

# Welfare Reform Update Autumn 2016

Produced by the Corporate Strategy & Equality Service

November 2016

# Background

Benefits Freeze	Charges & Sanctions Regime	Benefit Cap	Cuts to Discretionary Support
<ul style="list-style-type: none"> <li>➤ Working-age benefits will be frozen for years to 2020</li> <li>➤ Won't rise with inflation</li> <li>➤ Benefits will fall behind living costs</li> </ul>	<ul style="list-style-type: none"> <li>➤ Charges to certain benefits increased or introduced</li> <li>➤ Value of certain benefit claims reduced</li> <li>➤ Stricter sanctioning regime negatively impacted some claimants</li> </ul>	<ul style="list-style-type: none"> <li>➤ Limit on the total benefit claims for working-age, out-of-work households</li> <li>➤ Certain exemptions apply</li> <li>➤ Cap for couple households in London being reduced from £26 to £23k in Nov 16</li> </ul>	<ul style="list-style-type: none"> <li>➤ Discretionary support offers short-term assistance to those in crisis</li> <li>➤ Government scrapped most discretionary support schemes</li> <li>➤ Councils provided time-limited, grant funding to offer local schemes</li> </ul>
<ul style="list-style-type: none"> <li>• Job Seekers Allowance</li> <li>• Employment Support Allowance (WRAG)</li> <li>• Working Tax Credits</li> <li>• Child Tax Credits</li> <li>• Universal Credit</li> <li>• Income Support</li> <li>• Housing Benefit</li> <li>• Child Benefit</li> </ul>	<ul style="list-style-type: none"> <li>• Non Dependent Deductions</li> <li>• Bedroom Tax</li> <li>• Child Benefit removed for households over £50k</li> <li>• Child Tax Credit limited to first 2 children</li> </ul>	<ul style="list-style-type: none"> <li>• Includes all working-age benefits if household out of work</li> <li>• Exemption from the cap if household claiming a disability benefit or working tax credit</li> </ul>	<ul style="list-style-type: none"> <li>• DWP 'Social Fund' scrapped</li> <li>• Council Tax Benefit scrapped</li> <li>• Discretionary Housing Payments reduced</li> </ul>
<p>This will have a widespread impact as affects lots of claimants. The actual effect will depend on the rate of inflation, but Autumn Statement projects rising rates.</p>	<p>To avoid paying Bedroom Tax best to downsize, but there are limited options, for NDD dependent should contribute to rent. JSA rates have fallen but high number of sanctions possibly leading claimants to disengage.</p>	<p>479 households currently and c. 1100 in Jan 2017. Of those coming off the cap 45% estimated to have found work, but large number of households are long term unemployed with limited skills.</p>	<p>Discretionary support shifted from Central Government to councils but without adequate permanent funding. Pressure on local government budgets limits what can be directed from council's own resources.</p>

# Impact of Changes

## Local Housing Allowance (LHA)



2,109 households pay rent above LHA rate



Average loss of income £45.21 p.w.

- Private sector renters
- Mainly couples with dependent children (49%)
- 77% of working-age claimants in work



Total loss £4.9 million p.a.

## Bedroom Tax



1,988 households pay the Bedroom Tax



Average loss of income £24.45 p.w.

- Social sector renters (75% in RSL, 25% THH)
- Mainly single without dependent children (64%)
- 74% of working-age claimants not in work



Total loss £2.3 million p.a.

## Non-Dependent Deductions



3,788 households had a NND applied to their HB



Average loss of income £49.77 p.w.

- Social sector renters (65% RSL, 25% THH)
- Mainly single with dependent children (40%)
- 75% are of working age



Total loss £4.9 million p.a.

## Benefit Cap Phase 1 (2013)



479 households capped  
at £26k (Aug 2016)



Average loss of income  
£68.86 p.w.

- Mainly tenants in Temporary Acc. (36%)
- Mainly lone parents (62%)
- Majority claiming Income Support (51%)



Total loss  
£1.7 million p.a.

\*Snapshot of those impacted in Aug 2016

## Benefit Cap Phase 2 (2016/17)



1,210 households capped  
at £23k (from Nov 16)



Average loss of income  
£77.00 p.w.

- Greater proportion are social rented tenants (44%)
- Growing number of single claimants (14%)
- Growing number of JSA claimants (24%)



Total Loss  
£5 million p.a.

\*Projection of those impacted by new cap – including those who are “double-capped”.

# Cumulative Level Impact

## Household Income



- Average household £1,670 worse off since 2010
- Top 10% impacts nationwide
- 468% increase in food-bank referrals since 2010

## Homelessness



- Loss of PRS housing now leading cause of homelessness
- 46% TA placements out of borough
- Pressure on DHP budget

## Employment



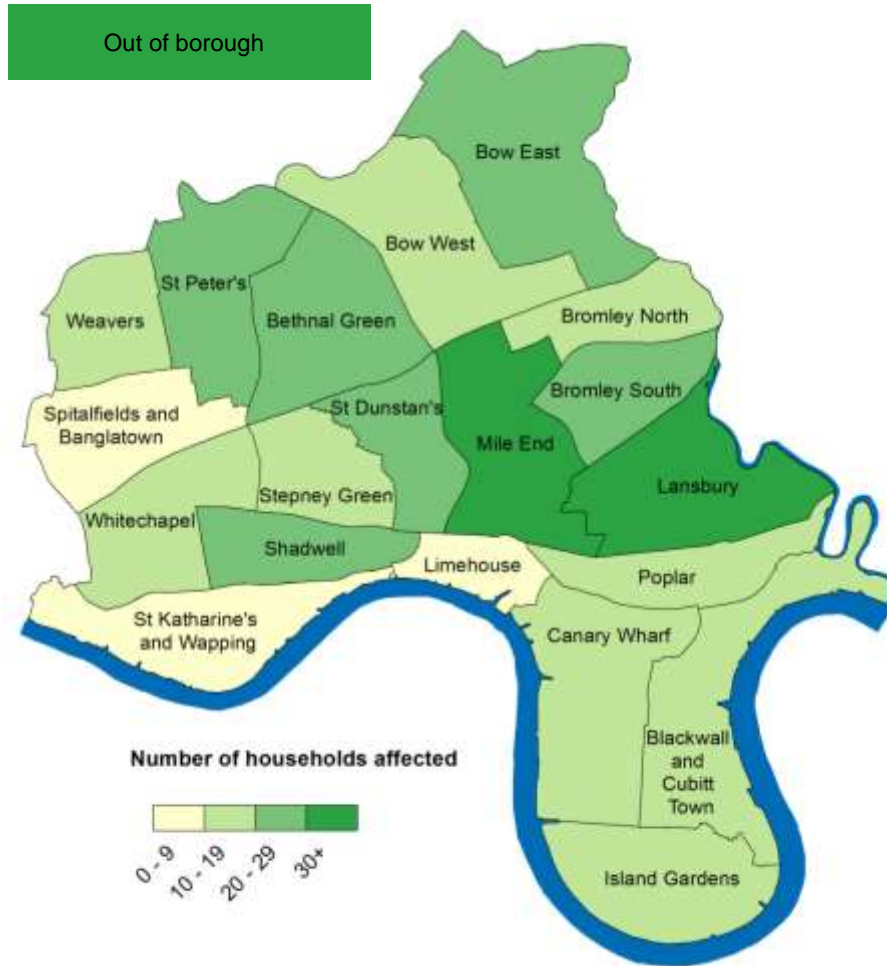
- Headline JSA claimant rate down to 2.9%
- Headline ESA claimant rate steady at c. 6%
- Long-term unemployed face major barriers to work

# Ward Level Impacts

# The Benefit Cap – Phase 1



- Highest numbers of households in Lansbury and Mile End
- 96 Tower Hamlets households have also been placed out of the borough (4 outside London)
- 53% of those affected lose between £0-50 p.w., 57% more than £50 p.w.



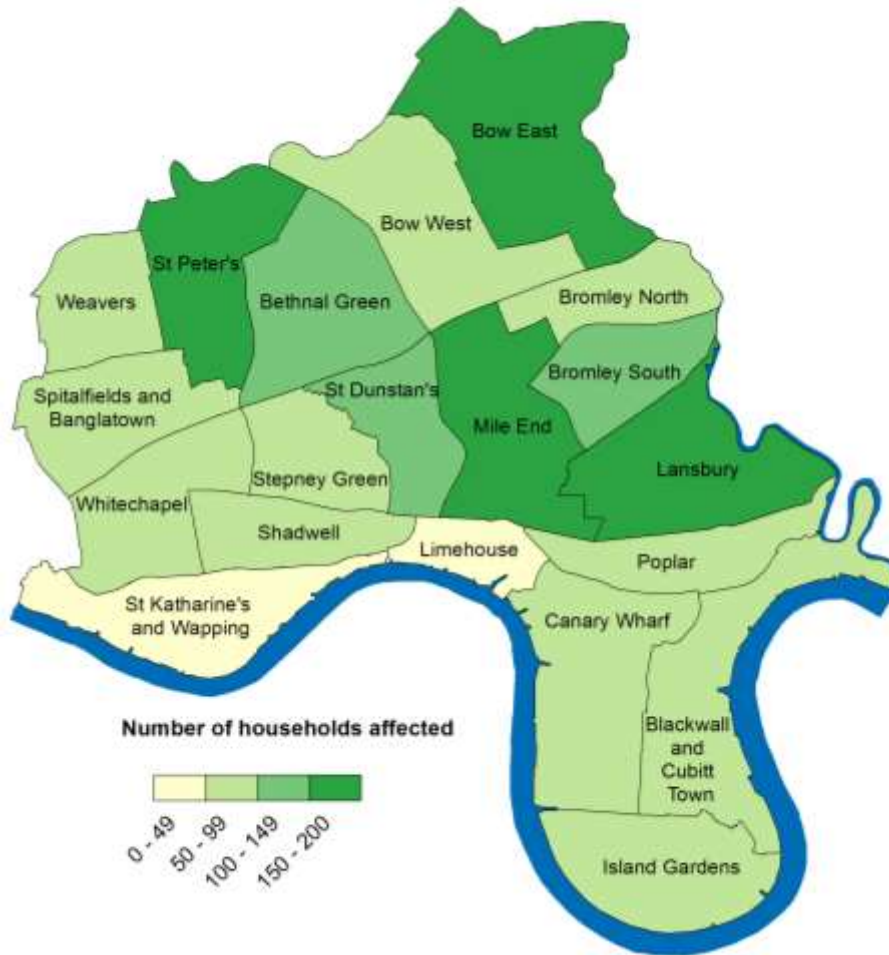
Ward	Households Affected
Out of borough	96
Lansbury	52
Mile End	30
Bromley South	25
Bow East	23
Shadwell	22
St Dunstan's	22
Bethnal Green	20
St Peter's	20
Bromley North	19
Weavers	19
Whitechapel	19
Island Gardens	18
Poplar	17
Stepney Green	16
Blackwall and Cubitt Town	15
Canary Wharf	15
Bow West	12
Spitalfields and Banglatown	8
St Katharine's and Wapping	8
Limehouse	3
Tower Hamlets	479



# The Bedroom Tax

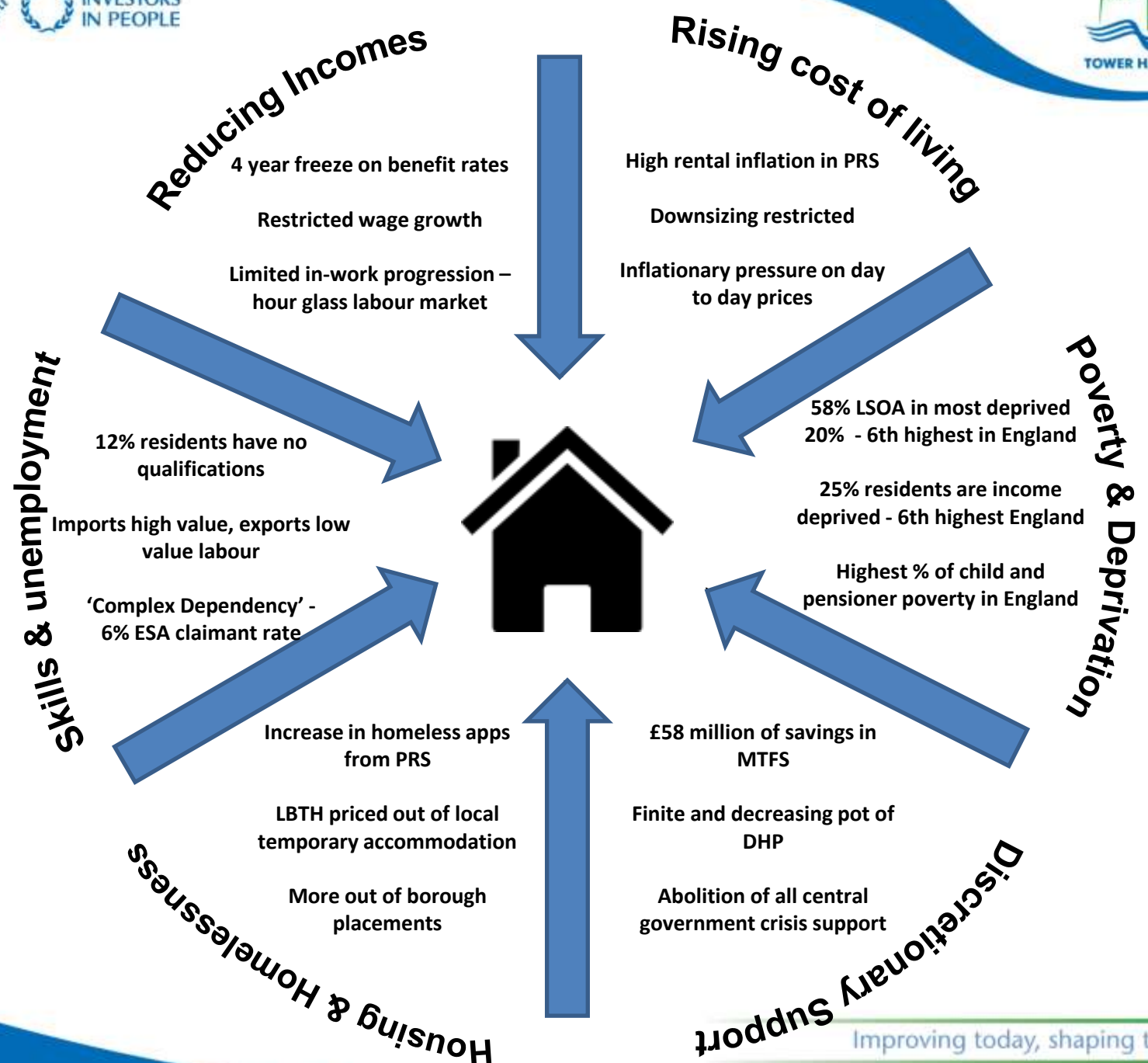


- Highest numbers of households in Lansbury, Bow East, Mile End & St Peters
- 84% are “under-occupying” by 1-bedroom, 16% “under-occupying” by 2 or more bedrooms
- 77% face a reduction on their Housing Benefit of between £15-25 p.w.



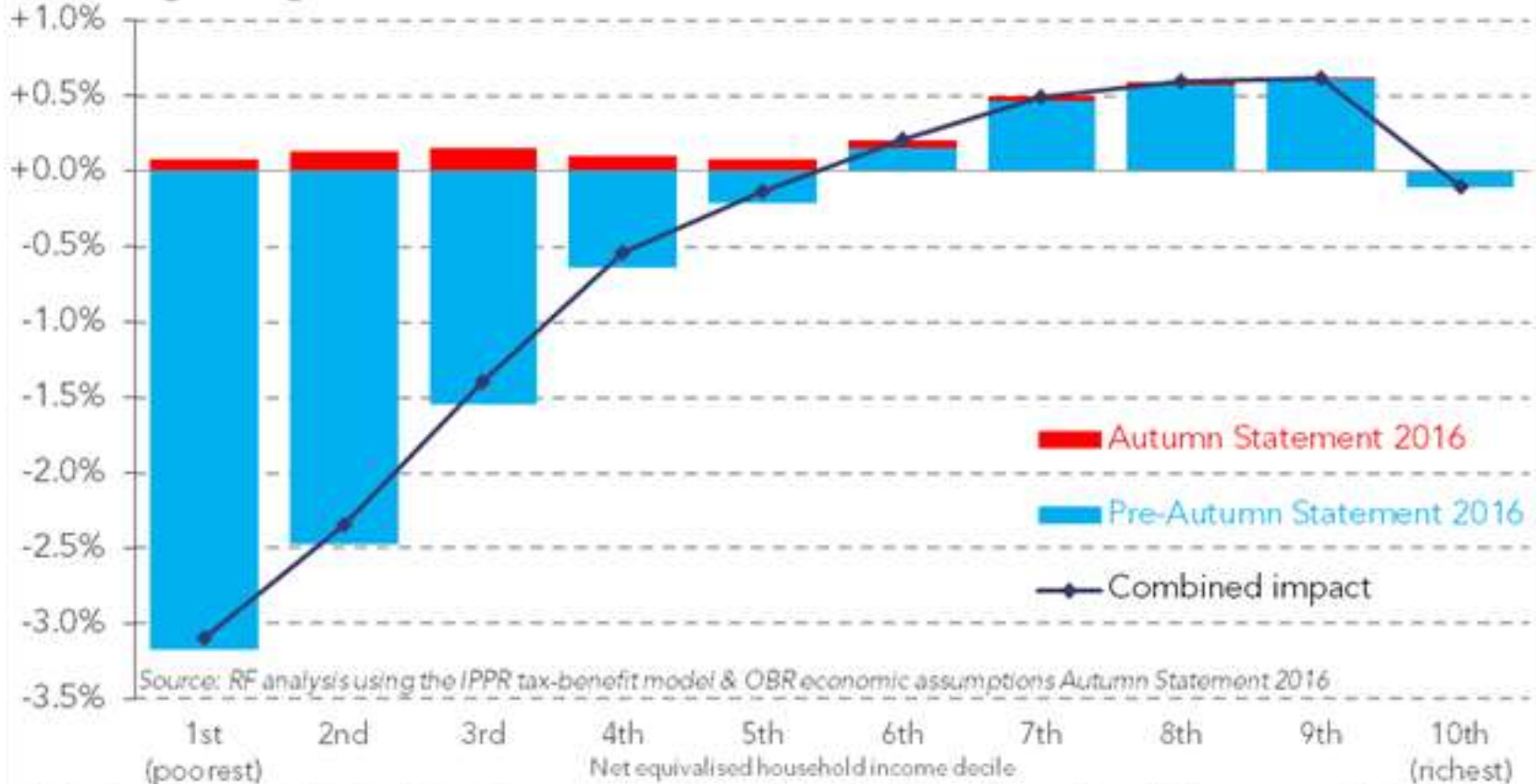
Ward	Households affected
Lansbury	192
Bow East	181
Mile End	162
St Peter's	160
Bethnal Green	131
Bromley South	103
St Dunstan's	100
Weavers	98
Island Gardens	96
Stepney Green	95
Bow West	94
Blackwall and Cubitt Town	92
Shadwell	85
Whitechapel	81
Bromley North	76
Canary Wharf	70
Poplar	60
Spitalfields and Banglatown	60
St Katharine's and Wapping	30
Limehouse	22
Tower Hamlets	1,988

# **Contextual Issues & Challenges**



# Impact of 'Autumn Statement 16'

Impact of tax and benefit policies announced this parliament by net equivalised household income decile, pre- & post-Autumn Statement, 2020  
 Percentage change in income



Source: RF analysis using the IPPR tax-benefit model & OBR economic assumptions Autumn Statement 2016

Notes: Includes impact of National Living Wage, announced income tax cuts, additional hours of free childcare, removal of family element, fuel duty freezes, limiting support to two children, work allowance cuts, pension tax relief cuts, Class 2 NICs abolition, benefit freeze & reducing UC taper to 63%. Assumes full entitlement take-up, UC 80% rolled out & measures affecting new claims/births half in

# Universal Credit roll-out

- UC one of the Governments most significant reforms to the benefits system – combines 6 working-age benefits into one monthly payment.
- To date only piloted UC in Tower Hamlets with new, single, out of work claimants. There were 1452 live claims in April 2016.
- UC “Full Service” gets rolled out in Spring 2017 meaning all new claimants for JSA, ESA, Child Tax Credit, Working Tax Credit and Income Support will be placed on UC
- Those currently receiving the above benefits will be transitioned to UC over the course of the next 5-years
- Major risks around digital and financial inclusion, the council will lose administration of Housing Benefit

# Mitigating the Impact

# Approach to date and next steps

- Revised strategic approach to welfare reform mitigation
- Welfare Reform Taskforce 'Action Plan' based on 5 themes:
  - Informing & preparing
  - Mitigating the impact
  - Developing support & employment services
  - Monitoring & reviewing impact
  - Planning a strategic response
- Refreshed partnership approach to provide strategic coordination
- Anti-poverty and crisis assistance projects:
  - Targeted mitigation for Benefit Cap Phase 2 households
  - Develop a local support & assistance scheme

# **Proposed Approach Going Forward**



# Informing the Council's approach – Key Issues for Discussion

- Work is the sustainable route out of the challenges posed by Welfare Reform:
  - Should the council prioritise a focus on employment outcomes?
  - What more could the council do to support residents with digital and financial inclusion?
  - How can the council support and incentivise residents to overcome barriers to employment?
  
- How can the council support greater resilience to difficulties faced by residents and enable them to resolve their own problems?
  
- How can the council continue to ensure that the most vulnerable are supported/protected (especially where work is not an option)?
  
- How should the council define vulnerability in the context of welfare reform?