The Cumulative Impact of Welfare Reform in Islington

Contents

Executive Summary

This report contains the findings of an examination of the impact of welfare reform in Islington by Policy in Practice, commissioned by the London Borough of Islington. The report examines reforms that have already taken place and a selection of those that are yet to be implemented. This report's findings, which are based on a detailed household level analysis, can help the council to target its support resources more effectively.

The dataset used in the analysis comprises all households in Islington that are receiving either Housing Benefit or council tax support. There are 31,313 households in the dataset, representing approximately 33.5% of the total population of Islington. 71.5% of households in the dataset are of working age and subject to welfare reforms.

The impact of individual welfare reforms

A number of welfare reforms have already been introduced:

- The under-occupation charge (also known as the 'removal of the spare room subsidy' or the 'bedroom tax') reduces Housing Benefit for households living in the social-rented sector who are deemed to have a 'spare' room.

- The Local Housing Allowance limits the amount of Housing Benefit tenants in the private-rented sector can receive.

- The benefit cap limits the total benefit income most working-age households can receive.

- Localised Council Tax Support has passed cuts in central government funding to working-age households who are not in a protected group.

Further reforms targeted at working-age households were announced in the Summer Budget 2015. In Islington the benefit cap will fall to £23,000 per year for couples and families with children and to £15,410 per year for single people without children. Work allowances under Universal Credit have been reduced to zero for non-disabled households without children and substantially reduced for families with children.

Table 1 below provides a summary of the impact of those welfare reforms that came into effect before April 2016, based on data as at June 2016 and analysis of other reforms announced in 2015 that came into effect from April 2016 onwards. These include the loss of Housing Benefit for people under 21; the introduction of 'earn or learn' for 18-21 year olds; the loss of entitlement to child tax credits for three or more children; 'pay to stay' policies; the capping of Housing Benefit at LHA rates for tenants in the social sector; increases in the minimum wage; increases in the personal allowance and additional childcare support for 3-4 year olds.

The table includes breakdowns for each reform in terms of the number of households affected and the monetary impact, the impact on each individual household is shown in the accompanying dataset.

Table 1: The impact of individual welfare reforms				
	Number of households affected	Average weekly income reduction for those affected	Total weekly income reduction	Household type most affected
The impact of previous welfare reforms				
Under-occupation	2,160	-£23.27	-£50,265.81	Single
LHA Cap (excluding temp. acc.)	1,192	-£62.82	-£74,881.44	Single
LHA Cap (only temp. acc.)	291	-£59.97	-£17,451.27	Single
Benefit cap (£26k)	195	-£53.26	-£10,384.94	Lone parent
Council Tax Support	18,482	-£1.56	-£28,831.92	Single
The impact of the summer budget from April 2016				
Benefit cap (£23k)	1,452	-£50.51	-£73,345.92	Lone parent
Reduced UC work allowances	5,630	N/A	N/A	Lone Parent
The impact of the summer budget for new claims				
18-21 year olds and Housing Benefit	322	N/A	N/A	Single
18-21 years olds and Earn or Learn	332	N/A	N/A	Single
LHA rates applied to social renters	157	-£19.92	-£3,127.10	Single
Child element limited for new claims	5,213	N/A	N/A	Lone parent
The impact of mitigating measures for people in work in 2020				
National Living Wage & Rise in tax allowance	4,565	£22.37	£102,133.67	Lone parent
30 hrs free childcare for 3-4 year olds	1,937	N/A	N/A	Lone parent

The cumulative impact of welfare reform

Figure 1 below breaks down the average weekly impact that each welfare reform will have on working age households. We take April 2016 as a baseline, against which we compare the impact of reforms prior to 2013, the impact of the lower benefit cap, the transition to UC, the mitigation measures to be implemented in the run up to 2020, plus the impact of inflation and rising rent prices.

Welfare reforms prior to 2013

The reforms implemented prior to 2013 include the benefit cap at £26,000 and LHA cap. As a result of these, low-income working-age households in Islington have seen their incomes fall by an average of £5.62.

Figure 1: Cumulative impact of welfare reform
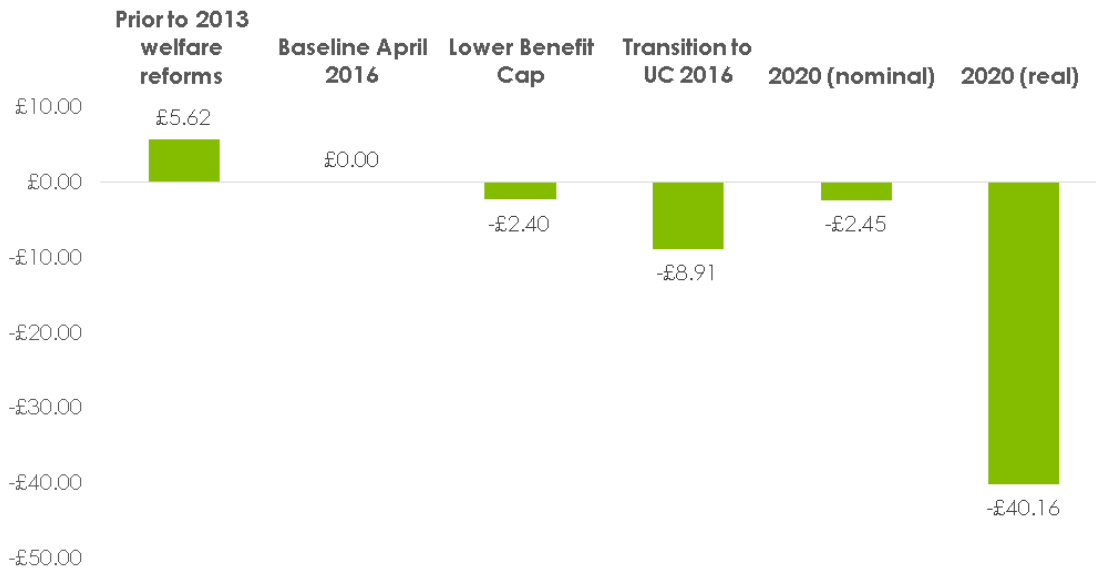
Lower benefit cap

Earlier this year, the government reduced the benefit cap further to £23,000. In Islington, this will result in a further average income loss of £2.40 per week for working-age households.

The roll out of Universal Credit in 2016

Universal Credit (UC) will replace six existing means-tested benefits and is intended to simplify the system and improve work incentives. The implementation of UC in Islington has begun for single people making a new claim for who would have claimed income-based Jobseeker's Allowance. Numbers in receipt of UC will remain low in the short term, but our analysis estimates that at least 22,845 households in Islington will receive UC when it is fully implemented.

As Figure 1 shows, Universal Credit will reduce incomes by a further £6.51, taking the cumulative impact to £8.91 below the baseline. Furthermore, if UC was fully rolled out today and circumstances remained the same, then:

- 7568 households (33.1%) would have a lower benefit entitlement under Universal Credit and need transitional protection;

- 6876 households (30.1%) would have a higher income under Universal Credit.

- 8401 households (36.8%) would see no change in entitlement.

Nominal impact of mitigation measures (by 2020)

As a means to soften the effect of the above reforms, the government will phase in a rise in the National Living Wage to £9 per hour for people over 25, plus an increase in the personal allowance to £12,500. In Islington, these measures will benefit 4,565 households by an average of £22.37 weekly.

However, the average impact for all working age households (many of which will not be affected by these measures) is considerably smaller. As can be seen in Figure 1, by 2020 the mitigation measures will have reduced the negative cumulative impact for the cohort working age households by £6.46 to £2.45 below the April 2016 baseline.

Real impact by 2020

If we also consider the combined effect of inflation and expected rent increases, alongside the freezing of benefit rates (the real cumulative impact), the average household in Islington can expect to be £40.16 worse off in 2020 compared to April 2016. In other words, the net impact of rising living costs through to 2020 is almost -£37.77 for the average working age household in the cohort. Furthermore, when considering the real impact of welfare reform by 2020, it is found that:

- The percentage of households with lower benefit entitlement and in need of transitional protection would rise to 57.7%;

- 33.3% of households would see their entitlement increase under Universal Credit;

- 9.0% would face no change in income.

Figure 1 above depicts average impact, whereas in fact households will be affected very differently. For this reason, it is perhaps more meaningful to consider how many households will face a "high impact" due to welfare reforms, defined as a fall in nominal household income of over £30 per week as a result of the under-occupation charge, the reduced benefit cap, and the LHA cap for private renters. In Islington, 1,913 households fall under this category, while 51 households are affected by 3 or more reforms. Lone parents, households in the private-rented sector and those in work are most likely to have a 'high' impact due to welfare reform. There are 3 households affected by four welfare reforms.

In addition, this analysis excludes reforms that only apply to new claims (such as the removal of the family premium of Housing Benefit, the LHA applied to social renters or child tax credits for a third child), or require a change in circumstances before migration to the reformed benefits. It is likely that many of the current cohort will see a change in circumstances, and other households will make new claims for benefits. These households will be affected by all the welfare reforms leading to reduced benefit levels. The number of households that would have a lower benefit income than similar households today is therefore likely to be higher than these figures suggest.

Summary of recommendations

Policy in Practice recommends that the analysis in this report and the accompanying dataset is used by the London Borough of Islington to target support to individual households who are hardest hit by welfare reforms. The dataset can be used to target support to individual households and help the council to be proactive in engaging residents.

We recommend the following actions:

- **Identify exemptions.** The data provided does not enable us to identify some households that may be exempt from the reduced benefit cap. Other datasets such as ATLAS may help to identify households in the ESA Support Group, in receipt of Carer's Allowance, with disabled children or in exempt accommodation. Identifying additional exempt households enables the council to focus support more accurately on those most severely affected by the reforms.

- **Target employment support**. Where possible, provide information to households in work affected by the benefit cap to ensure that they are aware of the effect of increasing their weekly hours in order to reach the qualifying threshold for exemption. In addition, target employment support to the 'quick wins' – those who are highly affected by welfare reform but have low barriers to work. Our analysis has identified 515 households that face a high impact from welfare reform and appear to have low barriers to work. They may face other barriers not covered by this analysis, but some of these households may benefit from employment-related interventions.

- **Target financial support.** Our analysis has identified a total nominal loss from welfare reform of £1,510,000 to date, and a further £658,000 by 2020. Islington has £1.16m to be allocated through discretionary housing payments. Understanding who is most heavily impacted and how Islington could help the council to better target DHPs and other forms of hardship support.

- **Use this data to co-ordinate support across the council and with partners**. This analysis and the accompanying household level dataset can help to co-ordinate activity across the council to avoid duplicating support and provide a more joined-up service (e.g. Troubled Families). Partners can be commissioned to focus on the households with greatest need, or where support is likely to be most effective.

- **Use this data, and further analysis, to identify and deliver savings**. We estimate that £556,000 could be saved by using this analysis to prioritise and proactively support households impacted by the benefit cap. Additionally, £1,104,180 in pupil premium funding could be realised to drive targeted claims for means-tested free school meals. Other opportunities to deliver savings through this analysis may be identified by the council and we would be pleased to discuss this further.

1. Introduction

Welfare reform presents a complex picture for both the London Borough of Islington and its residents.

A range of reforms were introduced under the previous two governments to reduce welfare spending:

- The under-occupation charge (also known as the 'removal of the spare room subsidy' or the 'bedroom tax') reduces Housing Benefit for households living in the social-rented sector who are deemed to have a 'spare' room.
- The Local Housing Allowance limits the amount of Housing Benefit tenants in the private-rented sector can receive.
- The benefit cap limits the total benefit income most working-age households can receive.

A number of further measures were announced in the Summer Budget in July 2015:

- The benefit cap has been reduced to £23,000 per year in Islington for couples and families with children, and to £15,410 for single people without children.
- Work allowances under Universal Credit have been reduced, to £0 for non-disabled households without children, and substantially for families with children.
- Reforms affecting young people, including the loss of Housing Benefit for people under 21; the introduction of 'earn or learn' for 18-21 year olds, and the capping of Housing Benefit at LHA rates for tenants in the social-rented sector (overwhelmingly affecting people under 35).
- The withdrawal of entitlement to child tax credit for families having a third child (to be introduced after April 2017), and the 'Pay to stay' policy affecting higher earners in the social-rented sector.
- Increases in the minimum wage, the personal allowance, and additional childcare support for 3-4 year olds.

Universal Credit is being introduced in order to simplify the benefit system and improve work incentives. In Islington Universal Credit was introduced in March 2016 for new, single JSA claimants.

Islington Council would like to be proactive in its response to Universal Credit and other welfare reforms. The overall objective of this project is to help Islington use its own data to identify those residents most likely to be affected by recent and upcoming changes to the welfare benefits system.

The project sets out to:

- understand the impact of recent reforms to the welfare system;
- model the impact of reforms announced in the 2015 Summer Budget and Autumn Statement that have not yet been implemented;
- assess the impact of Universal Credit;
- understand the cumulative impact that these reforms will have across the council.

Islington will be able to use this information in a proactive way to:

- make better use of its data to target support to residents that need it most;
- take preventative action to mitigate the impact of welfare reforms;
- better co-ordinate resources and support across the district, by understanding the cumulative impact of reforms on the personal finances of residents.

To help Islington achieve these objectives, this report is accompanied by a household-level dataset. This will be securely sent as an excel spreadsheet. It includes flags and filters that show who is affected by each element of the welfare reforms; the financial impact of each reform; the cumulative impact of all reforms and other indicators of need, such as barriers to employment, to help prioritise support. For an introduction on how to use this dataset to target operational activity click here for a short video outlining

By enabling the council to identify which households are most heavily affected by welfare reform, the council will be able to better target more effective support to those who need it most.

The analysis is carried out using data on all households in Islington that are currently (June 2016) receiving either Housing Benefit or council tax support. There are 31,313 households in this cohort, which represents approximately 33.5% of the population of Islington. 71.5% of households in the cohort are of working age and subject to welfare reforms. Detailed information about this dataset can be found in Annex 3.

Data provided by the council is cleaned then analysed by proprietary software that models current and future benefit systems. This analysis utilises the Universal Benefit Calculator owned by Policy in Practice.

2. Methodology and Limitations

This analysis is based on the Islington Single Housing Benefit Extract (SHBE) and Council Tax Reduction Scheme (CTRS) data as of June 2016.

SHBE is a Housing Benefit dataset provided monthly by local authorities for the DWP. The dataset contains individual-level data and thus is a rich resource for analysing the impact of welfare reform at both an individual and an aggregate level. It represents low-income households, defined as those in receipt of Housing Benefit. The CTRS dataset contains similar data for all households in receipt of council tax support.

The London Borough of Islington has signed a secure data-sharing agreement with Policy in Practice. Personally identifiable information has been redacted. Policy in Practice has converted the data into a format consistent with the Universal Benefit Calculator software engine. The analysis using this software was undertaken on a secure server. The output of the analysis shows the individual and aggregate impacts of welfare reform.

There are three general limitations to this methodology:

- The analysis is based on the data provided. In some cases, the data itself may not be accurate. Some residents have little incentive to provide the council with updated information. For example, households in the private-rented sector that pay rent above the Local Housing Allowance are less likely to report further increases in their rent, as this has no impact on their Housing Benefit.

- The data is a snapshot of low-income households, primarily tenants. It does not take into account changes in circumstances that may have occurred since the data was extracted from the system in June 2016, or that will occur after the analysis has been conducted.

- The report presents a 'static' analysis of the impact of welfare reforms. It does not take into account any behavioural impact that the reforms may have. This means that 'dynamic' effects, such as moving into or out of work, are not taken into account in this report. The report also does not take into account preventative front-line support provided by the local authority and its partners.

- The report primarily focuses on tenants and some owner-occupiers. It does not seek to provide analysis of benefit reform on those living as non-dependants, owner-occupiers not receiving help with council tax, or asylum seekers. These groups may also have been affected by welfare reforms.

In addition to these general considerations, there are some limitations to the information held within the SHBE and CTRS datasets that require assumptions to be made in order to complete calculations. Annex 1 provides a complete list of these limitations, the assumptions made, the rationale for the assumptions and the implications for the analysis.

3. The Cohort

The Islington cohort for this analysis is comprised of all households receiving either Housing Benefit or Council Tax Reduction. The figures in this report are therefore reasonably representative of low income households in Islington. There are 31,313 households in the cohort; 43,915 adults (including non-dependants) and 18,709 children. Based on census data from 2011, this cohort represents approximately one third of all households in Islington.

28.5% of this cohort is of pension age and thus protected from the vast majority of welfare reforms. The remaining 71.5% of the cohort are working-age households and are the focus of analysis in this report. The characteristics of these households are shown in figure 3 (below).

Figure 3: Characteristics of households
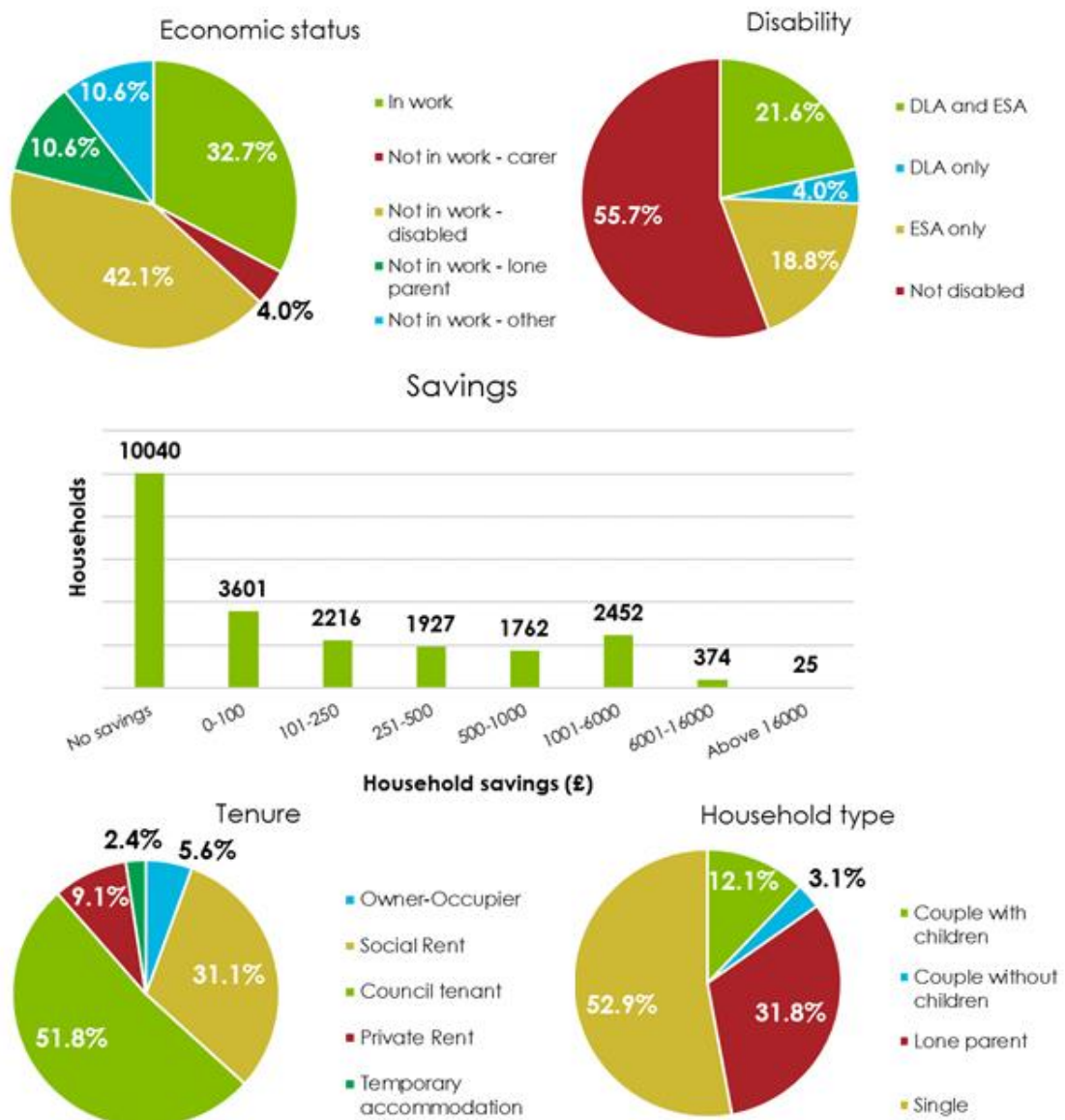
4. The Impact of Previous Welfare Reforms

4.1 Under-occupation charge

The under-occupation charge (also known as the removal of the spare room subsidy or the bedroom tax) was introduced in April 2013. It applies to households who are tenants of social housing who are deemed to have a 'spare' room. The rent used in the calculation of any Housing Benefit is reduced by 14% if the house is assessed as having one spare room and 25% if the house is assessed as having two or more spare rooms.

A total of 2,160, or 11.7% of the 18,438 working-age households living in social housing, receive reduced Housing Benefit due to the under-occupation charge. The average Housing Benefit reduction is £23.27 per week for affected households.

The majority of affected households (74.2%) have one spare room and 24.5% have two or more spare rooms.

Figure 4.1 below provides a breakdown of these affected households by household type and by economic status. The majority of households affected are Single (67.7%) and Lone parent (15.7%).

22.2% of households affected by the under-occupation charge have children. There are 792 children living in affected households in Islington.

Figure 4.1: Characteristics of households affected by the under-occupation charge
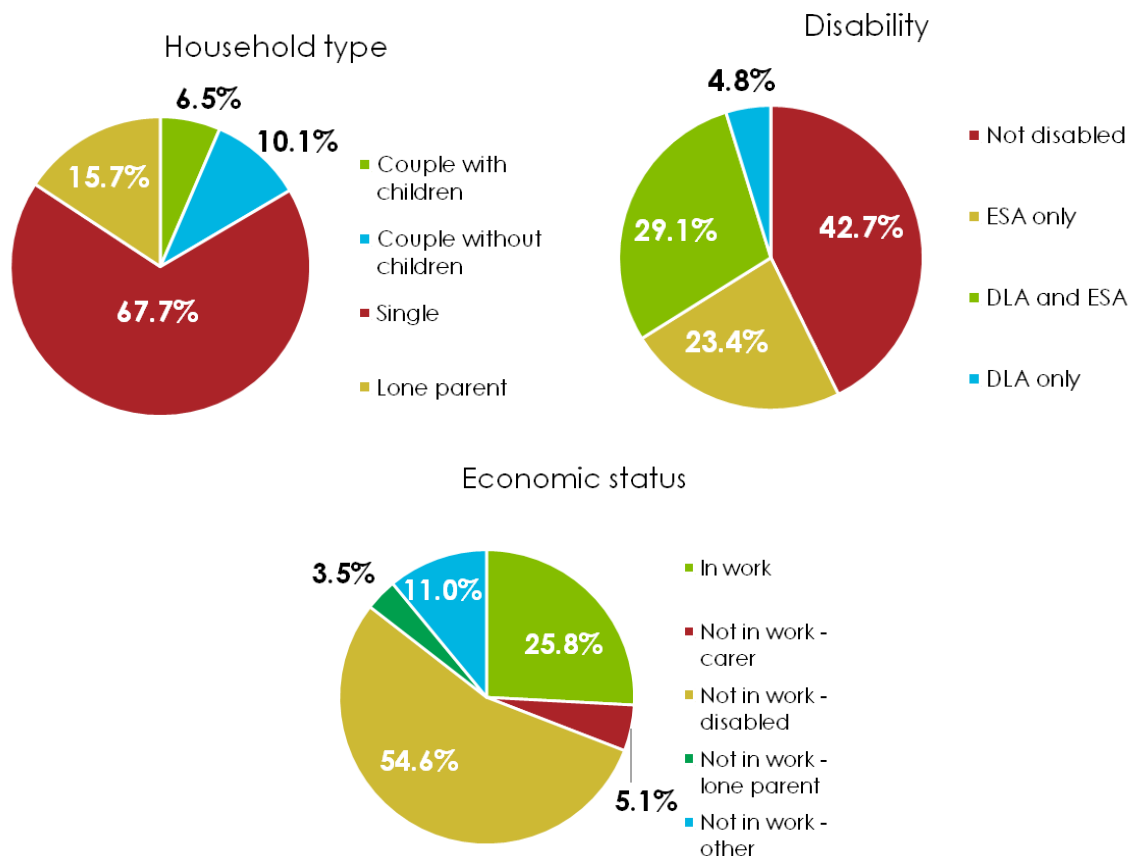
4.2 Local Housing Allowance

The Local Housing Allowance (LHA) was introduced in April 2008 and significantly changed Housing Benefit for people living in the private-rented sector. It places a cap on the maximum amount of rent taken into account for the purposes of Housing Benefit calculation. The applied LHA rate is based on broad geographical regions, household composition and age of household members. In effect, Housing Benefit is not related to the actual rent charged unless the rent is at or below the applied LHA amount.

There are 2,841 households living in the private-rented sector in the cohort. The data shows that 41.2% of these households are charged rent at a level that is above the LHA rate applied to calculate their Housing Benefit.

Households paying rent above their applied LHA rate have an average reported difference between their rent and their Housing Benefit of £62.26 per week. 1,192 of these households are in the private rented sector, paying £62.86 above the LHA, while 291 are in temporary accommodation paying £59.97 above the LHA.

The Local Housing Allowance applies to both working age and pension age households. The vast majority of households (92.6%) affected by the LHA cap in Islington are of working-age.

Figure 4.2 below shows a breakdown of households paying rent above the LHA rate by household type and economic status.

Figure 4.2: Characteristics of households affected by the LHA cap
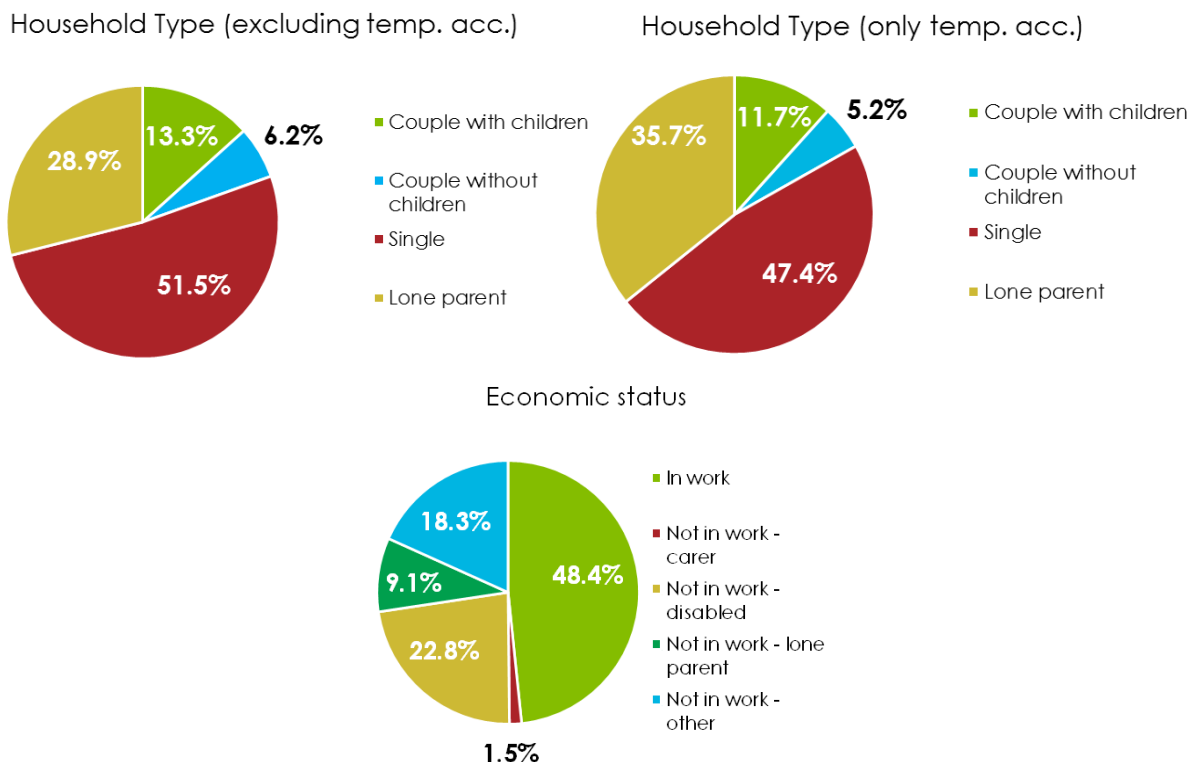
4.3 Council tax support

In April 2013, national Council Tax Benefit was replaced by localised council tax support. Support funding was reduced by 10% and each local authority devised a local scheme which either incorporated these cuts or protected all or most households from them.

The majority of local authorities in England have passed the cut in funding, at least in part, to their residents by requiring payment of a minimum percentage of council tax for working age households.

Figure 4.3 provides an overview of the council tax protection status of households in Islington. 26,921 households are in receipt of council tax support. Of those that are currently in receipt of council tax support 31.3% of recipients are pensioners who are protected and receive full support for their liability. Working age households a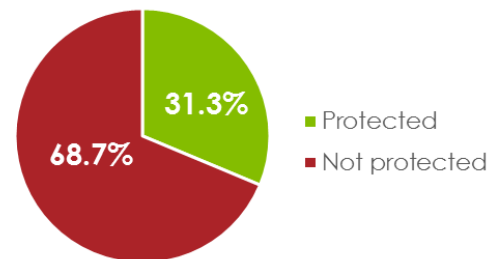re not protected and this group will be expected to pay at least 8.5% of their liability. The average reduction in support following the change from Council Tax Benefit to council tax support is £1.56 per week.

Figure 4.3: Council tax protection for households in receipt of support

- Protected 31.3%
- Not protected 68.7%

4.4 The benefit cap (at £26,000)

The benefit cap was introduced in April 2013. It limits the total amount of benefit support a household can receive. Some benefits are exempt from the cap and some households are also exempt. At present, the cap is set at £500 per week for couples and households with children and at £350 per week for single people without children. The rate for a family was based on the median net earnings of a working household in the UK.

Households that qualify for Working Tax Credit (i.e. in general, those over 25 in full time work) or households with a person in receipt of a qualifying disability-related benefit are exempt from the benefit cap. Any reduction in total benefit due to the benefit cap is taken from Housing Benefit entitlement. Therefore, the cap does not affect owner-occupiers.

There are 195 households in Islington affected by the benefit cap, with an average Housing Benefit reduction of £53.26 per week. Figure 4.4 (below) shows the number of households affected by the benefit cap by their weekly Housing Benefit reduction. The household most heavily affected has a £461.81/week reduction to their Housing Benefit.

3 households currently lose all of their Housing Benefit as a result of the benefit cap.

Figure 4.4 Number of households affected by the benefit cap, by weekly Housing Benefit reduction
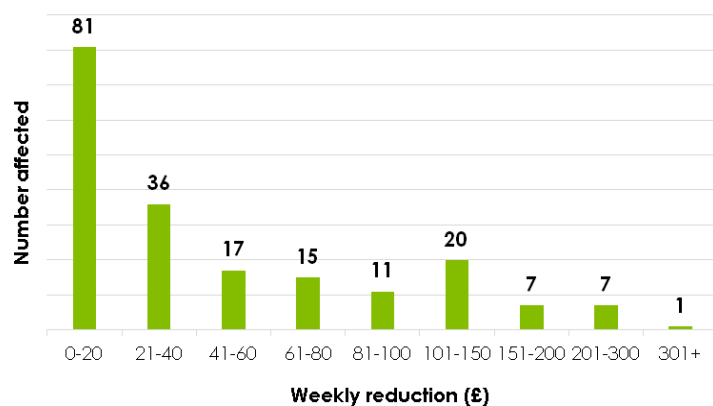
76.4% of the affected households have children, on average 2.3 per household. 65.1% of households affected are lone parent families and 11.3% of households are couples with children. 23.6% are single people. A total of 457 children are currently affected.

18.5% of these households appear to be living in temporary accommodation. The largest group affected tenants are in the private sector (43.6%), with council tenants and social renters making up 38.0% of those affected.

51 households marked as capped are also in receipt of a qualifying disability-related benefit. We suggest Islington verify these cases, marked in the dataset, to ensure they are exempted and not impacted by the cap.

4.5 Universal Infant Free School Meals Programme (UIFSM) and the Pupil Premium

The Pupil Premium is awarded to schools based on the number of their pupils that have made a claim for Free School Meals. It is worth £1,320 per pupil. The UIFSM programme was introduced in September 2014 and guarantees that all pupils in reception, year 1 and year 2 in state-funded schools in England are offered a free school meal (FSM).

Bizarrely, households that are getting UIFSM still need to put in a claim under the means-tested scheme in order for the school to receive the school premium. One local authority estimated that 50% of pupils eligible for both UIFSM and means tested free school meals were not putting in a claim. While this would have no effect on the income of families already eligible for UIFSM, it can heavily affect schools' finances.

The analysis identified 1,673 households eligible for both UIFSM and means-tested FSM. If it is assumed that only half of these households have made a means-tested claim, we estimate the loss to schools in Islington to be worth £1,104,180.

Additional analysis from Policy in Practice would identify those households least likely to have made a claim for free school meals. We recommend that the council work with us to investigate the potential to increase FSM applications, and income from the Pupil Premium.

5. The impact of the 2015 Summer Budget and Autumn Statement

In 2015, the Government announced further reforms to the welfare system in the Summer Budget and the Autumn Statement, by introducing additional spending reductions affecting working-age households. These reforms include a reduction in the benefit cap and reductions to the work allowances within Universal Credit, with both of these reforms being introduced prior to April 2017.

Other changes include those that affect young people; those affecting social sector tenants; the withdrawal of entitlement to child tax credits for families having a third child after April 2017; the 'Pay to stay' policy affecting higher earners in the council sector and the cap on rents in the social sector to the LHA rate.

Certain measures that mitigate some of the impact of reforms were also announced. This included increases in the minimum wage, increases in the personal allowance and additional childcare support for 3-4 year olds.

5.1 Reducing the benefit cap to £23,000

From November 2016, the benefit cap in Islington will be reduced to £23,000 per year (£442 per week) for couples and households with children and to £15,410 per year (£296 per week) for single people with no children. Households containing a registered carer will also be exempted.

Who will be capped, and by how much?

Policy in Practice's analysis estimates that the number of households that will be affected by the lower benefit cap will range between 1,452 and 755. This is between 7.45 and 3.87 times the number of households that are currently capped.

The method employed to calculate the upper boundary of households affected by the cap relies on the Universal Benefit Calculator to calculate tax credits and Housing Benefit, assuming that tax credits are dependent on households' current income. Given that tax credits are calculated based on the previous years' income and we are calculating tax credits for 2016, this is a reasonable assumption.

In addition, this approach assumes that all households in receipt of passported ESA not reporting information on DLA income are in the Work Related Activity Group, and therefore do not qualify for an exemption from the Benefit Cap[1]. Finally, this figure includes in the number of households capped claimants in receipt of Carer's Allowance.

The lower figure of 755 discounts from the higher indicator all households identified by the Universal Benefit Calculator as capped and in receipt of ESA or Carer's Allowance[2]. The following analysis on the effects of the lower cap will rely on this figure.

The analysis finds that the average Housing Benefit reduction as a result of the benefit cap will decrease from £53.26 per week under the current benefit cap to £50.51 per week under the

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[1] See Annex I for a complete list of all the assumptions on which this analysis is based
[2] In November 2015 the High Court has ruled against the application of the benefit cap to claimants in receive of Carer's Allowance. To read the judgment:
http://www.disabilityrightsuk.org/sites/default/files/word/Hurley.doc

new, lower, benefit cap. For households already affected by the benefit cap, the average weekly loss under the new cap will be £98.29.

Figure 5.1.1 Number of households affected by the benefit cap, by weekly Housing Benefit reduction
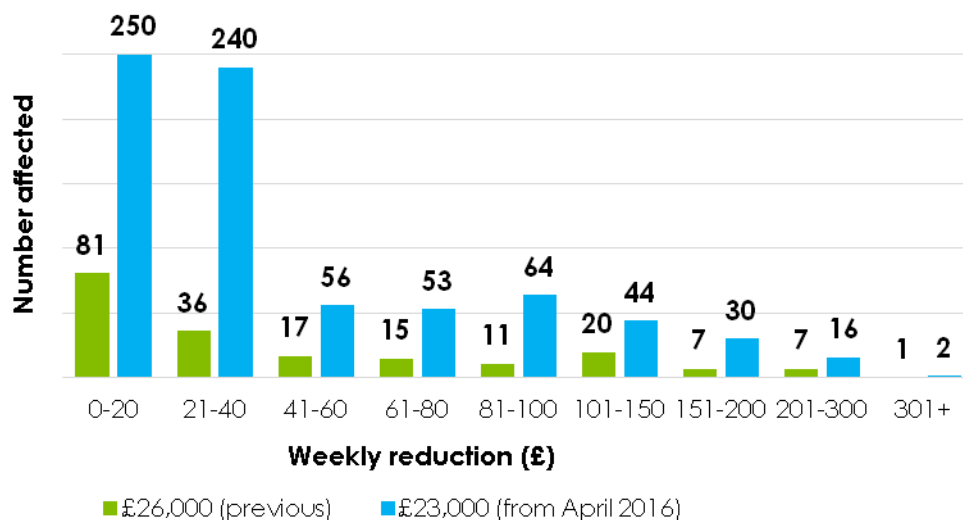
11 households can expect to lose their Housing Benefit altogether as a result of the lower cap. Under Universal Credit these households may lose even more income since the cap will be achieved through reduction from all Universal Credit and not be limited to just the housing element.

As figure 5.1.1 (above) shows, 250 households affected by the lower benefit cap will lose less than £20 per week. However, 92 households will lose more than £100 per week.

431 households have been identified as being newly capped and are in receipt of ESA. Due to limitations within the SHBE data, these households are assumed to be in the work-related category of ESA and have been excluded from the above analysis.

We recommend the local authority cross check these records with other data sources, (i.e. DWP benefit cap scan and ATLAS data-set) to identify whether these households will or will not qualify for an exemption. These cases can be identified using the accompanying data set.

65 households identified as being capped appear to be in work. If these households were to increase their hours worked, and the claimant was over 25, they could qualify for an exemption from the cap. We recommend that the council ensure that these households are aware that if they increased their hours the benefit cap would no longer apply

What is the profile of households that will be capped?

The lower benefit cap will change the types of families that are affected:

- Smaller families will be affected. The average number of children in households affected will fall slightly to 1.8, compared to an average of 2.3 children currently. The number of children affected by the reduced benefit cap will rise from 457 to 1,395.

- Currently the cap applies predominantly to households with children (76.4% of households). Under the lower benefit cap 33.64% of those affected have no children. These cases are predominantly from the sector and are affected disproportionately from the lower benefit cap of £15,410 as single households having to rent 1 bedroom properties.

- The proportion of affected households living in the private-rented sector will rise slightly from 43.59% to 44.8%. A greater proportion of households living in the social rented sector properties will be affected, rising from 38.0% to 46.1%.

Figure 5.1.2 Characteristics of households affected by the lower benefit cap
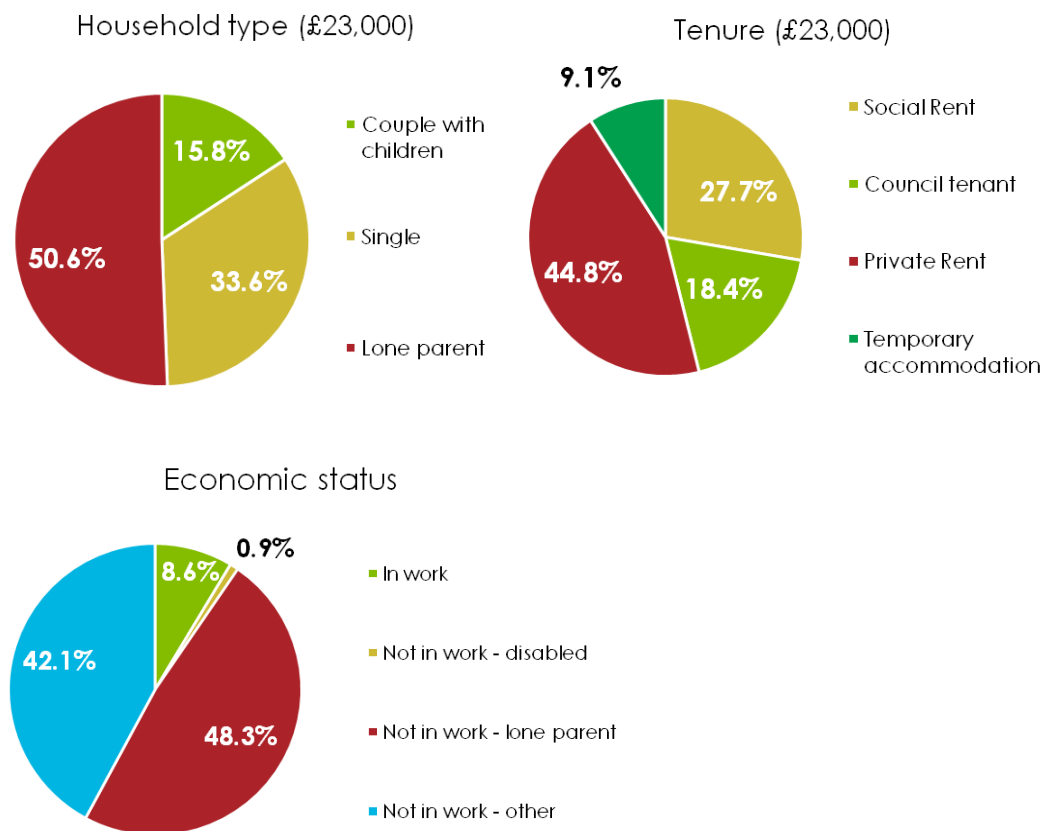
5.2 Changes to benefits for young people

Two core changes to benefits for young people were announced in the Summer Budget.

Firstly, 18 to 21 year olds will no longer have an automatic entitlement to the housing element of Universal Credit if they are out of work. In Islington, there are 322 such households at risk of losing their housing support under Universal Credit.

Secondly, young people aged 18-21 will be expected to 'earn or learn' and will have to participate in an intensive regime of support under Universal Credit. There are 332 young

people in the Islington cohort (including non-dependants) that could be affected if they make a claim for Universal Credit. It is not yet clear how much of this support, if any, will be provided by local authorities.

In addition, a third reform, the capping of social rents to the applicable LHA rate covered below, overwhelmingly affects single people under the age of 35 since they are eligible for the lower shared accommodation rate of the Local Housing Allowance.

> Islington should consider the implications for housing and homelessness support, particularly for children under local authority care who may not be exempt from this change.

5.3 Removal of the WRAG Premium

People in receipt of Employment and Support Allowance currently receive a higher amount than those in receipt of Jobseeker's Allowance. ESA is currently provided at two rates: one for those who require support to prepare for return to work (the Work Related Activity Group) and another rate for those with more severe disability requiring long-term support (the Support Group). The Summer Budget announced that new claims in the Work Related Activity Group (WRAG) will no longer receive the WRAG premium, worth £29.05 per week. There are 4,896 households in the ESA group in the cohort at risk of losing this premium if they were to make a new claim.

Data is not available on the current ESA classification of households. We have made reasonable assumptions when allocating people to their ESA group, but an accurate estimate of affected numbers is not possible with the data provided.

5.4 Cut to tax credits for third and subsequent children

Families will not be able to claim Child Tax Credit for third and subsequent children born after April 2017. 5,213 households in Islington are in receipt of Child Tax Credit for two children, and would not receive additional support if they were to have another child after April 2017.

A further 2,178 households have three or more children, and could lose support if there is a material change in circumstances requiring a new claim to be made.

> Islington should use the dataset to identify households at risk of losing extra tax credit support if they have more children, and inform them of their situation.

5.5 The National Living Wage and increased personal living allowance

The Summer Budget announced an increase in the minimum wage for people over 25, called the 'National Living Wage'. It has been set at £7.20 per hour from April 2016 (compared to £6.70 before) and will rise to £9.00 per hour by 2020. This does not apply to 267 under-25s in work, or to 1,732 self-employed people, but it could affect the income of the latter under Universal Credit.

Our analysis finds that, from April 2016, the new minimum wage will increase the earnings of 3,788 low-income families in Islington. 51.7% of households in receipt of Housing Benefit and council tax support, aged 25 or over, in work and not self-employed earn below £9 per hour.

The impact of the National Living Wage combined with the increased personal allowance will help 4,565 households in work, by an average of £22.37 per week. It is worth pointing out that this will only happen if all employers respond to the higher National Living Wage by increasing their workers' wages accordingly rather than reducing hours or hiring younger people who are not affected by the reform.

5.6 'Pay to Stay'

Council tenants with household incomes of £40,000 and above in Islington will be required to 'pay to stay' in social housing by paying a market rent for their home. This policy is expected to be introduced in 2017/18.

Local authorities will be required to pass on this increased income to the Exchequer. Housing Associations will be able to use this extra income to invest in new housing.

The cohort examined in this analysis is composed of households in receipt of means-tested benefits, and are therefore on relatively low incomes. The analysis has identified 9 households that may be affected by this reform.

> Islington could identify the households that may have to 'pay to stay' after 2017, and undertake further analysis to decide how they can prepare for this reform.

5.7 Housing Benefit capped at LHA rates for social rents

In November 2015, the Chancellor announced the extension of the LHA cap to the social-rented sector. This measure will be applied to new tenancies from April 2016 and it will become effective in April 2018.

In Islington, there are 157 households in the social-rented sector paying rent above the applicable LHA rate. 78% of these tenants live in a 1-bedroom property and the average age of these tenants is 48.69 years.

In Islington the average difference between the weekly rent of affected properties and their applicable LHA rate is £19.92. Affected tenants can be identified and notified in advance as to the level of impact they are going to face.

5.8 The LHA freeze

The Chancellor of the Exchequer has also announced his intention to freeze LHA rates in the United Kingdom for the next four years. The Government has stated that this will provide a cap on rental increases. However, this did not occur in most areas with the introduction of LHA rates and therefore the freeze in LHA rates is unlikely to have any significant impact on rent levels.

We assume that private rents in Islington will continue to rise at the current rate of 5.74% p.a. for the next four years[3] while LHA rates remain stable. Rents for social tenants are assumed to fall by 1% per year as instructed by the Government in the Summer Budget. Table 5.7 below shows average rents according to our model in the social and private sectors, in 2015 and in 2020:

Table 5.7: Rent uprating in the social and private sectors, from 2015 to 2020						
	Private Rent			Social Rent		
	Current average	2020 average	Change in rent	Current average	2020 average	Change in rent
1 bedroom	£229.63	£271.47	£41.84	£126.19	£122.45	-£3.74
2 bedrooms	£315.66	£373.18	£57.52	£135.43	£131.41	-£4.02
3 bedrooms	£405.13	£478.96	£73.82	£144.93	£140.63	-£4.30
4 bedrooms	£452.93	£535.47	£82.53	£163.84	£158.99	-£4.86
5 bedrooms	£375.00	£443.33	£68.33	£178.16	£172.87	-£5.28

Our analysis suggests that an additional 1,176 private tenants would be affected by the LHA cap if rents in Islington continue to increase at current rates. This would bring the total number of households affected by the LHA cap to 2,659, and the average weekly shortfall of these households, between their rent and their Housing Benefit, will be £82.84. The table above shows that the changes will make those in private housing significantly worse off, whilst benefiting social tenants. For social sector tenants, 47 properties could fall back below the LHA cap once the LHA rate is applied to all social tenancies in 2018.

5.9 Removal of Housing Benefit Family Premium

In the Summer Budget, the Chancellor announced the removal of the Family Premium for all new claims to Housing Benefit made on or after 1st May 2016.

Our analysis finds that if the 1,726 households with children in the cohort had made their claim on or after 1st May 2016, they would be £17.45 a week worse off.

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[3] This is equal to the average year on year rent increase for two years up to September 2015 - 5.74% according to the latest ONS index, found here:
http://www.ons.gov.uk/ons/rel/hpi/index-of-private-housing-rental-prices/july-to-september-2015-results/index.html

6. The Impact of Universal Credit

Universal Credit (UC) is the Government's flagship welfare reform. It will replace six existing means-tested benefits: income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Income Support, Housing Benefit, Child Tax Credit, and Working Tax Credit.

The initial rationale for the new system was to simplify the benefit system, ensure that work always pays, and to smooth the transition into and out of work.

Work allowances were a key feature of Universal Credit. These are the amounts a household can earn before Universal Credit begins to be withdrawn. Work allowances were reduced to zero for non-disabled households without children, and substantially for families with children in the Summer Budget 2015.

While the weakest work incentives will have been removed, Universal Credit will now be less generous than the current tax credit system overall. The impact of Universal Credit is complex, and the winners and loser will depend upon the level of earnings, and household type.

Universal Credit was introduced for Single JSA claimants in November 2015 and the process of transferring to the full service is expected to take at least until 2017, although Islington has not received a timetable from the DWP for this rollout. This means that the analysis can give an indication of the effects that the roll-out will have on the Council's residents during the first year of implementation. In turn, this allows for a like-for-like comparison between the current tax credit system and Universal Credit, assuming no changes in caseload or rent levels.

This analysis compares each household's income (including all benefits, tax credits and net earnings) under the current benefit system and Universal Credit. It takes into account welfare reforms that come into effect from April 2016, including changes to the benefit cap and the reduction of work allowances in Universal Credit.

Lastly, the analysis is based on the current caseload of HB and CTRS claimants on the understanding there are no changes in circumstances (except for earnings increasing in line with minimum wage levels for claimants in work). Changes in circumstances include: a partner leaving/joining the household, earnings dropping beneath the level expected in the claimant's commitment for three months in a row, your Universal Credit award ends or if the claimant/claimant's partner stops working. Differences in entitlement are identified as those greater than £5 per month.

6.1 Universal Credit is rolled out in 2016

Under Universal Credit 30.1% of households will have a higher income than under the current system. 33.1% will have a lower income and need transitional protection and 36.8% will see no change in income if their circumstances remained the same. This analysis does not take into account any changes in behaviour (e.g. moving into or out of work) as a result of Universal Credit.

Figure 6.1: The impact of Universal Credit on household income in 2016

- No change in entitlement
- Transitional Protection needed to avoid lower entitlement
- UC entitlement is higher
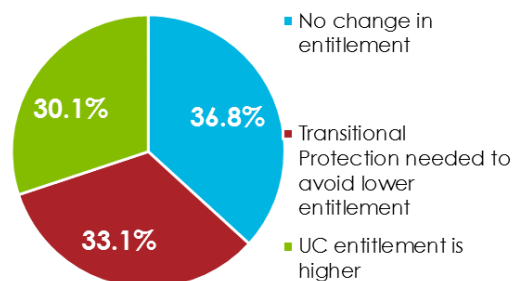
6.2 The reduced work allowance in Universal Credit

24.6% of the households in Islington that will be entitled to Universal Credit when it is fully implemented across the Borough will have a lower work allowance as a result of the changes announced in the 2015 Summer Budget.

Table 6.2 provides a breakdown of these households. The analysis is based on current monthly earnings. The largest group affected are Lone Parents (38.2%). Only households that are in work are affected by the reduction in work allowance.

The impact of Universal Credit on different households

Table 6.2: Impact of reduced work allowance under UC by household type	
Household type	**Number of households affected**
Couple with children	1,314
Couple without children	184
Lone Parent	2,152
Single	1,980

Figure 6.2.1 below shows the impact Universal Credit will have on different household types. It shows that there are 'winners' and 'losers' within each household type. Couples without children and Lone Parents are more likely to be worse off than better off. Lone parents are most likely to be worse off, or see no change in their income. Couples with children are most likely to see an increase in their income under Universal Credit where as the income of Single people will remain stable.

Figure 6.2.1: The impact of Universal Credit on household income, by household type

Household type
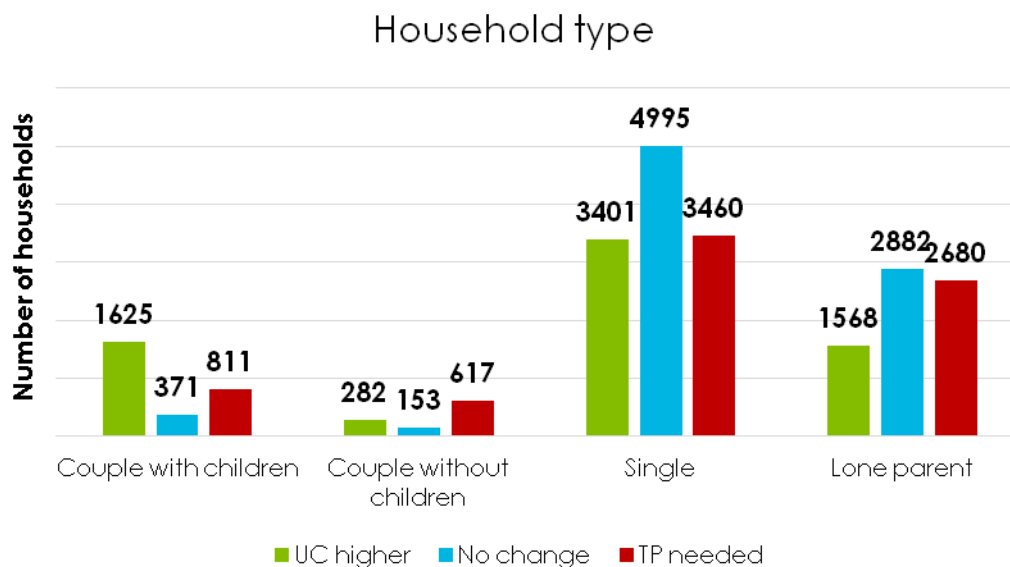
Following the implementation of Universal Credit, private tenants are more likely to see incomes increase whereas other tenures follow a similar pattern. These residents are most likely to experience no change in circumstances, although increases in income are less likely then reductions.

Figure 6.2.2: The impact of Universal Credit on household income, by tenure

Tenure
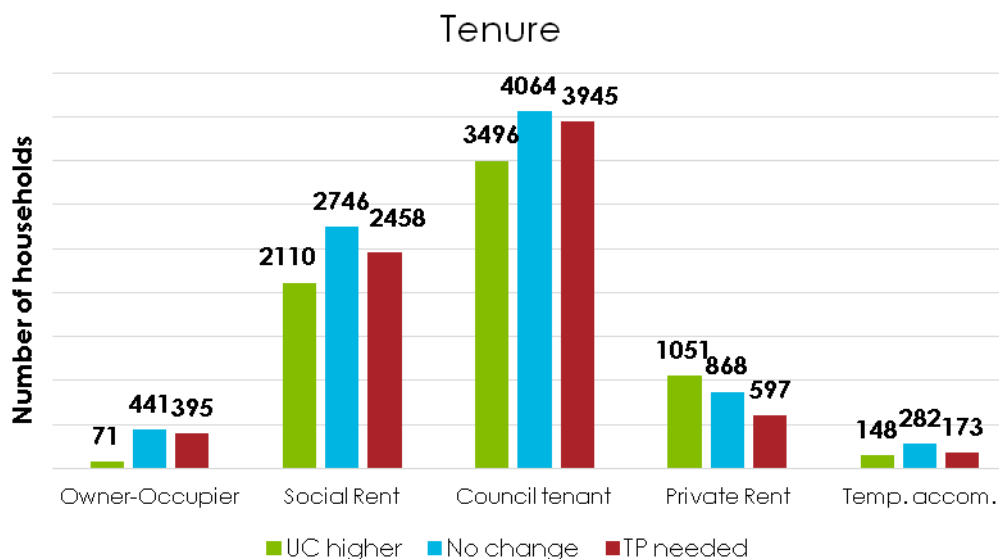
The biggest variation in the impact of Universal Credit is between households with different economic statuses. Figure 6.2.3 (below) illustrates that the majority of households that will need transitional protection are not in work and disabled. This is due to the loss of the disability premium. Those in work will experience a varying affect depending on the relationship between their hours worked and hourly wage. Those with a higher UC entitlement and those

in work needing Transitional Protection have a similar distribution of hours worked. However, the spread of their hourly wage highlights the different outcomes. Those that receive a higher UC entitlement have a higher wage. The lower taper rate mitigates the loss of Working Tax Credits and Work Allowances. However, those that require transitional protection have lower wages. They gain less from the lower taper rate and therefore experience a greater impact.

Figure 6.2.3: The impact of Universal Credit on household income, by economic status

Economic Status
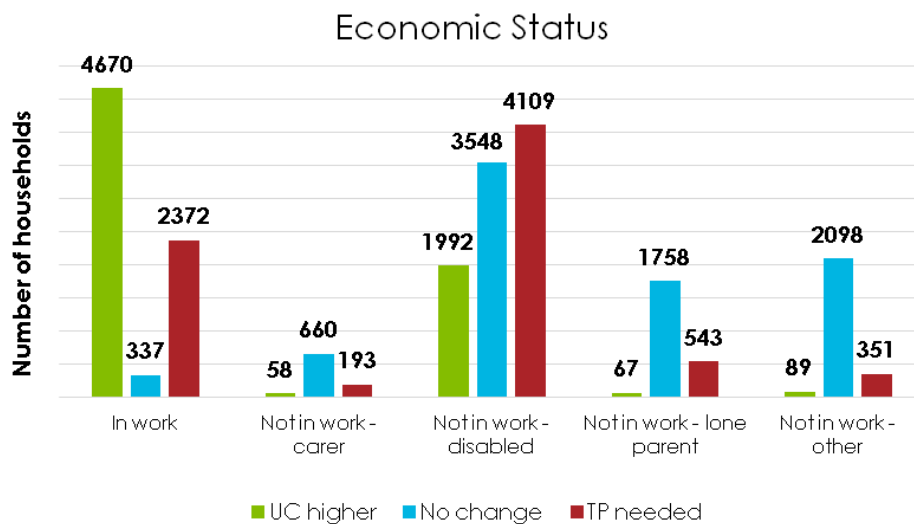
6.3 In-work conditionality

For the first time, Universal Credit will introduce conditionality for recipients who are in work but have earnings below a certain level. This conditionality threshold will be set as the number of hours the household is expected to work (similar to the current hour requirement in tax credits), multiplied by the minimum wage. Certain groups, such as disabled people and lone parents with children under five, will still not be subject to full conditionality under Universal Credit.

37.5% of working-age households in the cohort will be subject to conditionality under Universal Credit. Of these, 4,145 households are in work and will be subject to conditionality because earnings are below the required threshold. These households do not have any conditionality in the current system and could be subject to sanctions for not fulfilling their conditionality requirements under Universal Credit.

6.4 The minimum income floor

Universal Credit will introduce a 'minimum income floor' that will apply to self-employed people. Similar to the in-work conditionality threshold, this will be set at the number of hours the individual is expected to work multiplied by the minimum wage.

For self-employed households earning below this threshold, Universal Credit will be awarded based on an assumed level of income rather than actual earnings. Many of these households will see a fall in their Universal Credit entitlement as a result.

In Islington, there are 1,732 households with at least one partner who is self-employed. 81.4% of these households are earning below their applicable 'minimum income floor' and are at risk of seeing their income fall under Universal Credit.

6.5 Transitional Protection

Transitional Protection is calculated by comparing the total household monthly income at the point of migration to Universal Credit with the new Universal Credit entitlement. Where the Universal Credit entitlement is lower, transitional protection will be awarded to make up the difference.

Significant changes in circumstances will lead to the end of protection. The DWP describes the following occurrences as significant changes in circumstances:

- a partner leaving/joining the household;
- a sustained (3 month) earnings drop beneath the level of work that is expected of them according to their claimant commitment;
- the Universal Credit award ending; and/or
- one (or both) members of the household stopping work." [4]

For self-employed claimants, transitional protection will be calculated against their Universal Credit entitlement before the minimum income floor is applied. For households with at least one self-employed individual earning below the living wage, the amount of protection received will therefore be lower than the actual difference between their income under the current system and Universal Credit.

Figure 6.5 illustrates how transitional protection is calculated for this group of claimants. The green bar represents how much benefit income a claimant would receive under the current system, the blue column represents how much transitional protection the claimant would receive when the Minimum Income Floor is not applied and the red column represents how much transitional protection the claimant would receive when the Minimum Income Floor is applied.

The analysis identifies 599 households in Islington in need of transitional protection with at least one self-employed individual earning less than the minimum income floor.

Figure 6.5: Transitional Protection for self-employed residents

Overall, the analysis finds that a total of £26,336,598 worth of transitional protection will be paid to 7,568 households in Islington who would otherwise see their income fall following the migration to Universal Credit.
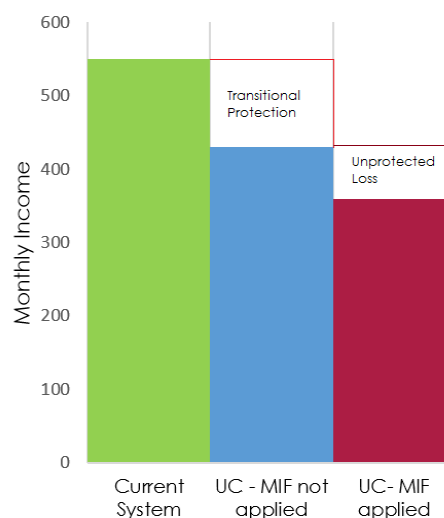
> Engage with self-employed households identified in the dataset as likely to require transitional protection, to inform them of the change and help them to prepare.

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[4] Department of Work and Pension, 2012. "Universal Credit Policy Briefing Note: Transitional Protection and Universal Credit"

6.6 Non-dependant deductions under UC

Where an adult relative lives in a household on a non-commercial basis (termed a non-dependant) they are expected to contribute towards rental costs and housing benefit is reduced to take account of the expected contribution. Under housing benefit the expected contribution is dependent on the income and circumstances of the non-dependant. Universal Credit has a single-rate deduction for non-dependants set at £69.37/month, as opposed to the current system where deductions range from £63/month to over £400/month. Therefore, with the introduction of Universal Credit, some non-dependants (particularly those with high earnings from work) will result in a lower deduction to the claimant's housing support than under the current system, while others (such as those receiving benefits) will result in a higher deduction.

Our analysis identifies 3,702 households in receipt of Housing Benefit that will have a higher non-dependant deduction under Universal Credit than under the current system. By contrast, 1,109 households will receive a lower deduction to their housing element than currently.

> Use the accompanying dataset to identify households that stand to lose out from the changes in non-dependant deductions under Universal Credit, and provide information to assist them in increasing the contribution from the non-dependant.

6.7 Earnings required to move out of entitlement to Universal Credit

On average, households in Islington will have to earn at least £24,265 per year to move beyond an entitlement to Universal Credit. However, this varies by household type and tenure, as shown in Table 6.7 (below).

Table 6.7: Earnings required to move off of Universal Credit	
Average	£24,265
By Household Type	
Single	£19,443
Lone parent	£28,835
Couple without children	£20,911
Couple with children	£34,281
By Tenure	
Private Rent	£29,885
Social Rent	£24,019
Owner occupier	£8,804

7. The Cumulative Impact of Welfare Reform in Islington

7.1 The impact of reforms already in place

A range of reforms were introduced in the last parliament to reduce welfare spending:

- The under-occupation charge (also known as the 'removal of the spare room subsidy' or the 'bedroom tax') reduces Housing Benefit for households living in the social-rented sector who are deemed to have a 'spare' room.

- The Local Housing Allowance limits the amount of Housing Benefit tenants in the private-rented sector can receive.

- The benefit cap limits the total benefit income most working-age households can receive.

- Localised council tax support has passed cuts in central government funding to working-age households who are not in a protected group.

Table 1: The impact of individual welfare reforms				
	Number of households affected	Average weekly income reduction for those affected	Total weekly income reduction	Household type most affected
The impact of previous welfare reforms				
Under-occupation	2,160	-£23.27	-£50,265.81	Single
LHA Cap (excluding temp. acc.)	1,192	-£62.82	-£74,881.44	Single
LHA Cap (only temp. acc.)	291	-£59.97	-£17,451.27	Single
Benefit cap (£26k)	195	-£53.26	-£10,384.94	Lone parent
Council Tax Support	18,482	-£1.56	-£28,831.92	Single
The impact of the summer budget from April 2016				
Benefit cap (£23k)	1,452	-£50.51	-£73,345.92	Lone parent
Reduced UC work allowances	5,630	N/A	N/A	Lone Parent
The impact of the summer budget for new claims				
18-21 year olds and Housing Benefit	322	N/A	N/A	Single
18-21 years olds and Earn or Learn	332	N/A	N/A	Single
LHA rates applied to social renters	157	-£19.92	-£3,127.10	Single
Child element limited for new claims	5,213	N/A	N/A	Lone parent
The impact of mitigating measures for people in work in 2020				
National Living Wage & Rise in tax allowance	4,565	£22.37	£102,133.67	Lone parent
30 hrs free childcare for 3-4 year olds	1,937	N/A	N/A	Lone parent

Based on the data provided to us for June 2016, the combined impact of these welfare reforms, implemented prior to April 2016, mean that working-age households in Islington have seen household incomes fall by an average of £5.62 per week.

Figure 7.2: The cumulative impact of welfare reform
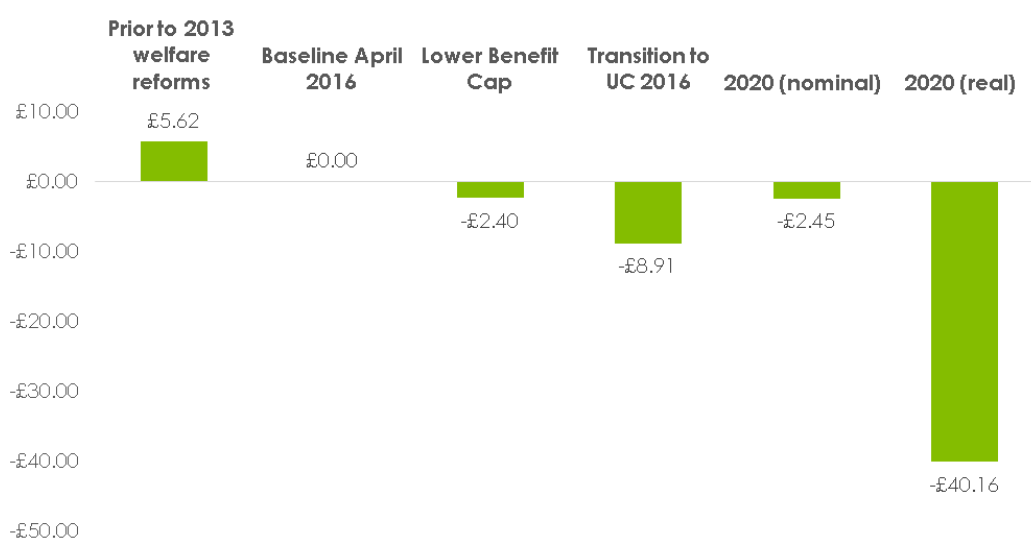
7.2 The impact of the reduced benefit cap

In July 2015, the Government announced a number of further changes. These included a reduction in the benefit cap to £23,000 per year (in Islington) for couples and families with children and £15,410 for single people without children in Islington. This is to be introduced in Autumn 2016.

Taking just this change into account, our analysis finds that the average household income loss will fall £2.40 per week relative to the April 2016 baseline.

7.3 Households with a high impact in 2016

Our analysis has categorised each household by the cumulative impact of welfare reform on that household: none, low, medium, high.

A weekly reduction in income between £1 and £15 is classed as 'low' impact, a weekly reduction between £15 and £30 is classed as 'medium' impact and a reduction above £30 per week is classed as 'high' impact.

The analysis suggests that as a result of the reduced benefit cap, there will be an additional 782 further households for which welfare reform will have a high impact.

Is the graph below including data up to and including lower benefit cap from Figure 7.2?

Figure 7.3.1: The cumulative impact of welfare reform

Level of impact
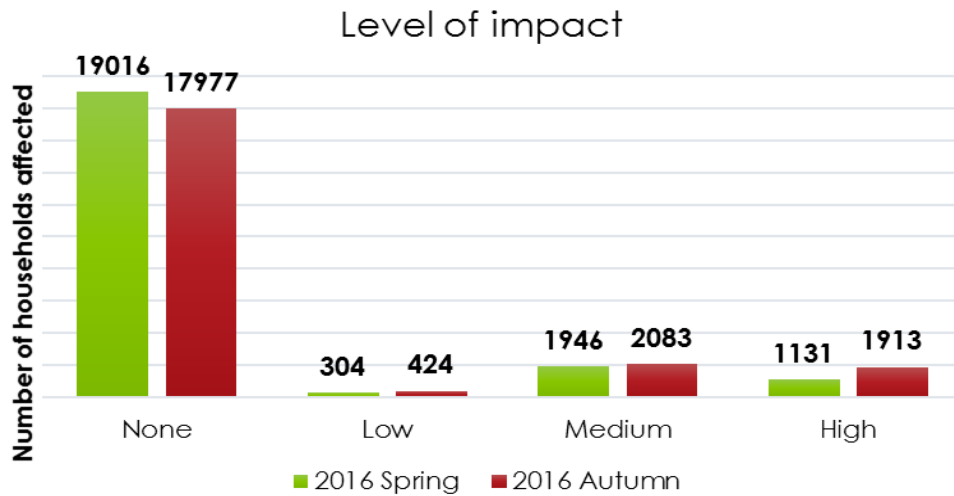
In 2016, there will be 1,913 working-age households in Islington for whom the impact of welfare reform is categorised as 'high'. These households will face an income reduction of over £30 each week compared to their household income before the latest wave or welfare reform. Working-age households make up 96.5% of all 'high' impacted households. Figure 7.3.2 provides a breakdown of these families by household type, tenure and economic status.

The analysis finds that lone parents and tenants living in private rented properties are more likely to face a "high" financial loss after the April 2016 changes have been applied. Those in work are most likely to be highly impacted, but there is a greater spread amongst the remaining economic groups.

Figure 7.3.2: Characteristics of households with a high welfare reform impact in April 2016
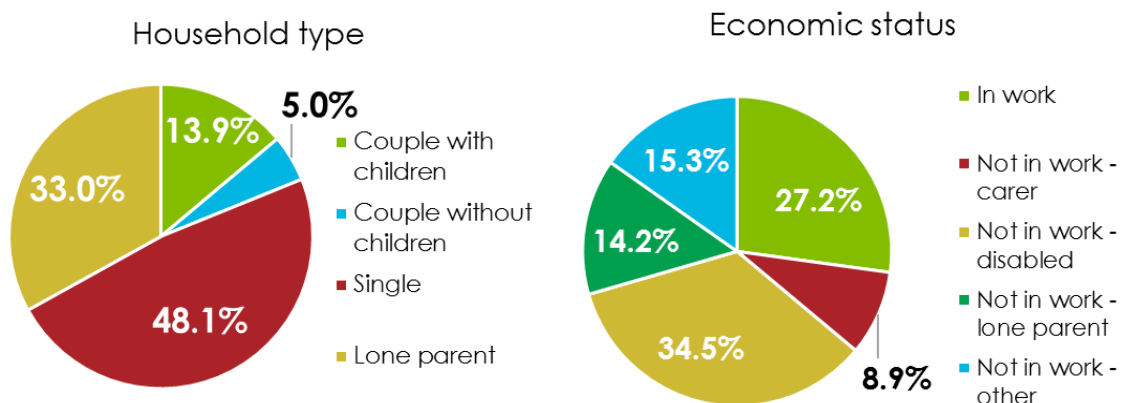
7.4 Targeting employment support

In addition to the assessment of the impact of welfare reform, households have also been categorised by barriers to work. The analysis took account of disabilities, caring and parenting responsibilities. Households were then categorised as having low, medium, or high barriers to work. More information on the methodology employed to classify households into these categories can be found in Annex 3.

This analysis identifies 302 households that are unemployed, have low barriers to work and are highly affected by welfare reform in 2016. It may be possible to support some of these households into work, thereby reducing financial hardship. It should be noted that these households may face other barriers to work not identified through this analysis and an individual assessment of each household identified should be considered in order to offer the most suitable advice and support and target council resources.

The 553 households with a high impact from welfare reforms, and low barriers to work can be identified by the council using the accompanying dataset.

7.5 Households affected by multiple reforms

Table 7.6 below provides a breakdown of the number of households affected by multiple reforms. The analysis takes into account the under-occupation charge; the LHA cap for people renting privately; benefit caps and the reduction in the work allowance under Universal Credit.

Only 54.5% of the working-age cohort are not affected by any welfare reforms. These are mostly households containing a person with a disability. 7.9% of the cohort are affected by multiple reforms.

Table 7.6: The cumulative impact of welfare reforms			
	Number of Households	% of the working-age cohort	Number of Disabled
Not impacted	12,214	54.5%	7,924
1 reform	8,408	37.5%	1,854
2 reforms	1,669	7.5%	141
3 reforms	103	0.5%	14
4 reforms	3	0.0%	0

A group of particular concern will be the 0.5% households that will be affected by three or more welfare reforms in 2016. These include the reform the LHA cap, the benefit cap, the reduction of UC work allowances, and "pay to stay".

An analysis of this group shows that the average weekly income reduction from welfare reforms will be £99.9.

Two groups stand out as being over-represented among those with a high impact of welfare reform in 2016. Private tenants will continue to suffer the effects of the LHA cap and the lower benefit cap, resulting in high income reductions. Families with children, including lone parents

and couples, will also be negatively affected by welfare reform. This is also due to the lower benefit cap in particular, which penalises larger families.

> The accompanying dataset can be used to filter households affected by each reform. The council may want to use this to target support to households affected by a specific combination of reforms.

7.6 The 2020 scenario

To take into account the full set of reforms that are expected to be implemented by the end of the Parliament, this report provides a 2020 scenario. This assumes a complete roll-out of Universal Credit and takes account of the lower benefit cap and increases in the income tax threshold and National Living Wage.

On top of this, the analysis factors in the rise in the minimum wage to £9 per hour and the higher personal allowance of £12,500, measures announced in the July 2015 Summer Budget to mitigate the negative impacts of welfare reform. Our findings suggest these will only partially mitigate the transition to a less generous Universal Credit, with 4,565 households benefiting from these changes, by an average of £22.37 (£125,832 across all households).

In addition, the analysis has identified 2,821 households with children aged between 3 and 4 years old that are likely to receive higher childcare support in 2020. While the number is likely to vary in the coming years, this figure provides an indicative sample of the proportion of households who will benefit from this measure.

7.7 The 2020 scenario: Real Impact

This scenario models the effects of inflation[5] and changes in rent prices[6] alongside the freezing of benefit rates. It does not make assumptions about households' change in circumstances, so reforms that only affect new or updated claims (such as limiting Child Tax Credit for third and subsequent children) are not included, and would further worse the impact on households in Islington.

Figure 7.7.1: The impact of Universal Credit on household income in 2020

In this scenario, the higher cost of living means that almost all working-age low-income residents in Islington are set to be worse-off

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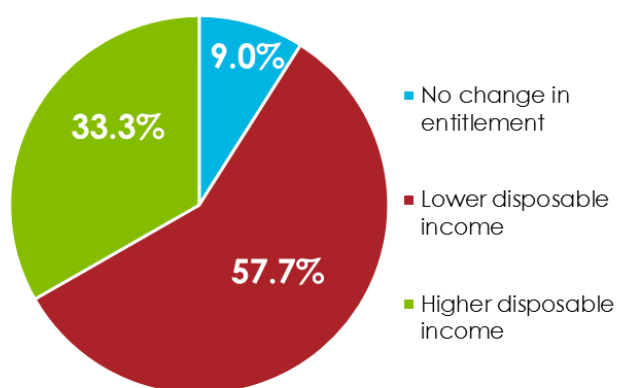
[5] Data on national inflation taken from the Office of Budget Responsibility Economic and fiscal outlook charts and tables (March 2016). The report can be downloaded from the following link:
http://budgetresponsibility.org.uk/download/economic-and-fiscal-outlook-supplementary-fiscal-tables-march-2016/

[6] Data on West Midlands private rental prices taken from Valuation Office Agency report on Private Rental Market Statistics. The report can be downloaded from the following link:
https://www.gov.uk/government/statistics/private-rental-market-statistics

compared to their situation in 2016. Only 33% of households will see their income increase by 2020.

The analysis of the 2020 scenario portrays an alarming picture for Islington residents. Islington Council will have to support many people who will be negatively affected by a combination of reforms. A well-targeted proactive approach following the recommendations of this report can help to make this transition less difficult than it otherwise would be.

## 7.8 The geographical impact of welfare reform in Islington

In order to provide an insight into how the impact of welfare reform varies geographically, in this section we map some of the key indicators of welfare reform by ward. This allows Islington to observe whether reforms have a particularly marked impact in some areas within Islington, and as such where it is that support such as discretionary payments would need to be concentrated.

Table 7.9.1 below summarises our analysis. The table below represents 25,873 households in the Islington SHBE dataset provided. It excludes 1,716 households for which no postcode was provided, plus a further 3,724 with postcodes that did not match any assigned to the 16 wards in Islington as of the 2011 census.

For each ward, we break down the impact of the benefit cap at £23,000, together with the number of households "highly impacted" by welfare reform (defined as losing more than £30 in weekly income) and the total annual loss in benefits as a result of welfare reform, as of 2016.

Table 7.9.1: Impact of welfare reform by ward				
Ward Name	Ward Code	Affected by benefit cap (23K)	"Highly impacted" by welfare reform	Total annual loss in benefits by 2016
Barnsbury	E05000366	34	58	£ 335,446
Bunhill	E05000367	138	101	£ 770,195
Caledonian	E05000368	49	89	£ 463,556
Canonbury	E05000369	50	62	£ 352,685
Clerkenwell	E05000370	32	36	£ 244,552
Finsbury Park	E05000371	205	281	£ 1,457,399
Highbury East	E05000372	48	87	£ 512,892
Highbury West	E05000373	110	142	£ 683,194
Hillrise	E05000374	59	116	£ 658,090
Holloway	E05000375	85	112	£ 539,954
Junction	E05000376	68	104	£ 554,526
Mildmay	E05000377	64	88	£ 476,027
St George's	E05000378	63	117	£ 576,688
St Mary's	E05000379	51	71	£ 361,953
St Peter's	E05000380	34	67	£ 388,865
Tollington	E05000381	151	234	£ 1,057,982

Figure 7.9.2. Geographical distribution of households affected by the Benefit Cap at £23,000
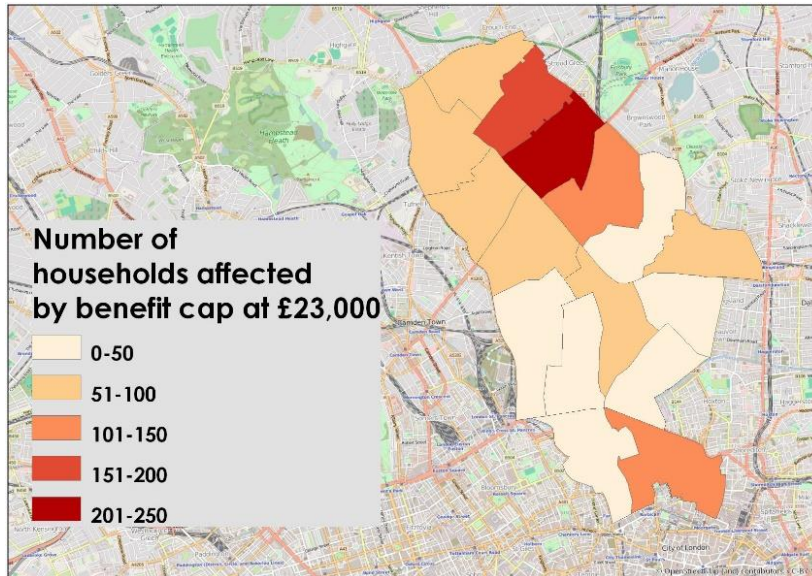
The geographical impact of the benefits cap at £23,000 varies significantly. As can be seen in figure 7.9.2 above, the most heavily affected ward is Finsbury Park in the north east of Islington, with 205 households to be affected by the lower benefit cap. Highbury West and Tollington, as well as Bunhill in the south east, will also be considerably affected, while most wards in the south of Islington will remain relatively unaffected.

Figure 7.9.3: Geographical distribution of households "highly impacted" by welfare reform in 2016
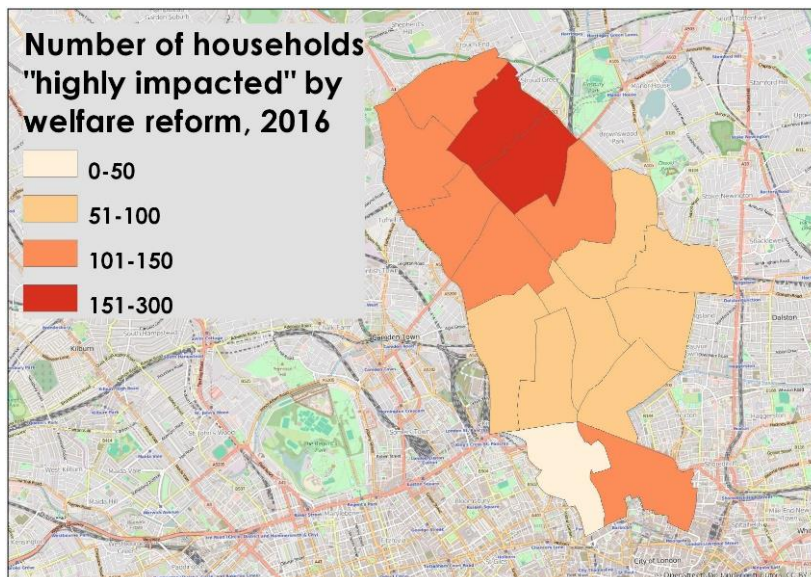
Next, we turn to the number of households classed as "highly impacted" by welfare reform. A similar geographical pattern is seen here: Wards in the north east – namely Finsbury Park and Tollington – have the largest number of "highly impacted" families, while wards in the south will all see fewer than 100 households affected (with the exception of Bunhill). This is perhaps not surprising, as households affected by the benefit cap could lose more than £30 per week in income. In fact, in Islington, almost 58.7% of households affected by the benefit cap will lose more than £30 per week.

Figure 7.9.4. Geographical distribution of total income loss due to welfare reform, 2016
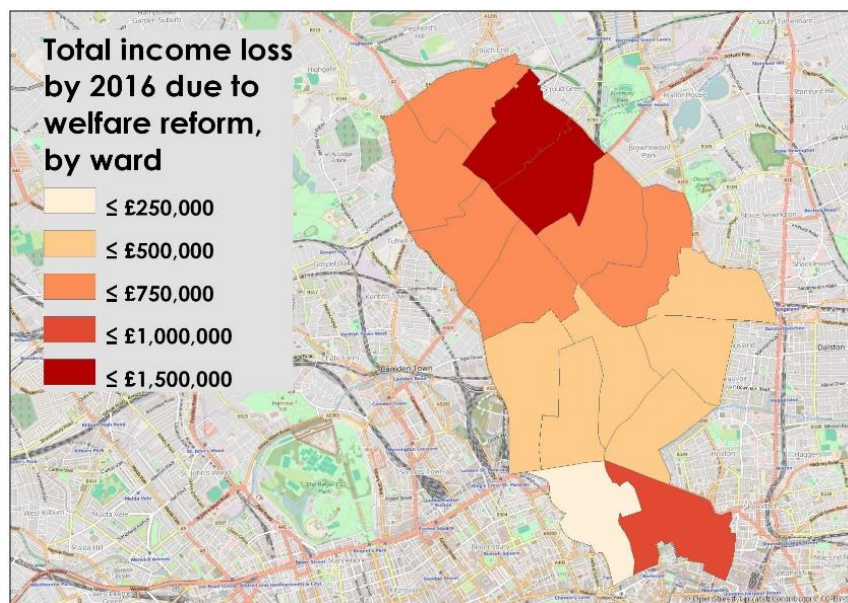
Lastly, Figure 7.9.4 depicts how the total income loss due to welfare reform varies geographically. Once again, it can be seen that Finsbury Park and Tollington are most heavily impacted, with the households in each ward seeing a combined annual loss in benefits exceeding £1,000,000. Wards in the south, meanwhile, are markedly less affected, especially Clerkenwell, Barnsbury and Canonbury. Bunhill is an exception to this North-South divide, with households there losing a total of £770,195 per year as a result of the reforms introduced.

In short, the impact of welfare reform in Islington differs significantly between northern and southern wards. In all three maps, Finsbury Park and Tollington are the two wards most heavily impacted. As a result of this, Islington will find income loss will be concentrated in these two wards, and as such that many discretionary payment applications may be made there.

Islington council could use the data on impact by ward – together with the analysis on discretionary payments that follows – to pinpoint what issues affect households where and plan future action or support accordingly. For example, given the large number of households in Finsbury Park and Tollington affected by the benefit cap, and with 66.4% of capped households in Islington being either lone parents or couples with children, the demand for childcare support could be higher in these wards than others.

8. Discretionary Support

This section focuses on Discretionary Housing Payments (DHPs). We also look more briefly at households in receipt of Community Care Support, Crisis Payments and Council Tax Welfare Support. The dataset attached, which includes flags for every household who applied for each of the four discretionary payments mentioned above, can be used together with our analysis to identify households in receipt of multiple streams of support or which are particularly vulnerable in the face of recent and upcoming welfare reforms.

Our analysis considers 8,135 individual applications for all four discretionary payment types. It was not possible to match all records. Our analysis excludes 187 entries for which no housing benefit reference number or application type was available, and 194 that were marked as rejected, but were in fact referred onto a separate support team.

8.1 Discretionary Housing Payments

DHPs are usually short-term awards provided by local authorities to help people with housing costs. Local authorities have increasingly used DHPs to assist those affected by welfare reform.

Table 8.1.1: Number of DHP applicant households matched/dropped			
Total no. households	*No. households matched*	Dropped (unmatched)	Dropped (missing award amount)
1,944	*1,319*	271	354

1,319 of households in the cohort applied to receive DHP as of Spring 2016 (when the data was generated). It is important to note that this figure refers to the total number of households making DHP claims. Each household may make more than one claim, and in fact the total number of claims stands considerably higher at 2,922. This indicates that many households make more than one claim. As is shown in Table 8.1.1 above, the 1,319 figure also excludes 271 households for which the housing benefit reference number provided did not match with any in the cohort SHBE dataset, as well as 354 individual claims that were approved but which did not appear to show a figure for DHP awarded (in £).

Households that received DHP

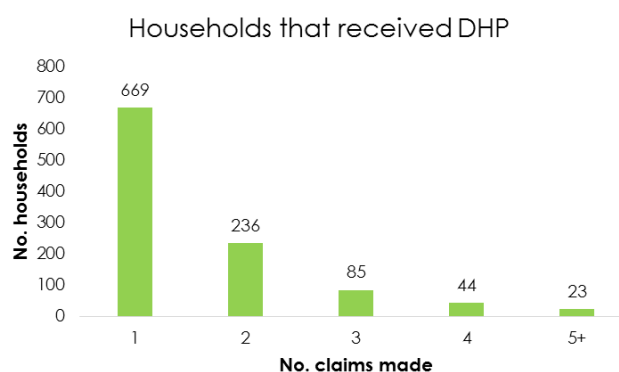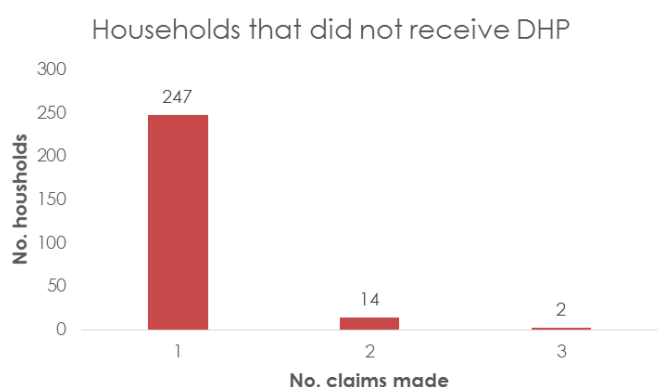| No. claims made	No. households
1	669
2	236
3	85
4	44
5+	23

Figure 8.1.2: Number of claims made by households applying for DHP, awarded and not awarded

A total of 1,056 of these 1,319 households applied and were awarded DHP, equivalent to an award rate of 80%.

Households that did not receive DHP

In terms of the demographics of DHP recipients, 21.2% of working age households are in work (compared to 32.7% for Islington as a whole) and 64.3% are single (compared to 52.9%). For households that applied and were refused DHP, 42.0% were of working age and in work and 46.9% are single. The difference in the working age population that is in work is particularly interesting – it seems that Islington is more likely to refuse DHP to households in work and which may be better able to support themselves.

As Figure 8.1.2 above shows, the majority of claimants ultimately awarded DHP (1,056 households, including those that were unsuccessful any number of times before) made only one claim, while 14.4% made three or more individual claims. 247 out of the 263 households that applied but did not receive DHP, meanwhile, made just one claim.

Table 8.1.3 below breaks down the impact of several recent reforms on successful and unsuccessful DHP claimants. Specifically, it shows the number of claimants affected by each reform, their resulting average weekly loss in income, and how this compares to the Islington cohort as a whole.

This gives an insight into whether DHP has been allocated to those most heavily affected by past welfare reforms, as well as whether those hardest hit by certain reforms have been applying to begin with.

The application rate is significantly lower than the award rate, suggesting that it may be worthwhile targeting those affected by welfare reforms with an awareness campaign on the availability of DHP support.

Table 8.1.3: Impact of welfare reform on DHP claimants, both successful and unsuccessful								
Welfare Reform	Total Islington	Total DHP claimants	Application rate	DHP awarded			DHP not awarded	Award rate
				All claimants	Awarded < £1,000	Awarded ≥ £1,000		
Under-occupation charge (no. affected)	2160	596	27.6%	537	365	172	59	90.1%
Average weekly reduction in HB	-£ 23.27	-£ 26.35	N/A	-£ 24.23	-£ 22.41	-£ 28.04	-£ 24.41	N/A
Benefit cap at £26,000 (no. affected)	195	21	10.8%	10	5	5	11	47.6%
Average reduction in HB	-£ 53.26	-£ 65.33	N/A	-£ 58.68	-£ 84.94	-£ 32.43	-£ 61.86	N/A
LHA cap	1,170	119	10.2%	96	45	51	23	80.7%
Average weekly rent shortfall	-£ 62.26	-£ 56.79	N/A	-£ 56.92	£ 47.86	£ 64.91	-£ 55.36	N/A
High or medium impact in 2015	3,077	673	21.9%	597	388	209	76	88.7%

The under-occupation charge

Looking firstly at the under-occupation charge, it is interesting to note that almost 25% of all

households in the cohort that were affected were awarded DHP by the Council. More than two thirds of these received less than £1,000. Just 9.9% of households that applied were refused DHP, meaning that the "approval rate" for DHP is higher for those affected by the under-occupation charge that it is for applicants in general. Furthermore, 16.9% of those refused DHP will experience a high impact due to welfare reform in 2016 (defined as a loss of income exceeding £30/week), while it is 22.0% for those that were awarded DHP. This suggests that DHP was more likely to be allocated to the households seeing the biggest loss in income as a result of welfare reform.

Furthermore, the average reduction in housing benefit as a result of the under-occupation charge is greater for those awarded DHP than for the Islington cohort as a whole. In other words, DHP recipients are more heavily impacted by the under-occupation charge, and are rightly in need of financial support in the form of DHP.

The benefit cap at £26,000

The situation is very different in the case of the benefit cap at £26,000. As the table shows, just 11 people affected were awarded DHP, while another 11 who applied were refused. 21 out of the 22 households who were affected by the cap and applied for DHP will experience a "high impact" due to welfare reform in 2016, so that perhaps the 11 that did not receive it should be prioritised if any apply again.

The LHA cap

The LHA cap applied to private renters, which came into effect in 2008, affects just under 10% of households which were awarded DHP. The average weekly rent shortfall for those in receipt of DHP is lower than the average for Islington as a whole by more than £5. This could simply be because households which receive DHP are more likely to have fewer means in general, so that the rents they pay are not above the LHA rate by as much.

Impact of Welfare Reform in 2015

In terms of the cumulative impact of these reforms in 2015, 597 recipient households (45.3% of all applicants) are classed as experiencing a "high" or "medium" impact (using the same definition throughout this report, equivalent to an income loss of at least £15 per week). These households are also particularly likely to receive a DHP award, with 88.7% of those applying being successful. However, it is suggested that Islington Borough Council looks into the remaining 54.7% of cases were DHP was allocated to households experiencing a low impact due to welfare reform or none at all.

It is important to note while reviewing the analysis below that we do not have the full details behind why applications were rejected (e.g. DHP Benefit Cap, Community Care Support). We learned for example that 194 applications marked as 'rejected' were in fact referred to alternative support, through which 118 further awards were made. In addition, the assessor may have good cause for rejecting an application, determining that they have other means, or have not met certain stipulated requirements. Not all discretionary payments should be made to those affected by welfare reforms, as others may be struggling.

8.2 Community Care Support

Community care support payments are designed to help vulnerable residents to move back into the community. Assistance usually takes the form of beds, bedding, utensils or any additional items that are deemed essential.

In Islington, 3,378 people applied for CCS (excluding 315 households for which the housing benefit reference number given did not match any SHBE records), making this the most common discretionary payment. 91.3% of applications were approved, and 86.6% of households (whether approved or rejected) made just one claim.

As can be seen in Figure 8.2.1 to the right, a sizeable proportion (37.1%) of all CCS applicants are lone parents. Furthermore, most working age households awarded CCS are out of work (82.38%), and more than half are disabled. This suggests that CCS in Islington is being awarded to groups that are especially vulnerable.

Figure 8.2.1: Household type of Community Care Support applicants (all)

The most common payment received by households approved for CCS is the Argos award. This was paid out to 81.6% of all CCS recipients, and had an average cash value of £524.22.

CCS recipients seem to be less impacted than both DHP recipients and the Islington cohort as a whole by the LHA cap, under-occupation, the benefit cap and reductions in council tax support (4.9% of CCS recipients will experience a "high impact" due to welfare reform this year, compared to 6.1% for Islington as a whole). These households may be in need for other reasons, many low income households will have been impacted by inflation, rent increases and benefit freezes, or the data may not have been matched.

Figure 8.2.2: Impact of welfare reform in 2016 on working age households, by CCS claim status
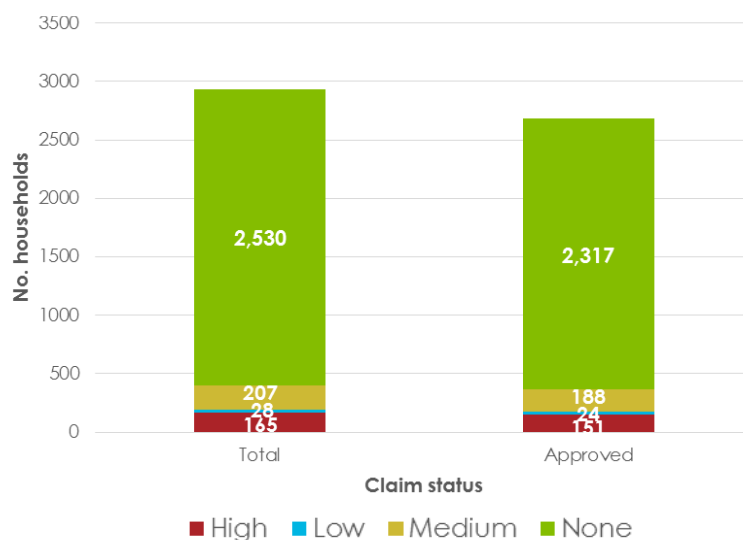
8.3 Crisis Payments

Crisis payments are usually administered to help households establish themselves in the community following a stay in institutional or residential care, or to avoid these households from entering into care.

494 households in Islington have applied for crisis payments (this figure excludes 121 households for which the housing benefit reference number provided did not match any in the SHBE dataset). 53.4% of these households had their applications approved, a figure that is considerably lower than that for DHP and CCS. 86.4% of all households (approved and rejected) made just one claim, while a further 9.5% made two.

Figure 8.3.1: Household type of Crisis Payments applicants (all)

Of all households claiming CP, over 69% were single people, while just 10.1% of working age households are actually in work. Looking specifically at households that were awarded CP, 73.3% are single, 21.4% are lone parents and 8.1% of working age households are actually in work. Conversely, of working age households refused CP, 64.7% were single and 12.2% were in work.

85.6% out of the 264 households that applied and were awarded CP received a grocery voucher, making this the most common payment. 63.6% received a fuel payment voucher, while just over half received both.
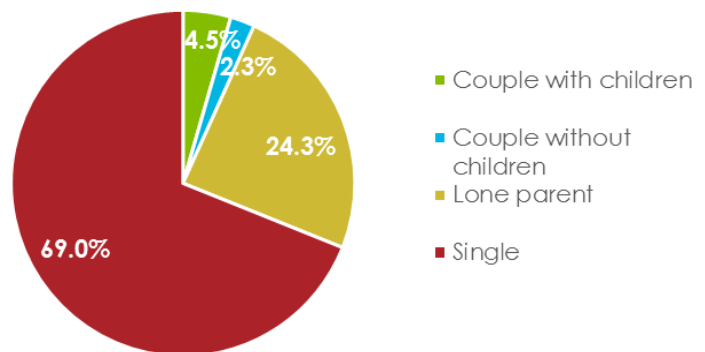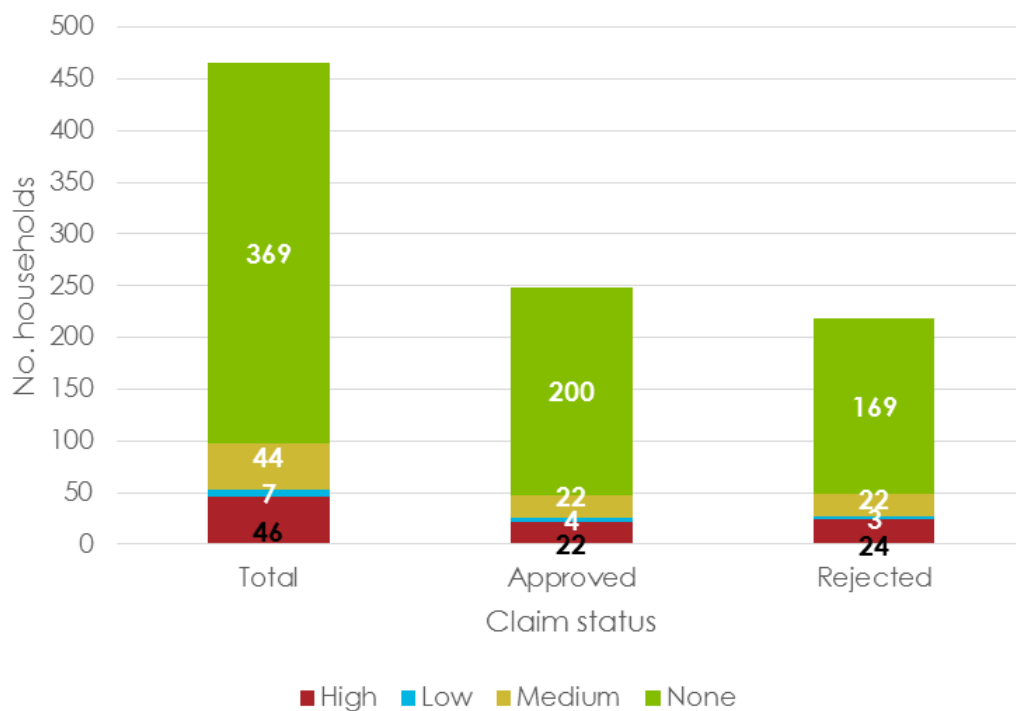
Figure 8.3.2: Impact of welfare reform in 2016 on working age households, by CP claim status

As seen in Figure 8.3.2, 22 CP recipients (8.9% of all working age recipients) are classed as

"highly impacted" by welfare reform in 2016. This is lower than the figure for Islington as a whole (10.3%), as well than the figure for households who applied and were refused CP, which stands at 11.0%. These households may be in need for other reasons, many low income households will have been impacted by inflation, rent increases and benefit freezes, or the data may not have been matched.
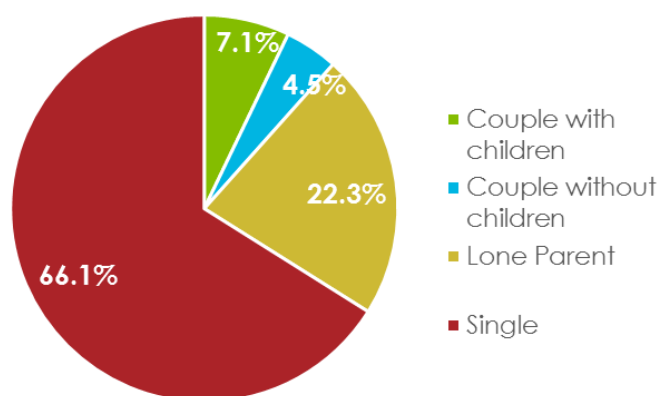
8.4 Council Tax Welfare Support

Council Tax Welfare Support (CTWS) has been claimed by 112 households (excluding another 12 for whom the Housing Benefit reference number did not match).

The approval rate of CTWS is very high at 91.1%, while 95.5% of all applicant households made just one claim.

Of all working age households that applied for CTWS, almost two thirds are single and a further 22.3% are lone parents. Out of the applicants of working age, just 31.0% are in work. If we look separately at applicants approved and refused CTWS, there are some interesting differences. 33.3% of applicants who were refused CTWS are lone parents, while the figure is considerably lower for those approved at 23.3%. In addition, out of refused households of working age, 62.5% are actually in work compared to 28.3% for households that were approved.

Figure 8.4.1: Household type of Council Tax Welfare Support applicants (all)

Legend:
- Couple with children
- Couple without children
- Lone Parent
- Single

Pie chart values: 7.1%, 4.5%, 22.3%, 66.1%

8.5 Conclusion: Discretionary Support

It is important to note the limitations in the analysis, not all records were matched and the data does not provide the full details behind why applications were rejected.

Not all discretionary payments should be made to those affected by welfare reforms and many low income households will have been impacted by inflation, rent increases and benefit freezes, such that all of those awarded are in need. However, those that experience added costs as a result of ongoing reforms and the benefit freeze may need to apply again for discretionary support as a means of managing the increased financial strain.

The council may want to consider targeting those affected by welfare reforms with an awareness campaign on the availability of discretionary support.

9. Recommendations

Policy in Practice recommends that the information in this report and the accompanying dataset is used by Islington to target support to households who are hardest hit by welfare reform. In particular, we recommend the following actions:

- **Become familiar with the household level dataset accompanying this report.** This dataset provides a detailed assessment of the impact of welfare reform on each individual household in Islington. You will be able to download the dataset securely, and can see a short demonstration of the dataset here.

- **Identify exemptions.** The data provided does not enable us to identify some households that may be exempt from reforms, such as the reduced benefit cap. Other datasets such as ATLAS may help to identify households in the ESA Support Group, in receipt of Carer's Allowance, or with disabled children. Identifying additional exempt households enables the council to focus support more accurately on those most severely affected.

  Our analysis has identified 1,452 households that will likely be affected by the benefit cap and will experience a fall in income.

  i.   All 51 households in receipt of ESA that are now capped should be further investigated to identify whether or not they are exempt by being in the Support Group.

  ii. 16 household are affected by the current benefit cap and in receipt of Carer's Allowance – often those with disability benefits for children.

  iii. Some affected households are already in work, and may be able to increase their weekly hours worked in order to reach the qualifying threshold for exemption. The data identifies some households marked as affected by the cap, already at the qualifying threshold, it may be useful to ensure these households are notified that additional hours will result in exemption from the cap.

- **Target employment support.** This report provides a qualified list of households that will be affected by the benefit cap in 2016. We recommend front-line support is targeted to those households most heavily impacted by the benefit cap. It may be possible for frontline support to engage with these customers and make them aware of the impact of forthcoming changes and work with them to minimise income reduction. The Benefit Cap White Paper and Benefit Cap software are useful resources for frontline support. In addition, the council may wish to consider targeting employment support to the 'quick wins' – those who are highly affected by welfare reform but appear to have low barriers to work.

  Further analysis of the data may help to identify additional barriers to work. For example:

  i.   Longitudinal analysis may enable us to identify when households were last in receipt of earned income, and trace the effectiveness of interventions.

ii. A "what if" analysis may identify the extent to which the household would be better off, if they were to move into a job and receive the minimum wage.

The accompanying dataset may be used to identify households with low barriers to work, and are affected by future reforms (e.g. 18-21 year olds) in order to pro-actively target preventative support.

- **Target Financial Support to households that need it the most.** Our analysis has identified a total nominal loss from welfare reforms of £1,510,000 to date, and a further £658,000 by 2020. Islington has to be allocated through discretionary housing payments. It may also have other hardship support available to support households. The accompanying dataset can be used to understand who is most heavily impacted, the council can use this to better target DHPs and other forms of hardship support.

- **Use this data to co-ordinate support across the council and with partners.** This analysis and the accompanying household level dataset can help to co-ordinate activity across the council to avoid duplicating support and provide a more joined-up service (e.g. Troubled Families).

    i. The Council should target those households in receipt of more than one form of discretionary support, and consider taking proactive steps to support them toward independence, working with other departments where necessary.

    ii. The Council may need to work with social landlords to ensure support mechanisms are in place if LHA is applied to social housing without an exemption for supported accommodation. The Government is currently suggesting that this should be covered by DHPs. Some Housing Associations are planning to decrease supported housing provision if no exemption is offered. This will have a significant effect on council support services for vulnerable groups.

    iii. Demand for support is forecast to grow in the next few years. The council should ensure robust policies are in place that support, accurate targeting and efficient administration.

The cumulative and forward-looking assessment of the impact of welfare reform means that it may be possible to better co-ordinate support to focus on households with greatest need, or targeted to where support is likely to be most effective.

In addition, sharing this analysis and the accompanying household level dataset with partners, through appropriate processes, will help develop an understanding of the impact of welfare reform across all delivery channels and help to build consensus around how to deliver appropriate support.

- **Use this data, and further analysis to identify and deliver savings on an annual basis.** Homelessness costs the council. The cost of a homelessness application is estimated to be in the region of £8,000 (Birmingham, Croydon).

    i. Identifying households that are at a high risk of homelessness, and lowering that risk through targeted support would save the council money. The savings come from not having to process homelessness applications, and the increased collection of rent.

ii. Lewisham Council, working with Policy in Practice were able to help 21.5% of households likely to be affected by the Benefit Cap in 2013 to become exempt, primarily through work, compared with 7.5% that became exempt in a control group. Using the difference of 14% as a benchmark, we can estimate potential council savings.

iii. In Islington 443 households are highly affected by the lower Benefit Cap. These are households that would lose £30 a week or more due to this reform.

iv. If Islington were similarly able to support an additional 14% of these households into work so that they become exempt from the benefit cap, 62 families could avoid potential eviction, alongside improved social outcomes, savings for the council are estimated to be around £496,000.

v. 95 households that are highly affected are Islington council tenants. Supporting 14% of these families into work could generate a further £59,700 in income for Islington council through full rent payments.

vi. In total, by supporting 14% of highly affected households into work, Islington council could generate savings of £556,000 by avoiding homelessness applications and protecting rental payments.

vii. Additionally, helping 14% of all highly affected households across Islington, would protect the rental income of Islington landlords by a further £249,000.

viii. These savings focus solely on the impact of the lower Benefit Cap. Further analysis that would introduce rent arrears data would allow us to combine the cumulative impact of all welfare reforms. We would then be able to highlight further savings for Islington Council.

Schools in Islington are missing out on Pupil Premium funding due to the introduction of Universal Infant Free School Meals for 5-7 year olds.

i. The analysis identified 1,673 households eligible for both UIFSM and means-tested FSM. One school in Bristol found that applications for means-tested FSM among this cohort fell by half.

ii. If Policy in Practice were able to identify those households least likely to have made a claim, and completed applications rose through a targeted campaign, then the additional income to schools in Islington could be worth up to £1,104,180.

There may be other opportunities for savings through further analysis. We would be pleased to discuss with you further.

Annex 1: Data limitations

Limitation 1: Passported Housing Benefit cases receiving Employment and Support Allowance (ESA) do not give information on work capability group

Assumption:	*Rationale:*	*Records Affected:*	*Implications:*
We use DLA data to determine ESA Group where available. People receiving the higher rate of either the care or mobility component of DLA will be put in the Support Group. People receiving the middle rate or lower rate or those without information on DLA will be put in the Work Related Activity Group.	The rate at which Disability Living Allowance is paid reflects the level of disability of the individual. This will give the best approximation of which ESA group they are in.	There are 7,941 passported ESA cases in the SHBE records. 71.7% (5,693) of the passported cases do not provide information on ESA income, group or disability premiums. Of these, 2,820 report information on DLA income.	We may be over-estimating the number of people in the WRAG group and thus affected by the benefit cap and at risk of losing the WRAG premium in ESA.

Limitation 2: Passported Housing Benefit cases do not provide information on earnings

Assumption: Passported cases are out of work.	*Rationale:* No information on which to base assumptions otherwise.	*Records Affected:* 18,231 SHBE records are passported.	*Implications:* Analysis will not capture the impact of low hours work which may underestimate the number of cases that are better off under Universal Credit or those that are self-employed and may be worse off under UC due to the minimum income floor.

Limitation 3: No information on child disability benefits. Only information on whether the household receives the child disability premium in SHBE records

Assumption:	*Rationale:*	*Records Affected:*	*Implications:*
Where the household receives the child disability premium, we have assumed the lowest rate care component of DLA for one child.	This is a conservative estimate. We have no other information to base assumptions on the level of disability.	225 (0.65% of total) SHBE records include the child disability premium	Missing data on child disability may overestimate the number of households affected by the benefit cap, since child DLA exempts households from the benefit cap.

Limitation 4: Limited information on childcare. We only have information on the childcare disregard in the Housing Benefit claim, not childcare support claimed through tax credits in SHBE records. CTRS records contain no information on childcare

Assumption:	*Rationale:*	*Records affected:*	*Implications:*
Childcare support added for records with a childcare disregard only.	No other information on which to base assumption.	Childcare disregard used in 411 cases..	Under-estimating the take up of childcare support. Since childcare support is higher under UC, this also under-estimates the number of households that would be better off under UC.

Limitation 5: No information on housing costs for households only receiving council tax support, as they do not claim Housing Benefit. They may however receive support for mortgage interest

Assumption:	*Rationale:*	*Records affected:*	*Implications:*
CTRS-only cases are owner-occupiers with no housing costs.	No other information on which to base assumption.	1,761 records 5.62% are CTRS-only.	We may under-estimate the number of people who are worse off under UC. This is because owner-occupiers are not entitled to mortgage support in work, so those working low hours will be worse off.

Limitation 6: Limited information on the number of bedrooms

Assumption:	*Rationale:*	*Records affected:*	*Implications:*
Cases missing the number of bedrooms	No other information on which to base assumption.	10,378 (33.1%) records are missing.	We may under-estimate the number of people who are affected by the bedroom or tax, or are paying rent above the local housing allowance rate.

Annex 2: Drivers for a change in entitlement under Universal Credit

Drivers for why a household may be better off under Universal Credit

- Young people under 25 without children or a disability are not entitled to Working Tax Credit, but will qualify for in-work support under UC.

- The base entitlement for people in the ESA Support Group has risen from £226 per month to £316 per month.

- Though work allowances in Universal Credit have been reduced, families with children will still have a higher work allowance than they do today.

- People working a low number of hours face a 100% withdrawal rate of JSA/IS/ESA under the current system, but will only see a 65% withdrawal of Universal Credit.

- Households in work and receiving Housing Benefit and tax credits will see their benefits withdrawn at a lower rate under Universal Credit.

- Parents working under 16 hours who need formal childcare are not entitled to childcare support through tax credits, but they will be eligible for help with childcare costs under UC.

Drivers for why a household may need transitional protection

- Lone parents between 18 and 25 will no longer be entitled to the over-25 rate of the personal allowance under Universal Credit.

- Under the current system, households see a large jump in income (i.e. cliff edge) when they begin working enough hours to qualify for Working Tax Credit (16, 24 or 30 hours depending on the household type). There is no distinction between out-of-work and in-work support or an hours threshold within Universal Credit, to smoothen work incentives. Households working at the tax credit threshold will generally see a lower entitlement under UC.

- The child disability element of Universal Credit, for those not entitled to the highest rate care component of DLA, is worth around half of the disability element of Child Tax Credit.

- The benefit cap under the current system only reduces a household's Housing Benefit. Under Universal Credit, the benefit cap can reduce all elements of the households UC award, meaning that capped households may see an even greater reduction under UC and households not in receipt of Housing Benefit under the current system may also be capped under UC.

- People in work and in receipt of only tax credits (i.e. not in receipt of Housing Benefit) will see an increase in their withdrawal rate from 41% to 65%.

- Households with savings over £16,000 will not be entitled to Universal Credit, but are eligible for tax credits under the current system.

- Universal Credit has a single flat rate for non-dependant deductions, meaning some households with non-dependents will see a higher reduction to their housing support under Universal Credit than the current system.

- Under Universal Credit, owner-occupiers will not be eligible for help with their mortgage when in work. Under the current system, they are eligible for mortgage support as long as they are not in 'remunerative work' (usually 16 or 24 hours depending on household type).

- Couples with one partner above and one partner below the state pension age. Under the current system, the couple would claim Pension Credit (a higher amount) but under Universal Credit, their entitlements are determined by the youngest partner and therefor will claim UC (a lower amount).

Annex 3: Household data documentation

The analysis in this report is based on a household level dataset, this is a powerful resource that local authorities and other local organisations can use to target support more effectively. This written guide to the dataset is accompanied by a video available [here](#).

The household dataset is broken down into different sections, including:

- **Household characteristics**

- The impact of **Coalition reforms** (LHA freeze, under-occupation, £26k benefit cap)

- The impact of **major reforms in the current parliament** (reduced benefit cap (£23k / £20k), Universal Credit)

- Reforms affecting **new claimants**

    o Family and child elements of child tax credits for 3+ children eliminated for new births / claims, ESA WRAG awarded at the same rate as JSA, 18-21 year olds to lose automatic entitlement to housing support and will be expected to 'earn or learn', Local Housing Allowance applied to the social-rented sector, Pay to Stay introduced to all council tenants

- **Mitigating measures** put in place

    o Introduction of the National Living Wage, increased income tax allowance, an extra 15 hours of free childcare for 3-4 year olds

- Anomalous records possibly **worth investigating**

    o Records that the local authority should investigate further to mitigate the impact of reforms (eg Ben Cap households in work, receiving ESA or households earning below minimum wage)

- **Barriers to work**

    o Disabilities or caring responsibilities for adults / young children

- **Cumulative impact** of reforms

    o **2015** – The impact of reforms to date (Coalition reforms)

    o **2017** – The impact of major reforms in the current parliament (Coalition reforms, Bencap)

    o **2020** – The impact of all reforms including UC and mitigating measures to 2020

Among other things, the dataset can be used to:

- Proactively identify households negatively impacted by future reforms (eg benefit cap or Universal Credit) and identify households affected by current reforms

- Target employment support (eg to those with low identified barriers to work, those that are better off under UC, or to U25s or 50+ for ESF programs)

- Identify hard to engage groups (eg those in work on low earnings able to progress in work)

- Where arrears or support payment data has been provided, identify households that are struggling to make ends meet

We would be pleased to receive your feedback and suggestions for further analysis.

Households dataset

Variable	Explanation
reference	Housing Benefit and/or Council Tax Reduction claim number
postcode	Postcode
householdtype	Simplified household type. Options are: single, lone parent, couple without children, couple with children.
agegroup	• Working age • Pension age (if one or more partners are of Pension Credit qualifying age)
tenure	Simplified tenure type. Options are: Council tenant, Social Rent, Private Rent, and Owner-Occupier (used for CTRS-only cases).
rent	Rent from raw data, only if known.
economicstatus	• In work (if there are earnings in the household) • Not in work, disabled (if no earnings in the household and someone is in receipt of a disability-related benefit) • Not in work, carer (if no earnings and in receipt of the Carer's Premium) • Not in work, lone parent (if no earnings and a single person with children) • Not in work, other (if no earnings and does not fit in the categories above)
earnings	Total gross weekly earnings for the both the claimant and partner (if applicable).
savings	Household savings, using bands.
underoccupation	Y = affected by the under-occupation charge N = not affected by the under-occupation charge
underoccupation_amount	Weekly reduction to Housing Benefit due to the under-occupation charge.
Underoccupation_pensionage	Y = affected by the under-occupation charge and of pension age. N = not affected by the under-occupation charge.
LHAcap	Y = affected by the LHA cap (rent is higher than the applicable LHA rate, for private sector tenants) N = not affected by the LHA cap

LHAcap_amount	Weekly shortfall between eligible rent and the maximum applicable LHA rate.
benefitcap_26k	Y = affected by the benefit cap as currently set N = not affected by the benefit cap
benefitcap_26k_amount	Weekly reduction to Housing Benefit due to the benefit cap.
benefitcap26k_couldgetWTC	Y = household identified as affected by the benefit cap in BCC data, but working enough hours to qualify for Working Tax Credit (a potential exemption) N = not affected by the benefit cap and eligible for Working Tax Credit
benefitcap26k_carer	Y = household identified as affected by the benefit cap in HLBC data, but in receipt of carer's allowance N = not affected by the benefit cap and receiving carer's allowance
benefitcap_20k	Y = identified as affected by the lower benefit cap N = not identified as affected by the lower benefit cap
benefitcap_20k_amount	Weekly reduction to Housing Benefit due to the lower benefit cap.
benefitcap_20k_receivingESA	Y = affected by the lower benefit cap and in receipt of ESA (could potentially be exempt if in Support Group) N = not affected by the lower benefit cap
benefitcap20k_carer	Y = household identified as affected by the lower benefit cap, but in receipt of carer's allowance N = not affected by the lower benefit cap.
benefitcap_20k_noHB	Y = households identified as affected by the lower benefit cap and all their Housing Benefit would be withdrawn. N = Not affected by the lower benefit cap.
eligibletoFSM_underUIFM	Y = household's with receiving UIFSM and eligible to means tested FSM N = not affected receiving UIFSM and eligible to means tested FSM
earningbelowNMW	Y = not self-employed, with one adult earning below the National Minimum Wage N = not earning below National Minimum Wage

taxcredits_2children	Y = at risk of losing tax credits if they have another child.
	N = Not at risk of losing tax credits if they have another child.
paytostay	Y = living in social housing with household earnings above £30,000 per year
	N = not affected by 'pay to stay'
LHA_lower_than_socialrent	Y = LHA rate is lower than social rent. Shortfall between Housing Benefit and rent.
	N = Not affected by the LHA rate being applied to social rent.
social_LHAshortfall_weekly	Weekly shortfall between LHA rate and social rent.
uc_needsprotection	Y = needs transitional protection to avoid a lower entitlement under Universal Credit
	N = will receive the same or more income under Universal Credit
uc_needsprotection_amount	Weekly amount of transitional protection needed under Universal Credit.
uc_inworkconditionality	Y = subject to in-work conditionality under Universal Credit
	N = not subject to in-work conditionality
uc_minimumincomefloor	Y = self-employed and earning below the National Minimum Wage, likely to be affected by the Minimum Income Floor under Universal Credit
	N = not affected by the Minimum Income Floor
incomereduction_2015	Total weekly income reduction in 2015 due to the under-occupation charge, the benefit cap and the LHA cap.
impact_2015	Score for the cumulative impact of welfare reform in 2015.
	No impact = not affected by welfare reform
	Low = fall in income is below £15 per week
	Medium = fall in income is between £15 and £30 per week
	High = fall in income is above £30 per week
incomereduction_2016	Total weekly income reduction in 2016 due to the under-occupation charge, the lower benefit cap, the LHA cap, the increase in the withdrawal rate of

	Working Tax Credits, and the reduction of the income threshold for tax credits.
impact_2016	Score for the cumulative impact of welfare reform in 2016.
	No impact = not affected by welfare reform
	Low = fall in income is below £15 per week
	Medium = fall in income is between £15 and £30 per week
	High = fall in income is above £30 per week
barrierscore_disability	1 = if in receipt of a disability-related benefit at the lower or middle rate
	2 = if in receipt of a disability-related benefit at the highest rate.
barrierscore_carer	2 = if in receipt of the Carer Premium
barrierscore_loneparentor2earner	1 = if a lone parent or second earner, more likely to need childcare
barrierscore_youngchildren	1 = if there is a child under 5 in the household, more likely need childcare
barriers_to_work	Score for barriers to work, summing the preceding three variables.
	Low = a total score of 0
	Medium = a total score of 1
	High = a total score of 2 or more
DHP_award	Approved = successful DHP claim
	Refused = unsuccessful DHP claim
	Didn't apply = no DHP application
Crisis_award	Approved = successful Crisis claim
	Refused = unsuccessful Crisis claim
	Didn't apply = no Crisis application
Community_award	Approved = successful Community claim
	Refused = unsuccessful Community claim
	Didn't apply = no Community application
CTWS_award	Approved = successful CTWS claim
	Refused = unsuccessful CTWS claim
	Didn't apply = no CTWS application

About Policy in Practice

Our mission is to reduce poverty. We do this by simplifying delivery of the welfare system. We believe that change happens on the frontline.

Deven Ghelani was a member of the team at Centre for Social Justice who developed Universal Credit and, when the policy was adopted by government, he left to set up Policy in Practice. He was keen to ensure that the policy intent was actually put into practice.

Policy in Practice has facilitated conversations between leading local authorities and the Prime Minister's office to ensure frontline feedback about welfare reform policy has been heard.

We also help local organisations to understand the aggregate and cumulative impact of welfare reform changes on their customers so that they can accurately target support programmes.

And finally, to close the loop, the software that Policy in Practice has developed simplifies the conversations that frontline advisors can have with customers by clearly showing what benefits they can get under the current system and when they move to Universal Credit, comparing the two side-by-side using data visualisation.