriate approach to the failings associated with universal credit roll out.

3. Background: update on welfare reform legislation

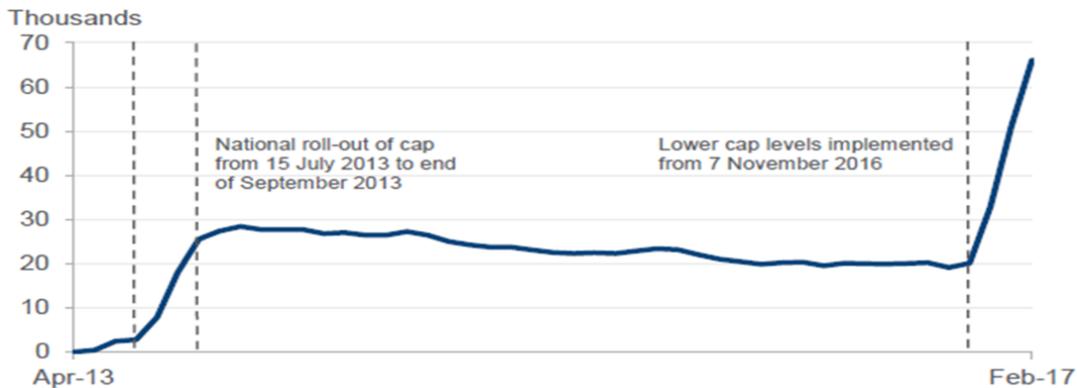
- 3.1 Welfare Reform Acts in 2012 and 2016 introduced a series of reforms to welfare provision aimed to improve work incentives and simplify the benefits system.
- 3.2 Key measures have been discussed at this Committee previously and these included the introduction of Universal Credit to replace six working age benefits (including ESA, JSA and

Housing Benefit) a cap on the total amount of benefits that can be claimed per household (now £23,000 for London), the 'Bedroom Tax' and a four year freeze on most working age benefits.

4. Recent changes to welfare benefits – and the impact

Implementation of the lower benefit cap

- 4.1 The lower benefit cap was rolled out between November 2016 and February 2017. The cap for London is now £23,000 for couples / lone parents (£15,410 for single claimants) and £20,000 nationally (£13,400 for single claimants).
- 4.2 Since the introduction of the new lower cap, the total number of households nationally who are affected by the benefit cap has increased by 230%, from 20,000 to 66,000. 50,000 households had their benefits capped for the first time in the quarter December 2016 to February 2017.



- 4.3 Latest DWP data (May 2017) indicates that there are 444 capped households in Islington. This is over double the amount in January 2016 (209). The majority are capped by up to £50.

Amount of cap	Number of households
Up to £25	117
£25.01-£50	156
£50.01 - £75	74
£75.01 - £100	37
£100 - £150	31
£150.01 - £200	12
£200.01 - £250	9
£250.01 - £300	5

- 4.4 The Government's Work and Pensions Committee inquiry has expressed concerns about the impact of the lower cap. It found that claimants are suffering 'drastic and abrupt reductions in income and are severely constrained in their ability to avoid the impact'. There are concerns about the ability of affected households to reduce their housing costs as those living in social housing already have the lowest rents and those living in private rented sector homes are finding that cheaper homes in the social sector are 'increasingly scarce and difficult to access'.

Removal of support for second and subsequent children

- 4.5 In most cases support is now limited to two children for all benefit claims made after 6th April 2017, or for a third or subsequent child born on or after 6th April.
- 4.6 Policy in Practice estimates that more than one million children will be hit by the two child limit and that it will drive child poverty up by 10% by 2020.

Removal of ESA work related activity component

- 4.7 New regulations from April 2017 have removed the Work Related Activity Component in Employment Support Allowance (ESA) along with the associated limited capability for work component from other income related benefits. The WRAC element will not be available in new ESA claims made after 3rd April 2017 for claimants who are assessed as having limited capability for work following the work capability assessment. In Islington, we currently have 11,549 residents claiming ESA¹ of which 1,737 are in the Work Related Activity Group (7,703 in the Support Group), so this exclusion for new claimants is a cause for concern.

Roll out of Universal Credit – and emerging issues

- 4.8 Universal Credit roll out for a limited client group is continuing in Islington. This has resulted in the following significant issues:
- Increases in rent arrears for both the Council as a landlord and other landlords
 - Delays to residents receiving payment of Universal Credit
 - Incorrect payments of Universal Credit being made by the Department for Work and Pensions (DWP)
 - Difficulties arising from residents adapting to being paid a large amount inclusive of housing costs one month in arrears
 - Difficulties experienced by the Council in receiving payments from DWP via Alternative Payment Arrangements (APA's)
 - Lack of clarity for residents when applying for Universal Credit online
 - Data sharing arrangements between DWP and local authorities can be improved
- 4.9 As a result, we have written to the Parliamentary Work and Pensions Committee - Universal Credit inquiry - on 5 September 2017. Our evidence stressed that the huge increases in rent arrears for the Council and other landlords is extremely concerning; impacting significantly on the well-being of our residents and in our ability to sustain an effective Housing service. Improvements are required quickly to allow for a smoother transition for all local authority areas as they move to full service. In our letter, we urged DWP to learn from the experiences of Universal Credit thus far, in particular from those local authorities that are full service.
- 4.10 Islington is scheduled to move to full service from March 2018. Feedback from those areas who have already moved to full service has identified issues for both claimants and local authorities:
- Claimants must complete their online application for UC and scan/upload supporting documents within 7 days otherwise face losing benefits
 - The first payment is made after a minimum of 9 weeks which is a significant delay for the poorest in the community affecting not just income but also housing support
 - DWP will use 'real time' information each month to calculate entitlement, resulting in frequent changes to benefits
 - Universal Credit is paid to a single bank account, monthly, in arrears
 - DWP studies show that over 18,000 claimants are 'excluded' from even basic banking
 - Over 30% of claimants need elements of financial safeguarding to secure them in their own homes and yet the DWP roll out plan for Universal Credit remains the same, claimants must manage their own finances, with their own bank account, including paying their rent, from the due date of Universal Credit roll out and/or when Housing Benefit is abolished whichever is earlier

¹ Latest DWP data February 2017

- Universal Credit poses a risk to Local Authority income streams including housing, homelessness, adult social care, council tax
- Previous DWP pilots moving claimants to Universal Credit have resulted in rent arrears increasing to over 85%

- 4.11 The transition of existing benefit claimants (including Housing Benefit claimants) to Universal Credit is scheduled to take place between Summer 2019 and March 2022. This will have a significant impact on Islington where there are almost 29,000 HB claimants, of which two-thirds are of working age and will therefore be required to transition to Universal Credit.
- 4.12 Given that Universal Credit has been in place for 4 years and the DWP does not appear to be learning from the evidence of the pilots and full service roll outs, **the Committee should consider what the Council's further response could be to the Government's failure to make this work effectively.** This could include a proposal to develop a Council motion to support Parliamentary calls to suspend any further roll out of Universal Credit until the current issues are resolved.

5. Snap Shot of Council activity to address welfare reform

- 5.1 A significant proportion of Islington residents are affected by the welfare reforms – over 22,000 residents are on out of work benefits and in receipt of housing benefit or council tax support.
- 5.2 The Council continues to provide a range of support to mitigate the impacts on those most affected and to support them to cope financially. Our offer includes:

Financial support through the Resident Support Scheme

- 5.3 Discretionary Housing Payment (DHP) has been pooled as part of our Resident Support Scheme to provide grants to those in crisis or facing financial hardship. In 2017-18, the amount of funding available through DHP is £1,214,397 which has been allocated to date as follows:

DHP Awards: Apr - Sep 2017	Benefit Cap	Bedroom Tax	LHA reform	Other (non-welfare reform)
To help secure / move to alternative accommodation (e.g. rent deposit)	£12,664.5	£773.11	£2,087	£10,462.56
To help with short term rental costs while the claimant secures and moves to alternative accommodation	£2,343.14	£27,880.95	£10,442.6	£4,645.51
To help with short term rental costs while the claimant seeks employment	£201,245.39	£3,062.79	£710.01	£1,027.16
To help with ongoing rental costs for disabled person in adapted accomm		£23,939.53		
To help with on-going rental costs for a foster carer		£1,055.11		
To help with on-going rental costs for any other reason	£104,199.7	£52,206.84	£6,225.82	£45,177.18
Total	£320,452.73	£108,918.33	£19,465.43	£61,312.41

Finsbury Park Terrorist Attack

- 5.4 RSS funding has also been used to support victims of the Finsbury Park terrorist attack. To date, 12 people have been awarded financial support amounting to £45,346. The council and partners have also supported these victims in a variety of other ways.

Loss of Family Premium

- 5.5 Housing Benefit family premium was abolished for new claims or new births from 1 May 2016.
- 5.6 In Islington, we estimate that around 332 of our Housing Benefit caseload (totalling 28,900) will be affected by the loss of family premium and face a reduction of at least £11.34 per week.
- 5.7 The Resident Support Scheme Board has agreed to **cover the family premium shortfall** for this group for all of 2017/18 at a cost of **£185k**.

Lower Benefit Cap

- 5.8 The following groups have been disproportionately affected by the lower benefit cap:
- Single under 25 year olds
 - Single people claiming Local Housing Allowance (LHA)
 - Single parents not receiving additional child element of Tax Credits and Housing Benefit
- 5.9 The Resident Support Scheme Board has agreed to **reduce the contribution to the first £5** (normally £15) per week for these three groups affected by the benefit cap. This is estimated to increase DHP expenditure for 2017/18 by £59,800, to be met by existing DHP budget.

Islington's retention of Welfare assistance

- 5.10 Islington's efforts to support residents affected by welfare reform have been recognised in a recent article in *The Guardian*² (17 September 2017). The article reported the results of a recent study by the Centre for Responsible Credit (CfRC) which found that nearly two-thirds of English councils have either closed the "welfare assistance schemes" they introduced just four years ago, or offer only a threadbare service. The cuts have left thousands of people in many areas without vital hardship support, often forcing them to go without, turn to charity handouts, or take out high cost loans to pay for basics such as food, energy, furniture and rent.
- 5.11 Islington is cited as one of only five councils to have maintained or increased local welfare spending. The article mentions Islington's Residents Support Scheme, which is run in partnership with the Cripplegate Foundation, and has kept funding levels above its notional allocation and last year spent £705,000.

Supporting the voluntary and community sector

- 5.12 Despite the increasing squeeze on our budgets the Council continues to provide around £3m in grants to the voluntary and community sector to enable them to support vulnerable residents, and to signpost them to council services. This includes around £1m pa to the key advice organisations in Islington to enable them to provide independent financial advice on housing, debt, benefits, employment and immigration.

Employment and skills support

- 5.13** Employment is the best route out of poverty for most people. Furthermore, those who are in work and on benefits will not be affected by the Benefit Cap. The Council continues to provide employment support to residents who face the significant challenges to securing employment. In 2016-17, the Council supported over 1,000 residents into paid jobs, and in the first six months of this year, another 580 have found work.

² <https://amp.theguardian.com/society/2017/sep/13/english-councils-local-welfare-schemes-meltdown>

Digital support

- 5.14 Practical activities to support residents to get online include support through our libraries, the recruitment of 200 Digital Champions from across the Council's workforce, and Hosts in the Customer Centre at 222 on hand to support customers to apply for Universal Credit or to do council business online.

Support to tackle fuel poverty

- 5.15 Islington continues to support residents affected by fuel poverty through SHINE – the 'Seasonal Health and Interventions Network'. This is a collection of activities and projects that provides advice, support and practical energy saving measures. More recently, the Council has launched a new energy scheme – Angelic Energy – which offers a cheaper alternative to the 'big six' energy companies and will help vulnerable residents to reduce their fuel bills.

6. Welfare reforms still to be implemented

- 6.1 There are still a number of welfare reforms to be implemented. The latest timetable is set out at Appendix A, but is subject to change.

7. Implications

Financial Implications

- 7.1 Changes to social security are impacting Islington residents, with the benefit cap and the bedroom tax and freeze in the LHA rate having a direct impact upon households' ability to pay their rent. Discretionary Housing Payment (DHP) is being used to mitigate this. There is significant concern that the move to full service in universal credit from March 2018 will increase rent arrears.

Legal and Equality Implications

- 7.2 The council has a duty under the Equality Act 2010 to have due regard to the need to eliminate discrimination between people who share a protected characteristic and people who do not. The welfare reforms will particularly affect those groups who are more likely to be dependent on benefits – female lone parents, disabled people and those with long term health conditions, and those from BME backgrounds. The Council is working with partners to reduce the impact on these groups through targeted support to find sustainable housing and employment.

Environmental implications

- 7.3 None.

8. Conclusion

- 8.1 The government's programme of welfare reforms continues to have a significant impact on Islington residents. The evidently poor roll out of universal credit is already affecting Islington claimants which is extremely concerning given that the roll out of the full service starts in 2018. The Council could join the many voices that are currently calling on the suspension of all future rollouts until the current problems are resolved,
- 8.2 The Council continues to prioritise financial support for those who face the most severe hardship, and has been credited for retaining our welfare assistance scheme, despite Government cuts. Our assistance to the victims of the Finsbury Park Terrorist Attack was effective and gratefully received.

Report Author:

Annette Hobart

Strategy & Change Manager (lead for Performance), Chief Executive's Department

Tel: 020 7527 3244 E-mail: Annette.hobart@islington.gov.uk

Final report clearance:

Signed by:

Date

**Received
by:**

Date

Implementation of welfare reforms: Latest timetable

Autumn /End of 2017

- Free childcare entitlement will be doubled from 15 hours to 30 hours a week for working parents of 3 and 4 year olds from September 2017.
- The government proposed that hardship payments (of 60% of the benefit amount) be automatically payable to jobseekers who are mentally ill or homeless when they are sanctioned. These claimants currently have to wait two weeks before they can apply for hardship payments when they've been sanctioned, and may be refused. The proposal means to add them to the group of vulnerable people who can apply for hardship payments immediately (such as claimants with children or long-term health problems). The date of this change is yet to be announced.

From April 2018

- Employer Childcare Vouchers no longer available to new claimants. New claims for Employer Supported Childcare (Childcare Vouchers) will not be accepted from April 2018. Existing claims will continue until the child is 15 years old (or 16 years old if disabled) or the claimant starts claiming under another scheme (Childcare element of Working Tax Credit, Childcare element of Universal Credit or Tax Free Childcare), whichever is earliest.
- Support for Mortgage Interest (SMI) will no longer exist as a benefit for new or existing claimants. Claimants will instead be invited to apply for a loan if they want to continue to be supported. Loans will be repaid upon the sale of a claimant's house; or on a claimant's return to work if the borrower can afford it.
- Class 2 National Insurance Contributions (NICs) will be abolished. Clarification is awaited regarding how Class 4 National Insurance Contributions will count towards contributory benefit entitlement. The proposed increase in the rate of Class 4 National Insurance Contributions has now been reversed. There will be no increases to Class 4 National Insurance Contributions during the current Parliament.
- New part-time maintenance loans from 2018-19 to support the cost of living while studying
- Cap on the amount of rent that Housing Benefit will cover in the social sector to the relevant Local Housing Allowance, which is the rate paid to private renters on Housing Benefit. This will include the Shared Accommodation Rate for single claimants under 35 who do not have dependent children. This will apply to tenancies signed after 1 April 2016, with Housing Benefit entitlement changing from 1 April 2018 onwards

May 2018

- Expected date for completion of personal independence payment assessments for working age claimants moving from DLA

Autumn 2018

- From November 2018, families with more than two children who make new claims for Universal Credit will no longer be directed to claim Child Tax Credit instead. The two child limit will apply to those families. Families who have been awarded Universal Credit after April 2017 and have two or fewer children but who then have a third or subsequent child will have the two-child limit applied

April 2019

- Those in supported accommodation who have new or renewed tenancies in the social sector will be subject to the cap on Housing Benefit at the relevant Local Housing Allowance rate

July 2019

- The phased introduction of Universal Credit has been pushed back numerous times. The government now expect to have Universal Credit available for all new claimants from July 2019. They expect that all claimants on existing benefits will be transferred onto Universal Credit by March 2022

From April 2020

- Cap on social care costs in England will be £72,000
- State pension age for both men and women increases to 66

From November 2021

- Post Office card account (POCA) to be reviewed

From April 2026

- The Government will start to raise the State Pension age to 67 in stages from this date

From April 2028

- State pension age will be 67

From April 2037

- The Government will start to raise the State Pension age to 68 in stages from this date

From 2039

- State pension age will be 68