



## Report of: Director of Digital and Processing Services

Meeting of	Date	Agenda Item	Ward(s)
Policy & Performance Scrutiny Committee	31 October 2016		All

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

## SUBJECT: IMPACTS OF WELFARE REFORM – UPDATE

### 1. Synopsis

- 1.1 The government is in the process of introducing wide-ranging reforms to welfare benefits which impact upon many Islington residents, including some of the poorest and most vulnerable. The Council is doing what it can to assess the scale of impact and support those most affected.
- 1.2 This report summarises the latest developments in the government’s programme of welfare reform. It also sets out the findings from recent research commissioned to establish the impact of welfare reform in Islington and make recommendations on where to target support.

### 2. Recommendations

- 2.1 To note the changes introduced in the Welfare and Work Act 2016, including a further reduction in the benefit cap, and the timetable for implementation of outstanding reforms (Appendix A)
- 2.2 To note the findings and recommendations of research undertaken to establish the impact of welfare reforms in Islington (full report at Appendix B)

### 3. Background: update on welfare reform legislation

- 3.1 The Welfare Reform Act 2012 introduced a series of reforms to welfare provision in order to improve work incentives and simplify the benefits system. Key measures 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 considered larger than necessary (the ‘Bedroom Tax’)

- A cap on the total amount of benefits that can be claimed per household to £26,000

3.2 A second piece of legislation, the Welfare Reform and Work Act 2016, introduced further measures which aim to increase employment and reduce the welfare budget. This Act:

- Creates statutory duties for the Government to report annually on progress towards full employment, creating 3 million new apprenticeships by 2020, and on the Troubled Families Programme
- Requires the government to report annually on child poverty and amends the Child Poverty Act 2010 to become the Life Chances Act. The Act repeals the duty to eradicate Child Poverty by 2020, and changes how child poverty will be measured, replacing previous measures based on family income with indicators of children's 'life chances' (number of children living in workless households and GCSE results). The Social Mobility and Child Poverty Commission will become the Social Mobility Commission and report annually on progress towards social mobility
- Lowers the benefit cap for families on out of work benefits: in London, the new cap (from 7 November 2016) will be £23,000 (£15,410 for single claimants). The national cap will be £20,000 for couples / lone parents (£13,400 for single claimants). The Secretary of State must review the cap at least once in each Parliament. *NB: this will enable the government to amend the cap without the need for further legislation*
- Freezes most working-age benefits and tax credit amounts for the next four years, with effect from April 2016: Income Support, Jobseeker's Allowance (JSA), Employment and Support Allowance (ESA), Housing Benefit, Universal Credit (UC), the individual child elements of Child Tax Credit (CTC) and most elements of Working Tax Credit
- Limits the amount of support provided by Child Tax Credit for families with children born after April 2017, and the child element of Universal Credit to two children
- Removes the work-related activity component in Employment and Support Allowance and the limited capability for work element in Universal Credit
- Requires social housing providers to reduce rent levels by 1% every year for four years, from April 2016

3.3 The latest timetable for implementation of the welfare reform programme is attached at Appendix A. This is subject to change but provides a sense of what is still to come, and when.

#### Challenges and Changes

3.4 In January this year, the Court of Appeal ruled that the Bedroom Tax unlawfully discriminated against victims of domestic violence and disabled children. The Government appealed the decision on the basis that the additional support given to local authorities through Discretionary Housing Payment and other discretionary funding is intended to support vulnerable people. The main issue raised by these cases is whether passing the duty to local authorities under a discretionary scheme is sufficient, or whether these groups need to be exempt through legislation. The case has been considered by the Supreme Court and we are awaiting its ruling.

3.5 Challenges made during the debate on the Welfare and Work Bill have resulted in a change in the benefit cap related to carers. Those entitled to Carers Allowance / Carers element of UC or Guardians Allowance will now be exempt from the benefit cap. Existing claimants of these benefits will have the cap removed from 7 November 2016.

## 4. Impact of welfare reform in Islington

- 4.1 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.
- 4.2 The Council recently commissioned research into the impact of welfare reforms in Islington – both changes already implemented and those still to come.
- 4.3 The analysis used information from the Council's datasets of households in receipt of either Housing Benefit or Council Tax support. There were 31,313 households in these datasets (33.5% of the total Islington population based on 2011 Census). Of these, 71.5% of households (22,388) were of working age and thus subject to welfare reforms. These formed the basis for the analysis. The report was accompanied by a detailed spreadsheet down to household level to enable the Council to identify and target future support based on the recommendations.
- 4.4 The full report is attached as Appendix B. A summary of main impacts is as follows:

### Bedroom Tax:

- 2,160 (11.7%) of the 18,438 working-age households in social housing, received reduced Housing Benefit due to the under-occupation charge – average reduction £23.27 per week
- The majority affected (74.2%) had one spare room, 24.5% had two or more spare rooms
- The majority are Single (67.7%) and Lone parent (15.7%). 57% are disabled or have a long term health condition

### Cap on Local Housing Allowance:

- 2,841 households in the analysis are in privately rented accommodation. 41.2% are charged rent above the LHA rate used to calculate HB so face a shortfall
- The average shortfall is £62.26 per week (£62.86 for the 1,192 households in private rented and £59.97 for the 291 households in temporary accommodation)

### Council Tax support:

- 26,921 households are in receipt of council tax support, the majority (78.5%) in a protected group (pensioners and vulnerable people) receiving full support so not impacted
- The remaining 21.5% have seen an average reduction of £1.56 per week in support following the change from Council Tax Benefit to council tax support

### Benefit Cap at £26,000:

- 195 households are affected by the benefit cap - average HB reduction of £53.26 per week (household most heavily affected has £461.81 per week reduction. 3 households currently lose all of their Housing Benefit as a result of cap)
- 76.4% of the affected households have children – 457 children are currently affected
- 65.1% of capped households are lone parents, 11.3% couples with children, 23.6% single

### Reduced Benefit Cap to £23,000:

- Between 1,452 and 755 households will be affected by the lower benefit cap
- 250 households will lose less than £20 per week. 92 will lose more than £100 per week
- 431 households have been identified as being newly capped and are in receipt of ESA – if any are in the ESA Support Group they could be exempt
- 65 households identified as being capped appear to be in work – if these households increase their hours worked, and the claimant is over 25, they too could be exempt

#### Cumulative impact of reforms (excluding Council Tax support):

- Reforms implemented to date have resulted in an average fall in income of £5.62 per week for low-income working-age households
- The reduction in the benefit cap to £23,000 will result in a further average income loss of £2.40 per week for working-age households in Islington
- Looking at the combined effect of inflation and expected rent increases, alongside the freezing of benefit rates, the average household in Islington can expect to be £40.16 worse off in 2020 compared to April 2016. The position varies by household:
  - 57.7% of households will have lower benefit entitlement and need transitional protection
  - 33.3% of households would see their entitlement increase under Universal Credit
  - 9.0% would face no change in income
- 1,913 households will face a 'high impact' - a fall in household income of over £30 per week – as a result of the bedroom tax, reduced benefit cap, LHA cap, and cuts to council tax support. Lone parents, households in the private-rented sector and those in work are most likely to have a 'high' impact

4.5 The report recommends that the Council should:

- Use other datasets to identify Carers, ESA support group, and those with disabled children or in exempt accommodation
- Ensure those who are working are aware of how many hours they need to work to be exempt from the benefit cap. For those not in work, identify and target support at those highly impacted but with low barriers to work (515 households)
- Use the data to understand who is most heavily impacted and target DHP and other support accordingly
- Use the database to ensure a coordinated approach across council and partner services to maximise resource / effort and avoid duplication
- Identify further savings – including an estimated £1.1m Pupil Premium by ensuring that households entitled to Free School Meals have submitted their means tested claim to allow the school to draw down the premium

## **5. Implications**

### **Financial Implications**

5.1 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. Discretionary Housing Payment (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**

5.2 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**

5.3 None.

## 6. Conclusion

- 6.1 The Council continues to prioritise support for those who face the most severe hardship, although 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 for 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.

### **Report Author:**

Annette Hobart

Corporate Strategy and Performance Manager, Chief Executive's Department

Tel: 020 7527 3244

E-mail: [Annette.hobart@islington.gov.uk](mailto:Annette.hobart@islington.gov.uk)

Final report clearance:

**Signed by:**

Date

**Received  
by:**

Date

## Implementation of welfare reforms: Latest timetable

### From 1 April

- Four year freeze on most working age benefits and child tax credit

### From September 2016

- Reduction in support available as part of Disabled Students Allowance
- New maintenance loan support will replace student grants. Cash support for new students will increase by £766 to £8,200 a year. Loans will be paid back only when graduates earn above £21,000 a year
- The government will lift the age cap on new loans to postgraduates from 2016-17 so they are available to all those under 60

### From November 2016

- From 7 November 2016 the benefit cap will be reduced. The new cap rate is £20,000 nationally (£13,400 for single adults with no children) or £23,000 (£15,410 for single adults with no children) in Greater London (32 London boroughs and the City of London).
  - Applying the cap for currently capped claims: the assessment will be undertaken automatically using current data held by DWP and LA systems, but with the inclusion of the lower cap level figure in the calculation. All existing capped households will have the new cap levels applied at the same time
  - Applying the cap for not currently affected claims: DWP will undertake a manual check of benefit awards and exemptions. This is expected to commence 7 November 2016 and be completed by the end of January 2017
- Those entitled to Carer's Allowance/ Carers Element of UC or Guardians Allowance will be now exempt from the benefit cap. Existing claimants of Carer's Allowance/ Carers Element of UC or Guardians Allowance should have the cap removed from 7 November 2016

### From early 2017

- New Tax-free Childcare scheme aims to provide up to 1.8 million families across the UK with up to £2,000 of childcare support per year, per child, via a new simple online system
- Tuition loans will be extended to students wishing to do a second degree in STEM subjects (science, technology, engineering and mathematics) from 2017-18

### From April 2017

- Bereavement support payment replaces current bereavement benefit system
- New ESA claimants who are placed in the Work-Related Activity Group will receive the same rate of benefit as those claiming Jobseeker's Allowance, alongside additional support to help them take steps back to work
- Those aged 18 to 21 who are on Universal Credit, in full digital UC areas, will have to apply for an apprenticeship or traineeship, gain work-based skills, or go on a work placement 6 months after the start of their claim. Apart from certain exceptions (those considered vulnerable) they will not be allowed to claim Housing Benefit/UC housing costs element
- Those starting a family after April 2017 will no longer be eligible for the Family Element in Tax Credits

- Universal Credit first child premium will not be available for new claims after April 2017, where the first child is born after 6 April 2017
- In households with two or more children any subsequent children born after April 2017 will not be eligible for further support. See DWP Secretary of State Damian Green's statement. Equivalent changes will be made to the Universal Credit and Housing Benefit rules
- Parents with a youngest child aged 3 or older (including lone parents) who are able to work will be expected to look for work if they are claiming Universal Credit
- New apprenticeship levy to be introduced, at a rate of 0.5% of an employer's pay bill – will be paid by employers whose salary bills exceed £3 million

### **From April 2018**

- New Support for Mortgage Interest (SMI) will be paid as a loan, to be repaid upon sale of your house, or when you return to work
- 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
- Class 2 National Insurance Contributions (NICs) will be abolished. The Government will reform Class 4 NICs as a route to self-employed individuals building entitlement to the State Pension and other contributory benefits

### **From May 2018**

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

### **From 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

### **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