



Report to Safer & Stronger Communities Scrutiny & Policy Development Committee 14 September 2017

Report of: Director of Policy, Performance and 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:

- Approximately 3000 people 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 in Sheffield. Evidence from Sheffield Citizens Advice indicates that, whilst some people are receiving larger awards as a result, the PIP process is leading to reduced awards and significant issues with complexity and inconsistency of decision-making for others.
- A lower **Benefit Cap**, which limits the amount of income an out-of-work family (including single families) can receive in benefits, took effect earlier this year, taking the number of households affected by the cap from **113** to **623** households. In total, those households who are affected by the reduced benefit cap contain **2,371 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 and Sheffield City Council tenants.

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

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:

The Committee is asked to note the update on welfare reform.

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:
 - Approximately 3000 people 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 in Sheffield. Evidence from Sheffield Citizens Advice indicates that, whilst some people are receiving larger awards as a result, the PIP process is leading to reduced awards and significant issues with complexity and inconsistency of decision-making for others.
 - A lower **Benefit Cap**, which limits the amount of income an out-of-work family (including single families) can receive in benefits, took effect earlier this year, taking the number of households affected by the cap in Sheffield from **113** to **623** households. In total, those households who are affected by the reduced benefit cap contain **2,371 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, and Sheffield City Council tenants.

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 is 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. Previously, all working age Council tenants who received Housing Benefit had their benefit paid directly into their rent account. Under UC, the default position will be that the credit is paid directly to the tenant on a monthly basis, and they are then responsible for paying their rent to their landlord.

- 2.1.2 At the moment, approximately 3000 customers are on UC across Sheffield. These are single, working age claimants who would have previously have made a claim for Jobseeker's Allowance. These customers are not necessarily all currently receiving money from UC – some will be in the UC system and able to receive benefit if their income falls below a certain level (e.g. if temporary work comes to an end).
- 2.1.3 Further roll out of UC in Sheffield is expected to start in July 2018. From the roll out, all new claims from working age customers for, or changes to, those benefits and credits that UC replaces, will be claims for Universal Credit.
- 2.1.4 Citizens Advice nationally has published a briefing on Universal Credit¹, calling on the Government to halt the roll out of UC, citing concerns that people are waiting up to 12 weeks for their first payment without any income, the complexity of the system, and that people are not getting any help when the system fails them. Citizens Advice wants the Government to remove the 7 waiting days at the start of a claim and improve the support available to people so they can make ends meet. National housing bodies like ARCH (Association of retained council housing) have also written to Government asking them to delay roll out.
- 2.1.5 In Sheffield the Council has worked closely with the DWP to ensure that vulnerable customers receive the right advice and support. Funded via an annual grant, the Council have a Delivery Partnership with the DWP to provide services to claimants who need help with budgeting and online skills, and are working on a pilot to provide this on site at Job Centres. When full roll-out occurs we anticipate that we will provide the same kind of support on a bigger scale, although this will be dependent on funding from the DWP next year.
- 2.1.6 At the end of June, 664 *Council* tenants were claiming UC, with average rent arrears of £724. On average each claimant's rent arrears increases by 5 weeks' rent from the first date of claim. Claiming UC is a challenge for tenants who are expected to manage for up to 6 ½ weeks before their first UC payment is made. During this period claimants often have no means to pay rent and so accumulate rent arrears at the beginning of the claim. Intensive work by housing staff during the first claim period tends to contain the increase in arrears and over subsequent weeks tenants typically begin to reduce the debt.

¹ <https://citizensadvice/sheffield.org.uk/news/personal-independence-payment/>

2.1.7 We estimate 16,000 Council tenants will be claiming UC by 2022. We are currently assessing how we can mitigate the risk to the HRA from the impact of UC on rent arrears.

2.2 *Personal Independence Payments*

2.2.1 Personal Independence Payment (PIP) is replacing Disability Living Allowance (DLA) for adults and is being rolled out in Sheffield. All people on DLA have received or 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 Our understanding of the impacts in Sheffield so far is anecdotal. Sheffield Citizens Advice published a report in April which found the following:

- There are winners who receive more benefit and losers whose benefit is reduced, often substantially.
- More restrictive PIP criteria have adversely affected many disabled people with severe walking problems, with older people more likely to be adversely affected.
- A growing cohort of older people have no opportunity for a review of their benefit if their condition worsens².
- The assessment process presents specific access problems for deaf clients and places particular strain on people with mental health issues.
- There is a question over the quality of decision making and the PIP process is far from easy to understand.

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 Benefit but not including disability benefits.

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 In November 2016, Government 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**

² This is due to a quirk of the system: although people first assessed for PIP before turning 65 have the opportunity to get the Mobility component reassessed at a later date if their walking ability deteriorates, those whose first PIP assessment comes at age 65 or over must remain permanently on the Mobility rate they are awarded at that time, or with no Mobility award at all, with no subsequent opportunity for review or re-assessment, no matter how much worse their mobility becomes.

for single people, although those previously capped cases who were in receipt of Carers Allowance (around 30 households) were made exempt from the cap. All other households who were subject to the reduced cap had their Housing Benefit reduced in February 2017.

- 2.3.4 In Sheffield, **623³ households** are having their Housing Benefit reduced as a result of the benefit cap. The split by tenure is: Council tenants 42%; Housing Association 26%; and Private-rented tenants 32%. In total, those households who are affected by the reduced benefit cap contain **2,371 children**.
- 2.3.5 The total annual reduction in Housing Benefit for those households is around £1.6m (£31,169 per week). This amounts to an average weekly reduction of £50.03 per household. The biggest reduction is £156.32 and the smallest is 4p. When these households move on to Universal Credit (at some point after July 2018), and the cap is fully applied, the reduction for some will be even greater – an initial estimate is that this further reduction will affect approximately 50 households in Sheffield.
- 2.3.6 SCC Revenue and Benefits Service and the Council Housing Service Income Management and Financial Inclusion Team attended events held by the DWP to advise households across all tenures who were affected by the cap, and have assisted those affected to apply for a Discretionary Housing Payment and offered money advice. In addition, budgeting and other support is available to affected Council and social-rented tenants through their landlords.
- 2.3.7 Discretionary Housing Payments (DHP) are being used to support 252⁴ households affected by the Benefit Cap. This support is usually transitional, with the DHP amounts reducing over time but providing an opportunity for households to adjust to their new level of income. Further information about DHP is provided below.

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, **5,137⁵ households** are currently affected by the bedroom tax, with 4,323 of these being subject to the 14% reduction, and 815 subject to the 25% reduction. The numbers of those affected in the city are staying quite steady over time.
- 2.4.3 3444 Council tenants currently have their housing benefit reduced by the bedroom tax, down from 5035 in April 2013. The housing service helps vulnerable tenants to claim DHP in order to continue to pay their rent. Last year £759K of DHP were

³ Figures from end of June 2017.

⁴ Over period 01/04/17–01/09/17, totalling £163,083.

⁵ Figures from February 2017.

awarded to council tenants. In Q1 this year £306K has been awarded. The rehousing policy has been changed to give priority to those affected by the bedroom tax who wish to downsize and the Council Housing service assists vulnerable tenants where necessary. Help to move is also offered to tenants who do not have any other means of moving their belongings.

- 2.4.4 Many of the people affected by Under-occupancy Rules are supported by Discretionary Housing Payments (DHP). However, the introduction of the revised benefit cap has placed additional demands on the DHP budget.

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.

- 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 **51,622** households who receive Council Tax Support, and of these **30,373** 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 was £800,000, and this increased to £1,000,000 for 2017/18.

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.

- 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
- 2017/18 - £1,453,560

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.

2.7 *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 grants to help people as a result of an emergency or crisis, or to help them 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 recently been reviewed and the following changes have been made to the scheme:

2.7.3 Instead of providing crisis loans via Sheffield Credit Union, LAS now provides **Sheffield Crisis Grants**, which follow the same criteria as the Local Assistance Loans except that they do not have to be repaid.

2.7.4 LAS now provides tickets and make arrangements for travel instead of awarding cash. Tickets for bus and trams are available for travel within Sheffield and South Yorkshire and are delivered through the Cashiers based in Howden House. There are also options for booking taxis and train tickets when appropriate. Payments for removal costs remain as cash awards but payments are sent directly to the removal company via BACS transfer.

2.7.5 Utility payments for Gas and Electric, however, remain as cash, having been identified as the most responsive and effective method to meet this need.

2.7.6 Local Assistance Grants have been renamed **Sheffield Independence Grants**. Individuals under exceptional pressure are now considered in addition to families for these grants. Applications from customers who are assessed to have insufficient income, including those not in receipt of a qualifying benefit, are now considered (previously customers had to be receiving certain benefits to qualify).

2.7.7 Customers in need of financial advice will be signposted to the Sheffield Citizens Advice, and Sheffield Credit Union as required. Customers who are unhappy with the outcome on their application can now request a review of the decision, as an alternative to following the corporate complaints procedure.

2.8 Sheffield City Council Tenants

- 2.8.1 Welfare Reforms continue to impact on many Council tenants ability to pay their rent, the Council Housing Service continue to support tenants in a variety of way to maximise their income and rent payments.
- 2.8.2 Tenants who suffer hardship from welfare reforms can obtain one off payments to their rent arrears from the HRA Hardship Fund which is used to stop further legal action. Last year the fund awarded £153K in payments making an estimated saving of £270K, in Q1 £50,300 was paid saving an estimated £104,700. The housing service also helps tenants impacted by welfare reforms by supporting debt support through the Citizens Advice Sheffield and Budgeting Accounts through the Credit Union.
- 2.8.3 Details of how Council tenants have been affected by specific benefit changes have been included in the narrative above.

2.9 Private-rented Tenants

- 2.9.1 It should be noted that tenants in private-rented accommodation do not get the level of support – and from their landlords than those in social-rented accommodation are able to access. They are therefore more likely to rely on voluntary sector organisations or be harder hit by benefit changes.

3.0 Recommendation

- 3.1 The Committee is asked to note the update on welfare reform.

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