



Report of: Director of Financial Operations and Customer Services

Meeting of	Date	Agenda Item	Ward(s)
Policy & Performance Scrutiny Committee	11 February 2016		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 latest developments in the government's programme of welfare reform, together with an update on households in Islington affected by the 'bedroom tax' and the benefit cap, and outcomes from Islington's USDL trial (Universal Support Delivered Locally) which tested 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,
- 2.3 To note the outcomes and next steps in terms of Universal Support Delivered Locally

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 Universal Credit to replace a range of existing means-tested benefits and tax credits for people of working age
 - 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.

4. Latest developments

Welfare Reform and Work Bill

- 4.1 In July 2015, the Government announced, as part of its Summer budget, a second piece of legislation to make further changes to welfare benefits to increase employment and reduce the growth of the welfare budget. The Welfare Reform and Work Bill sets out measures to:
- Create new statutory duties for the Government to report on progress towards achieving full employment, delivering 3 million new apprenticeships in this Parliament, and progress on the Troubled Families Programme
 - Introduce new duties and measures to improve 'life chances' for children - replacing previous measures and duties set out in the Child Poverty Act 2010
 - Reduce the benefit cap from £26,000 to £20,000 (£23,000 in London)
 - Freeze rates for most working age benefits, tax credits and Child Benefit for 4 years
 - Limit the amount of support provided by Child Tax Credit for families with children born after April 2017
 - Limit the child element of Universal Credit to two children
 - Remove the work-related activity component in employment and Support Allowance and the limited capability for work element in Universal Credit
 - Make further changes to social housing rents including a requirement for social landlords to reduce their rents by 1% every year for four years
- 4.2 The Bill has passed through the House of Commons and has just had its second reading in the House of Lords. The date for its third reading is yet to be scheduled. It will become law later this year.

Bedroom Tax exemption

- 4.3 The Court of Appeal has recently ruled that the bedroom tax discriminates against a domestic violence victim and the family of a disabled teenager. The Government has said it will appeal and the case will be decided in the Supreme Court. If upheld, the ruling will affect severely disabled children needing overnight care and victims of domestic violence living in specially adapted accommodation.

Benefit cap exemption

- 4.4 The government has just announced that those who spend more than 35 hours a week in a caring role will be exempt from the benefit cap. This follows a court ruling that it unlawfully discriminated against disabled people. The Council has been using DHP to support carers with housing costs, so this announcement is welcome.

New National Living Wage

- 4.5 The new National Living Wage will come into effect from 1 April 2016. Those aged 25 or over and not in the first year of an apprenticeship will be legally entitled to at least £7.20 per hour, rising to £9 an hour by 2020.

- 4.6 This is above the current National Minimum Wage (£6.70) but below the Living Wage calculated by the Living Wage Foundation which is based on the cost of living. The Living Wage is £8.25 an hour (£9.40 in London).
- 4.7 The new National Living Wage is aimed to ensure that people really are better off in work and to counter the impact of changes to Working Tax Credit and Child Tax Credit coming into effect in April 2016.
- 4.8 However, the Institute for Fiscal Studies has undertaken research to establish the extent of the impacts. It found that the main group affected by the tax credit changes would be in-work families eligible for Working Tax Credit. All such families with incomes in excess of the new, lower threshold of £3,850 will be affected. In 2016-17, the increase in the tax credit taper rate to 48% and the reductions in the income thresholds would result in an average loss across all in-work families of £1,300 in 2016-17 – for some families, the loss will be greater, for others less. So, whilst the National Living Wage is a welcome step, we may find that some of our lowest paid residents who depend on benefits to make ends meet are actually worse off.

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.
- 5.3 Latest data, for 17 January 2016, shows that there are currently 1,065 households affected. The number varies week on week as changes in circumstances mean new households become liable and others are no longer affected. However, the number of tenants affected since April 2014 has been stable at an average of 1,097.
- 5.4 The position, with regard to contact with tenants currently affected, is set out below. There has been a reduction in the numbers opting to ‘stay and pay’ – 882 in January compared to 923 in May 2015.

Contact Type	28 Jan	2 Feb	14 Apr	17 May	17 Jan
Tenant undecided	0	0	0	0	0
Letter only contact, no engagement for decision	15	16	32	29	54
Housing Benefit Query	16	17	17	18	13
Letter and visit card dropped no engagement*	20	20	18	19	11
Remain in property	939	941	924	923	882
Transfer	99	101	100	100	93
No response as no action yet taken on account	2	0	0	4	3
New cases since last report - no contact	13	7	9	1	9
Total affected by Bedroom Tax	1,104	1,102	1,100	1,094	1,065

5.5 The number of residents affected by the spare room subsidy has been significantly mitigated due to the support provided by the Council's Housing teams. Many under-occupier moves have already been achieved. Discretionary Housing Payment (DHP) has been used to meet shortfalls in rent thus helping residents to avoid falling into arrears whilst a more sustainable solution is explored. The table below shows a decrease compared to last year in the number and percentage of tenants who are in arrears.

Balance	28 Jan	2 Feb	14 Apr	17 May	17 Jan
In credit or £0.00 balance	623 (56%)	630(57%)	643 (58%)	643 (59%)	635 (60%)
In arrears	481 (44%)	472 (43%)	457 (42%)	451 (41%)	430 (40%)
Total affected by Bedroom Tax	1,104	1,102	1,100	1,094	1,065

5.6 Out of the 430 tenants in arrears, 332 wish to pay and stay and these are being managed in line with the arrears policy.

5.7 Of the 882 tenants who have indicated that they wish to remain in their properties and pay the spare room subsidy, 547 (62%) are in credit or zero balance totalling -£116,528.98. The remaining 335 (38%) are in arrears totalling £133,920 of the £199,536 owed by all directly managed tenants affected by the spare room subsidy.

5.8 No evictions have yet taken place - work with the Housing Needs Team to make an assisted choice offer to 30 tenants at the pre-eviction stage of the process has proved successful.

5.9 In summary

- The overall arrears as a proportion of the rent roll have decreased since the introduction of the spare room subsidy on 31 March 2013 from 1.94% to 1.88% at of 17 January 2016
- The number of cases in arrears affected by the spare room subsidy cases has decreased from 451 cases in May 2015 to 430 but with an increase in the total of arrears from £197,067 to £199,536.
- The number of tenants affected by bedroom tax is stable

Partners for Improvement

5.10 The current number of tenants affected is 310. This number is also stable with an average of 313 for this financial year.

5.11 Of the 310 tenants, 163 are in credit or have a clear rent account and 147 are in arrears which total £76,550.

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 As of 18 January 2016, 208 households in Islington were affected (a reduction on the 249 cases when we last reported to PPS in July 2015).

6.3 The Council's Income Maximisation Team (IMAX) triage all benefit cap cases to look for possible exemptions. If none are identified, they discuss with the client the potential for them to

move into employment (in work benefits are not subject to the cap) and the support the Council can provide through DHP and through iWork. Based on this discussion, clients are given a rating. The current caseload of 208 clients is rated as follows:

Rating	Number	Description
BLUE Stay and Pay	104	Households in this group do not receive DHP as their shortfall is £15 or below, or they have agreed to stay and pay (although many reluctantly). Some will have been awarded DHP in the past, because, for example, they agreed to engage with iWork but DHP was ceased because they failed to do so (a condition of receiving DHP for those who could work)
GREEN Engaging with iWork	36	iWork further breaks this group down into: <ul style="list-style-type: none"> ▪ Green: fully engaging ▪ Amber: further away from the jobs market IMAX awards DHP (minus the first £15) for the first 6 weeks. iWork informs IMAX whether the client is engaging. If so, IMAX awards DHP to cover a further 12 weeks (Green category) and 6 weeks (Amber). Future payments are dependent on ongoing engagement with iWork. If clients fail to engage, they are advised by IMAX that any future DHP will cease
PURPLE Receiving DHP	8	These receive DHP (minus first £15) because their circumstances are of some concern – generally, they have recently given birth, or are near to giving birth, are victims of domestic violence, are Carers, or in contact with Children’s Services
WHITE Potential disability benefit	18	Someone in the household is being assisted to claim a disability benefit which, if awarded, will exempt the household from the cap. DHPs are awarded (minus 1 st £15) until a decision is made on their claim
RED No contact	35	Mostly cases where the Council has been unable to make contact. On-going efforts are made to write to or phone these households
NOT RATED	7	New cases not yet rated or following up potential exemption

6.4 IMAX works with Council and partner housing providers to keep them up to date with the status of benefit cap claimants and any potential risk to DHP which might result in arrears being accrued. The team also has regular cases conferences with Housing and Children’s Services to discuss cases of particular concern and how to move forward with these clients and liaises closely with iWork to advise on the interaction between employment and benefit entitlement.

Impact of further reduction in Benefit Cap

6.5 The proposed reduction in the benefit cap, from £26,000 to £23,000 for families and £15,410 for single people 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.

6.6 In July we reported that an estimated 862 cases would be affected, including the current caseload. And we calculated that the amount of DHP required to support Benefit Cap cases could increase from £347k (14/15) to £2.28m (well above the DHP budget for this year of just under £1m).

6.7 The tables below show how the reduced cap will affect single households and families. The end column in each table indicates how much housing benefit would be payable to avoid exceeding the cap.

6.8 For single people, the lower cap will equate to £296 per week - a reduction of £54 on the current weekly cap of £350. So, for instance, a single person on JSA living in Islington would receive a maximum of £223.25 Housing Benefit (HB) per week to meet housing costs. Any rent above this would need to be found.

Table 1: Single people	Weekly benefit (15/16)	Max HB/Housing costs in London (£15,410)	Max HB/housing costs outside London (£13,400)
Single job seeker (JSA)	£73.10	£223.25	£184.59
Single Employment & Support Allowance (ESA assessment phase)	£73.10	£223.25	£184.59
Single ESA WRAG (work related activity group)	£102.15	£194.20	£155.59

6.9 Table 2 shows the position for families. The intended new benefit cap of £23,000 pa equates to £442 per week - £58 less than the current weekly cap of £500. Larger families are most affected, with the amount of Housing Benefit well below even the average council rent and well below the rate for a private rented property.

Table 2a: Families with children JSA/IS	No of children	JSA/IS etc.	Child Benefit	Child Tax Credit	Maximum Housing Costs
Lone parent (18 yrs or over)	1	£73.10	£20.70	£63.63	£284.87
	2	£73.10	£34.40	£116.85	£217.95
	3	£73.10	£48.10	£170.03	£151.07
	4	£73.10	£61.80	£223.23	£84.17
	5	£73.10	£75.50	£276.43	£17.27
	6	£73.10	£89.20	£329.63	£0.50
	7	£73.10	£102.90	£382.83	£0.50
	8	£73.10	£116.60	£436.03	£0.50
	9	£73.10	£130.30	£489.23	£0.50
	10	£73.10	£144.00	£542.43	£0.50
Couple (both 18 yrs or over)	1	£114.85	£20.70	£63.63	£243.12
	2	£114.85	£34.40	£116.85	£176.20
	3	£114.85	£48.10	£170.03	£109.32
	4	£114.85	£61.80	£223.23	£42.42
	5	£114.85	£75.50	£276.43	£0.50
	6	£114.85	£89.20	£329.63	£0.50
	7	£114.85	£102.90	£382.83	£0.50
	8	£114.85	£116.60	£436.03	£0.50
	9	£114.85	£130.30	£489.23	£0.50
	10	£114.85	£144.00	£542.43	£0.50
Table 2b: Families with children ESA	No of Children	ESA (WRAG)	Child benefit	CTC	Max Housing costs
Lone parent(18yrs+)	1	£102.15	£20.70	£63.63	£255.82
	2	£102.15	£34.40	£116.85	£188.90
	3	£102.15	£48.10	£170.03	£122.02
	4	£102.15	£61.80	£223.23	£55.12
	5	£102.15	£75.50	£276.43	£0.50
Couple(both 18+)	1	£143.90	£20.70	£63.63	£214.07
	2	£143.90	£34.40	£116.85	£147.15
	3	£143.90	£48.10	£170.03	£80.27
	4	£143.90	£61.80	£223.23	£13.37
	5	£143.90	£75.50	£276.43	£0.50

7. Resident Support Scheme 2015-16

7.1 The Council, in partnership with Cripplegate Foundation, has pooled a number of hardship and crisis support funding streams into a single Resident Support Scheme to help Islington residents in times of real need, including those affected by the welfare reforms. Funding for 2015-16 is as follows:

Funding stream	Budget 15/16
Cripplegate	£55,000
St Sepulchre	£30,000
Community Care	£557,000
CCS Maximum Reserve Fund	£652,000
Discretionary Housing Payment	£989,332
Council Tax Welfare	£25,000
Total	£2308,332

7.2 There have been 3,274 cases or applications for RSS in 2015-16 (as of 15 January 2016) with DHP and Community Care (non crisis) accounting for the most, both in terms of volume and amount.

Type of award	No of RSS cases	Total allocated to date	Average award
DHP	1,332	£911,237	£852
Council Tax Welfare	87	£8,897	£125
CC - Non Crisis	1,610	£821,530	£599
CC - Crisis	245	£7,980	£61

8. Universal Credit and Universal Support Delivered Locally

USDL trial

- 8.1 Islington was one of eleven areas chosen to take part in a DWP trial to test out delivery of support (known as Universal Support Delivered Locally) to help residents with the transition to Universal Credit. The trial has now ended and an evaluation is underway which will inform future arrangements and funding for USDL.
- 8.2 Through Islington's trial the Council, in partnership with the CAB, DWP and Help On Your Doorstep:
- Raised awareness of Universal Credit and where to access support with over 3,000 conversations through our Customer Centre
 - Tested a number of ways of engaging residents on Bemerton and New River Green estates, the most successful of which was delivered by Help On Your Doorstep through door-knocking and telephone calls to residents they'd previously supported. Both of these led to increase awareness through word of mouth
 - Triaged and referred over 840 residents for Financial, Digital and / or Employment Support, of which:
 - 170 people received debt and budgeting support through the CAB to prepare for UC
 - 150 attended our Adult and Community Learning Online Centre in Central Library to have their IT skills assessed and undertake further training if required
 - 100 people were supported into paid employment, many of whom had been on benefits for many years, some over five years

- Made a strong and convincing case to government of the need for Employment support to be part of any future USDL offer

Next steps

- 8.3 In general, the trial worked very well and we will continue much of what we piloted including:
- Triaging residents who attend our Customer Centre and refer to support through iWork, the CAB and ACL
 - Co-location of DWP staff within iWork, and signing on claimants at 222, both of which worked very well
 - Spreading awareness of UC and referring to support through outreach on estates. Help On Your Doorstep will now refer people to USDL support as part of their core door-knocking and referral service
- 8.4 The DWP has commissioned external evaluation of the USDL trials. The findings and recommendations, expected in Spring 2016, will inform future arrangements (and funding) for USDL.

Roll out of Universal Credit in Islington

- 8.5 Universal Credit is now being rolled out nationally. It went live in Islington on 9 November 2015, but at this stage is restricted to new single JSA claimants not on housing benefit. The number of claimants is very low. Figures to the end of December 2015 show that there were only 73 UC claimants in Islington, 65 of which were out of work.
- 8.6 The Council and the CAB have signed a Delivery Partnership Agreement with the Department for Work and Pensions (DWP) to provide support for the small number of new UC claimants in this first phase, whilst the USDL trials are being evaluated. The CAB will be taking referrals directly from JCP staff for those new claimants for UC who require budgeting support. The Customer Centre will be an alternative point for those UC eligible claimants who require access or support to go online and start their new claim
- 8.7 The majority of existing benefit claimants, including large numbers on Housing Benefit, will be moved over to Universal Credit in 2016 and 2017, though no timetable has yet been released.

9. Implications

Financial Implications

- 9.1 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

- 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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Final report clearance:

Signed by:

Date

**Received
by:**

Date