

Welfare Reform Update

The impact so far on Hackney residents

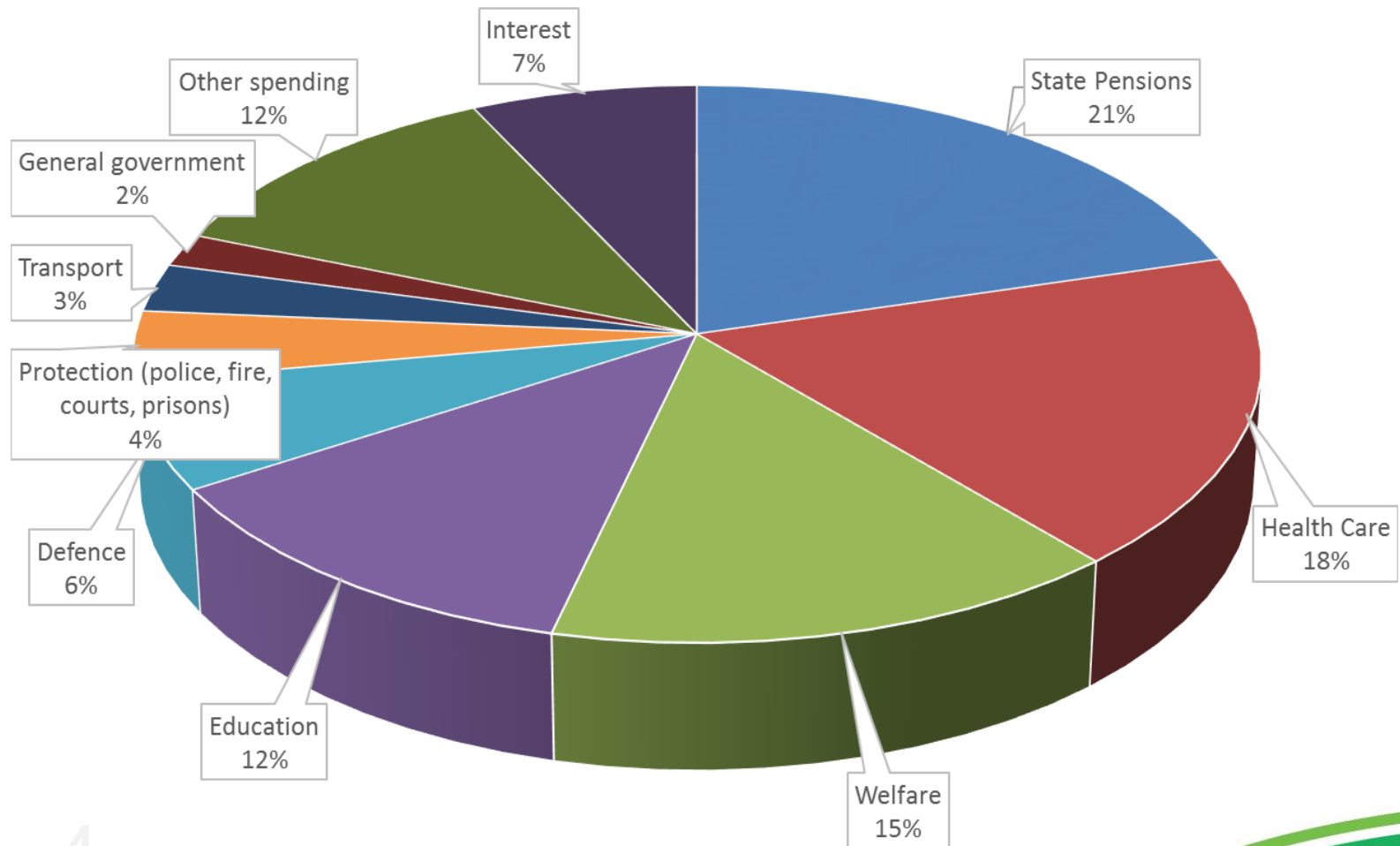
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Governance And Resources

16 March 2015

Breakdown of Government Spending 2015

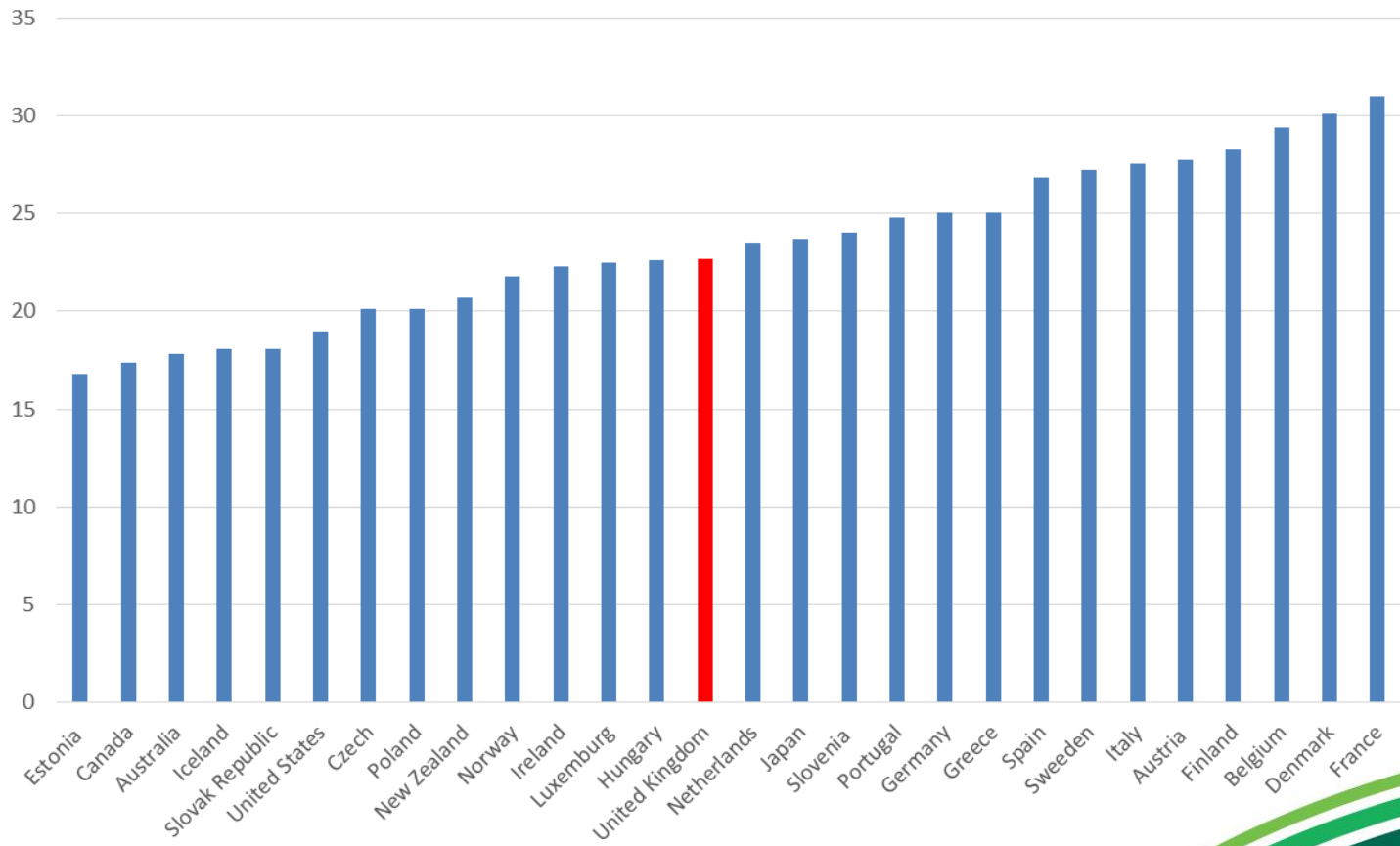


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- Total UK spend £731.4Bn
- Welfare Spend £109.8Bn

How much does the UK spend on Welfare compared to other countries

Percentage of GDP spent on Welfare Across Developed World.



Data from OECD Social Expenditure database and Eurostat. Welfare refers to unemployment/disability/housing related benefits.



The Government's objectives for the reforms as originally set out in 2010:



promote work and personal responsibility



simplify the system to make work pay;



reduce welfare dependency ; and

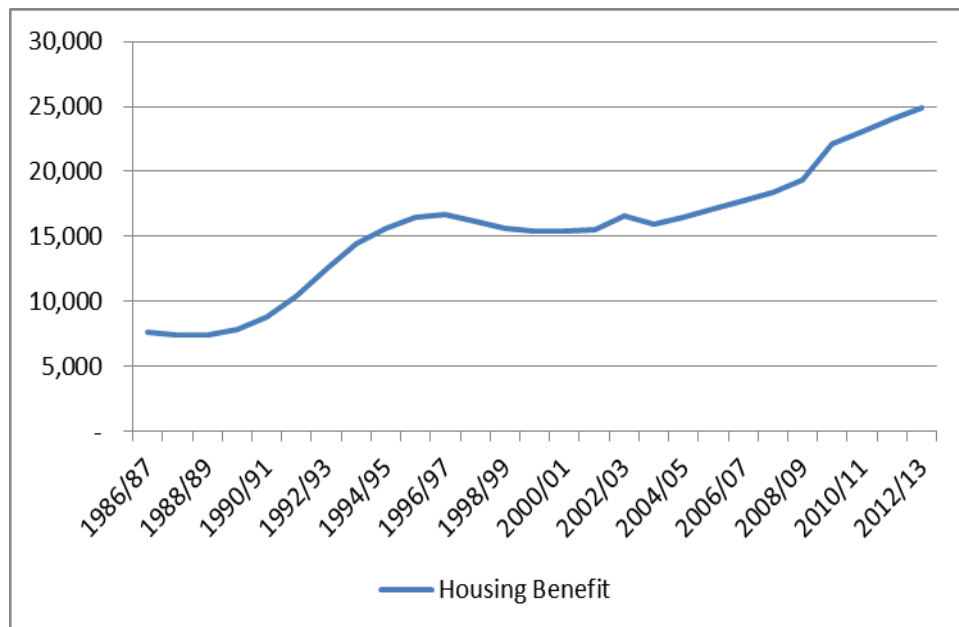


reduce the cost of welfare (working-age welfare budget has increased 41% in real terms over last decade –to £109.8 billion in 2015)

What are the drivers of Increased Welfare Spend?

The main driver of increasing Welfare Spend in the UK is the cost of Housing Benefit which has risen substantially during the last decade.

Total Real Expenditure on Housing Benefit 1986-2013



Spending on Housing Benefit has increased in real terms by 50% during the last decade.

Types of Welfare changes affecting residents.

Benefit Cap

Local housing Allowance (LHA) claimants in Private Rental Sector

Under-occupiers in Socially Rented Sector

Council Tax Benefit changes

Lone parents on income support with children aged 5-7

Incapacity benefit reassessments

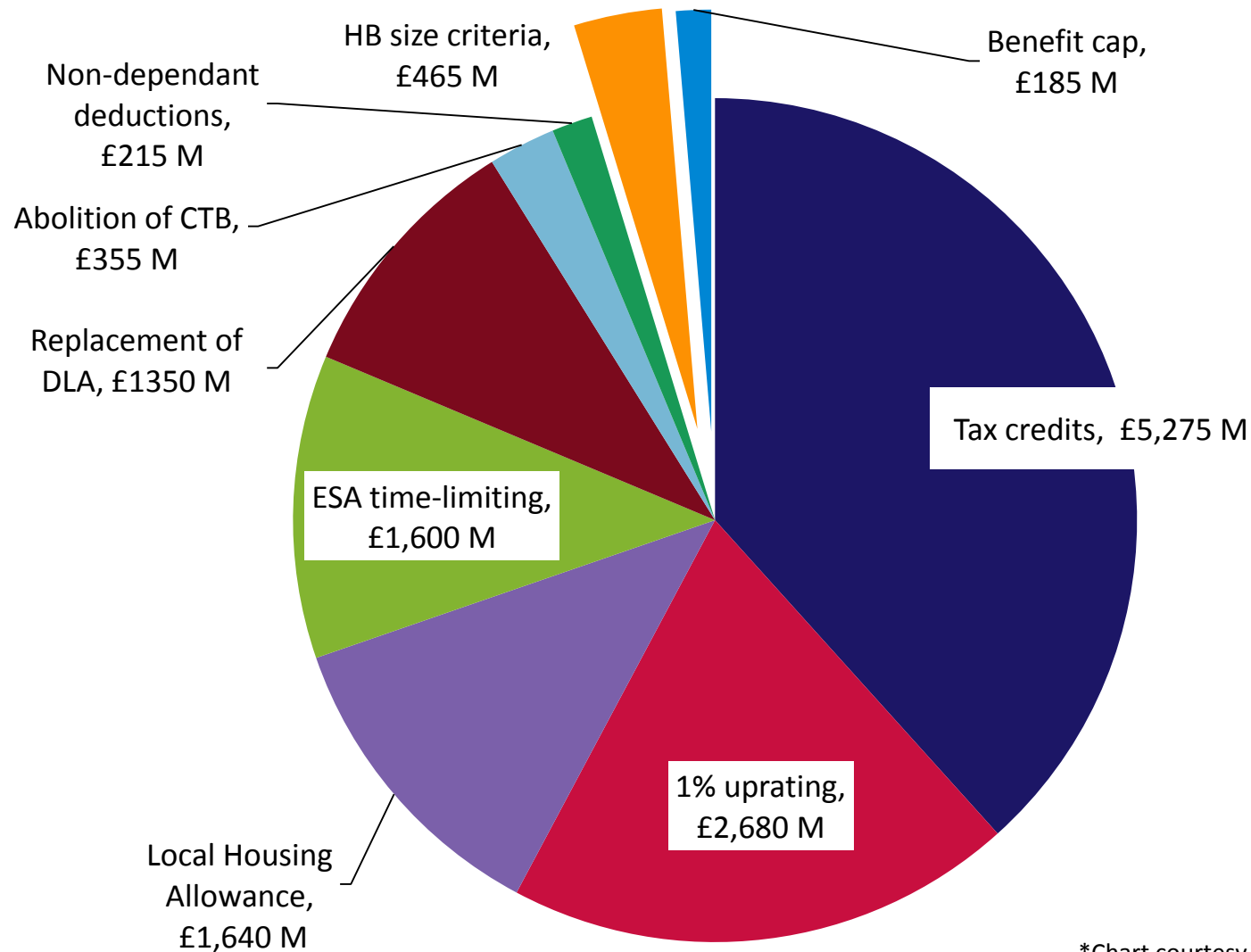
Disability Living Allowance to Personal Independence payment

Shared Accommodation Rate Changes

Increases in Non-Dependant Deductions

...Still to come: Universal Credit

Estimated Welfare Reform Savings 2015/16



*Chart courtesy of Centre for Economic & Social Inclusion

Welfare Reform Impact 2015/16

Average loss in London for those in receipt of benefits = **£1,965** per household per year

Families are responding in three ways

- Cutting back
- Borrowing
- Not paying bills

But normal coping techniques are under pressure!

So will families find work or move?

Many want to work but some are a long way from work
Most don't want to move out of London

Is moving into Employment the whole answer?

According to the Government, when a person moves into a living wage job, (compared to being on minimum wage or benefits) then on average:

- **£13,100 Beneficial Impact to local economy.**
- **£6,900 Savings for Central Government**
- **£6,500 Gain to individual**

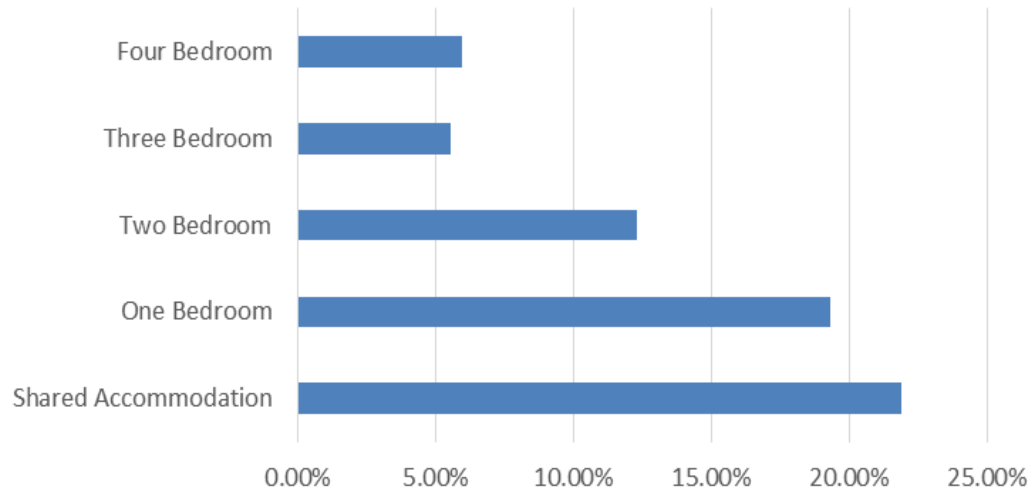
For every £1 of direct (cashable) savings:

- **80p Goes to Central Government**
- **13p Goes to the Police, NHA, and Housing Providers**
- **7p Goes to Local Government**

But reforms are hitting those in low paid work who are now also struggling to find housing solutions!

Local Housing Allowance Reform

Percentage of Private lettings in Hackney let at LHA rates or below in the last year



- LHA rates have been restricted at a time of significant rent increases.
- LHA rates for private rental no longer reflect market rents.

- The private rented sector in Hackney is no longer a sustainable option for some families in low paid work
- Latest data estimates that only just over 5% of new 3 & 4 bed lettings in borough are at LHA rates.

Under Occupancy in the Social Sector

As of April 2013: 4255 households affected in Hackney –

- 1,956 with Hackney Homes
(1417 restricted by 14%, and 539 restricted by 25%)
- 2,299 with Registered Providers (RSL's)
(1508 restricted by 14% and 791 restricted by 25%)

At the end of January 2015: 3190 households were affected in Hackney

- 1,515 with Hackney Homes
(1176 restricted by 14%, and 339 restricted by 25%)
- 1,675 with Registered Providers (RSL's).
(1325 restricted by 14%, and 350 restricted by 25%)



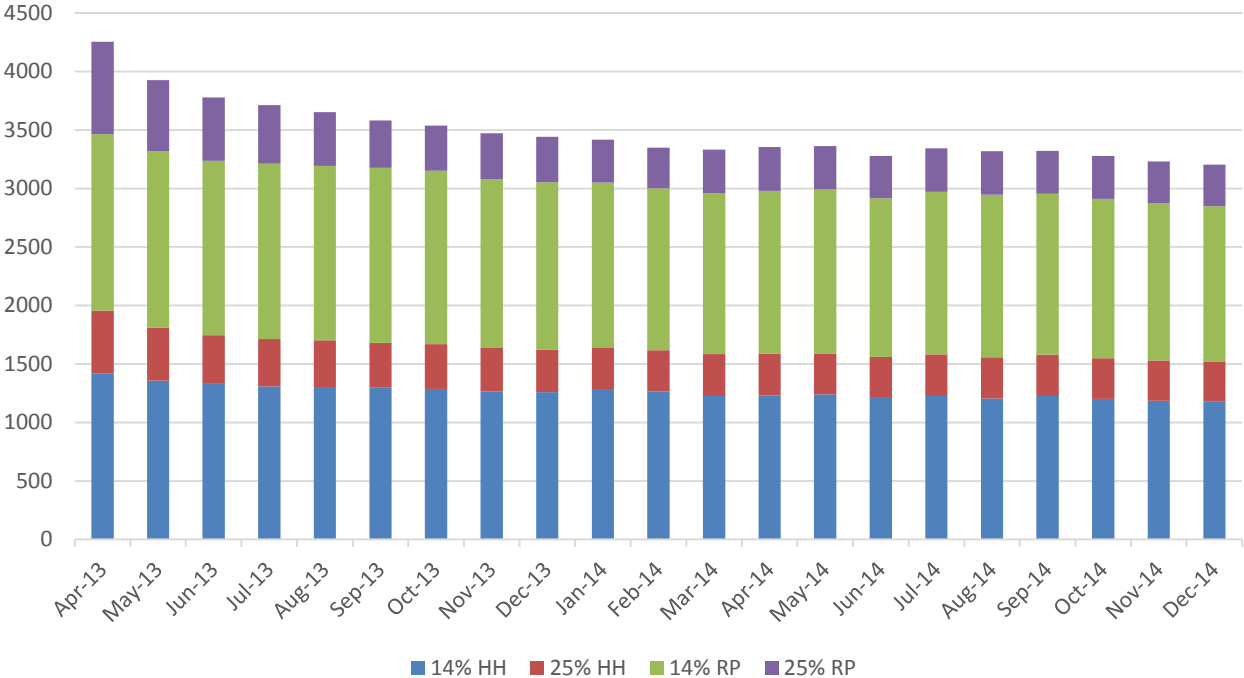
Financial Impact of the change on tenants.



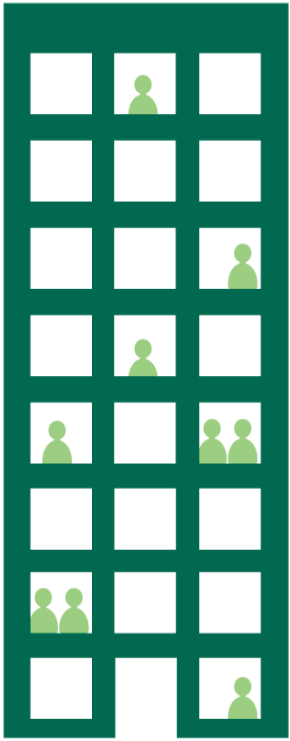
- Tenants affected by Under Occupancy in Hackney as of 31 December 2014, faced an average weekly loss of **£25.08** per week.
- For Hackney Homes tenants the average loss was **£22.59** per week.
- For Registered Social Landlord tenants the average loss was **£27.33** per week

Under Occupancy in the Social Sector - Impact

Numbers affected by Under Occupancy in Hackney



Social Sector Size Criteria



- Despite intensive work numbers affected have remained high.
- Housing Needs and Hackney Homes are working closely with those affected to support tenants who wish to downsize, but there is little stock available.
- Between April 14 and December 14, 34 tenants affected have been found smaller accommodation.
- 14 households with a 25% shortfall, and 20 households with a 14% shortfall have downsized.
- Most tenants wish to remain in their current homes, and are attempting to pay the shortfall from existing benefits.
- But many are not paying the shortfall in full.

Social Sector Size Criteria

- 50.2% of Hackney Homes tenants affected by SSSC are in rent arrears. These arrears amount to over £500'000.
- SSSC tenants now account for 11% of HH total arrears.
- The proportion of SSSC tenants in rent arrears has risen. It went over 50% on the 4th January 2015
- But the average rent arrears owed by tenants affected by SSSC has fallen from £751 to £683.
- Between April 2014 and Dec 2014 alone the Council has spent £413,614.52 on DHP for these tenants.
- This level of DHP spend is not sustainable. As DHP spend reduces next year, arrears may increase.



Council Tax Reduction

Under Hackneys Council Tax Reduction Scheme, all working age claimants now:

- Have to pay at least 15% of their Council Tax
- Are no longer be eligible for Second Adult Rebate

As Hackney's scheme matures it will be necessary to continually review to identify unintended consequences.

How much do individuals on maximum CTRS have to pay towards their Council Tax?

Council Tax Band	Weekly Liability	Weekly CTax Payment	Weekly Liability (Qualifies for SPD)	Weekly Ctax Payment (Qualifies for SPD)
A	£16.59	£2.49	£12.44	£1.87
B	£19.35	£2.90	£14.51	£2.18
C	£22.12	£3.32	£16.59	£2.49
D	£24.88	£3.73	£18.66	£2.80
E	£30.41	£4.56	£22.81	£3.42
F	£35.94	£5.39	£26.96	£4.04
G	£41.47	£6.22	£31.10	£4.67
H	£49.77	£7.46	£37.34	£5.60

These are the payments for someone on maximum CTRS, such as a person in receipt of Income Support or Job Seekers Allowance.

Are claimants paying shortfalls caused by Council Tax Reduction?

As of the 31st of January 2015

- **31,266** working age individuals were in receipt of Council Tax Reduction in Hackney, and therefore required to pay at least 15% of their CTax.
- **63% of residents with the 15% restriction are up to date with their Ctax**
- By 31.01.2015, 74.8% of the full years Council Tax has been collected from working age individuals receiving Council Tax Reduction.
- This compares with 80.7% collection rate, by 31.01.2015 from all residents.

Council Tax Reduction – What are other boroughs doing?

Some boroughs will change their schemes in April, to be less generous.

Wandsworth: Currently in 2014/15

- Backdating of Ctax limited to 3 months
- Second adult rebate abolished.
- Limits on situations where claims can be paid on a nil income.
- A minimum income for self employed claims.

Wandsworth are further proposing in 2015/16:

- Increasing the taper at which support is reduced from 20% to 25%;
- Apply a minimum award – No awards under £3 per week;
- Having a fixed non-dependant deduction of £7.25 pw– regardless of income;
- Claims in properties band F-H to be capped at the value of band E.

These proposals are estimated to generate an extra **£671k savings in 15/16** and will affect up to 6000 claimants.

Council Tax Reduction – What are other boroughs doing?

Waltham Forest

Currently in 2014/15 everyone under pension age who is liable to pay Council Tax has to pay at least 15% of their Council Tax bill in the financial year 2014/2015.

Waltham Forest have proposed:

- All working age claimants will have to pay at least 16% of liability in 2015-16, and 24% of liability in 16-17.
- Non dependant deductions to increase 25%
- The taper at which support is reduced will increase from 20% to 25%;
- Maximum capital limit cut to £6,000.

The changes will generate additional savings of **£989'451 in 15/16**, increasing to **£2'422'129 in 16/17**.

It will affect 16'000 working age claimants who on average will lose a further £61 in 15/16, increasing to £151.38 in 16/17

Total Benefit Cap

The amount of benefits households can get are capped at £500 for families and lone parents, and £350 for single people.

This applies to working age households that do not qualify for working tax credit.

Some exemptions for the disabled.

In Hackney around 420 households are currently affected

Total Benefits Cap

Since introduction 1031 households have been affected by the CAP in borough.

All have been interviewed and offered support by the Benefit Cap Taskforce.

Support includes:

- Dedicated employment support and training, including over 323 referrals to the Councils Ways into Work team.
- Money management, debt and budgeting advice,
- Referrals to Hackney Money Smart
- Housing Advice where appropriate.
- Help with DHP to provide time to resolve their situation.

Total Benefits Cap

Out of 1031 households affected, 420 households are currently capped.

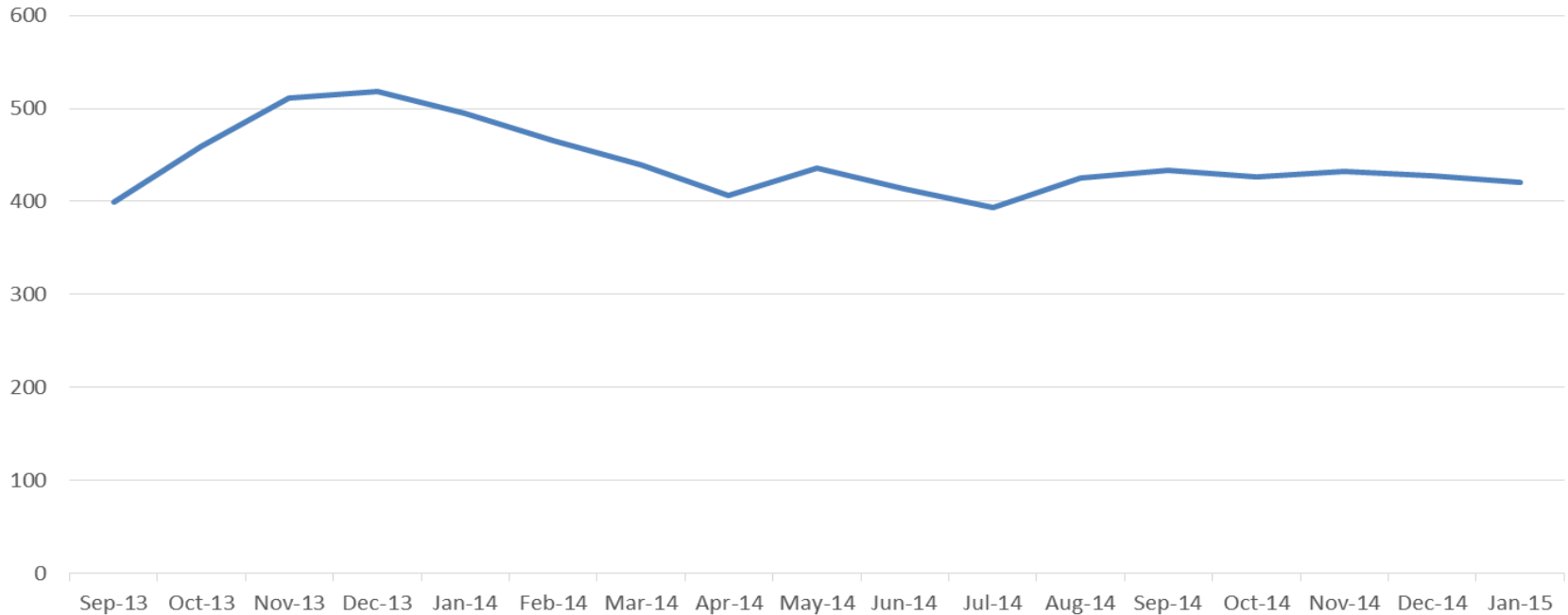
611 households have come off the cap. The reasons for the cap ending include:

- 207 households have moved into work of enough hours to receive WTAX credit
- 163 households have had a change in income or household makeup.
- 101 households have moved to cheaper accommodation in Hackney (Mainly Social Housing)
- 59 households have been awarded an exempting benefit (PIP/ DLA)
- 58 households have moved out of Hackney
- 7 households have moved to supported accommodation
- 4 households have arranged a rent decrease with the landlord

- 12 cases are currently under review, where benefit has ceased but may recommence.

Total Benefits Cap

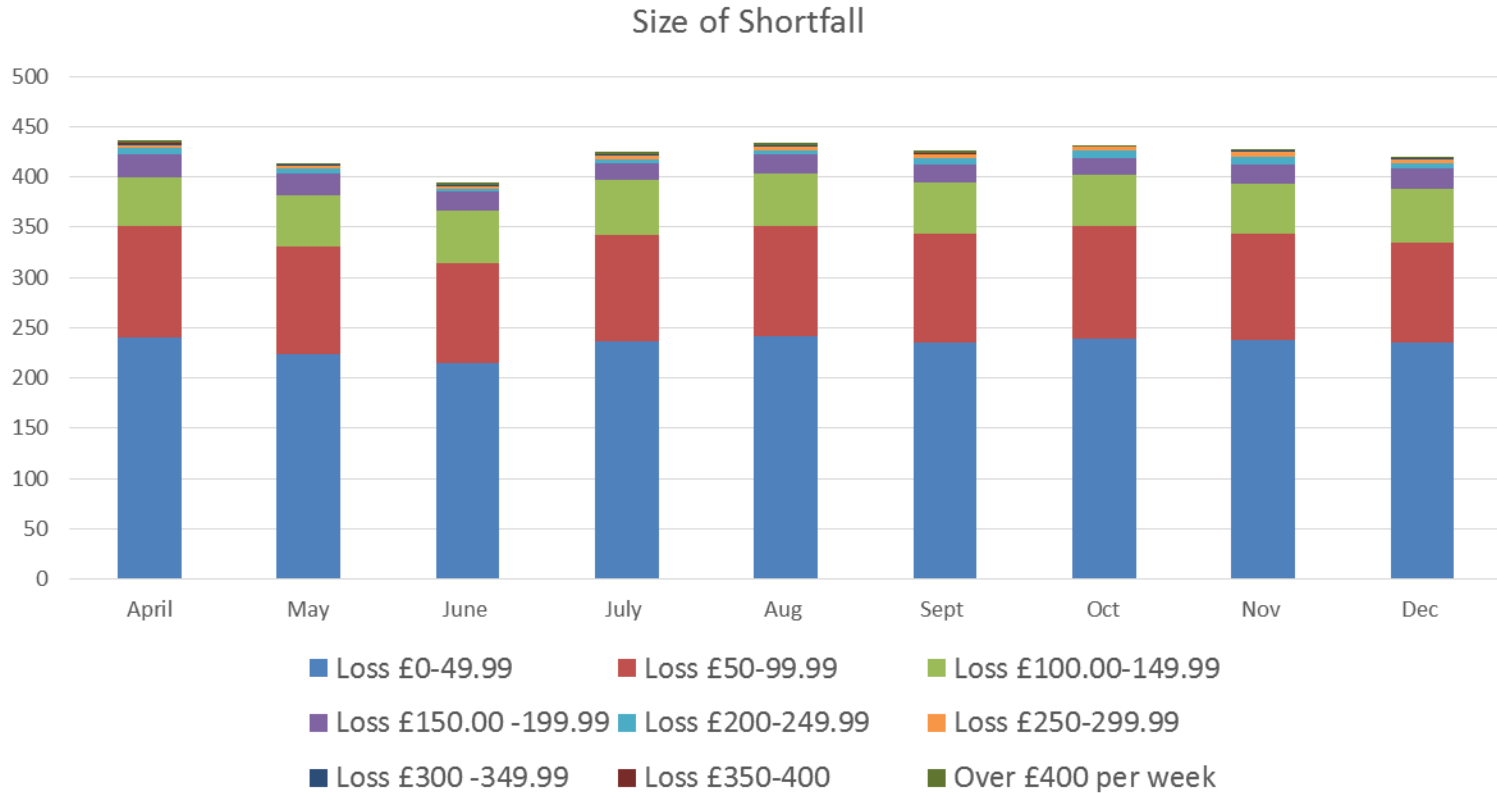
Numbers Capped In Hackney month on month



Although there is substantial churn as individuals take action to avoid the cap – overall numbers capped in Hackney month on month remain relatively static.

As households move off the cap, new households become capped for the first time.

Size of Shortfall



There has been little change in the size of shortfall faced by those affected.

Total Benefits Cap and TA

- As of the 19th of January 2015, 55 capped households were in Temporary Accommodation.
- These 55 cases have a combined shortfall due to the cap £4,757.88 per week or £247,409.76 per year.
- The Council are currently supporting 35 of these households with a Discretionary Housing Payments worth £3,642.16 per week.
- At the end of 2014, out of 128 households that had been capped in TA, 69 were no longer capped due to finding employment, or moving to cheaper social housing.
- Options for the most difficult cases are increasingly limited.

Total Benefits Cap and TA- Debts

The Councils Money Management officers are working with capped households to help them budget.

Of the 55 cases who are currently capped in TA,

- 27 have no outstanding debts,
- 28 have declared debts

Debt covers various sectors, and mainly relates to essential spending. e.g Relying on store cards to purchase children's clothing.

Of those households who do have debts, only 8.1% relates to rent arrears.

Most individuals ending up homeless in TA were previously paying their rent, or having the shortfalls met via DHP

But when the tenancy agreement ends these tenants cannot source alternative accommodation !!!!

General Pressures on Temporary Accommodation.

Hackney is witnessing a significant increase in the number of households facing homelessness.

There are many drivers for homelessness, these include:

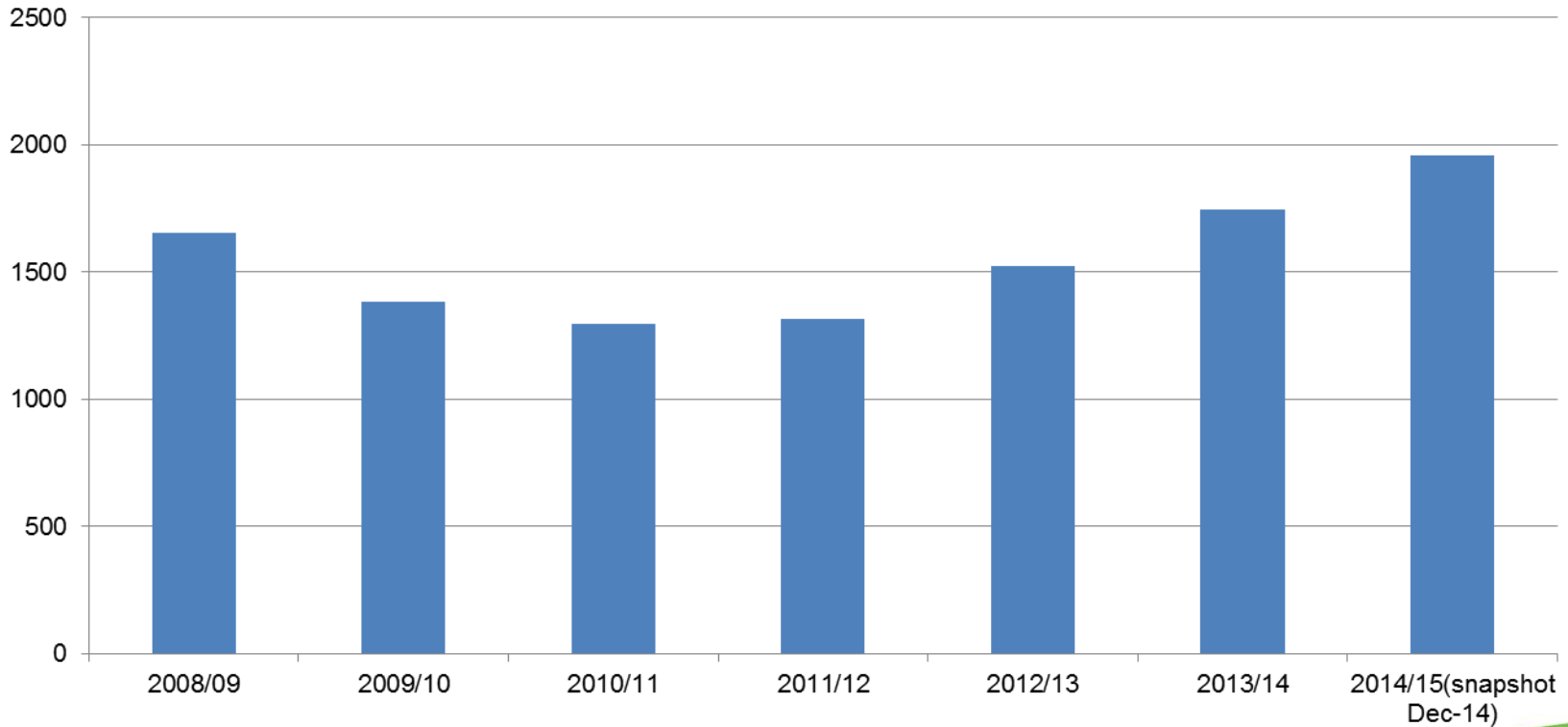
- **Spiralling rent levels in London,**
- **A strong alternative rental market in Hackney with high demand from young professionals.**
- **A shortage of affordable social housing.**
- **Significantly lower returns from Housing Benefit following Welfare Reform compared to local market rents.**

In the year to Sept 2014 the number of households in Temporary Accommodation in London increased by 8%.

The situation was worse in Hackney with a **12% increase** over the same period.

Temporary Accommodation

Total Households in Temporary Accommodation



Pressures on Temporary Accommodation.

Councils have a legal obligation to provide TA to homeless families in priority need.

As homelessness is increasing, supply of properties in London has dried up.

There has been no uplift in subsidy levels for TA since 2011, at a time of increased competition and high market demand.

Landlords have vacated the market recognising the lower returns local authority contracts now offer.

It has become significantly more difficult to obtain leased temporary accommodation at current funding levels.

Temporary solutions like procuring on a nightly let basis are financially unsustainable over the longer term.

Universal Credit

JSA (IB), ESA(IR),
Income Support,
Working Tax Credit,
& Housing Benefit
will be combined
into a single benefit

Payments will be
made direct to the
claimant including
support for rent
costs, on a **monthly**
basis in arrears

No payments
to housing
providers

Introduced for new
claims from April
2013 in pilot areas

Existing claimants
transfer over
between 2016
and 2018

Digital
by design

Universal Credit – What has happened so far?

- UC first trialled for single Jobseekers in 4 areas in the Northwest from April 2013, and expanded to 6 more areas from October 2013
- Between June 2014 and December 2014 it was expanded to cover the whole [north west of England](#).
- Universal Credit is to be rolled out nationally across 2015/16, in four phases, but will only apply to new claims from single people, who would otherwise have been eligible for Jobseeker's Allowance.

Universal Credit – What has happened so far?

- The first phase will go live between Feb and April 2015, and comprises 77 local authorities. This includes City of London, Barnet, Brent, Hammersmith & Fulham, Hounslow, Tower Hamlets, and Wandsworth.
- The second phase will go live between May and July 2015, and comprises a further 59 authorities. This includes Barking and Dagenham, Ealing, Enfield, and Waltham Forest.
- There has been no official announcement on further phases, or when Hackney will go live with Universal Credit.

Universal Credit –When will Hackney go live?

- Due to the roll out only applying to new claims from single individuals we expect the impact to be limited, with a loss of less than 1300 HB claims in the first year.
- However once on Universal Credit individuals stay on Universal Credit, even if their circumstances change.
- As roll out progresses the DWP are expecting individual partnership arrangements to develop between local authorities and JCP districts, to provide support to claimants.
- Local authorities are concerned about these local arrangements, and the lack of established Universal Support mechanisms being in place.

Universal Credit – What has happened so far?

- Local authorities are concerned that the funding will be inadequate for the work required, and there will be a potential cost shunt. Hackney are currently involved in informal negotiations with local JCP.
- **There is no legislative requirement for local authorities to provide any support for Universal Credit, beyond closing Housing Benefit claims**
- It is by no means certain whether Local Authorities will sign up to the proposed individual partnership arrangements.
- Hackney are working closely with the “First Tranche” local authorities to ensure concerns about the cost of providing support are listened to
- From the work undertaken so far a meeting has been arranged between Lord Freud and member of the authorities concerned to raise key issues identified.

Universal Credit – What has happened so far?

- Although Universal Credit has been live in pathfinder pilots since April 2013, the learning from these sites is limited.
- This is due to the small numbers and restricted composition of individuals, that are receiving the Housing Cost element of UC
- Additionally the existing systems and manual procedures currently in operation in live Universal Credit sites, are due to be replaced with a new digital system
- This new online digital system is being designed and trialled currently, and will be in place prior to mass migration to Universal Credit. It is questionable how transferable any lessons learnt already will be.
- The new UC process will be digital with individuals expected to claim online via a computer, and manage their claim through an online account.

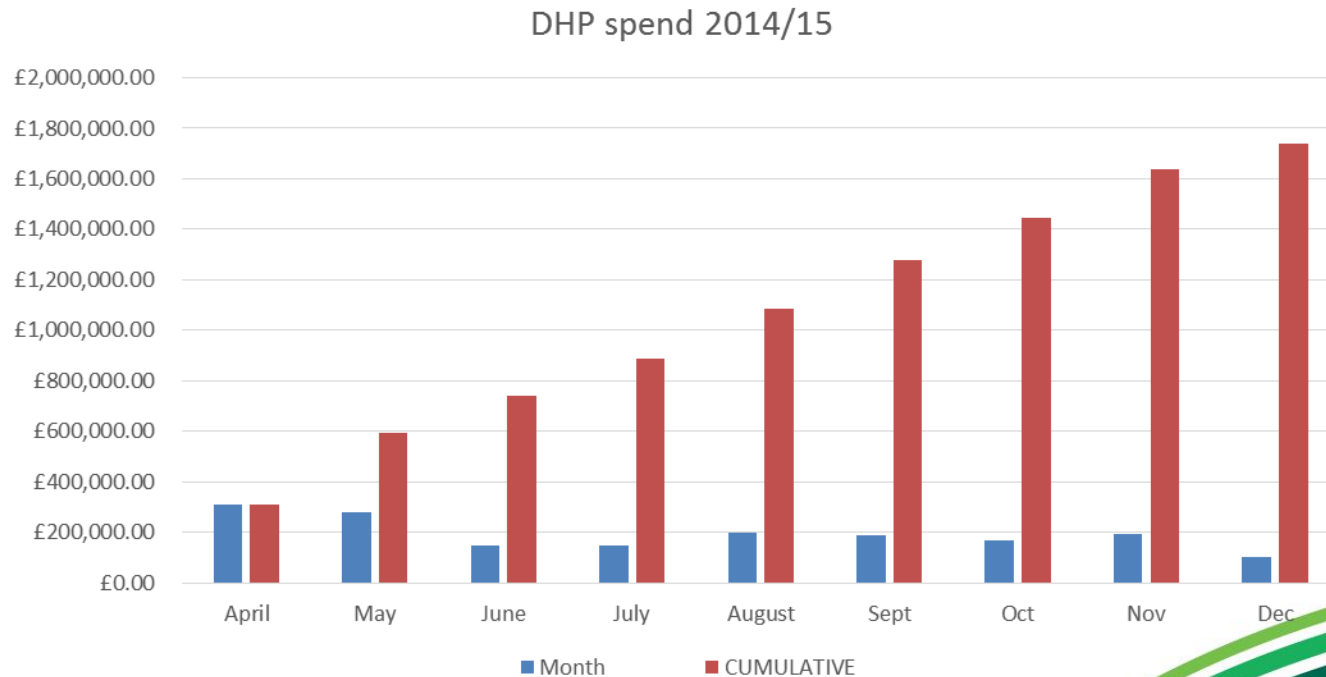
Discretionary Housing Payments

Much of the impact of Welfare Reform is being cushioned with DHP

In 14/15 Hackney's DHP budget is £2.1 million.

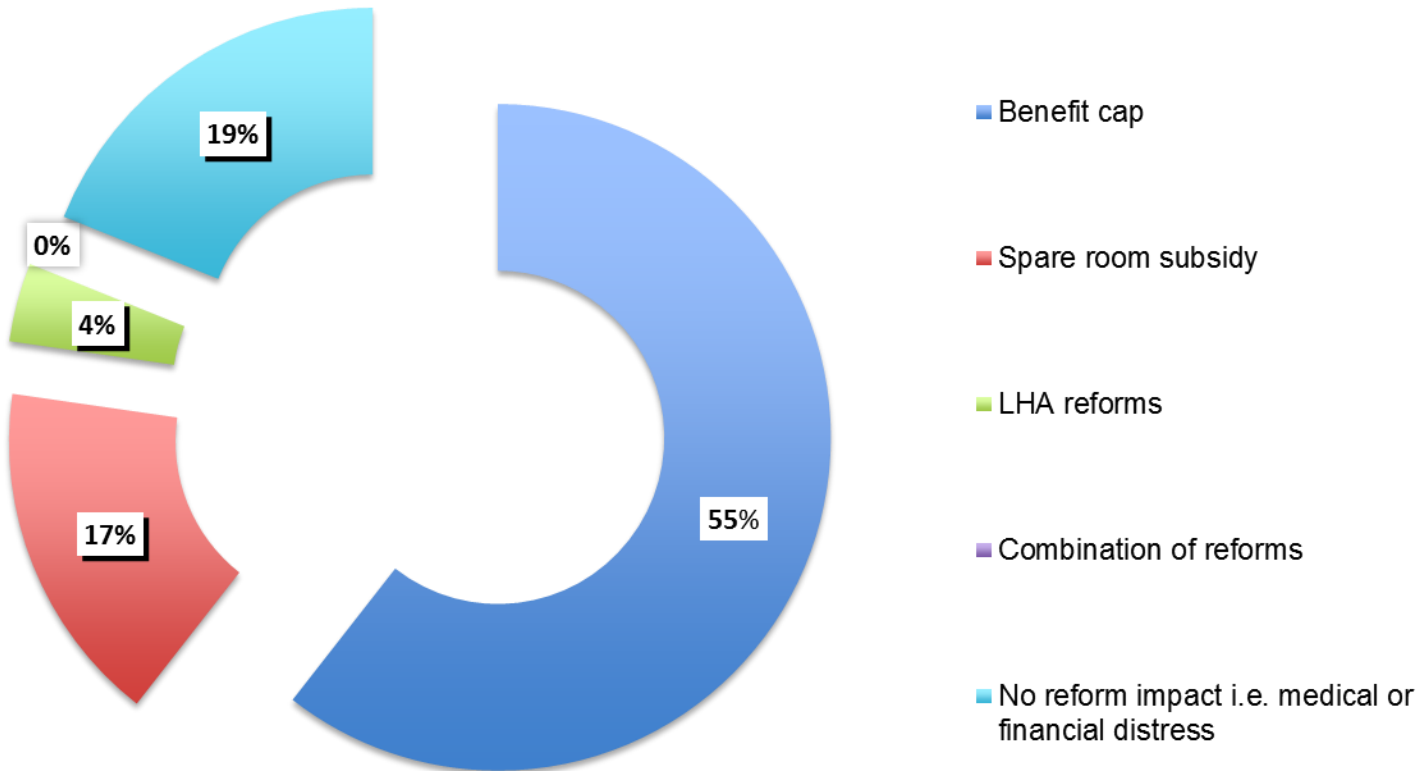
At the end of December the Council had spent £1,74 million.

The service will manage the budget to ensure full and appropriate spend by the end of the financial year.



Discretionary Housing Payment

Reason for DHP



Over half of our DHP budget is being spent on covering Benefit Cap shortfalls. This is unsustainable from April 15 as DHP budgets decrease. Difficult decisions will need to be taken.

Discretionary Housing Payments

- The DHP budget for 2014/15 is currently £2,110,605.00. However, on 31st Jan the DWP confirmed that Hackney's DHP allocation for 2015/16 is reduced to £1,507,187.00. This means the boroughs DHP allocation for next year has decreased by over £600,000 or 29%.
- On 3rd Feb the Government announced the finalised Local Government Finance Settlement. Government Headline is £74m additional to Local Government for pressures on local welfare - For Hackney it equates to £780k
- This follows significant lobbying from LAs and third sector - 12,500 responses to Local Government Finance consultation (A record!) only 12 supported abolition of Social Fund money...
- Smoke and Mirrors
 - Funded by £40m cut in DHP and other cuts in CLG DEL
 - Hackney DHP falls from £2.1m in 2014/15 to £1.5m in 2015/16
 - In addition Social Fund has been abolished loss to Hackney £1.6m
 - Net position Hackney down £1.4m $[(£1.6m + £0.6m) - £0.8m]$

Post Settlement – Our Approach

- Social Fund Original Plan (Summer 2014)
 - Pre any consultation outcome where we did not want to declare hand
 - Use known and estimated underspends from existing scheme funding
 - Scheme would have circa £0.8m budget
- Social Fund Latest Proposal (February 2015)
 - Demand continuing to show upward trajectory
 - Utilise underspend and some of additional RSG to have fund of circa £1m
- Discretionary Housing Payment
 - DHP grant reduced by £600k to £1.5m
 - Supplement DHP with circa £0.300m of additional RSG
 - Total DHP fund therefore £1.8m

Hackney Foodbank

- Hackney Foodbank provides emergency food parcels to individuals referred from a registered agency.
- These agencies identify and refer people in significant crisis. Referral to a food bank is the last resort, when no other help is available.
- Individuals referred to Hackney food bank are usually facing an immediate, acute financial crisis that had left them with little or no money to feed themselves and their family.
- There are 130 agencies that can identify people and refer them to Hackney Foodbank, which includes the Hackney Discretionary Crisis Support Scheme.
- Users are issued with a Foodbank Voucher which provides 3 days emergency food, and individuals can be helped up to three times.
- There are 4 distribution centres across Hackney where individuals can collect food, with a 5th Centre due to open in the spring.

Foodbank – October to December 2014



Total vouchers fulfilled



Total adults fed



Total children fed



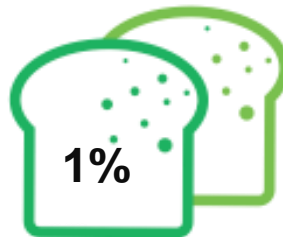
Percentage of people fed due to DWP benefit changes



Percentage of people fed due to DWP benefit delay and sanctions



Percentage of people fed due to debt



Percentage of people fed due to unemployment



Largest client group is single men of working age

Hackney Discretionary Crisis Support Scheme

- The Social Fund which provided discretionary payments to low income households facing sudden unexpected costs, emergencies, or crises was abolished in April 2013
- Instead responsibility for crisis support was devolved to local authorities.
- In response Hackney Council designed the Hackney Discretionary Crisis Support Scheme to help meet urgent financial need not covered by social security benefits.
- This assistance takes the form of one-off payments in emergencies and support for vulnerable people to return to or remain in the community by providing or replacing essential goods.
- It is a last resort for individuals where all other options have been exhausted.

Hackney Discretionary Crisis Support Scheme

During 2014 the HDCSS scheme received 1551 applications, of which 54% were approved and received help.

Of the applications received:

- 64% were for help with Resettlement (white goods, bedding, cooker, fridge)
- 34% were crisis help. (emergency food / help with utilities)
- 1% was other help (E.g. emergency clothing or travel expenses).

Through the operation of the HDCSS scheme Hackney have identified an absolute need for a local crisis support scheme. The Council predict that demand will continue to grow as the welfare reform programme continues, and Universal Credit rolls out.

Without the resettlement support and essential goods afforded through HDCSS, it would be increasingly difficult to move households on from temporary accommodation, increasing the burden on housing, social care and public health.

Hackney Discretionary Crisis Support Scheme

- Local Crisis Support Schemes were initially funded by Central Government.
- This central funding ceased from April 2015 leaving the cost of running a Crisis Scheme to be met in full by local authorities.
- Following extensive lobbying, the Government has announced that the local government finance settlement for London will now include extra to help Councils respond to local welfare needs.
- Hackney will receive a sum of £780'000 for 2015/16
- This is a substantial reduction on the £1'400'000 received this year. Through careful budget management, the crisis support scheme continues into 2015-16.

Welfare Reform and Fraud

- In the overall Benefit system, it is estimated that £3.4 billion is overpaid due to Fraud and Error
- Of this £1.2 billion is attributed to fraud - where a claimant knowingly claimed benefits when they were not entitled.
- Recently, LA HB Fraud teams and DWP fraud teams have been consolidated into the Single Fraud Investigation Service (SFIS)
- In Hackney
 - Tenancy Fraud Work Circa 500 properties now recovered
 - OFIT scheme
 - NRPF Costing in excess of £1m
 - DWP have set up a new a financial reward scheme to tackle fraud and error – the Fraud and Error Reduction Incentive Scheme (FERIS)

What could be on the horizon after the Election?

- The Conservative Party have made the following manifesto commitments around Welfare Reform.
- A majority Conservative government would:
 - Remove entitlement to Housing Benefit from 18-21 year olds.
 - Reduce the total Benefits Cap from £26'000 to £23'000
 - Limit Child Benefit to only the first two children.

There are no significant proposals announced by the other two main parties.

Labour has suggested the concept of a regional benefit cap but no details have been provided.

What could be on the horizon after the Election?

What is the impact of removing HB from young people under 21?

Currently Hackney has:

- 105 Housing Benefit claims from single people under the age of 21
- 84 Housing Benefit claims from couples under the age of 21

Although the numbers are small, this change could potentially have consequences with young individuals forced to remain at home in challenging and difficult housing environments, and lead to increased street homelessness. It could also increase severe overcrowding.

What is the impact of lowering the CAP?

Modelling suggests that reducing the Cap to £23'000 thousand would increase the numbers whose HB is capped in Hackney by more than 1000 households.

It would make the Housing Options for capped families even more restrictive as no 3/4 bed properties in London or the South East would be affordable at LHA rates.

What could be on the horizon after the Election?

What is the impact of restricting Child Benefit to the first two children?

According to the 2011 Census there were 6632 households residing in Hackney with 3 or more children.

The loss to these households for each additional child would be £712.40 per annum.