



**Report to Safer & Stronger
Communities Scrutiny & Policy
Development Committee
Thursday 8th December 2016**

Report of: James Henderson, Director of Policy Performance & Communications

Subject: Welfare Reform Update

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Summary:

This update has been requested by the Safer & Sustainable Communities Scrutiny Committee. It sets out the most significant current and future benefit changes and provides some information about how they are being addressed by Sheffield City Council and its partners.

Key updates:

- Only a small number of customers are claiming **Universal Credit** in Sheffield at the moment. Full roll out is due to take place from **July 2018**. Budgeting and digital support is available for those moving on to Universal Credit.
- **Personal Independence Payments** have started to replace Disability Living Allowance. The initial impacts seem to be manageable, but evidence from other regions with wider roll out suggests that the introduction of PIP leads to a reduction in the awards made.
- A lower **Benefit Cap**, which limits the amount of income an out-of-work family (including single families) can receive in benefits, will take effect in January 2017, taking the number of households affected by the cap from **113** to an estimated **900** households. In total, those households who will be affected by the reduced benefit cap contain **3,446 children**.

The briefing also includes updates on Under-Occupancy Rules (Bedroom Tax), Council Tax Support, Council Tax Hardship Scheme, Discretionary Housing Payments, Local Assistance Scheme, Autumn Statement announcements and the Sheffield City Council Welfare Reform Group.

Type of item: The report author should tick the appropriate box

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|---|---|
| Reviewing of existing policy | |
| Informing the development of new policy | |
| Statutory consultation | |
| Performance / budget monitoring report | |
| Cabinet request for scrutiny | |
| Full Council request for scrutiny | |
| Community Assembly request for scrutiny | |
| Call-in of Cabinet decision | |
| Briefing paper for the Scrutiny Committee | x |
| Other | |

The Scrutiny Committee is being asked to:

Note the update on welfare reform and provide views on the activity carried out in response to those reforms.

Background Papers:

List any background documents (e.g. research studies, reports) used to write the report. Remember that by listing documents people could request a copy.

Category of Report: OPEN

Welfare Reform Update

1. Introduction/Context

- 1.1 In January 2011, the Government began to implement the biggest change to the welfare system for 60 years.
- 1.2 This paper has been requested by the Safer & Sustainable Communities Scrutiny Committee. It sets out the most significant current and future benefit changes and provides some information about how they are being addressed by Sheffield City Council and its partners.
- 1.3 Key updates:
 1. Only a small number of customers are claiming **Universal Credit** in Sheffield at the moment. Full roll out is due to take place from **July 2018**. Budgeting and digital support is available for those moving on to Universal Credit.
 2. **Personal Independence Payments** have started to replace Disability Living Allowance. The initial impacts seem to be manageable, but evidence from other regions with wider roll out suggests that the introduction of PIP leads to a reduction in the awards made.
 3. A lower **Benefit Cap**, which limits the amount of income an out-of-work family (including single families) can receive in benefits, will take effect in January 2017, taking the number of households affected by the cap from **113** to an estimated **900** households. In total, those households who will be affected by the reduced benefit cap contain **3,446 children**.
- 1.4 The briefing also includes updates on Under-Occupancy Rules (Bedroom Tax), Council Tax Support, Council Tax Hardship Scheme, Discretionary Housing Payments, Local Assistance Scheme, Autumn Statement announcements and the Sheffield City Council Welfare Reform Group.

2.0 Current and future welfare reforms

2.1 Universal Credit

- 2.1.1 Universal Credit (UC) was introduced in Sheffield on 18 January 2016. Eventually, UC will replace all working age income related benefits (Income Support, income related Employment and Support Allowance, income based Jobseeker's Allowance, Housing Benefit and Tax Credits), and claimants will receive one monthly payment of UC, which will be paid directly to the claimant, and will include an element for their housing

costs. This means that the claimant will be responsible for making sure they pay their rent, whereas if they were previously claiming Housing Benefit, their Housing Benefit may have been paid directly to the claimant's landlord. Currently, all working age Council tenants who receive Housing Benefit have their benefit paid directly onto their rent account. Under UC, the default position will be that their housing costs will be paid directly to the claimant on a monthly basis.

- 2.1.2 At the moment, only a small number of customers are claiming UC in Sheffield. These are single, working age, claimants who would have otherwise made a claim for Jobseeker's Allowance.
- 2.1.3 There will be no further rollout to other groups until the full digital service is introduced, which the DWP have now confirmed will be introduced to Sheffield jobcentres from July 2018. From July 2018, all new claims for those benefits and credits UC replaces, from working age customers, will be claims for Universal Credit.
- 2.1.4 The Council has worked closely with the DWP to ensure that vulnerable customers receive the right advice and support. When full roll-out occurs we will provide the same kind of support on a bigger scale.
- 2.1.5 The Council have a Delivery Partnership with the DWP to provide services to claimants who need help with budgeting and online skills.
- 2.1.6 Personal Budgeting Support – the DWP refer claimants who they feel will have difficulty budgeting their Universal Credit payment throughout the month to Money Advice officers in the Council Housing Service Income Management and Financial Inclusion Team. The support includes identifying income and expenditure, ways to make savings and working out a budget plan. Claimants often raise other issues around debts and money worries; we provide direct help or signposting to other services as appropriate.
- 2.1.7 Online Support – claimants who are unable to make a claim for Universal Credit due to a lack of IT skills are referred by the DWP to the Councils Customer Services Team at Howden House. The support includes help getting online, making a claim and understanding how to use the internet. If claimants need in depth IT help they can be signposted to education and training organisation who can offer more IT support.
- 2.1.8 In the Autumn Statement the Chancellor announced a reduction in the rate at which Universal Credit is withdrawn from people when they start work, with the taper to be reduced to 63% (from 65%) from April 2017. This increases the amount that they are able to keep and is designed to increase work incentives.

2.2 Personal Independence Payments

- 2.2.1 Personal Independence Payment (PIP) is replacing Disability Living Allowance (DLA) for adults and has started to be rolled out in Sheffield. All people on DLA will receive a letter from the DWP letting them know when they need to claim PIP. People are not automatically moved from DLA on to PIP. PIP is to help towards some of the extra costs of their health condition or disability. It is based on how their condition affects them, not on what condition they have. PIP is for people aged from 16 years, and is gradually being applied to people up to 68 years. DLA will remain for children up to the age of 16. The DWP will contact young people as they approach 16 to explain what will happen.

2.2.2 As there has been limited roll out in Sheffield so far, there is little evidence of impacts here:

- Anecdotal evidence from the Council Financial Assessments team indicates that for customers who have moved from DLA to PIP so far, the awards have been the same, leading to little financial impact. The Council Housing Service is also yet to see an impact on tenants.
- However, DWP statistics from Wales, the North West and the Midlands, where PIP is more fully rolled out indicates that 27% of people who were previously on DLA have not been found to be eligible for PIP¹. Other evidence indicates that changes to the eligibility criteria have in practice made getting an award more difficult². In addition, gradual roll out of PIP to people over 65 may to have a disproportionate impact on those who are less able to adapt to a change in their level of support.
- The national savings that were projected from the introduction of PIP are not likely to be realised as it is currently being run, meaning that the scheme may be tightened further in the future³.

2.2.3 Sheffield Citizens Advice is starting a piece of work assessing the impact of PIP in Sheffield, the results of which are expected to be available in January 2017.

2.3 *Benefit Cap*

2.3.1 The Benefit Cap was originally introduced in Sheffield in August 2013, and limited the amount of income an out of work family, including single parents, could receive in certain benefits, including Housing Benefits but not including Disability Benefits, to £26,000 per year. For single people the cap was set at £16,800.

2.3.2 For those households with a benefits income above the cap levels, the only benefit to be capped was their Housing Benefit (HB), thus increasing the amount of rent to be paid. In some cases the HB award was reduced to 50p per week. This is the minimum payment that can be made in order to allow those affected to make a claim for a Discretionary Housing Payments.

2.3.3 The Government has reduced the amount of the benefit cap from £26,000 per year to **£20,000 per year** for families and single parents and to **£13,400** for single people. The reduced cap was introduced on 7 November 2016, and applied to currently capped cases from this date, although those previously capped cases who were in receipt of Carers Allowance (around 30 households) were made exempt from the cap from this date. All other households who will be subject to the reduced cap will see their Housing Benefit reduce from the week commencing 16 January 2017.

2.3.4 In Sheffield, there are currently **113 households** who are having their Housing Benefit reduced as a result of the benefit cap (some of these households were reduced further

¹ <https://www.gov.uk/government/statistics/personal-independence-payment-april-2013-to-july-2016>

² For multiple sclerosis, 93% of DLA claimants got the higher rate of the mobility component, but under PIP this has dropped to 50%. For Parkinson's, 82% of DLA claimants got the higher rate of the mobility component, but under PIP this has more than halved to 40%. For rheumatoid arthritis, 83% of DLA claimants got the higher rate of the mobility component, but under PIP this has reduced by more than two thirds to 24%. <http://www.bbc.co.uk/news/health-38049391>

³ Office for Budget Responsibility Welfare Trends report (Oct 16) the introduction of PIP is estimated to have reduced spending by just £0.1 billion in 2015-16, well short of the initial goal of cutting working-age spending by 20 per cent relative to DLA..." http://budgetresponsibility.org.uk/docs/dlm_uploads/Welfare-Trends-Report.pdf. The comparison is the target saving of over £1billion by 2014/15 and rising to £1.5 billion a year by 2016/17 <http://www.parliament.uk/briefing-papers/SN06422/personal-independence-payment-an-introduction>

from November 2016 due to the reduced benefit cap, with an average further weekly reduction of £56.64, taking their total reduction to approximately £100 per week⁴). Virtually all of those who are currently subject to the reduced cap have seen their Housing Benefit reduce to £0.50 per week (they retain a de minimus award of Housing Benefit, so they can apply for a DHP).

- 2.3.5 From **16 January 2017**, the reduced benefit cap will be applied to all households who have an income above the cap level. We expect a further **800 households** to be affected by this change, and see a reduction in their Housing Benefit. In total, those households who will be affected by the reduced benefit cap contain **3,446 children**.
- 2.3.6 The total annual reduction in Housing Benefit for those households subject to the reduced benefit cap, from January 2017, is estimated to be £2,300,000 (**this amounts to £48.25 weekly reduction per household**). This is an increase of around £2,000,000 when compared to the annual reduction for those households capped prior to November 2016. When these households move on to Universal Credit, and the cap is fully applied, the annual reduction in income will be £3,400,000.
- 2.3.7 Sheffield City Council Revenue and Benefits Service and the Council Housing Service Income Management and Financial Inclusion Team are attending events held by the DWP to advise households across all tenures who are affected by the cap, and are assisting those affected to apply for a Discretionary Housing Payment and offering Money Advice. In addition, budgeting and other support is available to affected Council and social-rented tenants through their landlords.

2.4 Under-occupancy Rules ('Bedroom Tax')

- 2.4.1 The bedroom tax was introduced in April 2013 for social tenants, and meant that anyone who was deemed to be under-occupying their home by 1 bedroom saw the amount of their rent that was eligible for Housing benefit, reduced by 14%, and by 25% if they were under occupying their home by 2 or more bedrooms.
- 2.4.2 In Sheffield, **5,181** households are currently affected by the bedroom tax, with 4,377 of these being subject to the 14% reduction, and 804 subject to the 25% reduction. This equates to an annual reduction in Housing Benefit for these households of about **£3.6m**.
- 2.4.3 Many of the people affected by this are supported by Discretionary Housing Payments (DHP). However, the introduction of the revised benefit cap, from November 2016, will place additional demands on the DHP budget, and unless the Government increases our DHP grant there may be less funding available to support those affected by Under-occupancy. See DHP below.

2.5 Council Tax Support and Council Tax Hardship Scheme (CTHS)

- 2.5.1 In April 2013, the Government abolished Council Tax Benefit, and councils had to develop their own Council Tax Support Schemes. The Government also reduced the funding for Council Tax Support by 10% (in Sheffield, this was a cut of about £4.5m per year). The Government also protected pensioners from any reduction in support, which means that all working age Council Tax Support recipients in Sheffield have to pay at least 23% of their Council Tax liability.

⁴ This figure is estimated on the basis of eligible rent and the new Housing Benefit award.

- 2.5.2 Due to the cut in support offered to working age Council Tax Support recipients, in April 2013 we introduced the Council Tax Hardship Scheme to offer further assistance to households who were experiencing financial hardship as a result of their Council Tax costs.
- 2.5.3 There are currently **52,811** households who receive Council Tax Support, and of these **30,500** are of working age.
- 2.5.4 In 2013/14, the Council made awards from the Council Tax Hardship Scheme totalling **£410,000**, it made awards totalling **£590,000** in 2014/15. In 2015/16 the council made awards totalling **£600,000** to 3,000 households. Due to the increase in Council Tax in 2016 (as a result of the inclusion of the Adult Social Care Precept) the budget for the Council Tax Hardship Scheme for 2016/17 is **£800,000**.

2.6 Discretionary Housing Payments

- 2.6.1 The Council administers the Discretionary Housing Payment (DHP) scheme, which is funded by the Department for Work and Pensions (DWP), to provide assistance to households who are receiving Housing Benefit and are experiencing financial hardship as a result of the shortfall between their Housing Benefit and their rent costs. Following the Government's welfare reform program, the DHP grant allocated to Sheffield initially increased significantly in order to mitigate some of the cuts in Housing Benefit, in particular, the bedroom tax and the benefit cap. It has since reduced from the grant allocated.
- 2.6.2 In Sheffield, we have always spent the full amount allocated by DWP. Please see below for details of the DHP spend since 2012/13 (it is possible to see the increase in funding since the introduction of the bedroom tax and the benefit cap in 13/14):
- 2012/13 - £239,714
 - 2013/14 - £1,225,802
 - 2014/15 - £1,040,816
 - 2015/16 - £958,791
 - 2016/17 - £1,087,495
- 2.6.3 The amount the Council receives in DHP funding means that it is unable to offer financial assistance to all the households who have been affected by the Government's welfare reform agenda.
- 2.6.4 DHP criteria may need to be adjusted to ensure that enough funds are available to help those impacted by the Benefit Cap. This could mean that less money is available to help those who are currently receiving DHP, including those who are receiving it due to Under-occupancy.

2.7 Local Assistance Scheme

- 2.7.1 The Local Assistance Scheme (LAS) is run by the Council and replaces the Crisis Loans and Community Care Grants that were previously available from the DWP. The LAS provides loans for people on benefits if they need help as a result of an emergency or crisis, and grants to help people on benefits establish themselves in the community or to ease exceptional pressure, and can be awarded for household furniture and other essentials.
- 2.7.2 The LAS has made the following awards to date:

2.7.3 **2015-16 (1st April 2015 – 31st March 2016)**

646 Loan awards, totalling £61,800.98 (average £95.67)
1165 Grant awards, totalling £767,447.94 (average £658.75)

2.7.4 **2016-17 to Date (1st April 2016 – 28th Nov 2016)**

385 Loan awards, totalling £43,653.83 (average £113.39)
741 Grant awards, totalling £520,211.53 (average £702.04)

2.7.5 The Local Assistance Scheme is currently under review to ensure that the most efficient delivery model is in place. The review will consider elements such as eligibility, assessment of need and delivery methods.

2.8 *Autumn Statement*

2.8.1 The Autumn Statement included some welfare reform announcements. Those which are not already referred to above are:

2.8.2 The implementation of the cap on Housing Benefit and **Local Housing Allowance** (LHA) rates in the social rented sector will be delayed by 1 year, to April 2019. When it does come into effect, the main impact on this will most likely fall on those who are under 35, where the introduction of the Shared Accommodation rate (currently set at £63.52 per week), will mean that single tenants under the age of 35 in the social-rented sector may no longer be able to afford their tenancies.

2.8.3 The government has made **Pay to Stay** discretionary, under which local authority tenants with taxable incomes over £31,000 (or £40,000 in London) would have been required to pay a market, or near market, rent⁵. The decision has been made in Sheffield not to implement this.

2.8.4 Overall, no further Welfare savings in Parliament were indicated beyond existing announcements

3.0 **Welfare Reform Group**

3.1 The Welfare Reform Group co-ordinates the Council's activity on welfare reform, bringing together lead officers from across the Council, along with representatives from the Department of Work and Pensions (DWP) and Sheffield Citizens Advice, to share knowledge and create links between different strands of activity.

4.0 **Recommendation**

4.1 The Committee is asked to note the update on welfare reform and provide views on the activity carried out in response to those reforms.

⁵ <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06804>

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