



## Report of: Director of Financial Operations and Customer Services

Meeting of	Date	Agenda Item	Ward(s)
Policy & Performance Scrutiny Committee	29 June 2015		All

Delete as appropriate	Exempt	Non-exempt
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## SUBJECT: IMPACTS OF WELFARE REFORM: UPDATE

### 1. Synopsis

- 1.1 The Policy and Performance Scrutiny Committee has requested regular updates on the government's programme of welfare reforms, including the impact on Islington residents, and the actions the Council is taking to support those most affected.
- 1.2 This report summarises further changes to welfare benefits recently announced in the Queen's speech which will be set out in the forthcoming Full Employment and Welfare Benefits Bill. It also provides an update on households affected by the 'bedroom tax' and the benefit cap, and on progress in delivering Islington's USDL trial (Universal Support Delivered Locally) which tests out support mechanisms for the transition to Universal Credit.

### 2. Recommendations

- 2.1 To note further proposed changes to welfare benefits, including the Government's stated intention to reduce the benefit cap from £26,000 to £23,000 for non-working families
- 2.2 To note the latest position relating to households affected by the bedroom tax and benefit cap, and the estimated additional costs to DHP resulting from the lowering of the benefit cap
- 2.3 To note that Islington's USDL trial has been extended for a further 3 months

### 3. Background

- 3.1 The Welfare Reform Act 2012 introduced a series of measures to reform welfare provision in order to improve work incentives, simplify the benefits system and tackle administrative complexity. Key changes included:
  - Introduction of a 'Universal Credit' to replace a range of existing means-tested benefits and tax credits for people of working age, starting from 2013.
  - Personal Independence Payments to replace the current Disability Living Allowance

- Restrictions on Housing Benefit entitlement for social housing tenants whose accommodation is larger than they need (the so called 'Bedroom Tax')
- A cap on the total amount of benefits that can be claimed per household to £26,000

3.2 Most of these changes have been, or are in the process of being, implemented.

3.3 The government has recently announced further changes relating to welfare benefits and employment which will be set out in more detail in the forthcoming Full Employment and Welfare Benefits Bill. Key elements include:

- Freezing rates for most working age benefits, tax credits and Child Benefit for 2 year from 2016-17 (pensioners, and those claiming disability and statutory benefits will be exempt)
- Lowering the benefit cap from £26,000 to £23,000 i.e. the total amount of benefits a non-working family can receive in a year
- Removing automatic entitlement to housing support for 18-21 year olds
- A new Youth Allowance for 18-21 years olds with stronger work related conditionality from day 1, and a requirement to go on an apprenticeship, training or community work placement after 6 months
- Providing Jobcentre Plus adviser support in schools to supplement careers advice and provide routes into work experience and apprenticeships
- Introducing a statutory duty to report on progress towards achieving highest employment rate in G7, apprenticeships, Troubled Families programme (in Islington, this is part of our Stronger Families programme)

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

4.1 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

4.2 In April 2013, 1,840 households in Council managed properties were identified as affected. Latest data, for May 2015, shows that there are currently **1,094 households affected**. Of these, 923 have opted to 'stay and pay', whilst a further 100 households are looking to transfer to a more affordable property.

Contact Type	14 Dec	28 Jan	2 Feb	14 Apr	17 May
Tenant undecided	0	0	0	0	0
Letter only contact, no engagement for decision	50	15	16	32	29
Housing Benefit Query	13	16	17	17	18
Letter and visit card dropped no engagement*	20	20	20	18	19
Remain in property	909	939	941	924	923
Transfer	101	99	101	100	100
No response as no action yet taken on account.	0	2	0	0	4
New cases since last report - no contact	9	13	7	9	1
<b>Total</b>	<b>1102</b>	<b>1104</b>	<b>1102</b>	<b>1100</b>	<b>1094</b>

\*These tenants have been referred to the Housing Investigation's Team to see if they are actually living in the property, as there has been no engagement with them despite repeated attempts at contact.

- 4.3 In order to mitigate the impacts, the Council has been supporting residents affected to downsize to a more affordable home, and using Discretionary Housing Payment (DHP) to meet shortfalls in rent whilst more sustainable options are explored. However, despite these efforts, 41% (451) of the 1,094 council tenants affected are now in arrears:

<b>Balance</b>	<b>14 Dec</b>	<b>28 Jan</b>	<b>2 Feb</b>	<b>14 Apr</b>	<b>17 May</b>
In credit or £0.00 balance	637(58%)	623(56%)	630(57%)	643(58%)	643(59%)
In arrears	465(42%)	481(44%)	472(43%)	457(42%)	451(41%)
<b>Total</b>	<b>1102</b>	<b>1104</b>	<b>1102</b>	<b>1100</b>	<b>1094</b>

- 4.4 Of the 451 tenants who are in arrears, 356 wish to 'stay and pay'. These stay and pay tenants account for £142,804 of the £197,067 arrears owed by all council tenants affected by the spare room subsidy.
- 4.5 Overall arrears as a proportion of the rent roll have decreased since the introduction of the spare room subsidy (from 1.94% on 31 March 13 to 1.70% on 17 May 15). The amount of arrears has reduced from £221,778 (472 cases) in Feb 15 to £197,067 (451 cases) in May 15, a decrease of £24,711.
- 4.6 No evictions have taken place to date and work with the Housing Needs Team to make an assisted choice offer to 25 tenants at the pre-eviction stage of the process has proved successful. Six tenants have now moved, one has now been exempted from the spare room subsidy, four are now paying and arrears are reducing and the final 14 tenants are still in the process of being supported by an assisted choice offer.

#### Partners for Improvement

- 4.7 For properties managed by Partners, 662 tenants have been affected by the spare room subsidy since its introduction in April 2013. The current number of tenants affected is 314. This number is also stable with an average of 317.
- 4.8 Of the 314 tenants affected, 142 are in credit or have a clear rent account and 172 are in arrears which total £92,690.

#### Moving households affected by the spare room subsidy

- 4.9 The Income Recovery Team, Housing Mobility Team, Partners and Income Recovery Team are supporting tenants affected by the spare room subsidy to downsize into properties which meet their needs. This has resulted in 347 moves by those affected by spare room subsidy broken down as follows:
- 199 LBI - transfer
  - 83 LBI - mutual exchange
  - 30 PFI - transfer
  - 31 PFI – mutual exchange
  - 3 Co-op – transfer
  - 1 Co-op – mutual exchange

## 5. Households affected by the Benefit Cap

- 5.1 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).
- 5.2 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.

### DHP payments in 2014-15

- 5.3 In 2014-15, the Council used around a quarter (£347k) of its Discretionary Housing Payments (DHP) budget to support those impacted by the Benefit Cap to meet shortfalls in rent and thus avoid arrears and potential eviction. Over 500 households received an award, at around £660 average per award.

<b>DHPs 2014-15</b>	<b>All DHP awards</b>	<b>DHP awards for Ben Cap</b>
Number of awards	2,582	525
Total amount paid	£1,343,078	£347,452
Average spend per week	£25,979	£7,206
Average spend per award	£533	£660
Average weekly award	£45	£98

### Impact of further reduction in Benefit Cap

- 5.4 The proposed reduction in the benefit cap, from £26,000 to £23,000 will impact upon existing benefit cap families and new households not previously affected – and this will place additional burden on the Council's DHP resource.
- 5.5 We estimate that the reduction in the cap will affect **862 cases**, an increase of 613 on the current live caseload of 249.
- 5.6 In terms of costs, we estimate that the amount of DHP required to support Benefit Cap cases could increase from £347k (14/15) to **£2.28m**
- 5.7 The current level of DHP for 2015/16 is £989,000. If this does not increase, or increases but not enough, we will not be able to support all those impacted and may have more cases falling into arrears and at risk of eviction.

## 6. Universal Credit and Universal Support Delivered Locally

- 6.1 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

- 6.2 Universal Credit will be introduced in Islington from October 2015 onwards. There will be a phased introduction, initially available to new single claimants only. Most existing benefit claimants will be moved over to Universal Credit during 2016 and 2017.
- 6.3 Islington is one of 11 areas participating in a Department for Work and Pensions (DWP) pilot to test out how to support vulnerable residents in the transition to Universal Credit. Islington's trial is testing out:
- *Triage* to identify need to support – being offered through our Customer Centre at 222 Upper Street
  - *Personal Budgeting Support* to manage the switch from weekly / fortnightly payments to monthly payment into bank accounts, and to take responsibility for paying rent (currently paid directly to the landlord) – delivered through the CAB at 222
  - *Digital support* to ensure people have the IT skills they need to go online and manage their Universal Credit claim – delivered through the Council's Adult & Community Learning team
  - *Employment support* – not a requirement of the DWP pilot but something we feel to be an essential element – delivered by the iWork team.
- 6.4 Progress to date
- Around 800 people attending the customer centre at 222 have been 'triaged' and referred for USDL support
  - 120 of the longest claiming JSA claimants are signing on at 222 and receiving employment support, and being referred for financial / digital support as required
  - A caseworker is available on two social housing estates – Bemerton and New River Green – to undertake triage and refer on to relevant support
- 6.5 To date, 41 people have been supported into paid employment, 75 have completed personal budgeting support, and 52 have completed ICT support
- 6.6 We have received positive feedback from clients and DWP alike. DWP is particularly interested in the 'one stop shop' customer hub at 222 (with various high level officials requesting tours of the site), whilst clients have fed back that they welcome the one to one personalised support they are receiving at 222, right through from the initial triage by Customer Service Agents to the intensive support delivered through iWork, ACL and CAB. The positive response from the 120 JSA claimants signing on at 222 has been a particular achievement. They welcome the change of environment and are engaging in the support on offer.
- 6.7 There are, however, some areas which are presenting a challenge. The main issue is around ensuring a sufficient number of clients for purposes of evaluation. Customers must sign a DWP Consent Form agreeing to be part of the trial and to share data with services and DWP. Those clients who have not given their consent cannot be included for the purposes of evaluation. So, whilst we have engaged with almost 1,000 people, only 500 have signed the consent form. We need at least 800 to provide an adequate sample size.
- 6.8 We are also experiencing very low take up of the support being offered on the two housing estates – Bemerton and New River Green. The services have been up and running since Easter, but to date only a handful of residents have come forward to take up the offer. We have commissioned All Change Arts to carry out some engagement activity as part of local events (including the Cally Festival) to raise awareness of Universal Credit and of the support services available to residents on these estates. We will also continue to work with the Children's Centres and Help On Your Doorstep on these estates to promote the service.

6.9 The trials started on 1 September 2014 and were intended to run for one year. However, DWP has just announced that 6 of the trials, including Islington's trial, are to be extended for a further 3 months to maximise participants and thus provide a sufficient sample size for robust evaluation. With our services now embedded and up and running, efforts will now focus on boosting the numbers to ensure we have a successful pilot.

## **7. Implications**

### **Financial Implications**

7.1 Changes to social security are impacting upon Islington residents, with the benefit cap and the bedroom tax 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**

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 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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