

For General Release

REPORT TO:	CABINET 11 July 2016
AGENDA ITEM:	15
SUBJECT:	Welfare reforms & future roll out of universal credit
LEAD OFFICER:	<i>Paul Greenhalgh, Executive Director, People Mark Fowler. Director of Gateway, People</i>
CABINET MEMBER:	Councillor Hamida Ali, Cabinet Member for Communities, Safety and Justice
WARDS:	All
<p>CORPORATE PRIORITY/POLICY CONTEXT: Changes from welfare reform have increased financial and housing pressures for our customers. These challenges have increased the risk of instability for customers and have put Council services under stress. We need to plan thoroughly to support customers in overcoming these difficulties by providing high quality information, advice and guidance to customers so that they can live independently and have healthier lives. We need to support customers – young and old - into employment by implementing our new Pathways to Employment programme and building on the success of the Gateway Service by extending the range of households who receive an integrated whole household approach.</p>	
<p>AMBITIOUS FOR CROYDON & WHY ARE WE DOING THIS:</p> <p>Independence - helping customers to be as, independent as possible; Financial resilience - Provide a more joined up approach to helping households to become financially stable and personally resilient, to access training and employment, reducing homelessness and the number of people living in temporary accommodation: Fairness – Equalities, Open & Accountable Include Growth, Independence and live ability.</p>	
<p>FINANCIAL IMPACT</p> <p>The paper sets out the financial risks and implications for the Council and customers. These are to be further developed over the coming months.</p>	
<p>KEY DECISION REFERENCE NO.: Not a key decision</p>	

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

1. RECOMMENDATIONS

The Cabinet is recommended to:

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| <p>1.1 Consider the monetary impact and associated risks for customers arising from the ongoing and future changes of welfare reform and the expanding roll out of universal credit; and</p> <p>1.2 Support the actions proposed in response by the Council to assist customers as detailed.</p> |
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2. EXECUTIVE SUMMARY

- 2.1 The report references to an update since the November 2015 (the last cabinet report) and further changes that impact our customers and the council over the next two years with a particular focus on universal credit and benefit cap.
- 2.2 Welfare reform was introduced since April 2013 and further measures have been introduced in April 2016. There are five major changes that need to be considered.
- Universal Credit (UC)- Emergency and Temporary Accommodation
 - UC- Decrease in Work allowances
 - Further Benefit Cap
 - Freeze in Benefit rates and Local Housing Allowance (LHA) rates
 - Housing Benefit (HB) overpayments
- 2.3 The above changes affect over 26,000 customers in Croydon, losing a total of over £31 million in welfare benefits from April 2013 to April 2017. To assist customers the Council has set up a number of different support mechanisms working with partners. This included a multi-disciplined function team that assist in income maximisation, budgeting, housing, finding work and training for work.
- 2.4 The Council and customers have responded well to the initial phase of reforms. Previously, working even on low income provided a solution, as did assisting customers with budgeting to meet the difference they experienced. However, the changes from April 2016 and beyond have increased significant pressure on those already on marginal income and those on low earnings
- 2.5 This report reflects the numbers of customers affected the monetary impact and in turn some of the associated risks along with the action the Council has and will take to assist customers.

3. DETAIL

3.1 The Chancellor of the Exchequer set out in his statement in the July 2015 budget the next phase of changes in relation to welfare reform.

3.2 £12bn savings in welfare spending will be made over four years from 2016/17 to 2019/20 through a number of measures. These present local government with major challenges around both increased demand for services and the discharge of its housing responsibilities.

3.3 **Main changes and impacts for 2016/2017**

Universal Credit- Emergency and Temporary Accommodation (TA)- Customers of the council's temporary accommodation have previously claimed housing benefit from the council for their housing costs and this has been paid direct to their housing rent account, 2 weeks in advance. With the introduction of UC, this ceases and housing costs are claimed from Department for Works and Pension (DWP) with payment being made to the resident, 4 weeks in arrears. The first UC claims for customers in temporary accommodation were made in the November rollout. The risks associated with this group of customers are:

- Increased rent arrears: 207 customers on UC in TA. The current rent arrears for these are 211,084.
- Customers claiming UC must have a rental liability on the 5th week of their claim. Due to the transient nature of this customer group, customers may have been moved to more suitable accommodation before the 5th week.
- This is most likely to affect our customers in need of supported housing who may be placed in temporary accommodation until supported housing is available. As supported housing is exempt from UC, the 5 weeks housing costs in temporary accommodation is then lost. This has affected 35% of customers to date with an average loss of £155 per week.
- Previously, under housing benefits, single customers under 35 in temporary accommodation living in shared/or 1 bed accommodation were awarded the 90% of the 1 bedroom LHA rate. This is a difference of £73 per week and the forecasted impact for 2016/17 is a loss of £329k
- Under Housing Benefit regulations, the management fee of £40 per week is built into a customer's rent and claimed via subsidy for HB. However, there is no provision for this management fee to be paid in UC.

3.4 **Universal Credit- Decrease in Work allowances-** Working households claiming universal credit currently have a work allowance of £222 per month for a couple with children and £263 for a single parent. The allowances have fallen to £192 from April 2016, lowering the threshold at which the benefit is withdrawn.

3.5 **Further Benefit Cap-** The £26,000 cap on the amount of benefit that a household can receive will be reduced to £23,000 in London, though claimants in work will continue to be exempt from the cap. In Croydon 305 households are already capped, and face a further income reduction of £58.31 per week, with 215 facing a significant risk of eviction. 90 of these will require a move to homes outside London and the South East; the remainder will need other interventions to prevent homelessness.

653 households with over 1750 children in Croydon will be affected by the cap for the first time.

3.6 Freeze in Benefit rates and Local Housing Allowance rates-Working age benefits (including tax credits and local housing allowances) will be frozen for four years from 2016/17 to 2019/20. Statutory payments and disability benefits will continue to increase by the Consumer Price Index (CPI) rate. Support through Child Tax Credit will be limited to two children for children born from April 2017. Equivalent changes will be made to Housing Benefit.

3.7 Housing Benefit overpayments -Any overpayment of HB the council can deduct from on-going entitlement. Once a resident claims UC, this deduction ceases and the council must collect the debt.

The current amount of HB overpayment outstanding to the council is £14m; £3m per year is currently recovered directly from on-going entitlement to HB. Based on the current cash collection rate for overpayment of housing benefit of 20%, the council would lose £2.4m per year. There is the opportunity to apply to DWP for deductions to be taken from entitlement to UC but overpayment of HB is not a priority debt for deduction

3.8 Backdating of housing benefit - Reduced from 6 months to 1 month. Currently customers are able to apply for backdating of their claim if they can demonstrate good cause, i.e. in hospital, experiencing domestic violence. From the 1 April 2016 this will be limited a single month. Last year over 10,000 customers were supported in this way.

3.9 Planned changes for 2017 and beyond

- Employment and Support Allowance - From April 2017, new claimants of Employment and Support Allowance (ESA) who are placed in the Work-Related Activity Group will receive the same rate as those claiming Jobseeker’s Allowance, alongside additional support to help them take steps back to work.
- Youth obligation for 18 to 21s - from April 2017, jobless 18 to 21s will have to participate in intensive support and after 6 months apply for an apprenticeship or traineeship, gain work-based skills, or go on a work placement. Automatic entitlement to housing benefit for that age group will be abolished. In Croydon 650 single claimants of housing benefit are age 18-21, of which 147 are care leavers and may be exempt from this measure. Other exemptions will include vulnerable young people and those who have been in work for 6 months prior to making a claim.
- Reduced housing costs for single customers – under current housing benefit regulations, single people over 25 receive a maximum of £152 per week. From April 2017 under universal credit their maximum housing support is limited at £82 per week
- Capped child premium – under means assessed benefits a premium is awarded for every child within a household/household. From April 2017 all new applicants under universal credit will have their assessments limited to 2 children.

The table below confirms the date of the change, the number of customers affected the financial implications for customers.

Change	Effective	Number of	Impact
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	date	customers	
JSA,ESA work related component, IS and Local Housing Allowance all frozen for 4 years	1.4.2016	24,253	Tenants in the private rented sector at risk of increased deprivation and homelessness if rent is increased annually
Reduction in work allowances under UC	1.4.2016	10,105	Increased cost to Council, due to additional award of Council tax support. Average loss is £23.63 per week
Reduce Housing benefit backdating from 6 months to 1 month	1.4.2016	1020	Reduced opportunity to back date housing benefit. Increased pressure on rent arrears.
Benefit cap	Oct 2016	955 (653 new)	Overall household income is capped to £442 per week, a further reduction of £58.23 for those already affected with an average loss of £60.62 per household
ESA (work related) capped to JSA levels	1.4.2016	290	Reduced income for those deemed not able to work claim JSA. £40 per week.
Excluding 18 to 21 from Housing benefit	1.4.2017	475	Customers currently in receipt of housing benefit are now zero entitled. Excluded groups include the disabled, those with dependents; previous looked after children and those who have been employed in the last 6 months.
Universal Credit single room rate	1.4.2017	140 (reducing from £155 to £82)	Reduced support of housing costs owing to type of customers single, reducing from £155 to £82 per week.
Universal and Child Tax credits Capped at 2 children. Claiming for the first time	1.4.2017	2048	Where a household has more than two children benefit will be capped at 2 children. Impact for those moving to UC is a loss of £229 per child as claim will be deemed a new claim.

- 3.10 **Progress to date-Action plan and support in place** - Since November 2015 we have helped customers by engaging with them and monitoring their progress to sustain their finances and housing. We are allocating resources to make optimum use of the demand and supply in services. The customer dynamics have changed and there are conscious decisions made by officers to mitigate risks. We work closely with colleagues in the job Centre plus who are co-located to provide employment support is provided to customers out of work.
- 3.11 Since November 2015, the Gateway service has helped over 3,700 households with range of different financial and Housing support. We maximised income of these customers to £4.2 million. We have prevented homelessness and sustained housing by awarding discretionary payments of £1,279,505. Our rent arrears collection for temporary accommodation cases has increased by 26% at the end of March 2016.
- 3.12 The council has commenced work in supporting customers by increasing financial resilience and has embarked on plans to increase financial inclusion. The principles agreed are:

Principle	What does this mean
Ensuring customers have access to financial products; such as bank accounts and insurance	Allowing customers to maximise the most of financial products; receive faster payment, direct debit cost savings (and to assist budget management) and cover for unexpected events
Educate and develop the skills for all customers to allow them to budget and manage money, or plan for the unexpected	Through budgeting each resident can understand the reality of their income and expenditure, ways to maximise their income, prioritise debts, make lifestyle choices, understanding ways of saving money – food banks, charity shops, energy suppliers, transport etc.
Enabling people to make the most of their money through digital services	Each resident to recognise and have access to the financial benefits of using digital services (paying rent online, requesting benefits) and opportunities to save money through internet deals; uSwitch, shopping deals, ways to eat healthily for less
Ensuring there is access to affordable credit	Customers can source the credit that is required for unplanned unexpected events and what impact does this have on their budget. Promotion of Credit Unions, or social fund as an alternative to high interest credit (pay day lenders etc.)
Provide skills and opportunity to enter and own their future in employment	Customers understand their capability and the skills required to realise their ambitions. Having access to employment opportunities that match their skills, and keenly recognise the value of employment to them and society.

3.13 Our results so far have seen us:

- Train over 300 Council employees in welfare, housing, resident services and benefits to provide basic budgeting support to customers
- explore key services to provide money saving support and debt guidance, after which the aim is to agree joint approach/sign posting
- Review self-serve options regarding budgeting, consider usage, functionality and promotion
- Identify and contact claimants that do not have a bank accounts actively work with them to put bank accounts in place
- Engage with Credit Unions on service provisions and accessibility, whilst considering increased services
- Agree approach with banks in relation to setting up bank accounts and financial support

4. Risks & mitigations

- While CPI inflation is low and not expected to reach 2% until 2020, housing costs are rising. Between 2011 and 2015 rents of one bedroom flats in Croydon rose by 14% and rents of two, three and four bedroom homes rose by 20%. Thus the 13,781 housing benefit claimants of working age renting privately in Croydon will face difficulties in remaining in their homes.
- Landlords could be less likely to accept housing benefit claimants as new tenants, as the Local Housing Allowance only enables them to afford rents in the bottom 25% of the market, and for one and two bedroom homes even less. The loss of private tenancies is already the fastest rising cause of homelessness, with a 261% increase in the number of homeless households placed in temporary accommodation for this reason in 2010 to 2015. This benefit freeze impedes the Council's ability to procure housing to temporarily house homeless households and it is likely that this will mean that the options for an increasing number of households will be restricted to an out of borough offer in a more affordable area.
- Household sized housing association homes let at 'affordable rents' may no longer be affordable to applicants on benefits. According to a report by the Smith Institute, some housing associations are more reluctant to house poor and vulnerable people. This makes it harder for Councils to discharge their housing duty to homeless households.
- Discretionary Housing Payments (DHP) can be used to mitigate some of the effects while claimants work to attain a sustainable solution. However, the DHP budget allocated to Croydon for 2016/17 is £1,465,383.
- Croydon Discretionary Scheme for 2016/17 is £742,978. There are concerns with CDS funding will reduce or be removed significantly adding further financial pressure.
- Arrears increase, payments to the Council fall into default such as Council tax, Council tenant rents, and care costs.
- Increased impact on third sector providers with regard to resident demand at a time where we are reviewing funding arrangements.
- Market rent continues to increase in Croydon at around 3.2% per annum whilst the Local Housing Allowance (LHA) is frozen until 2020. The table below illustrates the current gap between LHA and Median Market rent in Croydon. There is increasingly a shortfall in supply at the 30th percentile and Croydon is increasingly unaffordable for procurement of adequate temporary accommodation.
- There are currently 2 FTE's providing intensive case management supports to customers affected by welfare reforms. As the roll out of the further reforms start to affect customers and specifically the benefit cap reduction, then adequate resourcing will be required to cope with the extra demand.

4.1 Mitigations and actions

- Lobby for the removal of emergency & temporary accommodation and therefore administered locally by the council under HB
- Lobby for automatic data sharing for all customers in receipt of UC.

- Lobby for the automatic referral of vulnerable customers group – for example those in arrears, at risk of eviction, known to social services, out of work for more than 2 years
- Lobby for automatic payment arrangements APAs for temporary accommodation customers.
- Proactively engage with all temporary accommodation customers to encourage them to request referrals.
- Seek further funding for DHP to support customers at risk of losing their accommodation, required amount for 2016.17 £600k.
- Continue to provide budgeting support for customers through online self-serve tools and budgeting support provided by the Enablement and Welfare service.
- On-going partnership working with DWP and Job Centre Plus (JCP).
- Agree an SLA on liaison arrangements and data sharing with JCP/DWP.
- Move forward the relocation of JCP to Bernard Weatherill House so that council support officers and work coaches co-locate.
- The council to support a further 6 posts officers to provide personal support to customers moving onto UC, this is to be resourced through the reduction in housing benefit cases and direct funding from DWP. .
- Lobby for housing overpayment debt to be higher in the hierarchy of priority debts to secure a higher rate of deductions from UC entitlement
- Lobby for higher levels of deductions to be taken from UC entitlement to clear overpayment of housing benefit.
- Engage with Benefit Cap customers before they are capped through intensive case management to attain positive long term sustainable outcomes.
- Negotiate with private sector landlords to either keep customers in their current homes or facilitate managed moves to affordable accommodation.
- Have a collaborative approach towards employment/employability support/employability options with an outcomes framework for customers. Link to Croydon employment brokerage and opportunities of the devolved work program from the south west London partnership.

5 Next steps

- 5.1 Engage further with senior DWP Director General to raise issues and pressures arising from the rollout expansion of digital Universal Credit particularly relating to emergency/temporary accommodation and its financial and housing impact on customers and the council and the risks with regard to the Benefit Cap and Housing Management fee.
- 5.2 Raise awareness across London of the emerging impacts. Combined paper from Croydon, Hounslow, Sutton, and Southwark to the DWP, London Councils, DCLG and LGA. There are direct housing implications for all owing to the nature universal credit, in that once a claim is made and customer moves they remain on UC.
- 5.3 Additional funding is sought from Government to support the increased referral

process and rise in the use of discretionary funds.

- 5.4 Operational issues are monitored such as rent and council tax task arrears, numbers of evictions, increases in discretionary housing payments, Croydon’s discretionary scheme applications and food ban referrals. These trends will be raised at local meetings and all relevant London & national forums.
- 5.5 Deploy welfare reform task force including all known internal division that are and effected and external partners from the third sector and registered social landlords.

6 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 6.1 The table below reflects the risks to revenue due to the expansion of universal credit. The impact is split between bad provision and general fund, the table does not confirm any immediate budgetary pressures.
- 6.2 If the issues transpire we will experience additional pressure in our bad debt provision for council tenants, tenants in emergency and temporary accommodation and in our housing benefit subsidy return. As we move forward we will track and forecast the actual budgetary impacts providing a clear position in further reports

Impact	Est annual loss in revenue
<u>Bad debt</u>	
Increased rent arrears for temporary accommodation	£1m
Assumption that 35% of temporary accommodation customers fail to claim UC due to moving after 4 weeks, at an average loss of £155 per week	£174k
Change in LHA rate for temporary accommodation customers under 35 years old	£329k
Loss of management fee of £40 per week for temporary accommodation customers	£800k
<u>General fund</u>	
Loss of housing benefit overpayment income	£2.4m
Total estimated loss in revenue	£4.7m

- 6.3 Benefit Cap. The table below sets out the loss in income for residents in light of the further reduction in benefit cap. This is not a direct budgetary impact to council. However, it would present a loss in household income resulting in less money to the local economy including the meeting of key costs such as rent and council tax and other debts or amounts due.

Croydon				
Amount of Benefit Cap	No affected	Average Loss	Weekly Impact	Annual loss of income
Up to £25	250	£12.68	£3,170.00	£164,840.00
£25.01 to £50	277	£36.84	£10,204.68	£530,643.36
£50.01 to £75	143	£54.25	£7,757.75	£403,403.00

£75.01 to £100	78	£88.82	£6,927.96	£360,253.92
£100.01 to £150	145	£120.36	£17,452.20	£907,514.40
£150.01 to £200	39	£172.76	£6,737.64	£350,357.28
£200.01 to £250	15	£223.32	£3,349.80	£174,189.60
£250.01 to £300	6	£271.21	£1,627.26	£84,617.52
£300.01 to £350	2	£335.07	£670.14	£34,847.28
£350.01 to £400	0			
£400.01 and above	0			
Total	955		£57,897.43	£3,010,666.36

6.3 Please see appendix one-table 3 which confirms the cumulative impact of reforms by ward with the total income reduction. The numbers of households with the highest financial impact have been included.

6.4 Approved by Lisa Taylor – Assistant Director of Finance and Deputy S151 Officer

7 The effect of the decision

7.1 The report is for information and comment and does not require a decision.

8 COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

8.1 The Acting Council Solicitor comments that while there are no direct legal comments arising from this report, the actions detailed above will be relevant in mitigating demand on the Council's duties relating to housing and children

(Approved by James Derby Corporate Solicitor on behalf of the Acting Council Solicitor)

9 HUMAN RESOURCES IMPACT

9.1 There are no direct Human Resources considerations arising from this report as such; however, the content of this report will have an impact on the future development of the new gateway & welfare division, which is likely to have HR implications. Where that is the case, the Council's existing policies and procedures must be observed and HR advice sought.

(Approved by: Debbie Calliste, HR Business Partner, on behalf of the Director of Human Resources)

10. EQUALITIES IMPACT

10.1 The Welfare Reform changes are all led by Central Government and the impact of the changes is national. The following links show the various assessments completed by DWP which we have incorporated in our risks and mitigations.

<https://www.gov.uk/government/publications/universal-credit-impact-assessment>

<http://www.parliament.uk/documents/impact-assessments/IA15-006.pdf>

We are in the process of completing the first stage of the Equalities Analysis to determine if a full Equality Analysis is needed and/or further monitoring needs to be undertaken.

11. ENVIRONMENTAL IMPACT

11.1 There are no environmental impacts

12. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

12.1 Please refer to 3.12/Risks and 3.13 and 3.14 for comments.

13. OPTIONS CONSIDERED AND REJECTED

13.1 There are various options within section 4, that are being reviewed and to be better understood. At this point we are not considering options to reject.

CONTACT OFFICER: Mark Fowler-Director of Gateway Services-Ext 62408

BACKGROUND PAPERS - LOCAL GOVERNMENT ACT 1972

- Welfare Reform Act 2012 and 2015 <http://www.legislation.gov.uk/ukpga/2012/5/contents/enacted/data.htm> and <http://services.parliament.uk/bills/2015-16/welfarereformandwork.html>
- Debt and food banks http://gu.com/p/4km4p?CMP=Share_AndroidApp_Gmail
- <http://www.insidehousing.co.uk/policy/welfare-reform/universal-credit/three-in-four-universal-credit-tenants-in-arrears/7015512.article>



The Cumulative Impact of
Welfare Reform in Croydon

DRAFT WELFARE REFORM IMPACT ASSESSMENT REPORT



Policy in Practice

CROYDON
www.croydon.gov.uk

An introduction to welfare reform

Welfare reform presents a complex picture for Croydon Council and its customers.

Several reforms were introduced in the last parliament, such as the under-occupation charge, the benefit cap, and the localisation of Council Tax support.

Further measures were announced in the Summer Budget and Autumn Statement in 2015, which include a lower Benefit Cap, reductions in work allowances in Universal Credit and changes that impact on new claimants only.

Mitigating measures including a higher National Living Wage and increased personal allowance will be introduced each year, rising to £9.00 and £12,500 by the end of this parliament.

Croydon Council wants to and understand the impact of these changes on its customers and be proactive in providing preventative support.

Our approach

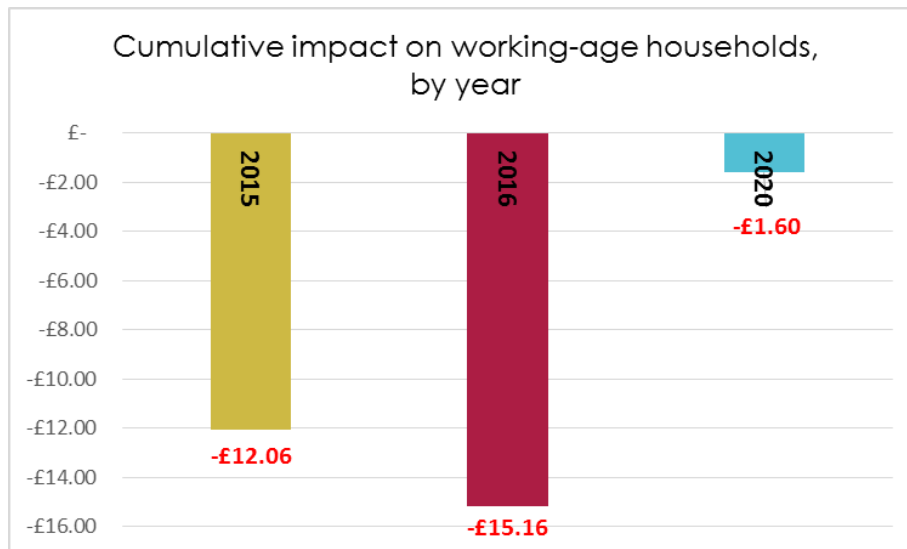
Policy in Practice has signed a secure data sharing agreement with Croydon Council. Policy in Practice uses council data with personally identifiable information redacted and the Universal Benefit and Budgeting Calculator to model the cumulative impact of all of these reforms on each individual low income household currently in receipt of housing benefit and council tax support.

Our analysis allows us to separate individual reforms, to model future reforms and to accurately assess the cumulative impact of all reforms on individual households. The subsequent tables summarise our analysis. This report is accompanied by a household level dataset showing which households are impacted by which reforms, the impact of each reform and the cumulative impact of all reforms. Croydon Council can use this dataset to prioritise and pinpoint support to affected households.

The impact of individual welfare reforms

The table and chart below summarise the impact of each individual reform, and the combined impact of all reforms today, and in the future. The analysis is based on a snapshot of Housing Benefit and Council Tax Support data as at December 2015.

Table 1: The impact of individual welfare reforms					
	Number of Households Affected	Average weekly income reduction	Household type most affected	Tenure most affected	Wards most affected
The impact of current welfare reforms					
Under-occupation	1,770	£22.02	Single	Other social	Fieldway
LHA Cap	7,174	£51.72	Single	Private tenant	West Thornton
Benefit cap (£26k)	245	£60.01	Lone parent	Private tenant	Bensham Manor
The impact of the summer budget from April 2016					
Benefit cap (£23k)	1,126	£90.78	Lone parent	Private tenant	Fairfield
Reduced UC work allowances	12,149	£16.47	Lone parent	Private tenant	Selhurst
The impact of the summer budget for new claims					
18-21 year olds and Housing Benefit	598	N/A	Single	Private tenant	Broad Green
18-21 years olds and Earn or Learn	613	N/A	Single	Private tenant	Selhurst
Housing benefit capped at LHA rates	1,353	£103.84	Single	Social tenant	Fairfield
Child element limited for new claims	10,226	N/A	Lone parent	Private tenant	Broad Green
The impact of mitigating measures for people in work in 2020					
National Living Wage	7,783	£45.23	Lone parent	Private tenant	Broad Green
Rise in tax allowance	10,733	£22.33	Lone parent	Private tenant	Broad Green
30 hours free childcare for 3-4 year olds	364	N/A	Couple with children	Council tenant	Broad Green



The cumulative impact of welfare reforms

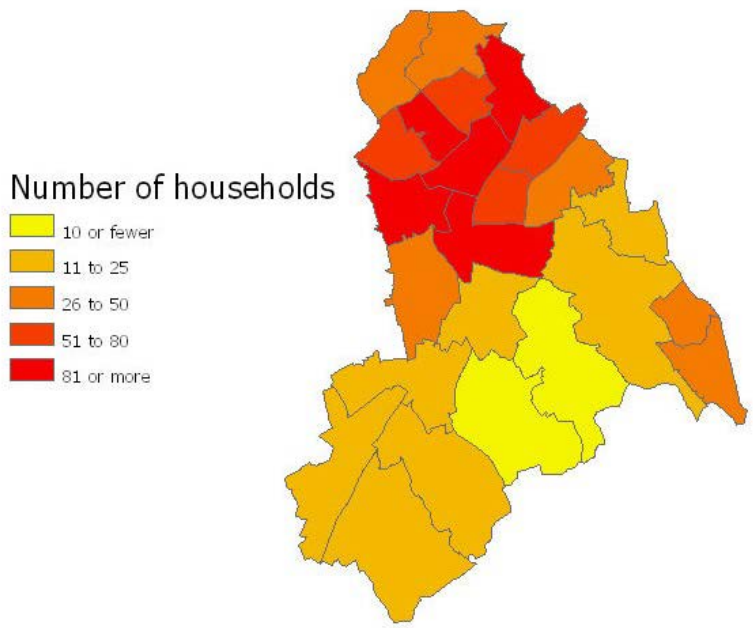
Our analysis is able to identify the households that are impacted by more than one welfare reform. The overall impact of all reforms on each household's income can be identified using the accompanying dataset.

Table 2: The cumulative impact of welfare reforms								
	Number of households	% of the working-age cohort	Number of disabled households	Number of children	Number of social tenants	Number of private tenants	Average weekly loss	Average annual loss
Worse off under UC	11,149	34.9%	2,772	16,370	4,674	5,328	£ 50.93	£ 2,648
Bedroom tax/LHA cap	8,944	28.0%	2,456	7,710	1,770	7,174	£ 46.22	£ 2,403
Benefit cap at 23k	1,126	3.5%	212	2,426	514	612	£ 90.78	£ 4,721
Worse off under UC and bedroom tax/LHA cap	2,679	8.4%	574	3,126	417	2,041	£122.50	£ 6,370
Worse off under UC and benefit cap at 23k	39	0.1%	4	188	23	15	£286.67	£14,907
Benefit cap at 23k and bedroom tax/LHA cap	225	0.7%	13	610	11	203	£153.96	£ 8,006
Benefit cap at 23k, worse off under UC and bedroom tax/LHA cap	9	0.03%	0	35	1	8	£294.27	£15,302

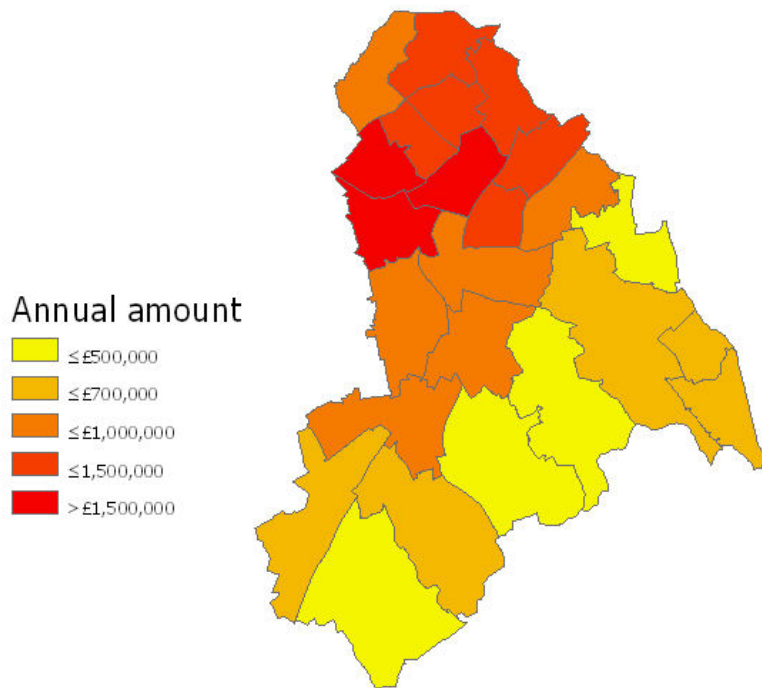
Map showing households affected by ward

The maps below show the impact of the reduced benefit cap and the cumulative impact of welfare reform, by ward, in a visual format.

NUMBER OF HOUSEHOLDS IN CROYDON AFFECTED BY THE LOWER BENEFIT CAP, BY WARD



TOTAL ANNUAL IMPACT OF WELFARE REFORM IN CROYDON IN 2016, BY WARD



Combinations of reforms by ward

The cumulative impact of reforms in 2016 is broken down by ward below.

Table 3: Cumulative impact of reforms, by ward			
Ward	Households with high impact	Percentage of ward's claimants	Total annual income reduction
Addiscombe	304	15%	£ 1,833,390
Ashburton	161	11%	£ 1,024,146
Bensham Manor	337	16%	£ 1,922,356
Broad Green	368	11%	£ 2,302,459
Coulsdon East	84	10%	£ 507,392
Coulsdon West	93	14%	£ 645,611
Croham	172	14%	£ 1,183,638
Fairfield	328	13%	£ 2,393,365
Fieldway	117	5%	£ 878,508
Heathfield	144	13%	£ 821,766
Kenley	111	12%	£ 754,981
New Addington	100	6%	£ 731,098
Norbury	153	10%	£ 1,126,243
Purley	149	13%	£ 943,659
Sanderstead	49	10%	£ 306,989
Selhurst	321	10%	£ 2,242,389
Selsdon & Ballards	60	17%	£ 364,976
Shirley	88	8%	£ 592,408
South Norwood	266	10%	£ 1,975,067
Thornton Heath	225	9%	£ 1,835,226
Upper Norwood	266	14%	£ 1,898,308
Waddon	196	9%	£ 1,163,361
West Thornton	331	12%	£ 2,119,308
Woodside	279	12%	£ 1,973,957
Croydon (total)	4702	11%	£ 31,540,601

Combinations of reforms by ward

The table below shows the effects of individual reforms, and specific reform combinations, on all the wards in Croydon.

Table 4: Reform combinations							
Ward	Worse off under UC and bedroom tax/LHA cap	Worse off under UC and benefit cap at 23k	Benefit cap at 23k and bedroom tax/LHA cap	Benefit cap at 23k, worse off under UC and bedroom tax/LHA cap	Worse off under UC	Bedroom tax / LHA cap	Benefit cap at 23k
Addiscombe	157	1	13	0	466	534	54
Ashburton	84	3	8	0	342	314	28
Bensham Manor	162	1	14	1	587	608	65
Broad Green	207	3	13	0	893	763	93
Coulsdon East	45	4	7	1	167	132	20
Coulsdon West	48	1	5	0	179	171	17
Croham	107	1	1	0	379	371	22
Fairfield	192	0	8	0	671	705	134
Fieldway	82	3	13	0	533	300	41
Heathfield	97	2	6	0	323	308	23
Kenley	62	0	7	0	264	222	11
New Addington	87	2	12	1	418	291	31
Norbury	64	0	11	0	341	281	35
Purley	83	1	7	0	335	268	19
Sanderstead	28	0	3	0	115	95	4
Selhurst	188	2	14	0	879	709	104
Selsdon & Ballards	31	0	3	0	87	96	6
Shirley	51	0	7	0	290	202	15
South Norwood	156	2	9	0	726	554	105
Thornton Heath	123	2	9	1	673	444	80
Upper Norwood	138	2	10	2	470	438	25
Waddon	119	1	7	0	566	437	48
West Thornton	190	2	14	0	762	740	71
Woodside	178	6	24	3	683	575	75
Croydon (total)	2679	39	225	9	11149	9558	1126

Barriers to employment / Impact

The table below is an example of how the household level dataset might be applied to better target employment support. The table shows the number of household, by ward that face a 'high' impact from welfare reform (greater than £30 / week) and have low barriers to work (childcare or other caring responsibilities, or a disability).

Table 5: Impact of welfare reform and barriers to work

Ward	High impact in 2016	Low barriers to work	High impact, low barriers
Addiscombe	344	900	129
Ashburton	181	628	55
Bensham Manor	374	863	131
Broad Green	449	1280	163
Coulsdon East	96	383	14
Coulsdon West	104	256	26
Croham	186	475	71
Fairfield	446	961	171
Fieldway	144	776	35
Heathfield	154	435	33
Kenley	117	345	30
New Addington	117	692	25
Norbury	177	737	65
Purley	156	430	45
Sanderstead	51	266	13
Selhurst	397	1330	127
Selsdon & Ballards	64	158	17
Shirley	93	454	32
South Norwood	355	1088	120
Thornton Heath	297	1025	102
Upper Norwood	264	803	86
Waddon	231	883	69
West Thornton	393	1014	136
Woodside	332	837	101
Croydon (total)	5522	17019	1796

About Policy in Practice

Our mission is to reduce poverty. We do this by simplifying delivery of the welfare system because we believe that change happens on the frontline.

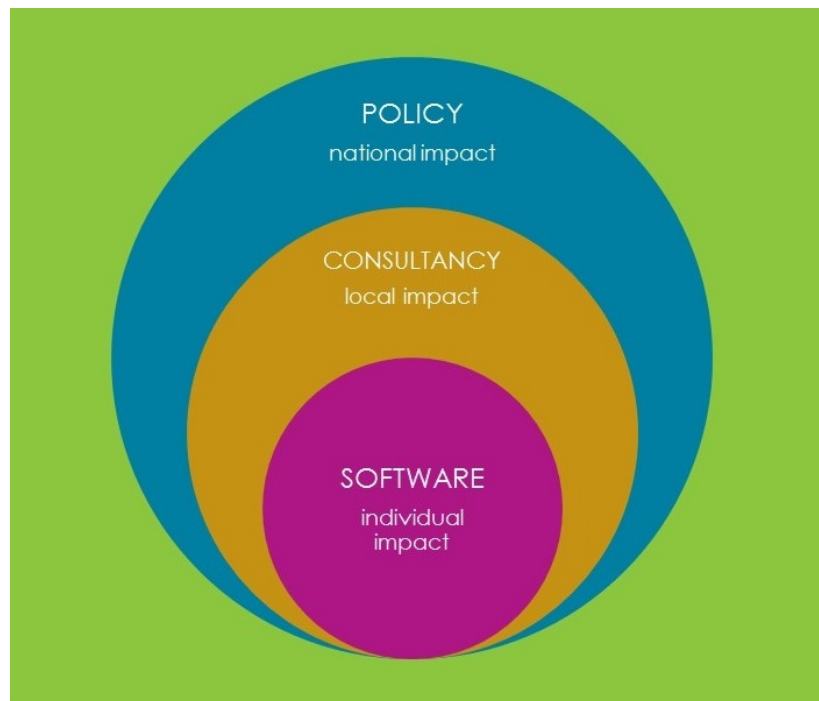
Deven Ghelani was a member of the team at Centre for Social Justice who developed Universal Credit and, when the policy was adopted by government, he left to set up Policy in Practice. He was keen to ensure that the policy intent was actually put into

practice.

Policy in Practice has facilitated conversations between leading local authorities and the Prime Minister's office to ensure frontline feedback about welfare reform policy has been heard.

We also help local organisations to understand the aggregate and cumulative impact of welfare reform changes on their customers so that they can accurately target support programmes.

And finally, to close the loop, the software that Policy in Practice has developed simplifies the conversations that frontline advisors can have with customers by clearly showing what benefits they can get under the current system and when they move to Universal Credit, comparing the two side-by-side using data visualisation.



How we can help you

Smart analysis

We use your SHBE data and our software to create rich insights showing how individual households in your area are affected by cumulative and aggregate welfare reforms.

This allows you to:

- inform tough decisions
- allocate scarce support budgets
- explain the real picture to Cabinet Members
- plan now to mitigate against negative impacts on individual households

Powerful software

Our Universal Benefit Calculator is fast, accurate and simple to use. It compares the current system and Universal Credit side-by-side. Advisors don't have to be policy experts to explain the welfare system and what the changes will mean.

This allows you to:

- simplify frontline conversations
- explain complex changes using visuals and colour
- support all advisors using information they can trust

Contact us for a full client report

Call +44 (0) 330 088 9242

Email hello@policyinpractice.co.uk

Visit www.policyinpractice.co.uk

Tweet [@policy_practice](https://twitter.com/policy_practice)

Annex 1: Data documentation

Variable

Explanation

reference	Housing Benefit and/or Council Tax Reduction claim number
postcode	Postcode
ward	Ward
children	Number of children
nondependants	Number of non-dependants
earnings	Total gross weekly earnings for the both the claimant and partner (if applicable).
householdtype	Simplified household type. Options are: single, lone parent, couple without children, couple with children.
agegroup	<ul style="list-style-type: none"> • Working age • Pension age (if one or more partners are of Pension Credit qualifying age)
tenure	Simplified tenure type. Options are: Council tenant, Social Rent, Private Rent, and Owner-Occupier (used for CTRS-only cases).
savings	<ul style="list-style-type: none"> • Household savings, using bands.
economicstatus	Simplified economic status, depending on whether the household is in employment, or unemployed with certain characteristics.
REFORMS 2015	
underoccupation	Y = affected by the under-occupation charge N = not affected by the under-occupation charge
underoccupation_amount	Weekly reduction to Housing Benefit due to the under-occupation charge.
underoccupation_pensionage	Y = affected by the under-occupation charge and of pension age. N = not affected by the under-occupation charge.
LHAcap	Y = affected by the LHA cap (rent is higher than the applicable LHA rate, for private sector tenants) N = not affected by the LHA cap
LHAcap_amount	Weekly shortfall between eligible rent and the maximum applicable LHA rate.
benefitcap_26k	Y = affected by the benefit cap as currently set N = not affected by the benefit cap
benefitcap_26k_amount	Weekly reduction to Housing Benefit due to the benefit cap.
benefitcap26k_couldgetWTC	Y = household identified as affected by the benefit cap in BCC data, but working enough hours to qualify for Working Tax Credit (a potential exemption) N = not affected by the benefit cap and eligible for Working Tax Credit
benefitcap26k_carer	Y = household identified as affected by the benefit cap in HLBC data, but in receipt of carer's allowance N = not affected by the benefit cap and receiving carer's allowance

eligibletoFSM_underUIFM	Y = household's with receiving UIFSM and eligible to means tested FSM N = not affected receiving UIFSM and eligible to means tested FSM
earningbelowNMW	Y = not self-employed, with one adult earning below the National Minimum Wage N = not earning below National Minimum Wage
REFORMS 2016	
benefitcap_23k	Y = affected by the benefit cap at the lower £23,000/year rate N = not affected by the benefit cap
benefitcap_23k_amount	Weekly reduction to Housing Benefit due to the lower benefit cap.
benefitcap_23k_carer	Y = household identified as affected by the lower benefit cap, but in receipt of carer's allowance N = not affected by the lower benefit cap
taxcredits_2children	Y = at risk of losing tax credits if they have another child. N = Not at risk of losing tax credits if they have another child.
REFORMS 2017	
yp18to21_housingatrisk	Y = young person at risk of losing Housing Benefit N = not applicable
yp18to21_earnorlearn	Y = the household has a young person who will be expected to 'earn or learn' if making a claim for Universal Credit N = not applicable
WRAGpremium_atrisk	Y = household received the ESA Work-Related Activity Group, and would lose it if making a new claim N = not applicable
paytostay	Y = living in social housing with household earnings above £40,000 per year N = not affected by 'pay to stay'
REFORMS 2018	
LHA_lower_than_socialrent	Y = LHA rate is lower than social rent. Shortfall between Housing Benefit and rent. N = Not affected by the LHA rate being applied to social rent.
social_LHAshortfall_weekly	Weekly shortfall between LHA rate and social rent.
UNIVERSAL CREDIT	
nondep_uc	Higher = the non-dependant(s) in this household will lead to a higher non-dependant deduction under Universal Credit than currently Lower = the non-dependant deduction will be lower for this household under Universal Credit N/A = no non-dependants
uc_lowerworkallowance	Y = this household would be affected by the cuts to work allowances under Universal Credit N = this household would not be affected
uc_lowerworkallowance_amount	Amount that this household would lose every month due to cuts to work allowances under Universal Credit
uc_inworkconditionality	Y = subject to in-work conditionality under

	Universal Credit N = not subject to in-work conditionality
uc_minimumincomefloor	Y = self-employed and earning below the National Minimum Wage, likely to be affected by the Minimum Income Floor under Universal Credit N = not affected by the Minimum Income Floor
uc_needsprotection	Y = household will need transitional protection if migrating onto Universal Credit after April 2016 N = household will not need transitional protection under their current circumstances
uc_needsprotection_amount	Weekly amount of transitional protection that this household would receive is migrating onto Universal Credit after April 2016
REFORMS 2020	
livingwage_increase	Household is earning below their applicable National Living Wage for 2020, and may expect a wage increase by then
incometax_reduction	Household will benefit from the increases to income tax thresholds up to 2020
IMPACT	
incomereduction_2015	Total weekly income reduction in 2015 due to the under-occupation charge, the benefit cap, the LHA cap.
impact_2015	Score for the cumulative impact of welfare reform in 2015. No impact = not affected by welfare reform Low = fall in income is below £15 per week Medium = fall in income is between £15 and £30 per week High = fall in income is above £30 per week
incomereduction_2016	Total weekly income reduction in 2016 due to the under-occupation charge, the lower benefit cap, the LHA cap, the increase in the withdrawal rate of Working Tax Credits, and the reduction of the income threshold for tax credits.
impact_2016	Score for the cumulative impact of welfare reform in 2016. No impact = not affected by welfare reform Low = fall in income is below £15 per week Medium = fall in income is between £15 and £30 per week High = fall in income is above £30 per week
BARRIERS TO WORK	
barrierscore_disability	1 = if in receipt of a disability-related benefit at the lower or middle rate 2 = if in receipt of a disability-related benefit at the highest rate.
barrierscore_carer	2 = if in receipt of the Carer Premium
barrierscore_loneparentor2earner	1 = if a lone parent or second earner, more likely to need childcare
barrierscore_youngchildren	1 = if there is a child under 5 in the household, more likely need childcare
barriers_to_work	Score for barriers to work, summing the preceding three variables. Low = a total score of 0 Medium = a total score of 1

High = a total score of 2 or more

Benefit cap reduction- customer journey's and financial impact

Executive Summary

The increase in the benefit cap will see Croydon customers financially impacted by over £3M pounds.

An intensive case management approach has meant that Croydon has been very successful at mitigating the impact of the original cap of £26,000 and positively engaged with 78% of affected households resulting in only 36 evictions and 31 out of borough moves.

The same level of success will only be achieved by increasing resources to enable the detailed customer case management required to attain positive long term sustainable outcomes.

The administration of the implementation of the reduction of the benefit cap will cost over £1.2M. The estimated number of staff costs of just over £500,000 and DHP spend required is £698,000. By adequately resourcing the roll out of the benefit cap reduction it is estimated that 525 customers will be assisted to achieve a positive resolution within the first 6 months of implementation.

If we do not assist customers our estimation is that 85% are at risk of eviction and resulting costs to the statutory homeless service will be a minimum of £3.1M.

The reduction to £23,000 in London and £20,000 in the rest of England means that customer options are severely limited and for the majority of affected customers, employment will be the only viable option. Previous case work has revealed that for many, multiple barriers to employment need to be overcome before a resident is work ready.

Background

This report provides information on the impact to Croydon of the further changes to the Welfare benefit cap announced in budget 8th July 2015.

Details include the customer journey costs, the estimated DHP spend and the financial risk to Croydon. The table below provides an update on the number of families already subject to the cap and the estimated numbers for the further reduction of benefit.

Caseload of households affected by benefit cap by year

	Year 1	Year 2	April to Nov 15**	Estimated New Cap Figures
Amount of Benefit Cap	No affected	No affected	No affected	No affected
Up to £25	128	72	47	250
£25.01 to £50	270	95	41	277
£50.01 to £75	85	28	29	143
£75.01 to £100	79	12	14	78
£100.01 to £150	111	26	12	145
£150.01 to £200	45	4	6	39
£200.01 to £250	25	0	0	15
£250.01 to £300	19	0	0	6
£300.01 to £350	5	0	0	2
£350.01 to £400				
£400.01 and above				
Total	767	237	147	955

** DWP data source Stat explore (to be updated April 16)

Detail

How we reduced the impact of the Benefit cap at £26,000 and the success so far

To mitigate the impact of the welfare reforms on the statutory service, Croydon brought together existing support arrangements to promote household independence through an aligned financial, training/work and housing support offer.

Croydon quickly recognised that to deal with the impact of the welfare reforms there would need to be a cultural shift not only in customer behaviour but also within the organisation.

A team of officers from Income and benefits, housing and JCP co-located to provide a holistic wraparound service for affected households in partnership with 3rd sector and voluntary organisations.

Behavioural science was used in the form of nudge letters and behavioural change conversations were initiated with each customer at the initial interview.

The success of this approach not only saw significant improvements in the customer journey with only 31 families choosing to move out of borough but resulted in only 36 evictions.*customer case studies *Appendix 1*

Detailed casework enabled officers to negotiate with private sector landlords to either keep customers in their current homes or facilitate managed moves to more affordable accommodation, work intensively with customers who had either never worked or had been long term unemployed and provide all affected households with intensive budgeting and money management support to enable them to manage the changes through with their remaining income. All customers received a bespoke action plan based on their individual circumstances; outcomes achieved are listed in the table below.

Data analytics enabled the team to segment customers by financial impact, vulnerability and tenure type, ensuring a targeted approach to those most at risk.*customer journey map *Appendix 2*

Tracking the customer journey and outcomes achieved was a focus and details of the segmented customer journey times and associated costs are attached at *Appendix 3*.

Customer outcomes of those that engaged

23%	208	Empl
26%	240	open
16%	144	budget shortfall
13%	111	moved
22%	203	other*
100%	906	Total

***other includes partner moving in, non-dependent making up shortfall and the 36 customers who were evicted (0.4% of the cohort)**

Financial loss of the reduction to £23,000 and requirements

The reduction of the benefit cap to £23,000 will see customers already affected by the benefit cap impacted by a further £58 per week. The table below demonstrates the financial impact for households in the borough.

Detail of new caseload post reduction in cap to £23,000

Croydon				
Amount of Benefit Cap	No affected	Average Loss	Weekly Impact	Annual Impact
Up to £25	250	£12.68	£3,170.00	£164,840.00
£25.01 to £50	277	£36.84	£10,204.68	£530,643.36
£50.01 to £75	143	£54.25	£7,757.75	£403,403.00
£75.01 to £100	78	£88.82	£6,927.96	£360,253.92
£100.01 to £150	145	£120.36	£17,452.20	£907,514.40
£150.01 to £200	39	£172.76	£6,737.64	£350,357.28
£200.01 to £250	15	£223.32	£3,349.80	£174,189.60
£250.01 to £300	6	£271.21	£1,627.26	£84,617.52
£300.01 to £350	2	£335.07	£670.14	£34,847.28
£350.01 to £400	0			
£400.01 and above	0			
Total	955		£57,897.43	£3,010,666.36

Previous engagement indicates that customers losing over £30 per week will require detailed casework support and that generally customers affected by less can be directed to self-support and 3rd sector advice, unless there is a specific vulnerability or risk.

The reduction of the cap to £23,000 will not only greatly affect those customers currently successfully managing the shortfall through budgeting but will restrict the choice of budgeting as a viable option for the majority of customers that are capped at £23,000.

The reduction of the cap to £20,000 outside of London severely restricts the option of an out of borough move as a lone parent with 3 children will have a shortfall in benefits in every BRMA in England. *BRMA Appendix 4*

Employment will be the only viable option for the majority of affected customers and links to employment opportunities will need to be increased and appropriate staffing levels implemented for customers who require support into employment.

During the implementation of the original reforms 9 FTE's were employed to work on the impacts. Due to efficiencies and best practice despite the dramatic increase in numbers staffing for the reduction of the benefit cap will require 10 FTE's to carry out the intensive case management approach which has been so successful and a further 4 FTE's to provide the appropriate employment support (current employment coach caseload is 35 customers).

Discretionary funding

Discretionary payments have been a vital resource enabling customers to make appropriate changes to their circumstances and work towards long term sustainable solutions. Total award amounts and the duration of the awards are detailed in the tables below.

Amount of DHP spend on Ben cap customers

Year	Total DHP Spend on Benefit Cap customers
2013/2014	£674,320.04
2014 /2015	£361,693.82
2015/2016	£230,160.14

Number of customers and duration of DHP awards by year

DHP Duration	2013/14	2014/15	2015/16	Total	%
< 3 months	260	109	57	426	55
3-6 months	90	90	50	230	30
>6	35	53	32	120	15

Data analytics indicate that 67% of affected customers will require discretionary funding support. Using data analysis the following estimates of DHP spend has been produced.

Estimated DHP spend requirement

	Amount required per week	Duration	Total
55%	£21,335.20	12	£256,022.40
30%	£11,637.38	18	£209,472.84
15%	£5,818.69	40	£232,747.60
Total			£698,242.84

The estimated spend implies that the reduction in the benefit cap will require 47.6% of Croydon's total allocation for 2016/17 (£1.4M)

Risks

Market rent continues to increase in Croydon at around 3.2% per annum whilst the Local Housing Allowance (LHA) is frozen until 2020. The table below illustrates the current gap between LHA and Median Market rent in Croydon. There is increasingly a shortfall in supply at the 30th percentile and Croydon is increasingly unaffordable for procurement of adequate temporary accommodation.

	LHA	Median	% of rent covered by LHA
1	£726	£901	80%
2	£912	£1,248	73%
3	£1,212	£1,499	80%
4	£1,496	£2,000	74%

Although the welfare teams have been successful at managing to mitigate the impact of the current benefit cap on the statutory homeless service there is a real risk that the further increase will lead to more evictions for those customers already affected and those at

significant risk of homelessness (426) which would cost the borough £3,012,187 (average cost of homelessness journey in Croydon is £6750).

36 families affected by the benefit cap over the last 2 years have chosen to prevent a homeless approach and move out of borough. With the impact of the reduction in the cap this will significantly increase with an estimated 90 families requiring a move to a more affordable property outside of London and the South east as a preventative measure. These properties would need to be in a BRMA that is within £20 of the capped amount for affordability purposes and for lone parent families with 3 children there are 5 BRMA's that meet this criteria and for couples with 3 children there are none, in fact the least expensive BRMA will see a weekly shortfall of £47.

For families where appropriate offers of assistance have been refused families have previously been found intentionally homeless, however this has been a very small number of cases and we will need to ensure that our offers are further aligned with any approach required by children's services and their duties under the Children's act.

There are currently 2FTE's providing intensive case management supports to customers affected by welfare reforms. As the roll out of the further reforms start to affect customers and specifically the benefit cap reduction, then adequate resourcing will be required to cope with the extra demand.

The DHP allocation for 2016/2017 is an 18% reduction on the allowance for the £26,000 implementation which is a considerable concern given that this roll out will see an increase in volume of 20% on the original customer cohort.

A major risk for Croydon is the implementation of the Digital roll out of Universal Credit (UC) as we are not informed of customers affected by the cap who have claimed UC.

Details of the financial impact of the reduction at both £23,000 and £20,000 are detailed below and can be cross referenced against the *BRMA Appendix 4*

Table detailing the impact of the increase in the ben cap on individual households not on Universal Credit

Income Excluding Housing Benefit		Maximum HB Allowance £26,000	Maximum HB Allowance £23,000	Maximum HB Allowance £20,000
Single Person	£73.10	£276.90	£276.90	£276.90
Couple with no children	£114.85	£385.15	£327.15	£269.77
Lone Parent +				
1 Child	£157.74	£342.26	£284.26	£226.88
2 Children	£224.90	£275.10	£217.10	£159.72
3 Children	£292.06	£207.94	£149.94	£92.56
4 Children	£359.22	£140.78	£82.78	£25.40
5 Children	£426.38	£73.62	£15.62	£0.50
6 Children	£493.54	£6.46	£0.50	£0.50
7 Children	£560.70	£0.50	£0.50	£0.50
8 Children	£627.86	£0.50	£0.50	£0.50
9 Children	£695.02	£0.50	£0.50	£0.50
10 Children	£762.18	£0.50	£0.50	£0.50

Couple +				
1 Child	£199.49	£300.51	£242.51	£185.13
2 Children	£266.65	£233.35	£175.35	£117.97
3 Children	£333.81	£166.19	£108.19	£50.81
4 Children	£400.97	£99.03	£41.03	£0.50
5 Children	£468.13	£31.87	£0.50	£0.50
6 Children	£535.29	£0.50	£0.50	£0.50
7 Children	£602.45	£0.50	£0.50	£0.50
8 Children	£669.61	£0.50	£0.50	£0.50
9 Children	£736.77	£0.50	£0.50	£0.50
10 Children	£803.93	£0.50	£0.50	£0.50

*** Larger families who are currently subject to the cap have their HB restricted only. Post universal credit the amount of total benefit will reduce to benefit cap levels.

