

Finance & Resources – Briefing Paper

Title of Report	Welfare Reform Update – 3 years on		
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Purpose of the Report			
The programme of welfare reform started in 2011 continues to transform the provision of financial support within Hackney. This report provides a further update of the changes to date and the impact upon the community.			
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Introduction

The programme of welfare reform started in 2011 continues to transform the provision of financial support within Hackney to some of our most vulnerable residents whilst contributing towards the need to reduce the national budget deficit. This report is intended to take stock of the changes to date and the impacts they have had on the community.

Local Housing Allowance (LHA) restriction and the disaggregation with market rents

The reform programme began with changes to the LHA calculation. The LHA figure determines the maximum amount of rent that can be used in a Housing Benefit claim, and was based on local rental costs area and the number of bedrooms a household required. From April 2011:

- Households were restricted to the LHA rate for maximum of 4 bedrooms regardless of household size.
- The LHA rate calculation was changed so that it no longer reflected the mid point of local rent levels, but the 30th percentile. This means only the cheapest 30 out of 100 rental properties in an area would be affordable for individuals on Housing Benefit.
- National Caps were introduced on the maximum Local Housing Allowance rate regardless of rent levels in the locality.

Additionally, In April 2013 the link between LHA rates and local rent charges was broken; instead the LHA rates were uprated by a fixed percentage, initially in line with inflation (CPI), and then fixed at 1% in April 2014. Consequently LHA rates have become disaggregated completely from the rental market.

Hackney has become increasingly attractive to young professionals as the local artisan, fashion and IT industries expand. This has had a significant impact on the rental market in the borough; figures from the Move with Us Rental Index in June 2014 reveal the average advertised rent in Hackney is now £2,125 per month, an increase of 9.15% from the same time last year (the fifth highest increase in London, behind the City of London, Brent, Croydon and Westminster).

Consequently as rent levels in Hackney rise, the difference between rents charged and Housing Benefit paid grows:

Rent In Hackney (£s)	Room	One Bed	Two Bed	Three Bed	Four Bed
Average Monthly Rent April 2014	628	1281	1,589	2,051	2620
Average Monthly Rent April 2013	515	1,248	1601	1991	2534
Average Monthly Rent April 2012	504	1,233	1,473	1,848	2,401
Average Monthly Rent June 2011	483	1135	1417	1704	2255
LHA rates in Hackney (£s)	Room	One Bed	Two Bed	Three Bed	Four Bed

LHA Inner East - April 2014	425.36	1104.13	1297.14	1520.78	1789.19
LHA Inner East - April 2013	408.98	1061.66	1284.31	1505.75	1771.46
LHA Inner East - April 2012	400.18	1040	1256.66	1473.33	1733.33
LHA Inner East - June 2011	394.33	996.66	1213.33	1473.33	1733.33

Monthly Shortfall (£s)	Room	One Bed	Two Bed	Three Bed	Four Bed
April 2014	202.64	176.87	291.86	530.22	830.81
April 2013	106.02	186.34	316.69	485.25	762.54
April 2012	103.82	193.00	216.34	374.67	667.67
June 2011	88.67	138.34	203.67	230.67	521.67

Tables constructed using valuation office rental data, and compared to the largest and cheapest broad market rental area in Hackney

Since April 2013, over 60% of all new Housing Benefit application processed under LHA rules have some level of shortfall, This currently remains constant, the latest data shows that 60.08% of new LHA claims processed in July 2014 had shortfalls between Benefit levels and rental liability.

Further changes to LHA for single individuals under 35

In January 2012 the LHA rate for single people under 35 was restricted to the rate for a room, and not the rate for a self contained flat. The change has significantly impacted demand levels for shared accommodation in the borough, as individuals have been forced to downsize from a one bed flat to a room.

The situation has been made worse due to increasing competition from young professionals who see Hackney as a desirable place to live. The size of shortfalls on shared accommodation of £202.00 per month compared to average markets rents are unaffordable, for single people on JSA whose total income is £314 a month (£72.40 a week).

Using real claim data, as of July 2014, 87.61% of claims from individuals requiring shared accommodation had a shortfall between the LHA and the rent charged. The average shortfall was £39.00 a week (£171 per month). This means even the cheapest accommodation available in the borough is unaffordable for single individuals under 35 on benefits.

Removal of the Spare Room Subsidy (Under Occupancy)

The new size criteria rules for working age claimants in the social rented sector were introduced in April 2013. Social Sector tenants with one spare bedroom had the eligible rent used in Housing Benefit calculations restricted by 14%. Social sector tenants with two or more spare bedrooms had their eligible rent restricted by 25%

The number of Hackney residents affected is as follows:

Restriction	Hackney Homes		Restriction	Registered Providers	
	Apr 2013	July 2014		Apr 2013	July 2014
14%	1417	1228	14%	1508	1392
25%	539	353	25%	791	371
Total	1956	1581	Total	2299	1763

The number of affected households fell by 21% between April 2013 and February 2014, as individuals were supported to resolve their situation. By the end of July, the Council had directly helped 181 underoccupied families to downsize. Of these 122 were affected by the "removal of the spare room subsidy". There are currently 253 households on the waiting list for assistance with downsizing.

However since February the rate of decline has plateaued and the number of impacted households has levelled off.

In 2013/14, the Council spent £605,900 on Discretionary Housing Payments to households impacted by the removal of the spare room subsidy. From April 2014 to date, awards of DHP totalling almost £192,000 have been made to 432 households.

Council Tax Reduction Scheme (CTRS)

The local scheme replaced Council Tax Benefit (CTB) on 1 April 2013, and requires all those of working age to pay at least 15% of their Council Tax liability. This was necessary to fill the gap caused by the cut in Government funding of circa £4m. There are 34,010 working age recipients of some level of CTRS award.

As Council Tax Reduction is awarded at point of claim until the end of the financial year, it appears there has been a slight reduction in the amount of Council Tax Reduction awarded for 2014/15. This is primarily due to a slight decrease in the Council Tax caseload. However the applicable amount being frozen for a second year has also reduced entitlement. The amount of support paid will change during the year, as some household's cease their claim prior to March 2015, and others make new applications.

Replacing the Social Fund – Local Welfare Provision

In April 2013 the Council run Hackney Discretionary Crisis Support Scheme (HDCSS) replaced elements of the Social Fund. Funding for the localised scheme from Central Government ceases as of 31 March 2015.

The local scheme in Hackney works in direct partnership with the third sector with a view to ensuring a holistic solution to a crisis. At a review event the HDCSS was applauded for the level of engagement with the advice agencies and its effectiveness in responding to need, particularly around resettlement.

When the HDCSS scheme was introduced demand was initially below expectation (based on analysis of the Social Fund). We identified a number of reasons for this: a lack of awareness of the new scheme, a reluctance to accept goods as opposed to cash awards, and some difficulties with access. It is also clear that the DWP poorly managed the Social Fund with a significant amount paid out to bolster benefit income and used as a cheap source of credit to cover. We are seeing an increase in demand as the increasing pressure caused by DWP sanctions, and ongoing impact of welfare reform place more households into crisis. The Mayor as Chair of London Councils recently produced the following press release **“The government’s decision to withdraw funding for local welfare provision will result in a loss of £27 million for London.**

“Considering that boroughs have seen a 35 per cent cut in their funding since 2010, the government’s suggestion that they plug the gap is unrealistic.

“Local welfare provision is a vital form of emergency support for London’s most needy, and we would urge the government to think again about this cut.”

As part of the development of the 2015/16 budget Hackney is developing options for a local scheme should funding not be made by Central Government.

Benefit Cap

The Benefit Cap restricted the total amount of state benefits including Housing Benefits which a household can receive. This was set at £500 per week for couples and lone parents, and £350 for single adults. These changes were introduced in Hackney from August 2013. Where individuals are above the threshold the Housing Benefit is reduced by the difference.

Individuals can become exempt from the Cap through finding work of enough hours to qualify for Working Tax Credit, or through entitlement to a disability benefit (DLA, PIP, or ESA (support component)).

Since implementation in August 2013, the Council has been instructed to restrict the Housing Benefit awards of 871 residents. The Service has worked intensively with those affected to provide employment, housing and money advice, and has supported those affected to resolve their situation.

As of 4th August 2014, there are 425 households currently still capped. However, it should be noted that this is not a linear progression; some households have been capped subsequent to the initial implementation, and others have moved on and off the cap as a consequence of short term/seasonal employment.

There has recently been a small increase in the numbers affected due to annual rent increases, up-rating of DWP benefits, and the ceasing of some disability benefits. However the long term trend is downwards.

As per the table below the majority of cases capped in borough now have a shortfall of less than £50.00 a week, however 2 cases affected by the Cap are losing over £400.00 in benefit a week.

Number of cases still capped	425
Weekly loss £0.00-£49.99	236
Weekly loss £50.00-£99.99	106
Weekly loss £100-£149.99	55
Weekly loss £150-£199.99	16
Weekly loss £200.00-£249.99	4
Weekly loss £250.00-£299.99	4
Weekly loss £300.00-£349.99	1
Weekly loss £350.00-£400.00	1
Weekly loss over £400.00	2

Since implementation, 434 households have had the cap removed:

- 160 capped cases moved into work
- 43 have become entitled to an exempting disability benefit
- 44 have moved out of Hackney,
- 69 cases have moved to cheaper accommodation in borough and are below the cap
- 109 cases have had a change in income/status which means they are no longer capped.
- 7 have been identified as being in supported exempt accommodation.
- 2 have had their rent reduced

Another 12 are no longer entitled to Housing Benefit, as they have failed to respond to an information request. We are currently supporting 185 households with a Discretionary Housing Payment.

Changes to benefits for EEA Migrants

In January 2014, the Government introduced new measures to restrict access to social security benefits, including Housing Benefit by European migrants who are not working.

Under the new rules, EEA migrants who have never worked in the UK cannot claim income-based Jobseeker's Allowance until they have been in the UK for 3 months, at which point they become entitled to Job Seeker's Allowance for a maximum of 6 months.

This change also affects EEA nationals who have been working in the UK but whose employment stops and they have not retained their "EEA Workers" status. Workers status is normally not retained where they have worked less than a year, or voluntarily left their employment.

From April 2014, new EEA migrants are not able to apply for Housing Benefit while they are in receipt of income related Jobseeker's Allowance.

Job seeking EEA migrants staying in Hackney do not have the right to an allocation of housing from the Council or to get homelessness assistance, consequently there is a potential for some migrants to end up becoming street homeless.

The Benefits Service and JCP have conducted joint session with Hackney Council for Voluntary Services to ensure that third sector and community advisors are aware of these new rulings, and have briefed some European nationals at drop in sessions.

The change is starting to impact Social Services who owe a limited duty to EEA migrants with children, or deemed vulnerable, although this can be limited to help to return to their country of origin. The change is also starting to affect a small number of individuals placed in temporary accommodation, who have lost support with their rent.

Other operational impacts of welfare reforms

The members of the Welfare Reform Working group are all reporting an increase in street homelessness presenting to all areas of the LA.

There has been a noticeable increase in callers, both personal and telephone, from last year – personal callers up 10.5%, and telephone callers up 10.8%. In addition visits to the Housing Advice Team within the Benefits and Housing Needs Service are up by 30% since October 2013. We cannot attribute this increase entirely to impact of the reforms, although the HB caseload has remained relatively constant through this period; implying that the additional contact is related to other welfare factors.

Update on Future Changes

Personal Independence Payment (PIP)/Disability Living Allowance (DLA)

Introduction of PIP was delayed until June 2013. Existing DLA claimants began being moved to PIP from October 2013, with a target completion date for all DLA recipients aged 16 to 64 of October 2017. However, this process is currently suspended due to concerns over backlogs of new PIP applications and ATOS/Capita resources are redirected to address this.

Claimants currently on DLA that are not awarded PIP will lose a number of additional benefits:

- The additional disability components included within the assessment of Housing Benefit, Council Tax Reduction and other income related benefits.
- Their exemption from the benefits cap
- Entitlement to Carer's Allowance
- Concessionary travel pass
- The disability element of Working Tax Credit/disabled child element of Working Tax Credit
- Their Blue Badge if entitlement was dependent on their award of the mobility component of DLA will lose their entitlement to this

Universal Credit

Universal Credit combines 6 existing benefits including Housing Benefit into one combined payment to cover both living and housing costs. It will be administered by the DWP, and will be paid to the applicant direct, on a monthly basis in arrears. Universal Credit (UC) is being slowly rolled out across the UK.

It was initially rolled out at four Jobcentres between April 2013 and October 2013, with another six jobcentres having gone live between October 2013 and March 2014, including Hammersmith in London.

From June 2014 Universal Credit has been gradually rolled out to cover the whole of the North West of England, and currently 38 Job Centres are taking Universal Credit claims.

Up until recently Universal Credit sites have only taken claims from single claimants with no children, housing costs and therefore, volumes of live claims are very low. However from 30th of June 2014, Hammersmith, Bath, Rugby, Harrogate and Inverness are now taking claims for

Universal Credit from couples, with housing costs, as well as those from single people, and further expansion is intended through out the year.

Separately, an online digital service is being designed and tested on a small scale (100 live claims) to support national rollout of UC and a Hackney officer is currently seconded to this team as an LA Subject Matter Expert.

Universal Credit is unlikely to roll out for **new** claims in Hackney prior to January 2016, at the earliest. However once an individual claims Universal Credit they remain on Universal Credit.

This means if someone already claiming Universal Credit moved to Hackney, they will remain on Universal Credit. Equally if someone on Universal Credit moved in with a Housing Benefit claimant in Hackney, they would both move onto a joint Universal Credit claim. This means there is potential for small number of Universal Credit claims in borough prior to 2016.

There are currently no plans to transfer Pensioners on to Universal Credit. This will not be reviewed prior to at least 2018.

Intensive work is underway with LA Associations around transition and migration of existing Housing Benefit and Tax Credit claims. A schedule for transition is due to be released in the autumn. It is unlikely that current Hackney claims will be migrated prior to April 2016. DWP anticipate that the bulk of migration will be complete prior to the end of 2017.

The DWP and LAs have been working together on the development of the Local Support Services Framework, the provision of assistance to those households that need extra support to access Universal Credit. This framework will facilitate the establishing of local partnerships that include social landlords, voluntary agencies and other local advice providers that will help identify those in need of help and provide locally based assistance. A trialling and testing plan was released in December 2013. LSSF pilots start operating September 2014 for a period of 12 months, with an initial report after 6 months and then final report (with funding agreed by treasury) to be delivered for October 2015. This is to allow LA's to put in place local frameworks on a voluntary basis from Jan-April 2016.

The overall Benefit Spending Cap

The Government has introduced an overall cap on spending on welfare benefits (excluding pensions and non-income related unemployment benefits from 2015/16. The £119.5bn cap is forecast to rise in line with inflation to £126.7bn in 2018-19.

Potentially, any unforeseen demand in welfare support that forces spending above this limit will either require a report to be made to Parliament or will be financed either by savings in other parts of the benefits budget or by top slicing of benefit rates. The July budget report and presentation to Governance and Resources Scrutiny Commission provides more detail on the macro economic position.

Other possible reforms currently under consideration by the Government

Removal of Housing Benefit entitlement for under-25s – speculation remains that serious consideration is being given to removing entitlement to Housing Benefit for people under 25 (with some exceptions, i.e. disabled persons, care leavers etc.). However, projected savings are minimal.

Reduction in the Benefit Cap threshold – It is understood that consideration is also being given to reducing the overall benefit cap threshold for working age households from £500 per week to £350 per week to couples with a potential pro-rata decrease for single people. This is likely to be outside of London.

Mitigation of the impact of welfare reforms - Discretionary Housing Payments

Hackney's share of the national DHP grant was 2013/14 is just over £2.3 million, and is being used to offset some of the impact of welfare reform. DHP spend for 2013/14 is as follows:

DHP Spend 2013-2014	
Benefit Cap	£667,160
Spare Room Subsidy	£605,890
LHA reforms	£373,450
Combination of Reforms	£55,470
Other i.e. medical or financial distress	£619,790
Total	£2,321,760

The Council has been allocated a DHP budget of £2.1m for 2014/15. So far the spending has been as follows:

DHP spend April to July 2014	
Benefit cap	£417,650
Spare room subsidy	£191,950
LHA reforms	£75,200
Combination of reforms	£130
Other i.e. medical or financial distress	£121,950
Total	£806,880

At the current rate of DHP spend, it is anticipated that the Service will spend the budget before the end of the financial year. Steps are being taken to reduce the spend going forward to ensure that monies are available throughout the year.

The Service are starting to wean individuals off DHP payments, where they are affected by long term welfare reform and have not taken adequate actions to change or resolve their situation.

It is anticipated that the national DHP grant will reduce going forward, possibly significantly.

Other mitigation

The Service has:

- Updated information and fact sheets on the Benefit Cap and under occupancy on the Hackney website
- Run welfare advisor forums for third sector agencies, including 3 events jointly held with HCVS
- Held regular liaison meetings with Registered Providers
- Regular email updates on welfare reform to landlords and advice agencies
- Fed into submissions and consultations on welfare reform to ensure the Hackney perspective is highlighted
- Membership on DWP working groups, which allows the Council to influence the national agenda, including commenting on draft circulars
- a monthly Welfare Reform impact dashboard which is produced to monitor the impacts of the various reforms, this feeds into the working group and action plan
- Worked with individuals (some intensively) to support them into work, or to help them move to more affordable accommodation.