



Report of: Director of Financial Operations and Customer Services

| Meeting of | Date | Agenda Item | Ward(s) |
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| Policy & Performance Scrutiny Committee | 24 February 2015 | | All |

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SUBJECT: IMPACTS OF WELFARE REFORM: UPDATE

1. Synopsis

- 1.1 In July 2014, the Policy and Performance Scrutiny Committee received an update on the Council's activity to mitigate the impacts of the government's welfare reforms. The Committee asked for a further update later in the municipal year.
- 1.2 This report sets out the latest position relating to those residents affected by the application of the bedroom tax and the benefit cap - both of which have led to potential shortfalls in rent and the risk of falling into arrears. It also provides an update on Islington's progress in testing out support arrangements for Universal Credit as one of 11 areas taking part in the Department for Work and Pensions Universal Support Delivered Locally (USDL) trial.

2. Recommendations

- 2.1 To note progress in supporting those affected by the application of the bedroom tax and the benefit cap, including use of Discretionary Housing Payments
- 2.2 To note progress in delivering the USDL trial in preparation for Universal Credit, and that Universal Credit will start to be rolled out in Islington between September and November 2015.

3. Background

- 3.1 The government's programme of welfare reforms has affected, and will continue to affect, a large number of Islington residents. Changes relating to local housing allowance (LHA), bedroom tax and the introduction of the benefit cap are now fully implemented and the Council has been working with households to mitigate the impacts and help them meet shortfalls in rent whilst exploring more sustainable options. This report provides an update on these three areas.
- 3.2 The next big change – the introduction of Universal Credit – is on its way, and Islington is part of a Government trial to test out how to support benefit claimants to move to and manage

payments under the new regime. A summary of progress, together with roll out dates for Universal Credit, is set out in Section 8.

4. Local Housing Allowance

- 4.1 The Local Housing Allowance, introduced in 2011, places a limit on the amount of Housing Benefit a person can receive. This has had a significant effect in Islington for those in private rented accommodation. For most of Islington, the inner London LHA rate applies which is £299.34 per week. This means that housing benefit cannot pay above this rate of weekly rent. (There are corresponding rates for other property sizes).
- 4.2 The LHA rate has not kept pace with changes in market rent. The rate is meant to cover the bottom 30% of properties available for rent in an area. However, research undertaken for the council's Social Lettings Agency found that less than 5% of properties advertised on Zoopla and Rightmove were at or below the maximum LHA rates. There are, of course, lettings agents who do not use these websites, but this extremely low figure nonetheless is indicative of the dearth of LHA level or below properties in the borough.
- 4.3 As a result of LHA, the number of private sector tenants claiming housing benefit in the borough has significantly reduced. There are currently 2,670 private tenant LHA claims, compared to 3,027 in February 2014.
- 4.4 For the council, we have seen an almost 50% drop in the number of properties we are able to procure in the borough from private landlords for much needed accommodation for homeless households (from around 300 to 150) . At end of lease many landlords are putting their properties back on the market at market rent – i.e. above LHA levels.
- 4.5 In April 2015 Islington Council will be running its own Social Lettings Agency which will work with landlords to increase the supply of properties at rents which residents can afford, with a reliable management service free to tenants.

5. Households affected by Social Sector Size Criteria (SSSC) – the 'Bedroom Tax'

- 5.1 In April 2013, new Housing Benefit rules were introduced which removed the 'spare room subsidy'. Households assessed as having more bedrooms than the Social Sector Size Criteria (SSSC) allows are now subject to a reduction in their Housing Benefit equating to 14% for one spare bedroom and 25% for two or more spare bedrooms.

Council managed properties

- 5.2 In April 2013, 1,840 households in Council managed properties were identified as affected. In the first year, a number of households were able to move or were exempt but since April 2014 the position has stabilised and there are currently around 1,100 households affected.
- 5.3 Of these, 941 have opted to 'stay and pay', 100 are looking to transfer to a more affordable property, and the remainder have been contacted but with no response or decision as yet. Over 40% (472) of the 1,100 affected households in council managed properties are now in arrears:

| Balance | 9 Nov | 30 Nov | 14 Dec | 28 Jan | 2 Feb |
|----------------------------|----------|----------|----------|----------|----------|
| In credit or £0.00 balance | 657(60%) | 628(57%) | 637(58%) | 623(56%) | 630(57%) |
| In arrears | 443(40%) | 478(43%) | 465(42%) | 481(44%) | 472(43%) |
| Total households affected | 1100 | 1106 | 1102 | 1104 | 1102 |

- 5.4 361 of those in arrears are from the 941 that wish to stay and pay. The sum of arrears for these 361 totals £144,737.
- 5.5 The number of residents affected by the spare room subsidy has been significantly mitigated through the Council's efforts to work with households to find the best option for them. Many under-occupiers have been supported to move, and Discretionary Housing Payment (DHP) has been used to subsidise rent payments to support those families most at risk of falling into arrears, whilst efforts to find an alternative property and / or to secure employment take place.
- 5.6 The Council's policy is not to evict anyone who is actively engaging with the support on offer. Ongoing and persistent efforts of frontline staff to engage with and support those in arrears towards a sustainable solution are paying off and, to date, no evictions have taken place.

Partners for Improvement

- 5.7 For properties managed by Partners there have been 636 tenants who have been affected by the spare room subsidy since April 2013. The current number is 316 and the average has now stabilised at 323. Of the 316 tenants affected, 136 are in credit or have a clear rent account and 180 are in arrears which total £89,132.

Moving households affected by the spare room subsidy

- 5.8 The Income Recovery Team, Housing Mobility Team, Partners and Income Recovery Team continue to support tenants affected by the spare room subsidy to downsize into properties which meet their needs. This has resulted in 339 moves to more affordable properties (278 to other LBI properties, 57 to Partners for Improvement properties and 4 to Co-op properties).

6. Households affected by the Benefit Cap

- 6.1 The benefit cap, introduced in April 2013, puts a limit on the amount of benefits a family or household can receive: £500 a week for a couple (with or without children); £500 a week for single parents with children; and £350 for single adults. Any sum above the cap will be deducted from a person's Housing Benefit (or Universal Credit when this is implemented).
- 6.2 From the Council's point of view, money deducted from Housing Benefit places a family at risk of falling into rent arrears if they are unable to cover the shortfall, and of eviction or homelessness. The Council is using Discretionary Housing Payment to cover shortfalls in rent for those families most affected whilst working with them to find a sustainable solution. Where work is a viable option, the person is referred to iWork to move towards employment. The condition of receiving DHP is that the person must continue to engage with the support offered.
- 6.3 As of 2 February 2015, there were 247 cases affected by the benefit cap, including
- 106 with a shortfall of £15 per week or less, opting to 'stay and pay'
 - 78 with greater shortfall so assigned to iWork for employment support – but 29 of these are not engaging
 - the remainder are being assessed or awaiting Employment Support Allowance assessment
- 6.4 Of the 247 benefit cap cases, 43 are currently receiving DHP and 136 are not. The remainder are being assessed. The numbers on DHP fluctuate as family circumstances vary.

7. Assistance through the Residents Support Scheme

- 7.1 In April 2013 the Council, in partnership with Cripplegate Foundation, launched a new Residents Support Scheme to provide crisis payments to residents struggling to meet essential costs. The scheme brought together a range of funding streams, including Local Welfare

Provision Grant (or social fund), Discretionary Housing Payment, and crisis funding administered by Cripplegate Foundation, into one single fund with a simple application process.

- 7.2 Funding available through the Residents Support Scheme has been vital in supporting residents affected by the changes to their welfare benefits. Discretionary Housing Payment (DHP) has been used to make up shortfalls in rent, whilst Local Welfare Provision Grant forms a sizeable chunk of funding available for emergency and one-off crisis loans.

Local Welfare Assistance Fund

- 7.3 In July 2014, we reported that the Council was challenging the Government's decision to abolish Local Welfare Provision Grant from April 2015. The loss would amount to around £1.44m pa for Islington and significantly reduce the funding available for crisis support through the Residents Support Scheme. Following a long campaign by Islington Council, other local authorities and charities, the Government was persuaded to keep some of the funding, but the awards to local authorities have been significantly reduced. Islington has been awarded £557,000 in 2015-16, less than half the amount for the 2014-15.

- 7.4 The Council is determined to continue providing support for residents facing severe hardship and has therefore proposed, in the budget for 2015-16, that £600,000 revenue be agreed for the RSS to replace the loss of Local Welfare Provision funding. This will be reviewed in the first three months of 2015-16 and supplemented as required from the Housing Benefit Reserve, up to £1.44m (the level of the grant from government for 2014-15).

Discretionary Housing Payment

- 7.5 The Council has been using Discretionary Housing Payment to support residents affected by the welfare reforms to bridge the shortfall in their rent and thus avoid eviction whilst alternative solutions are sought. This is on the condition that they engage with the support offered, including looking for work where this is a viable option.

- 7.6 The following table shows spend to date for the period 1 April 2014 to 13 January 2015

| DHPs (FYTD) | All DHPs | Ben Cap | SSSC | LHA | Other |
|-----------------------|-----------------|----------------|-------------|------------|--------------|
| Total awards | 2,007 | 449 | 1,140 | 178 | 240 |
| Total amount paid | £1,068,840 | £296,488 | £479,549 | £112,316 | £180,487 |
| Average spend / wk | £25,979 | £7,206 | £11,656 | £2,730 | £4,387 |
| Average spend /award* | £533 | £660 | £421 | £631 | £752 |
| Average weekly award | £45 | £98 | £23 | £51 | £36 |

* i.e. average 'Total Amount Paid' in the FYTD per award

- 7.7 SSSC (bedroom tax) cases account for the largest spend category overall, about 62% higher than Benefit Cap. However, average Benefit Cap awards are 57% higher than SSSC. Average weekly awards through DHP are highest for Benefit Cap at £98, compared with £23 for SSSC and £51 for LHA.
- 7.8 If DHP spend continues for the rest of the year at the average rate for the year to date, total spend for 2014-15 is projected to be £1,354,606.
- 7.9 The future of DHP awards from government is unclear, but the funding made available to local authorities is gradually decreasing. In 2013-14 Islington received £1,628,000. This was reduced to £1,342,269 in 2014-15. Awards for 2015-16 have just been announced with the total pot being reduced by a further 25%. Islington's DHP grant for 2015-16 is £989,332, a reduction of over £350,000 compared to 2014-15.

8. Universal Credit and Universal Support Delivered Locally

8.1 Universal Credit is now being rolled out nationally and will replace the following benefits:

- Housing Benefit
- Income Support
- Income-related Job Seekers Allowance
- Income-based Employment and Support Allowance
- Child Tax Credit
- Working Tax Credit

8.2 As well as moving to a single payment, there will be other important changes to how residents receive their benefit. Most notably Universal Credit claimants will:

- Be required to have a bank or building society account, or an account with an alternative provider like a credit union. Post Office Accounts, which many claimants have, will no longer be suitable
- Need to apply for and manage their Universal Credit account online
- Be paid monthly, rather than weekly or fortnightly
- Be responsible for paying their own rent rather than it being paid directly to the landlord

8.3 The Department for Work and Pensions recognises that some claimants may struggle and may not have the budgeting or IT skills required. To address this, funding will be made available to deliver a local support services framework, known as 'Universal Support Delivered Locally' (USDL).

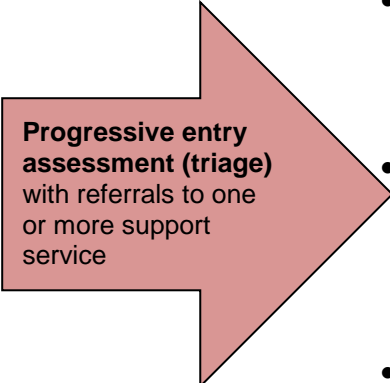
8.4 Islington is one of 11 pilot sites trialling how USDL could work in practice. Each area is piloting a different model for engaging with clients, assessing needs, and delivering support. The aims of the pilot are to provide estimated costs per person of providing USDL support and sharing best practice of what works. This will inform decisions on the amount of funding to be made available by DWP to local areas once Universal Credit is rolled out.

Islington USDL trial

8.5 The Islington model is working with three cohorts, triaging their employment, financial and digital support needs, and referring to relevant support as follows:

3 cohorts

- **People:** *Top 120 JSA (claiming JSA for the longest)*
- **Place-based:** *working with JSA, ESA and IS claimants on 2 social housing estates – Bemerton and New River Green*
- **Personalised support (the 'walk ins'):** *customers walking into 222 Customer Centre / CAB for support*



Progressive entry assessment (triage) with referrals to one or more support service

3 strands of support

- **Employment Support** *through iWork - joint LBI / JCP team*
- **Digital Support** *through the Council's Adult & Community Learning service*
- **Personal Budgeting Support** *through the CAB / FIT Money programme*

Top 120 JSA

- 8.6 These clients are being referred from JCP to two JCP coaches who are co-located in iWork and who will take over their cases from now till the end of the pilot. They will have responsibility for 'signing on' the clients, triaging them to identify financial and digital support needs, and providing one to one intensive employment coaching.
- 8.7 All 120 claimants will be signing on at 222 (rather than their usual jobcentre). This will start from the last week in February and will continue till the end of the project. The intention is to increase their chance of taking up the offer of USDL support by bringing them into the venue where these services are being offered.
- 8.8 Engagement will not be mandatory but they will be strongly encouraged by JCP with the incentive that if they do engage this will form their Claimant Commitment. In the event that claimants fail to meet their obligations under the Claimant Commitment and sanctions need to be applied, the Council has made it clear that this must not take place on council premises.
- 8.9 For the purposes of evaluation, the Top 120 have been randomly selected from a list of Top 240, with the other 120 being the control group. NB: Islington's original bid proposed working with the Top 200 longest claiming JSA. However, this has been reduced to 120 following difficulties and delays getting access to up to date lists of 200.

Place Based

- 8.10 There are around 350 benefits claimants (JSA, ESA and IS) on Bemerton and a further 650 on New River Green. Finsbury Park will be used as the control group for the purposes of evaluation. DWP holds the lists of all claimants but data sharing legislation means that only those lists with a Housing Benefit interest can be shared with the Council.
- 8.11 A number of methods of engaging / promoting the support are being used:
- Help on Your Doorstep and the local Children's Centre are both already operating on these estates so will promote USDL support
 - Attendance at events already planned on the estates and through the ward partnerships
 - Two family / community events are being planned for the Easter holidays – one on each estate – which will combine promotion of USDL support together with promoting adult and community learning courses and the services offered through the children's centres
 - A Housing Benefit adviser seconded to iWork is phoning all those on Housing Benefits to talk about Universal Credit and offer support
- 8.12 As for the People cohort, the iWork team will take the lead in making initial contact with and assessing needs of those on the estates. A Housing Benefit advisor has been assigned to the team to assist with this task, using HB data to contact tenants on out of work benefits.

Personalised support at 222

- 8.13 For those walking into the Customer Centre, triage is undertaken by Customer Service Agents or by the CAB, depending on which service the client has come in to see. The adviser deals with the presenting issue and then uses trigger questions and case information to assess any USDL support needs and refer accordingly.

Progress update

- 8.14 The trial started on 1 September and will run for one year to 31 August 2015 – so we are now nearing the halfway point. As of 6 February 2015, 466 customers had been triaged, mostly through the Customer Centre. and referred for USDL needs identified. Of these, 375 had Employment support needs, 152 needed Budgeting support and 142 required Digital support to get online and use IT.

8.15 What's working well?

- *Progressive Entry Assessment at 222:* Frontline teams, particularly the Housing Benefits Team, have successfully embedded assessment of USDL needs into their ways of working. This demonstrates the key role that frontline staff in local authorities could play in delivering universal support when Universal Credit is rolled out. It is a model which could be easily replicated across the country.
- *The Hub approach:* locating all services in one building helps to provide the customer with a seamless service, though as case numbers for the three USDL services have grown the original intention to provide 'warm' handovers from the Customer Centre to the lead service has become more difficult.
- *Partnership working:* links between the CAB and the Council both at operational and strategic level are excellent. Having the CAB co-located with the Customer Centre is a real bonus. DWP job coaches co-located within iWork are also adding value to the iWork team, and bringing valuable insight into DWP processes and operation.
- *Evaluation:* DWP has commissioned a full evaluation of the trials through the Centre for Social Inclusion (CESI). This will not only include overall messages from across the trials, but also the effectiveness of our own model and any areas for improvement.

8.16 Challenges and risks

- *Data and IT issues:* Current legislation prevents DWP from sharing data on claimants unless there is a Housing Benefit interest. This means that they have been unable to provide full lists of JSA claimants (for the People cohort) and claimants living on Bemerton and New River Green (for the Place based work) to enable the iWork team to start making contact. Added to this, IT issues have prevented the two DWP coaches in iWork from accessing the data using their laptops whilst at 222. Issues around data sharing are a strong theme from all 11 trials and DWP has recently consulted on this with a view to bringing in new legislation in the future
- *Low numbers:* The delays in getting access to data have resulted in a slow start to the People and Place based work so, with six months to go, efforts will focus on reaching as many of these as possible to test whether a target approach at a specific group or area works. Contact with both groups is now underway so numbers should pick up quickly
- *The need to obtain DWP Consent:* To get around data sharing restrictions, the customer has to sign a DWP data sharing consent form. Only those who have given consent can be included in the evaluation of the pilot. The need to obtain consent is off-putting for both adviser and client so numbers where consent has been obtained are currently low (82 as of 6 February). Other trials have reported similar difficulties. Renewed effort is being made to obtain consent and numbers are now starting to pick up.
- *Lower take up of Financial / budgeting support:* Customers are comfortable to accept support to get a job or to learn new skills but are much less willing to admit difficulties in managing their money. Of those triaged where a need for financial support was identified, 37% declined support, compared with 10% for Employment support and 15% for Digital / IT support. Again, this is emerging as a common theme across the other trials.

Timetable for implementation of Universal Credit

8.17 Following trials in the northwest and London, national rollout to all jobcentres has commenced. This is being undertaken in four tranches:

- Tranche 1 (Feb – Apr 2015) 150 jobcentres
- Tranche 2 (May – Jul 2015) 160 jobcentres

- Tranche 3 (Sep – Nov 2015) 180 jobcentres
- Tranche 4 (Dec 2015 – Mar 2016) 110 jobcentres

- 8.18 Areas participating in the USDL pilot were not included in Tranches 1 or 2 as this may have affected the outcomes of the trials. DWP has just announced that Islington is in Tranche 3.
- 8.19 Evaluation of the USDL trials is expected in the Autumn and this will inform any future role / funding to local authorities to commission or deliver local support services.

9. Implications

Financial Implications

- 9.1 Changes to social security are impacting upon Islington residents, with the benefit cap and removal of the spare room subsidy having a direct impact upon households' ability to pay their rent. DHP is being used to mitigate this. The reduction of Local Welfare Provision funding threatens to reduce the Council's ability to provide support to those in crisis.

Legal and Equality Implications

- 9.2 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

- 9.3 None.

10. Conclusion

- 10.1 The Council continues to prioritise support for those who face the most severe hardship, though this is becoming increasingly difficult with year on year reductions in funding from government. Participation in the USDL trial, and other employment initiatives, will help make the case to Government of the important role that local authorities can play in providing support that meets the needs of local residents. If we succeed, it will enable the Council to have greater control over, and resources available for, employment and welfare support at a local level.

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