The Cumulative Impact of Welfare Reform in Haringey

Policy in Practice

Haringey LONDON

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Executive Summary

This report contains the findings of an examination of the impact of welfare reform in Haringey by Policy in Practice, commissioned by the London Borough of Haringey. The report examines the impact of reforms that have already taken place and a selection of those that are yet to be implemented. It is hoped that the report findings, based on a detailed household level analysis, can help the council to target its support resources more effectively.

The dataset used in the analysis comprises all households in Haringey that are receiving either Housing Benefit or council tax support. There are 39,038 households in the dataset, representing approximately 33% of the total population of Haringey. 75% of households in the dataset are working age and subject to welfare reforms.

The cumulative impact of welfare reform

Low-income working-age households in Haringey have seen their incomes fall by an average of £14.16 per week as a result of welfare reforms implemented in the previous parliament, such as the under-occupation charge, benefit cap, LHA cap and cuts to council tax support.

A lower benefit cap will result in a rise in the average income loss to £18.22 per week. As Universal Credit is rolled out, these losses will be partly mitigated by increases in the minimum wage, and increased tax allowance, which could lead to a total average gain of £4.00 per week by 2020 compared to 2015 if Universal Credit if fully rolled out.

4,250 households are estimated to face a 'high' impact, defined as a fall in household income of over £30 per week as a result of the under-occupation charge, the reduced benefit cap, LHA cap, and cuts to council tax support. Families with children, households in the private-rented sector, and people in work are most likely to have a 'high' impact due to welfare reform. There are 439 households affected by four welfare reforms.

The impact of individual welfare reforms

A number of welfare reforms have already been introduced:

- The under-occupation charge (also known as the 'removal of the spare room subsidy' or the 'bedroom tax') reduces Housing Benefit for households living in the social-rented sector who are deemed to have a 'spare' room.
- The Local Housing Allowance limits the amount of Housing Benefit tenants in the private-rented sector can receive.
- The benefit cap limits the total benefit income most working-age households can receive.
- Localised council tax support has passed cuts in central government funding to working-age households who are not in a protected group.

Further reforms targeted at working-age households were announced in the Summer Budget. The benefit cap will be reduced to £23,000 per year, in London, for couples and families with children, and to £15,410 for single people without children. Work allowances under Universal Credit will be reduced, to £0 for non-disabled households without children, and substantially for families with children.

Table 1 below provides a summary of the impact of those welfare reforms that come into effect before April 2017, based on data as at October 2015. This includes breakdowns for each current and future reform in terms of households affected and monetary effect, and a cumulative impact combining reforms in 2015, 2016, and by 2020. As the table shows, the cumulative impact will increase in the next year, but then decrease once mitigating measures are taken into account.[1]

Table 1: The impact of individual welfare reforms

	Number of Households Affected	Average weekly income reduction	Household type most affected	Tenure most affected	Postcode areas most affected
The impact of current welfare reforms					
Under-occupation	1,786	-£21.32	Single	Council tenant	N15, N17, N22
LHA Cap	4,681	-£68.73	Couple with children	Private Rent	N8, N15, N17, N22
Benefit cap (£26k)	436	-£78.80	Lone parent	Private Rent	N15, N17, N22
Council tax support	9,634	-£7.55	Single	Private Rent	N8, N15, N17, N22
Cumulative impact in 2015	**17,146**	**-£ 14.16**	**Single**	**Private Rent**	**N17, N15**
The impact of the summer budget					
Benefit cap (£23k)	2,007	-£76.68	Lone parent	Private Rent	N8, N15, N17, N22
Cumulative impact in 2016	**22,849**	**-£ 18.22**	**Lone parent**	**Private Rent**	**N17, N15**
Reduced UC work allowances	13,783	-£11.28	Couple with children	Private Rent	N8, N15, N17, N22
The impact of the summer budget for new claims					
18-21 year olds and Housing Benefit	290	N/A	Single	Private Rent	N17, N8
18-21 year olds and Earn or Lear	508	N/A	Single	Private Rent	N17, N15
Housing Benefit capped at LHA rates	1,122	-£38.67	Single	Council tenant	N17, N15
Child element limited for new claims	8,434	N/A	Lone parent	Council tenant	N17, N15
The impact of mitigating measures for people in work by 2020					
National Living Wage	6,850	£60.46	Lone parent	Private Rent	N17, N15
Rise in tax allowance	5,049	£7.40	Couple with children	Private Rent	N17, N15
30 hours free childcare for 3-4 year olds	1,974	N/A	Couple with children	Private Rent	N17, N15
Cumulative impact in 2020	**10,712**	**-£ 10.01**	**Lone parent**	**Private Rent**	**N17, N15**

Analysis of other reforms announced in 2015, coming into effect from April 2017 onwards are included in the accompanying dataset. These include the loss of Housing Benefit for people under 21; the introduction of 'earn or learn' for 18-21 year olds; the loss of entitlement to child tax credits for three or more children; 'pay to stay' policies; the capping of Housing Benefit at LHA rates for tenants in the social sector; increases in the minimum wage; increases in the personal allowance and additional childcare support for 3-4 year olds.

[1] Total for 'Cumulative impact in 2020' calculated by combining the impact of mitigating measures, and of all reforms that affect current claimants assuming no change in circumstances. A household is classed as being potentially eligible for 30 hours of free childcare if it has a child aged between three and four, and at least 15 hours of remunerative work per week. The effects of a transition to UC are not covered in this table.

The impact of Universal Credit

Universal Credit (UC) will replace six existing means-tested benefits and is intended to simplify the system and improve work incentives. The implementation of UC in Haringey will begin in the spring of 2016 for single people making a new claim for what would currently be income-based Jobseeker's Allowance. Numbers in receipt of UC will remain low in the short term, but our analysis estimates that at least 29,933 households in Haringey will receive UC when it is fully implemented.

If we assume that Universal Credit was fully rolled out in 2016, then our analysis finds that 40% of households would need transitional protection to avoid a lower income and 37% would have a higher income under Universal Credit than they do under the current system. 23% of households in Haringey would see no change in entitlements compared to the current system, based on their current circumstances in the dataset provided.

The transition to Universal Credit is expected to extend over the course of the next five years. Based on the same cohort in 2020, the percentage of households in need of transisitional protection would fall to 25%. 51% of households would see their entitlement increase under Universal Credit, and the remaining 24% would face no change in income. The more favourable outlook for the 2020 scenario is the result of the other measures announced in the Summer Budget, namely the rise in the National Living Wage to £9 per hour for people over 25, and the increase in the personal tax allowance to £12,500. This analysis excludes reforms that only apply to new claims, or require a change in circumstances before they apply. Given the scale of welfare benefit cuts, however, it is worth noting that some households are likely to be negatively impacted by reforms not included in the cumulative impact measure.

Summary of Recommendations

Policy in Practice recommends that the analysis in this report and the accompanying dataset is used by Haringey to target support to households who are hardest hit by welfare reforms. The dataset can be used to target support to individual households, and help the council to be proactive in engaging residents.

We recommend the following actions:

- **Identify exemptions**

  The data provided does not enable us to identify some households that may be exempt from the reduced benefit cap. Other datasets such as ATLAS may help to identify households in the ESA Support Group, in receipt of Carer's Allowance, or with disabled children. Identifying additional exempt households enables the council to focus support more accurately on those most severely affected by the reforms.

- **Target employment support**

Where possible, give support to households in work affected by the benefit cap to increase their weekly hours in order to reach the qualifying threshold for exemption. In addition, target employment support to the 'quick wins' – those who are highly affected by welfare reform but have low barriers to work. Our analysis has identified 1,523 households that face a high impact from welfare reform, and low identified barriers to work. They may face other barriers not covered by this analysis, but many of these households would benefit from employment related interventions.

- **Use this data to co-ordinate support across the council and with partners**

  This analysis and the accompanying household level dataset can help to co-ordinate activity across the council to avoid duplicating support (e.g. DHPs, Social Fund) and provide a more joined-up service (e.g. Troubled Families). Partners can be commissioned to focus on the households with greatest need, or where support is likely to be most effective.

- **Use this data, and further analysis to identify and deliver cashable savings**

  £600,000 could be saved by using this analysis to prioritise and proactively support households impacted by the benefit cap. £1.2m in additional pupil premium funding could be realised through further analysis to drive targeted claims for means-tested free school meals. Other opportunities to deliver cashable savings through this analysis may be identified by the council. We would be pleased to discuss further.

1. Introduction

Welfare reform presents a complex picture for both the London Borough of Haringey (LBH) and its residents.

A range of reforms were introduced in the last parliament to reduce welfare spending:

- The under-occupation charge (also known as the 'removal of the spare room subsidy' or the 'bedroom tax') reduces Housing Benefit for households living in the social-rented sector who are deemed to have a 'spare' room.
- The Local Housing Allowance limits the amount of Housing Benefit tenants in the private-rented sector can receive.
- The benefit cap limits the total benefit income most working-age households can receive.
- Localised council tax support has passed cuts in central government funding to working-age households who are not in a protected group.

A number of further measures were announced in the Summer Budget in July 2015:

- The benefit cap will be reduced to £23,000 per year, in London, for couples and families with children, and to £15,410 for single people without children.
- Work allowances under Universal Credit will be reduced, to £0 for non-disabled households without children, and substantially for families with children.
- Reforms affecting young people, including the loss of Housing Benefit for people under 21, the introduction of 'earn or learn' for 18-21 year olds, and capping of Housing Benefit at LHA rates for tenants in the social-rented sector (overwhelmingly affecting people under 35).
- The withdrawal of entitlement to child tax credits for families having a third child after April 2017, and the 'Pay to stay' policy affecting higher earners in the social-rented sector.
- Increases in the minimum wage, the personal allowance, and additional childcare support for 3-4 year olds.

Universal Credit is being introduced in order to simplify the benefit system and improve work incentives. In Haringey, Universal Credit is being introduced in March 2016 for new, single JSA claimants. LBH would like to be proactive in its response to Universal Credit and other welfare reforms. The overall objective of this project is to help LBH use its own data to identify those residents most likely to be affected by recent and upcoming changes to the welfare benefits system.

The project sets out to:

- understand the impact of recent reforms to the welfare system;
- model the impact of reforms announced in the 2015 Summer Budget and Autumn Statement;
- assess the impact of Universal Credit;
- understand the cumulative impact that these reforms will have across the borough.

LBH will be able to use this information in a proactive way to:

- make better use of its data to target support to residents that need it most;
- take preventative action to mitigate the impact of welfare reforms;
- better co-ordinate resources and support across the borough, by understanding the cumulative impact of reforms on the personal finances of residents.

To help LBH achieve these objectives, this report is accompanied by a household-level dataset that includes flags and filters that show who is affected by each element of the welfare reforms; the financial impact of each reform; the cumulative impact of all reforms and other indicators of need, such as barriers to employment, to help prioritise support.

By enabling the council to identify which households are most heavily affected by welfare reform, the council will be able to better target more effective support to those who need it most.

The analysis is carried out using data on all households in Haringey that are currently (October 2015) receiving either Housing Benefit or council tax support. There are 39,038 households in this cohort, which represents approximately 33% of the population of Haringey. 75% of households in the cohort are of working age and subject to welfare reforms. Detailed information about this dataset can be found in Annex 3.

The analysis in this report is derived from Housing Benefit and council tax support data. This data is cleaned, then analysed by proprietary software that models current and future benefit systems, based on the Universal Benefit Calculator owned by Policy in Practice.

2. Methodology and Limitations

This analysis is based on the London Borough of Haringey Single Housing Benefit Extract (SHBE) and Council Tax Reduction Scheme (CTRS) data as of October 2015.

SHBE is a Housing Benefit dataset provided monthly by local authorities for the DWP. The dataset contains individual-level data, and thus is a rich resource for analysing the impact of welfare reform at both an individual and an aggregate level. It represents low-income households, defined as those in receipt of Housing Benefit. The CTRS dataset contains similar data for all households in receipt of council tax support.

The London Borough of Haringey has signed a secure data-sharing agreement with Policy in Practice. Personally identifiable information has been redacted. Policy in Practice has converted the data into a format consistent with the Universal Benefit Calculator software engine. The analysis using this software was undertaken on a secure server. The output of the analysis shows the individual and aggregate impacts of welfare reform.

There are three general limitations to this methodology:

- The analysis is based on the data provided. In some cases, the data itself may not be accurate. Some residents have little incentive to provide the council with updated information. For example, households in the private-rented sector that pay rent above the Local Housing Allowance are less likely to report further increases in their rent, as this has no impact on their Housing Benefit.

- The data is a snapshot of low-income households, primarily tenants. It does not take into account changes in circumstances that may have occurred since the data was extracted from the system in October 2015, or that will occur after the analysis has been conducted.

- The report presents a 'static' analysis of the impact of welfare reforms. It does not take into account any behavioural impact that the reforms may have. This means that 'dynamic' effects, such as moving into or out of work, are not taken into account in this report. The report also does not take into account preventative front-line support provided by the local authority and its partners.

- The report primarily focuses on tenants and some owner-occupiers. It does not seek to provide analysis of benefit reform on those living as non-dependants, owner-occupiers not receiving help with council tax, or asylum seekers. These groups may also have been affected by welfare reforms.

In addition to these general considerations, there are some limitations to the information held within the SHBE and CTRS datasets that require assumptions to be made in order to complete calculations. Annex 1 provides a complete list of these limitations, the assumptions made, the rationale for the assumptions and the implications for the analysis.

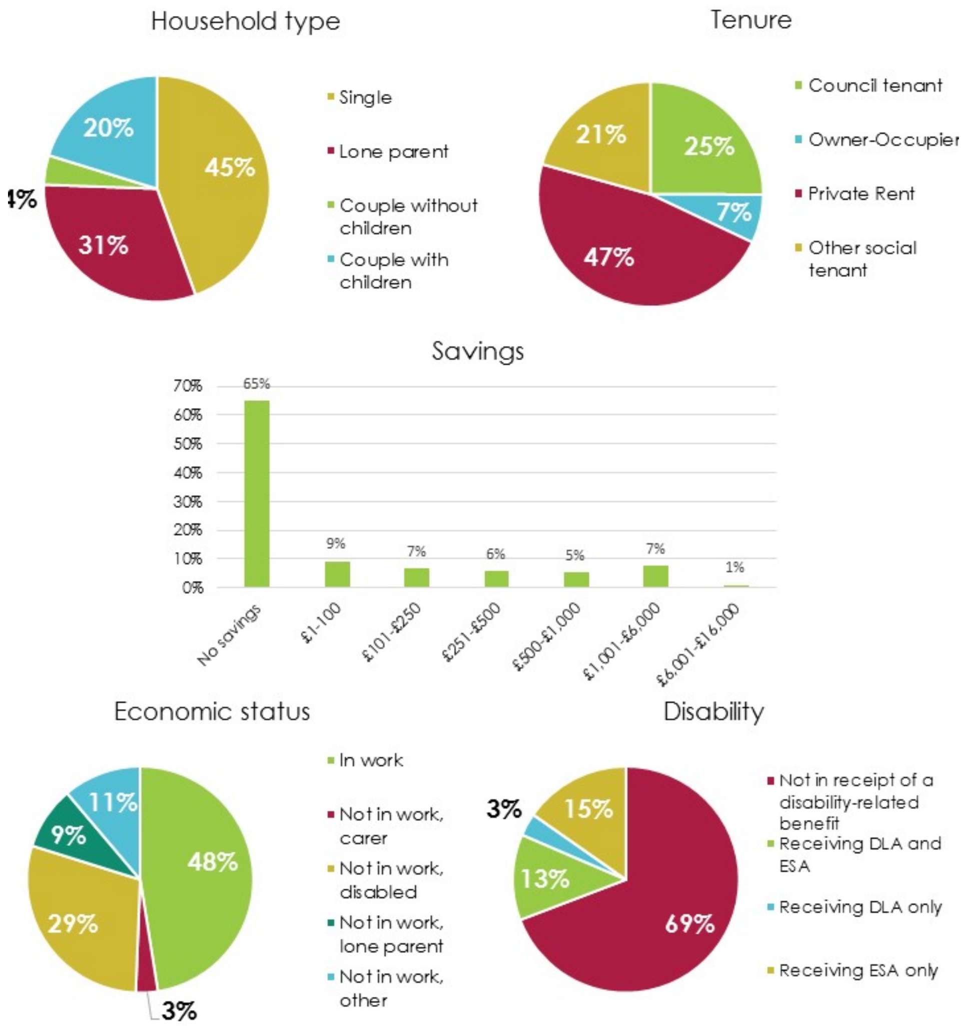
3. The Haringey Cohort

The Haringey cohort for this analysis is comprised of all households receiving either Housing Benefit or Council Tax Reduction. There are 39,038 households in the cohort, comprised of 57,931 adults (including non-dependants) and 29,471 children. This cohort represents approximately one-third of the population of the London Borough of Haringey, based on the most recent census data from 2011.

The cohort represents households on a low income and in receipt of benefits. It includes 60% of all pension-age households and 47% of all children, but just 24% of the working-age population. This means that children and older people are more likely to be on a low income, compared with working-age people in Haringey.

25% of this cohort is of pension age and thus protected from the vast majority of welfare reforms. This compares to a pension age population of 12% in the borough. The remaining 75% of the cohort are working-age households and the focus of the analysis in this report. The characteristics of these households are shown in figure 1(below).

Figure 1: Characteristics of working age households in Haringey cohort



4. The Impact of Welfare Reforms prior to 2016

4.1 Under-occupation charge

The under-occupation charge (also known as the removal of the spare room subsidy or the bedroom tax) was introduced in April 2013. It applies to households who are tenants of social housing who are deemed to have a 'spare' room. The rent used in the calculation of any Housing Benefit is reduced by 14% if the house is assessed as having one spare room and 25% if the house is assessed as having two or more spare rooms.

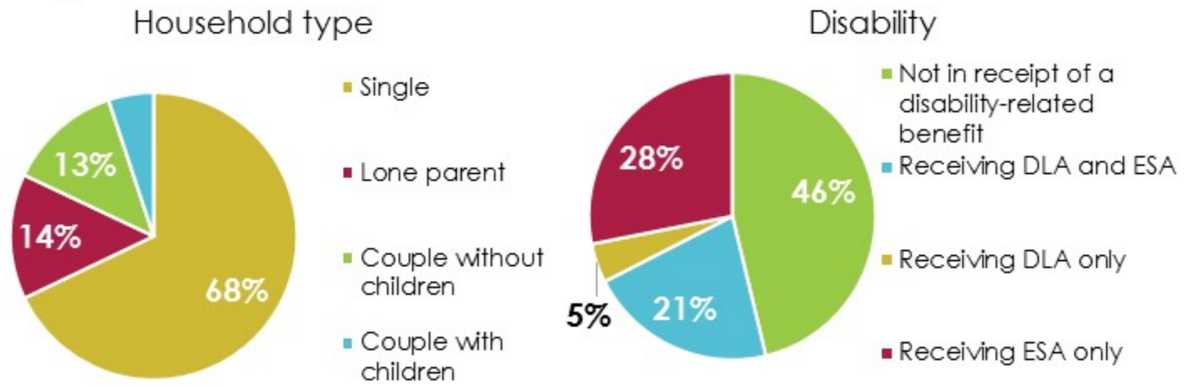
A total of 1,786 households, or 13% of the 13,462 working-age households living in council and housing association properties, receive reduced Housing Benefit due to the under-occupation charge. The average Housing Benefit reduction is £21.32 per week for affected households.

1,053 (59%) of these households live in council properties. The majority of affected households (73%) have one spare room and 27% have two or more spare rooms.

Figure 4 below provides a breakdown of these affected households by household type and by economic status. The majority of households affected are single people without children (68%) and those who are in receipt a disability-related benefit (54%).

19% of households affected by the under-occupation charge have children. There are 511 children living in affected households in Haringey.

Figure 2: Characteristics of households affected by the under-occupation charge



4.2 Local Housing Allowance

The Local Housing Allowance (LHA) was introduced in April 2008 and significantly changed Housing Benefit for people living in the private-rented sector. It places a cap on the maximum amount of rent taken into account for the purposes of Housing Benefit calculation. The applied LHA rate is based on the area in which you live, and the make-up of your household (including age). In effect, Housing Benefit is not related to the actual rent charged unless the rent is at or below the applied LHA amount.

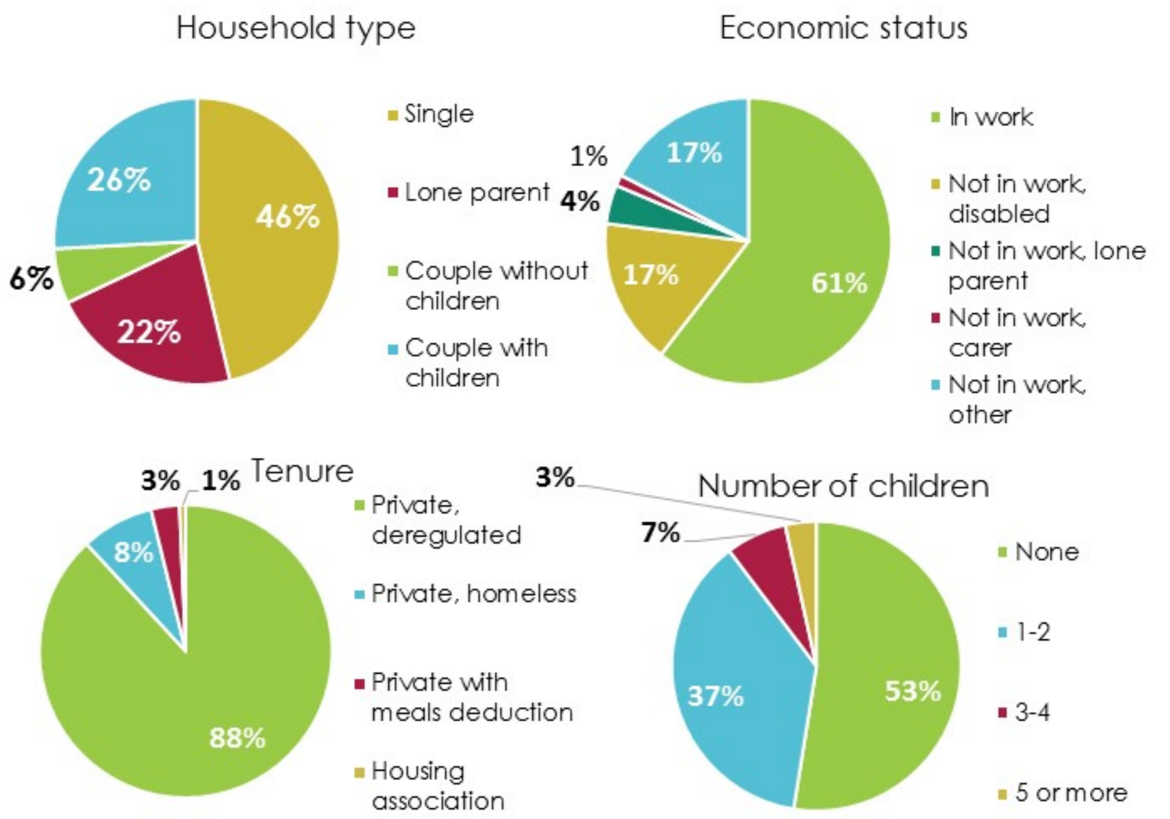
There are 8,237 households living in the private-rented sector in the Haringey cohort. The data shows that 57% of these households are charged rent above the LHA rate applied to calculate their Housing Benefit.

Households paying rent above their applied LHA rate have an average reported difference between their rent and their Housing Benefit of £ 68.73 per week.

The Local Housing Allowance applies to both working age and pension age households. The vast majority of households (94%) affected by the LHA cap in Haringey are of working-age.

Figure 3 below shows a breakdown of households paying rent above the LHA rate by household type, economic status, tenure, and number of children.

Figure 3: Characteristics of households affected by the LHA cap



4.3 Council tax support

In April 2013, national Council Tax Benefit was replaced by localised council tax support. Support funding was reduced by 10% and each local authority devised a local scheme which either incorporated these cuts or protected all or most households from them.

The majority of local authorities in England have passed the cut in funding, at least in part, to their residents by requiring payment of a minimum percentage of council tax, unless a household is in a protected group.

Figure 4: Council tax protection status of households

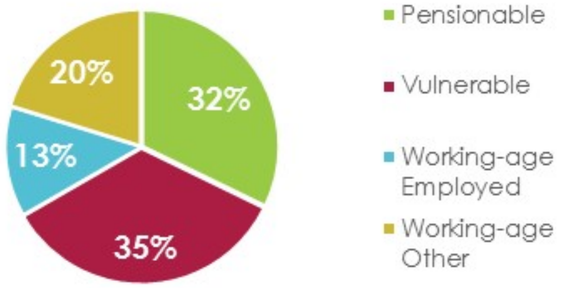


Figure 4 provides an overview of the Council tax protection status of households in Haringey. 28,920 households are in receipt of council tax support.

The majority of these (67%) are in a protected group (pensioners and vulnerable - those receiving certain disability benefits) and receive support equal to their full council tax liability. 33% of council tax support recipients are not in a protected group and pay a minimum of 20% of their council tax liability. For those who are not protected, the average reduction in support following the change from Council Tax Benefit to council tax support is £ 7.55 per week.

Our analysis has identified 31 cases of households classified as "Not protected" in which at least one individual is entitled to Pension Credit. We suggest LBH verify these cases, marked in the dataset, to clarify whether they can qualify for full council tax support or whether the CTRS data needs to be updated.

4.4 The benefit cap (at £26,000)

The benefit cap was introduced in April 2013. It limits the total amount of benefit support a household can receive. Some benefits are exempt from the cap and some households are also exempt. At present, the cap is set at £500 per week for couples and households with children and at £350 per week for single people without children. This is based on the median household income in the UK, £26,000 per year.

Figure 5: Number of households affected by the benefit cap, by weekly Housing Benefit reduction

Households that qualify for Working Tax Credit (i.e. in general, those over 25 in full time work) or households with a person in receipt of a qualifying disability-related benefit are exempt from the benefit cap. Any reduction in total benefit due to the benefit cap is taken from Housing Benefit entitlement. Therefore the cap does not affect owner-occupiers.

There are 436 households in Haringey affected by the benefit cap, with an average Housing Benefit reduction of £78.80 per week. Figure 5 shows the number of households affected by the benefit cap by the weekly Housing Benefit reduction. The household most heavily affected has a £405/week reduction to their Housing Benefit.

Eight households currently lose all of their Housing Benefit as a result of the benefit cap. When they transition to Universal Credit, they could potentially lose more of their benefits, since the benefit cap can affect all elements of UC and not just the housing element.

94% of households affected have children, on average three children per household. 72% of households affected are lone parent families and 22% of households are couples with children. A total of 1,331 children are currently affected.

Half of these households appear to be living in temporary accommodation. Those who live in temporary accommodation have a higher shortfall as a result of the benefit cap, of up to £98.34 per week, than the rest of households affected. The majority of the remainder are tenants in the private-rented sector (28%). Housing association (11%) and council (11%) tenants each represent the remainder.

41 households identified in the Haringey data as affected by the benefit cap (around 9% of those affected) are in work, and if encouraged to increase their hours could become exempt from the benefit cap.

23 of households appear to be working enough hours to qualify for Working Tax Credit and 68 households marked as capped are in receipt of a disability-related benefit. We suggest LBH verify these cases, marked in the dataset, to ensure they are not impacted by the cap if they could be exempt.

4.5 Discretionary Support

This section focuses on Discretionary Housing Payments (DHPs). We also look at households in receipt of S17 payments and support from the Local Fund (formerly the Social Fund) to identify households in receipt of multiple streams of support.

Discretionary Housing Payments

DHPs are usually short-term awards provided by local authorities to help people with housing costs. Local authorities have increasingly used DHPs to assist those affected by welfare reform.

159 of these households were in receipt of a DHP in October 2015, when the data was generated. A total of 362 households in Haringey received Discretionary

Housing Payments at some point in 2015, while 263 households were refused a DHP over the same period.

As table 2 below shows, a large proportion of households affected by the benefit cap are successful in their DHP applications, and tend to receive higher levels of support from the council. Those in the private-rented sector affected by the LHA cap are unlikely to receive this support.

(Please note that table 2 provides a breakdown of all DHP payments, not of the households that received them. Some households received multiple DHPs, and will therefore be represented several times in the table.)

Table 2: Discretionary Housing Payments

Welfare reform	Households affected	Successful DHPs	Current DHPs	Refused DHPs	Average weekly amount (of successful DHPs)	Average number of weeks (of successful DHPs)
Under-occupation	1,786	55 (3%)	22 (1.2%)	59 (3%)	£17.29	16.5
LHA cap	3,865	72 (1.9%)	37 (1%)	72 (1.9%)	£36.26	18.5
Benefit cap	436	189 (43%)	119 (27%)	26 (6%)	£113.72	7
Other	N/A	13	9	42	£30.16	16.5

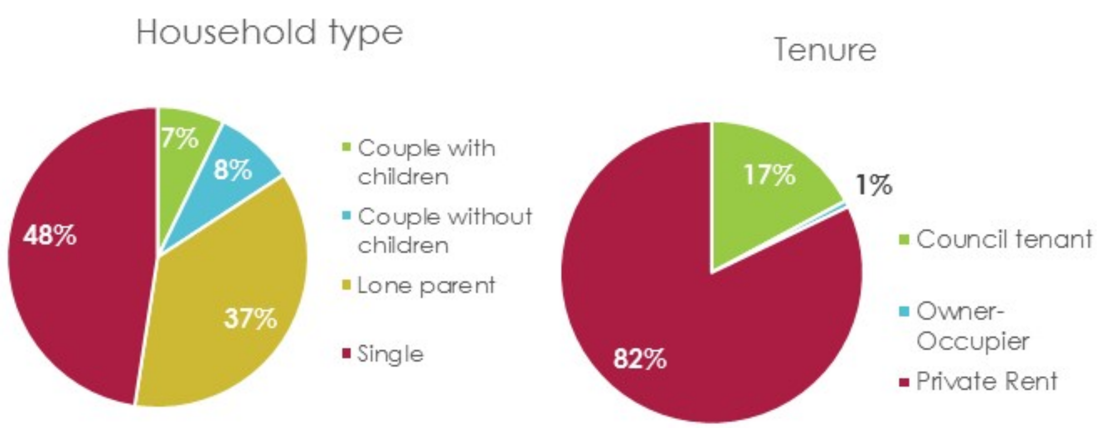
Almost half of all households receiving DHPs in 2015 were single people without children. Lone parents were also highly represented among DHP recipients. Couples with children receiving DHPs are under-represented compared to their numbers in the cohort as a whole.

Almost 30% of all DHPs were granted for temporary accommodation in response to the benefit cap and an additional 18% were given as short-term payments for those seeking employment or resolution.

It appears that DHPs for under-occupation and the LHA cap are more likely to be awarded based on the circumstances of the applicant, and less so the scale of the shortfall between rent and Housing Benefit. The scale of the shortfall plays a larger part in the award of DHPs for households affected by the benefit cap.

As figure 6 below shows, more than 80% of DHP recipients in 2015 were private tenants, largely those affected by the benefit cap.

Figure 6: Household type and tenure of households in receipt of DHPs in 2015



DHPs and under-occupation

Our analysis of the data provided shows that 36 of the 1,786 households affected by the under-occupation charge received a DHP in 2015. Those that received a DHP had a similar rent shortfall to those who were refused (an average of £23.50 per week compared to £22 per week). There are six households with a rent shortfall of more than £50 per week caused by the under-occupation charge that had not applied for a Discretionary Housing Payment.

The average weekly DHP received by these households is £13.63, which represents almost 84% of the average income loss if they would have received full Housing Benefit but for the under-occupation charge.

Case study: A single woman aged 49 lives in a 3-bedroom social-rented property in N17. She pays a rent of £148.05/week, and is in the ESA Support Group. She has no earnings.

Since she can only receive support for a one-bedroom property, a reduction of 25% is applied to her Housing Benefit. This means that the shortfall from the under-occupation charge is £37.

LBH gave this woman a DHP worth £15/week since she was looking to resolve her situation. This helps to make up some of the difference between her rent and her Housing Benefit.

DHPs and the LHA Cap

Of the 4,681 households affected by the LHA cap in October 2015, just 1.24% of them (58) received a Discretionary Housing Payment. Those who did receive a DHP had a noticeably lower income loss as a result of the LHA cap than those who were refused: the average LHA shortfall of DHP recipients was £36.70/week, compared to £55.39 for those who did not.

Households affected by the LHA cap that received a DHP were 80% more likely to be in receipt of a disability benefit than those who did not, and were three times as likely to be lone parents. These factors may explain their prioritisation in payments in line with the council's DHP policy.

DHPs and the Benefit Cap

Our analysis of the DHP data shows that households affected by the benefit cap were the most likely to receive a Discretionary Housing Payment: more than 40% of households affected by the cap received a DHP. Table 3 (below) breaks down the

Case study: A single woman aged 49 lives with her five children in a 5-bedroom private-rented property in N17. She pays a rent of £381.61/week, and is out of work.

She would be entitled to Housing Benefit of £381.61/week to cover her full rent if she was exempt from the benefit cap. However, due to the cap she only received £80.50 each week: her shortfall due to this reform is of £301.11 per week.

This household has received four short-term DHPs to help pay for temporary accommodation. These awards were of £294/week, for a total of 41 weeks characteristics of households affected by the benefit cap, depending on whether they are in receipt of DHP or not.

DHP expenditure seems to be clearly targeted to those households that are most heavily affected by the benefit cap. The average capped amount of those that received a DHP was £115 per week. The average cap for households not receiving a DHP was just over £50 per week.

Table 3: characteristics of capped households in DHPs

	Households affected by the benefit cap	
	Received DHP	Not received DHP
Average cap shortfall	£115/week	£50/week
Probability of being a lone parent	78%	67%
Number of children	3.33	2.85
Probability of being in work	3%	14%

Households affected by the benefit cap who successfully applied for Discretionary Housing Payments typically had more children, were more likely to be lone parents, and were less likely to be in work than those who did not receive or apply for a DHP. They were also very likely to be homeless living in temporary accommodation.

LBH appears to be targeting its resources effectively to support households most affected by the benefit cap and at risk of homelessness.

Households affected by the cap were likely to receive discretionary payments for temporary accommodation (65%), or other short-term reasons (33%).

The Local Fund and Section 17 payments

Section 17 of the Children Act 1989 gives local authorities the power to provide accommodation and financial support to families with 'children in need', even if they have no recourse to public funds. Cash payments are made in emergencies, in situations where a household has no adequate accommodation or cannot meet basic living needs and, as a result, the health or development of the child is likely to be significantly impaired.

A total of 275 Section 17 awards were made in the last year, with a total amount paid of £32,139. The average award was £116.87. The largest awards on average were made for child illness or disability (average of £226.35) and families in acute stress (£242.50). However, just 34 households received both Section 17 payments and either council tax support or Housing Benefit.

Only one household received a DHP and a Section 17 payment in the last year. This is a household with six children affected by the benefit cap, which has received three short-term DHPs and one small Section 17 payment to cover transport costs.

The Support Fund was created in 2013, when responsibility for delivering some elements of discretionary welfare assistance was transferred to single-tier and county councils in England, and the devolved governments in Scotland and Wales. The new local schemes replace two parts of the former DWP discretionary Social Fund: Crisis

Loans for unforeseen financial emergencies and Community Care Grants to help people move into (or stay in) the community.

1,300 Support Fund payments were made by the London Borough of Haringey between 2013 and 2015, to a total of 750 households – 552 of which also received Housing Benefit and/or Council Tax Support. The total expenditure was £469,000, with an average payment of £406.03.

Eight households have received both a DHP and a Support Fund award since 2013. Half of these received a DHP after being affected by the benefit cap; and three received it for health reasons. However, no households received a DHP, a Support Fund award **and** a Section 17 payment.

For those households in receipt of more than one form of financial assistance, consider consolidating support, taking proactive steps to support the household towards independence, and co-ordinating with other departments (e.g. troubled families) to reduce their level of reliance on council resources over time.

4.6 Universal Infant Free School Meals Programme (UIFSM) and the Pupil Premium

The Pupil Premium is awarded to schools based on the number of their pupils that have made a claim for Free School Meals, and is worth £1,320 per pupil. The UIFSM programme was introduced in September 2014 and guarantees that all pupils in reception, year 1 and year 2 in state-funded schools in England are offered a free school meal (FSM).

Bizarrely, households that are getting UIFSM still need to put in a claim under the means-tested scheme in order for the school to receive the school premium. One local authority estimated that 50% of pupils eligible for both UIFSM and means tested free school meals were not putting in a claim. While this would have no effect on the income of families already eligible for UIFSM, it can heavily affect schools' finances.

The analysis identified 1,783 households eligible for both UIFSM and means-tested FSM. If we assume only half of these households make a means-tested claim, we estimate the loss to schools in Haringey to be worth £1.2m.

Additional analysis from Policy in Practice would identify those households least likely to have made a claim. We recommend that the council work with us to investigate the potential to increase FSM applications, and income from the Pupil Premium.

5. The impact of the Summer Budget and Autumn Statement in 2015

The Government announced further reforms to the welfare system in the Summer Budget and the Autumn Statement, with spending reductions affecting working-age households. These reforms include a reduction in the benefit cap and reductions to the work allowances within Universal Credit, with both of these reforms being introduced prior to April 2017.

Other changes include those that affect young people; those affecting social sector tenants; the withdrawal of entitlement to child tax credits for families having a third child after April 2017; the 'Pay to stay' policy affecting higher earners in the social sector and the cap on rents in the social sector to the LHA rate.

Some reforms that mitigate the impact of some of the reforms are also being introduces, including increases in the minimum wage, increases in the personal allowance and additional childcare support for 3-4 year olds.

5.1 Reducing the benefit cap to £23,000

In 2016, the benefit cap, which limits the total benefits a household can receive will, in London, be lowered to £23,000 per year (£442 per week) for couples and households with children, and to £15,410 per year (£296 per week) for single people with no children. DWP's impact assessment on the benefit cap suggests that there will be a phased implementation of the lower benefit cap beginning in April 2016, to be completed by the end of the year.

Who will be capped, and by how much?

Policy in Practice's analysis estimates that 2,007 households will be affected by the lower benefit cap - including those already capped at the current rate. This is almost five times the number of households that are currently capped.

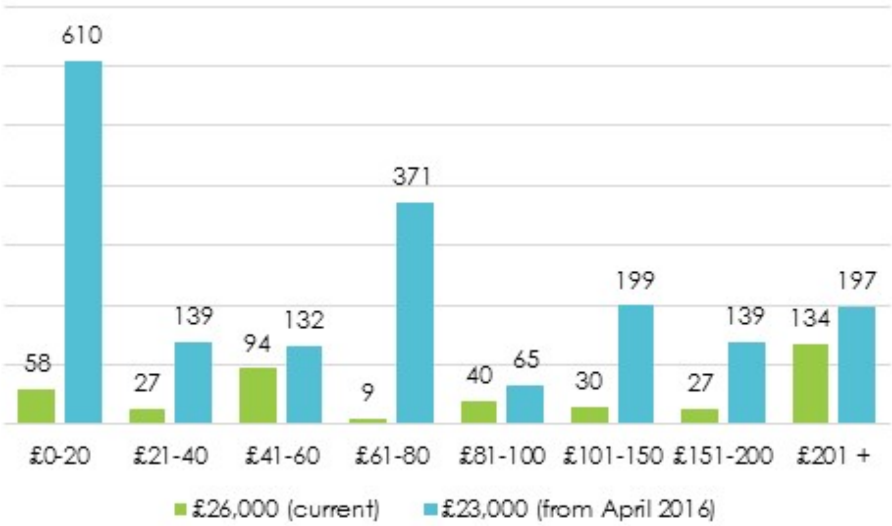
In order to identify households affected by the cap, we need to know their level of tax credit income, since this impacts upon their Housing Benefit. Tax credits are based on income in the prior year. Since this information is not available in the data, we make the reasonable assumption that tax credits are based on the households' current income, and use the Universal Benefit Calculator to calculate tax credits and housing benefit.

Our analysis finds that the average Housing Benefit reduction as a result of the benefit cap will actually fall, from £78.80 per week under the current benefit cap to £76.78 per week under the new, lower benefit cap. This is because more of the households newly affected by the cap are affected only by smaller amounts, bringing the average down. For households already affected by the benefit cap, the average weekly loss under the new cap will be £139.

58 households can expect to lose their Housing Benefit altogether as a result of the lower cap. Under UC they could stand to lose out even more, since the cap will not be limited to just the housing element.

As figure 7 (below) shows, 610 households newly affected by the lower benefit cap will lose less than £20 per week. However, 535 households will lose more than £100 per week. .

Figure 7: Number of households affected by the benefit cap, by weekly Housing Benefit reduction



32% of households identified as being capped (521) are in receipt of ESA, and because of data-constraints are assumed to be in the work-related category of ESA.

Some of these 521 households may well be in the ESA support category, and thus be exempt from the benefit cap. We recommend the local authority cross check these records with other data sources, to identify additional households that are exempt.

10% of households identified as being capped appear to be in work. If these households were to increase their hours worked, and the claimant was over 25, they could qualify for an exemption from the cap.

What is the profile of households that will be capped?

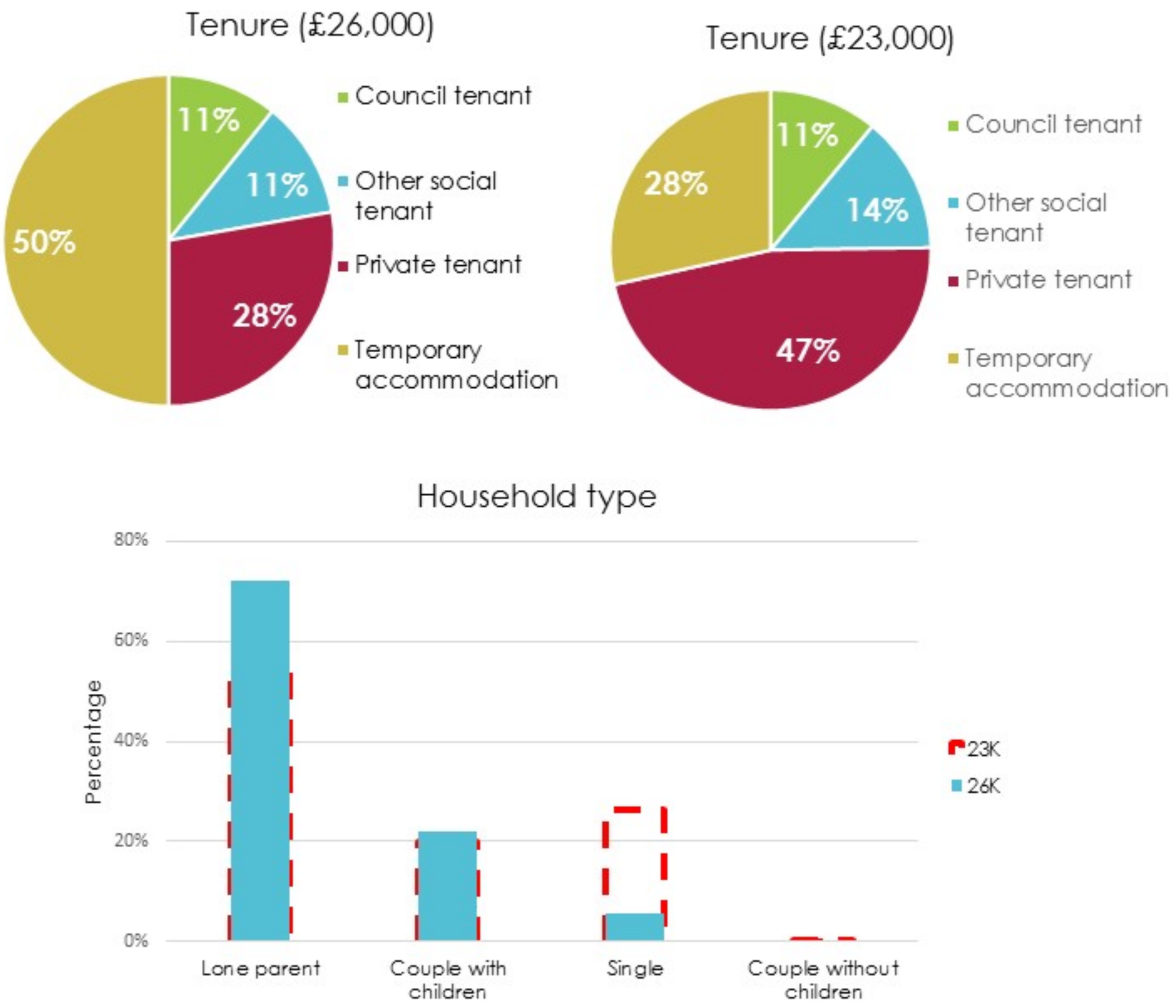
The lower benefit cap will change the types of families that are affected:

- Smaller families will be affected. The average number of children in households affected will fall to two, compared to an average of three children currently. The number of children affected by the reduced benefit cap will rise from 1,341 to 3,765.

- Currently the cap applies almost exclusively to households with children. Under the lower benefit cap almost 27% of those affected will be childless households (mainly single people without children).

- The proportion of affected households living in the private-rented sector will fall slightly from 78% to 75%. A greater proportion of households living in housing association properties will be affected, rising from 11% to 14% and the proportion of affected council tenants will remain constant.

Figure 8: Characteristics of households affected by the lower benefit cap



A total of £531,000 has been spent this year on DHPs for households affected by the benefit cap. Once the lower benefit cap is introduced in 2016, the gap between rent and Housing Benefit for affected households will increase by almost 68%.

In order to provide a similar level of support through DHPs, expenditure on affected households would increase to at £785,000 in 2017/18. This does not take into account the possibility that, with five times as many households affected by the benefit cap, next year may see an increase in Discretionary Housing Payment applications. LBH might have to consider how it targets its discretionary support over the next year, and perhaps accept that more DHP applications will have to be refused or support provided at a lower level. Much of this analysis will depend upon the level of DHP allocation the council receives from DWP.

The lower benefit cap presents a key challenge for Haringey Council in the distribution of housing support. While funds for DHP payments are expected to increase in the short term, the council should consider how they will use this funding to ensure sustainable support is made available to affected households.

5.2 Changes to benefits for young people

Two core changes to benefits for young people were announced in the Summer Budget.

First, 18 to 21 year olds will no longer have an automatic entitlement to the housing element of Universal Credit if they are out of work. In Haringey, there are 290 such households at risk of losing their housing support under Universal Credit.

LBH should consider the implications for housing and homelessness support, particularly for children under local authority care who may not be exempt from this change.

Second, young people aged 18-21 will be expected to 'earn or learn' and will have to participate in an intensive regime of support under Universal Credit. There are 471 young people in the Haringey cohort (including non-dependants) that could be affected if they make a claim for Universal Credit. It is not yet clear how much, if any, of this support will be provided by local authorities.

In addition, a third reform, the capping of social rents to the applicable LHA rate covered below, overwhelmingly affects single people under the age of 35 since they are eligible for the lower shared accommodation rate of the Local Housing Allowance.

5.3 Removal of the WRAG Premium

People in receipt of Employment and Support Allowance currently receive a higher amount than those in receipt of Jobseeker's Allowance. ESA is currently provided at two rates: one for those who require support to prepare for return to work (the Work Related Activity Group) and another rate for those with more severe disability requiring long-term support (the Support Group). The Summer Budget announced that new claims in the Work Related Activity Group (WRAG) will no longer receive the WRAG premium, worth £29.05 per week. There are 3,128 households in the ESA group in the cohort at risk of losing this premium if they were to make a new claim.

Data is not available on the current ESA classification of households. We have made reasonable assumptions when allocating people to their ESA group, but an accurate estimate of affected numbers is not possible.

5.4 Cut to tax credits for third and subsequent children

Families will not be able to claim Child Tax Credit for third and subsequent children born after April 2017. 4,877 households in Haringey are in receipt of Child Tax Credit

> LBH should use the dataset to identify households at risk of losing extra tax credit support if they have more children, and inform them of their situation.

for two children, and would not receive additional support if they were to have a new child after April 2017. A further 3,557 households have three or more children, and could lose support if there is a material change in circumstances requiring a new claim to be made.

5.5 'Pay to Stay'

Social housing tenants with household incomes of £40,000 and above in London will be required to 'pay to stay' in social housing by paying a market rent for their home. This policy is expected to be introduced in 2017/18.

Local authorities will be required to pass on this increased income to the Exchequer. Housing associations will be able to use this extra income to invest in new housing.

The cohort examined in this analysis is composed of households in receipt of means-tested benefits, and are therefore on relatively low incomes. The analysis has

> LBH could identify the households that may have to 'pay to stay' after 2017, and undertake further analysis to decide how they can prepare for this reform.

identified five households that may be affected by this reform.

5.6 Housing Benefit capped at LHA rates for social rents

In November 2015, the Chancellor announced the extension of the LHA cap to the social-rented sector. This measure will be applied to current tenancies from April 2018 and to new tenancies from April 2016.

In Haringey, there are 1,112 households in the social-rented sector paying rent above the applicable LHA rate. 86% of these tenants live in a 1 bedroom property and the average age is 29.5 years. 41% (240) of these households are council tenants, the remaining 59% live in other social-rented sector housing. The average difference between their monthly rent and their applicable LHA rate is £38.64 per week.

5.7 The LHA freeze

The Chancellor of the Exchequer has also announced his intention to freeze LHA rates in the United Kingdom for the next four years. The Government has stated that this will provide a cap on rental increases. However, this did not occur in most areas with the introduction of LHA rates and therefore the freeze in LHA rates is unlikely to have any significant impact on rent levels.

We assume that private rents in London will continue to rise at the current rate of 4.1% p.a. for the next four years[2] while LHA rates remain stable. Rents for social tenants are assumed to fall by 1% per year as instructed by the Government in the Summer Budget. The table below shows average rents according to our model in the social and private sectors, in 2015 and in 2020:

Table 4: rent uprating in the social and private sectors, from 2015 to 2020

	Social Rent			Private Rent	
	Current average	2020 average		Current average	2020 average
Shared room	£ 132.94	£ 127.71		£ 171.96	£ 179.31
1 bedroom	£ 120.82	£ 116.07		£ 185.75	£ 193.69
2 bedrooms	£ 129.25	£ 124.17		£ 258.36	£ 269.40
3 bedrooms	£ 137.15	£ 131.76		£ 307.95	£ 321.11
4 bedrooms	£ 161.43	£ 155.08		£ 346.94	£ 363.21
5+ bedrooms	£ 163.65	£ 157.21		£ 388.94	£ 405.57

Our analysis suggests that an additional 1,700 private tenants would be affected by the LHA cap if rents in Haringey continue to increase at current rates. This would bring the total number of households affected by the LHA cap to 6,379, and the average weekly shortfall as a result between the rent and the Housing Benefit for these households to £55.02. For social sector tenants, 172 properties could fall back below the LHA cap, once the LHA rate is applied to social tenancies in 2018.

5.8 The National Living Wage and increased personal allowance

The Summer Budget announced an increase in the minimum wage for people over 25, called the 'National Living Wage'. It will be set at £7.20 per hour from April 2016 (compared to £6.50 today) and will rise to £9.00 per hour by 2020. This does not apply to 8,272 under-25s in work, or to 3,171 self-employed people, but it could affect the income of the latter under Universal Credit.

Our analysis finds that the new minimum wage will increase the earnings of 6,850 low-income families in Haringey. 65% of households in receipt of Housing Benefit and council tax support, aged 25 or over, in work and not self-employed earn below £9 per hour.

The impact of the National Living Wage combined with the increased personal allowance will help 10,712 households in work, by an average £13.96 per week. It is

[2] This is equal to 4.1% according to the latest ONS index, found here: http://data.london.gov.uk/housingmarket/

worth pointing out that this will only happen if all employers respond to the higher National Living Wage by increasing their workers' wages accordingly rather than reducing hours or hiring younger people who are not affected by the reform.

6. The Impact of Universal Credit

Universal Credit (UC) is the Government's flagship welfare reform. It will replace six existing means-tested benefits: income-based Jobseeker's Allowance, Income-related Employment and Support Allowance, Income Support, Housing Benefit, Child Tax Credit, and Working Tax Credit.

The initial rationale for the new system was to:

- simplify the system, making it easier for people to understand and making administration more efficient
- encourage recipients to start paid work or increase their earnings by making sure that work pays;
- smooth the transitions into and out of work;
- reduce poverty
- reduce fraud and error.

Work allowances were a key feature of Universal Credit. These are the amounts a household can earn without any UC being withdrawn. The work allowances helped to ensure that people would be better off in work than on benefits.

Work allowances were reduced in the Summer Budget 2015. The table below provides a summary of the reduction of work allowances by household type. The extent to which this will affect their take home income will depend upon their level of earnings, as well as their household type.

Table 5: reductions to work allowances under Universal Credit

	2015	2016	Change
Single person (with housing support)	£1,332.00	£0.00	-£ 1,332.00
Single person (no housing costs)	£1,332.00	£0.00	-£ 1,332.00
Lone parent (with housing support)	£3,156.00	£2,304.00	-£ 852.00
Lone parent (no housing costs)	£8,808.00	£4,764.00	-£ 4,044.00
Couple without children (with housing support)	£1,332.00	£0.00	-£ 1,332.00
Couple without children (no housing costs)	£1,332.00	£0.00	-£ 1,332.00
Couple with children (with housing support)	£2,664.00	£2,304.00	-£ 360.00
Couple with children (no housing costs)	£6,432.00	£4,764.00	-£ 1,668.00
Disabled people (with housing support)	£2,304.00	£2,304.00	£ -
Disabled people (no housing costs)	£7,764.00	£4,764.00	-£ 3,000.00

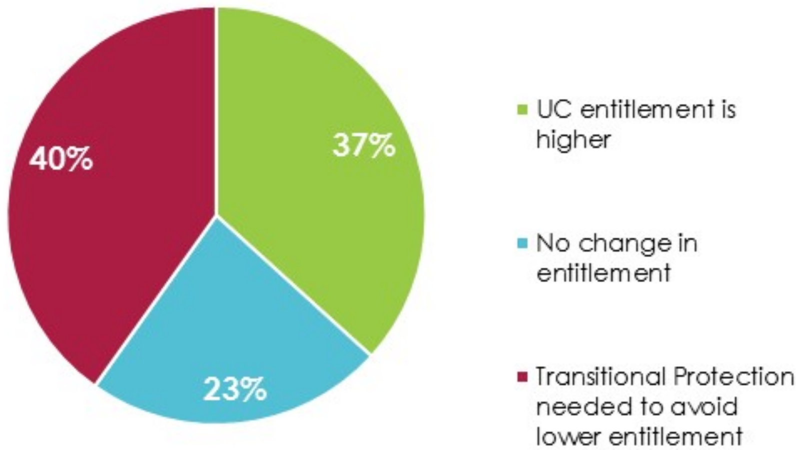
Universal Credit will be introduced in Haringey for single people currently in receipt of Jobseeker's Allowance in March 2016. Numbers in receipt of UC will remain low at first, but this analysis estimates that at least 29,933 households in Haringey will receive UC when it is fully implemented.

The following section is based on the assumption that Universal Credit is fully rolled out in Haringey over the course of 2016, to give an indication of the effects that the roll-out will have on the Council's residents during the first year of implementation. This allows for a like-for-like comparison between the current tax credit system and Universal Credit, assuming no changes in caseload or rent levels.

6.1 Universal Credit is rolled out in 2016

This analysis compares each household's income (including all benefits, tax credits and net earnings) under the current benefit system and Universal Credit.

Figure 9: The impact of Universal Credit on household income in 2016



The analysis is based on policy changes that come into effect from April 2016. This includes changes to the benefit cap and the reduction of work allowances in Universal Credit. This analysis is based on the current caseload of HB and CTRS claimants on the understanding there are no changes in circumstances except for earnings increasing in line with minimum wage levels for claimants in work. Differences in entitlement are identified as those that are greater than £5 per month.

Under Universal Credit 37% of households will have a higher income than under the current system. 40% will need transitional protection to avoid a lower income and 23% will see no change in income if their circumstances remained the same. This analysis does not take into account any changes in behaviour (e.g. moving into or out of work) as a result of Universal Credit.

A reduced work allowance in Universal Credit

61% of households in Haringey that will be entitled to Universal Credit when it is fully implemented across the borough will have a lower work allowance as a result of the changes announced in the Summer Budget.

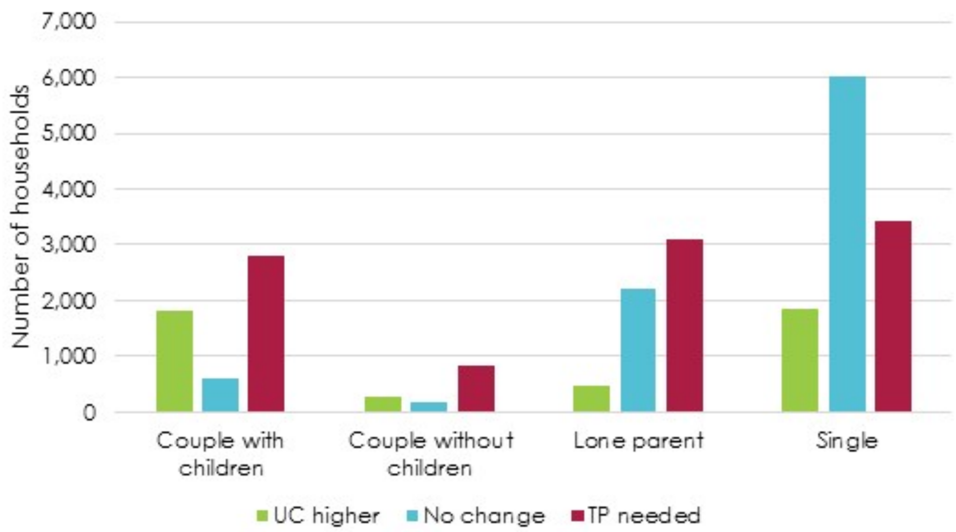
Table 5 provides a breakdown of households in work who would have a lower work allowance as a result of the reduced allowances announced in the Summer Budget of 2015. This is based on current monthly earnings. The highest number of individuals affected are couples with children (4,890). Single people will face the greatest reduction in their work allowance, with an average reduction of £71.50 per month.

Table 6: Impact of reduced worked allowance under UC by household type		
Household type	Number of Households Affected	Average monthly work allowance reduction
Couple with children	4,890	£25.30
Couple without children	620	£67.51
Single	3,670	£71.50
Lone Parent	4,603	£55.31

The impact of Universal Credit on different households

Figure 10 below shows the impact Universal Credit will have on different household types. It shows that there are 'winners' and 'losers' within each household type. All household types are more likely to be worse off than better off. Lone parents are most likely to be worse off, or see no change in their income. Couples with children and single people are the two groups most likely to see an increase in their income under Universal Credit.

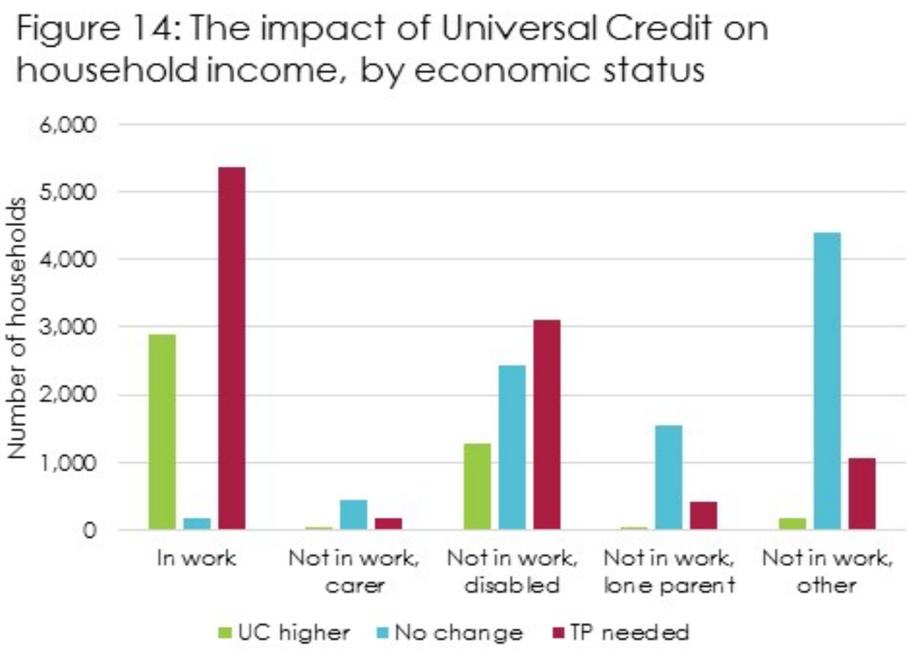
Figure 10: The impact of Universal Credit on household income, by household type



Following full implementation of UC, owner-occupiers are more likely to see no change in their income than households with other tenures. Tenants (in both social housing and private-rented properties) are more likely to need transitional protection and less likely to be better off under the new system.

Figure 11: The impact of Universal Credit on household income, by tenure

The biggest variation in the impact of Universal Credit is that between different economic groups. Figure 12 (below) illustrates that the majority of households that will need transitional protection are in work. This is due to the reduction in work allowances under Universal Credit. The result of these cuts to work allowances is to make Universal Credit less generous to those in work than the current tax credits system. Households in receipt of a disability-related benefit will also see their income fall under the new system. The numbers used in this report are based on assumptions around ESA categories and may differ under further investigation. In general, those not in work or disabled are less likely to see a change in their income following transfer to UC.



In-work conditionality

For the first time, Universal Credit will introduce conditionality for recipients who are in work but have earnings below a certain level. This conditionality threshold will be set as the number of hours the householder is expected to work (similar to the current hours requirement in tax credits) multiplied by the minimum wage. Certain groups, such as disabled people and lone parents with children under five, will still not be subject to full conditionality under Universal Credit.

43% of working-age households in the cohort will be subject to conditionality under Universal Credit. Of these, 8,154 households are in work and will be subject to conditionality because earnings are below the required threshold. These households do not have any conditionality in the current system and could be subject to sanctions for not fulfilling their conditionality requirements under Universal Credit.

The minimum income floor

Universal Credit will introduce a 'minimum income floor' that will apply to self-employed people. Similar to the in-work conditionality threshold, this will be set at the number of hours the individual is expected to work multiplied by the minimum wage.

For self-employed households earning below this threshold, Universal Credit will be awarded based on an assumed level of income rather than their actual earnings. Many of these households will see a fall in their Universal Credit entitlement as a result.

In Haringey, there are 3,171 households with at least one partner who is self-employed. 77% of these households are earning below their applicable 'minimum income floor' and are at risk of seeing their income fall under Universal Credit.

Transitional Protection

Transitional Protection is calculated by comparing the total household monthly income at the point of migration to Universal Credit with the new Universal Credit entitlement. Where the Universal Credit entitlement is lower, transitional protection will be awarded as a cash amount to make up the difference.

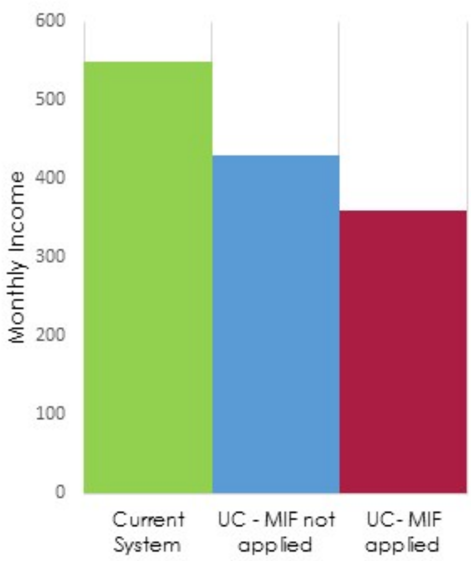
Significant changes in circumstances will lead to the end of protection. The DWP describes the following occurrences as significant changes in circumstances[3]:

- a partner leaving/joining the household;
- a sustained (3 month) earnings drop beneath the level of work that is expected of them according to their claimant commitment;
- the Universal Credit award ending; and/or
- one (or both) members of the household stopping work.

For self-employed claimants, transitional protection will be calculated against their Universal Credit entitlement before the minimum income floor is applied. For households with at least one self-employed individual earning below the living wage, the amount of protection received will therefore be lower than the actual difference between their income under the current system and Universal Credit.

Figure 13 illustrates how transitional protection is calculated for this group of claimants.

Figure 13: Transitional Protection for self-employed residents



[3] Department of Work and Pensions, 2012. "Universal Credit Policy Briefing Note: Transitional Protection and Universal Credit"

The analysis identifies 1,094 households in Haringey in need of transitional protection with at least one self-employed individual earning less than the minimum income floor.

Overall, the analysis finds that a total of £36.8 million worth of transitional protection will be paid to 10,371 households in Haringey who would otherwise see their income fall following the migration to Universal Credit.

Engage with self-employed households identified in the dataset as likely to require transitional protection, to inform them of the change and help them to prepare.

Non-dependant deductions under UC

Universal Credit has a single-rate deduction for non-dependants set at £69.37/month, as opposed to the current system where deductions range from £63/month to over £400/month depending on the non-dependant's circumstances. This means that some non-dependants (particularly those with high earnings from work) carry a lower deduction to the claimant's housing support than under the current system, while others (such as those receiving benefits) carry a higher deduction.

Our analysis identifies 5,305 households in receipt of Housing Benefit that will have a higher non-dependant deduction under Universal Credit than under the current system. By contrast, 751 households will receive a lower deduction to their housing element than currently.

Use the accompanying dataset to identify households that stand to lose out from the different deductions under Universal Credit, and support them into work where relevant.

Earnings required to move out of entitlement to UC

On average, households in Haringey will have to earn at least £26,751 per year to move out of entitlement to Universal Credit. However, this varies by household type and tenure, as shown in Table 4 (below).

Table 7: Earnings required to move out of entitlement to Universal Credit	
By Household Type	
Single	£19,072
Couple without children	£21,622
Lone parent	£30,694
Couple with children	£38,952
By Tenure	
Private rent	£23,028
Council tenant	£31,551
Social rent	£14,979
Owner occupier	£24,720

7. The Cumulative Impact of Welfare Reform in Haringey

7.1 The impact of reforms already in place

A range of reforms were introduced in the last parliament to reduce welfare spending:

- The under-occupation charge (also known as the 'removal of the spare room subsidy' or the 'bedroom tax') reduces Housing Benefit for households living in the social-rented sector who are deemed to have a 'spare' room.
- The Local Housing Allowance limits the amount of Housing Benefit tenants in the private-rented sector can receive.
- The benefit cap limits the total benefit income most working-age households can receive.
- Localised council tax support has passed cuts in central government funding to working-age households who are not in a protected group.

Based on the data provided to us for October 2015, the combined impact of these welfare reforms, implemented prior to April 2016, mean that working-age households in Haringey have seen household incomes fall by an average of £14.16 per week.

7.2 The impact of the reduced benefit cap

In July 2015, the Government announced a number of further changes. These included a reduction in the benefit cap to £23,000 per year (in London) for couples and families with children and £15,410 for single people without children in London. This is to be introduced in April 2016.

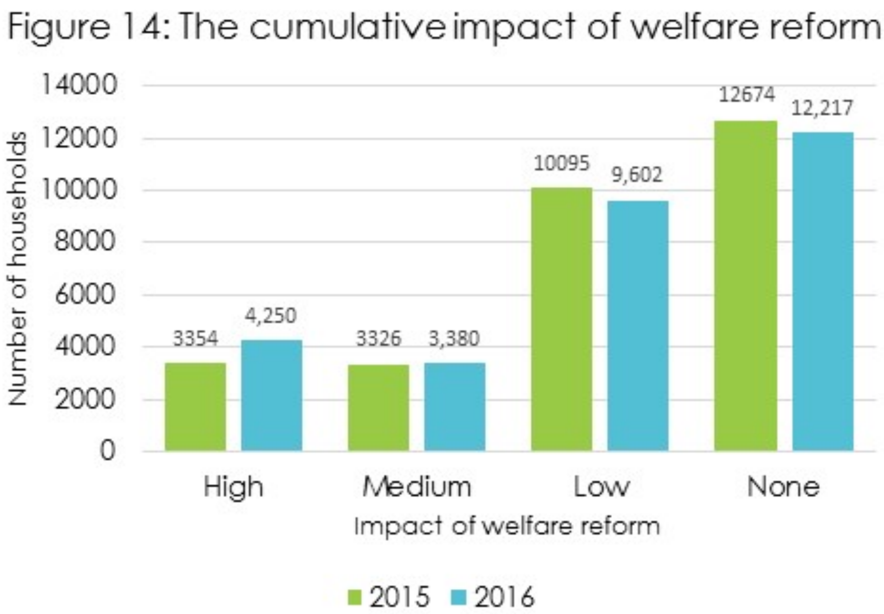
Taking just this change into account, our analysis finds that the average household income loss will increase to £18.22 per week, or £950 per year.

7.3 Households with a high impact in 2016

Our analysis has categorised each household by the cumulative impact of welfare reform on that household: none, low, medium, high. Whilst the thresholds for each of the categories are largely arbitrary, they have been agreed with the client and help to prioritise households that need support.

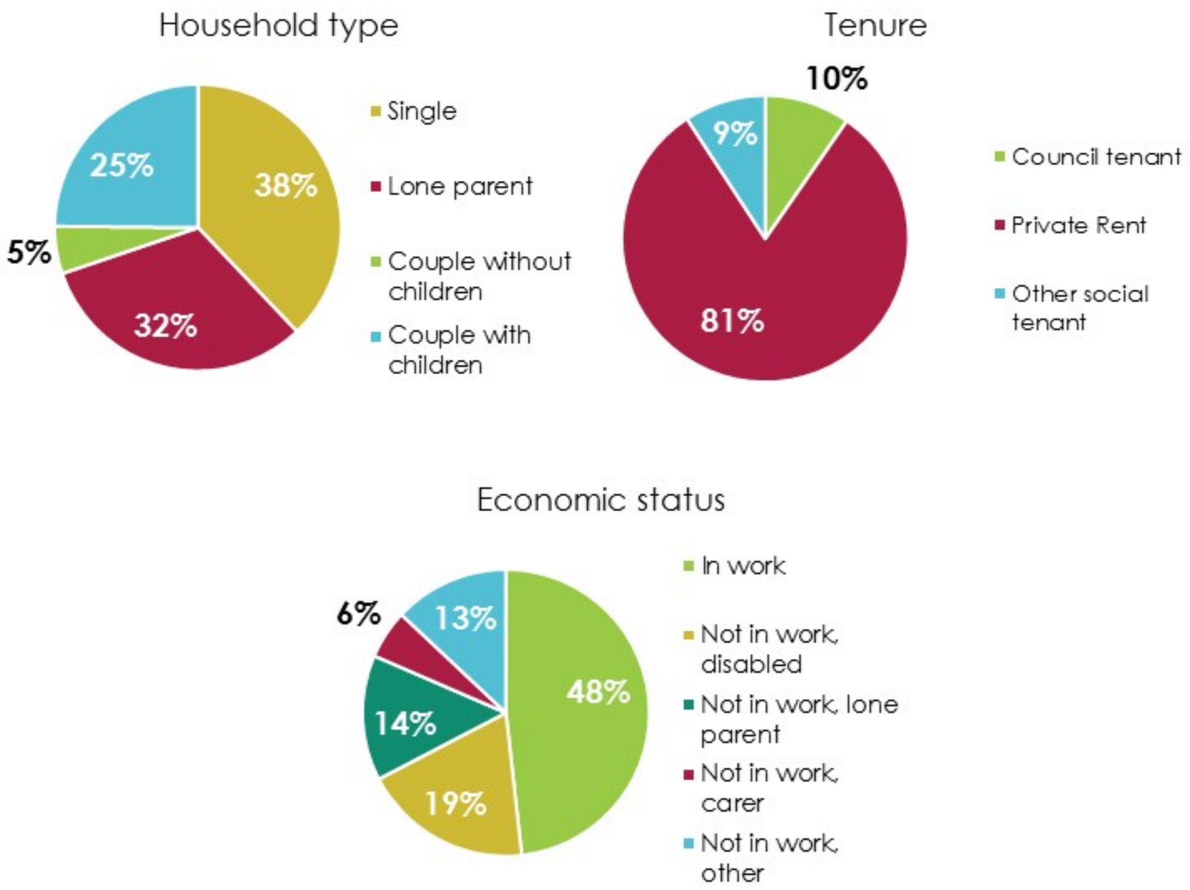
A weekly reduction in income between £1 and £15 is classed as 'low' impact, a weekly reduction between £15 and £30 is classed as 'medium' impact and a reduction above £30 per week is classed as 'high' impact.

The analysis suggests that as a result of the reduced benefit cap, there will be more than 900 further households for which welfare reform will have a high impact.



In 2016, there will be 4,250 households in Haringey for whom the impact of welfare reform is categorised as 'high'. These households will face an income reduction of over £30 each week compared to their household income in October 2015. 92% of these households are of working age. Figure 3 provides a breakdown of these families by household type, tenure and economic status. We find that families with children, tenants living in private rented properties, and people in work are the most likely households to face a "high" financial loss after the April 2016 changes have been applied.

Figure 15: Characteristics of households with a high welfare reform impact in April 2016



7.4 Targeting employment support

In addition to the assessment of the impact of welfare reform, households have also been categorised by barriers to work. The analysis took account of disabilities, caring and parenting responsibilities. Households were then categorised as having low, medium, or high barriers to work. More information on the methodology employed to classify households into these categories can be found in Annex 3.

This analysis identifies 497 households that are unemployed, have low barriers to work and are highly affected by welfare reform in 2016. It may be possible to support some of these households into work, thereby reducing financial hardship. It should be noted that these households may face other barriers to work not identified through this analysis and an individual assessment of each household identified should be considered in order to offer the most suitable advice and support and target council resources.

LBH may want to consider further analysis of the data to identify additional barriers to work. For example:

- Longitudinal analysis may enable us to identify when households were last in receipt of earned income
- "What if" analysis may identify the extent households would be better off, if they were to move into a job and receive the minimum wage.

- The dataset can identify households with low barriers to work, affected by future reforms (e.g. 18-21 year olds) in order to pro-actively target preventative support.

The 497 households with a high impact from welfare reforms, and low barriers to work can be identified by the council using the accompanying dataset.

7.5 Households affected by multiple reforms

Table 2 below provides a breakdown of the number of households affected by multiple reforms. The analysis takes into account the under-occupation charge; reduction in council tax support; the LHA; benefit caps and the reduction in the work allowance under Universal Credit.

Only 14% of the working-age cohort are not affected by any welfare reforms. These are mostly households containing a person with a disability. Over half of the cohort are impacted by multiple reforms.

Table 8: The cumulative impact of welfare reforms from April 2016

	Number of Households	% of the working-age cohort	Number of Disabled Households	Number of Children
Not impacted	21,812	41%	8,722	10,201
1 reform	13,789	46%	2,665	14,381
2 reforms	3,225	11%	577	3,970
3 reforms	553	2%	170	1,193
4 reforms	38	0%	14	82

A group of particular concern will be the approximately 600 households that will be affected by three or four welfare reforms in 2016. These include the reform of council tax support, the LHA cap, the benefit cap, the under-occupation charge, and pay to stay. The combination of reforms that will affect most households is the reform of council tax support and the cuts to UC work allowances, which will affect 11,403 households in total.

An analysis of this group shows that the average weekly income reduction from welfare reforms will be £137.47. 70% of these households are lone parents, 25% are couples with children, and 5% are single people without children. More than a quarter of these households have already received a Discretionary Housing Payment (DHP) to assist with housing costs in 2015. It is foreseeable that this group may require further support as welfare reforms progress.

Two groups stand out as being over-represented among those with a high impact of welfare reform in 2016. Private tenants will continue to suffer the effects that high rents have on the LHA cap and the lower benefit cap, resulting in high income reductions. Families with children, including lone parents and couples, will also be negatively affected by welfare reform. This is also due to the lower benefit cap in particular, which penalises larger families.

The accompanying dataset can be used to filter households affected by each reform. The council may want to use this to target support to households affected by a specific combination of reforms.

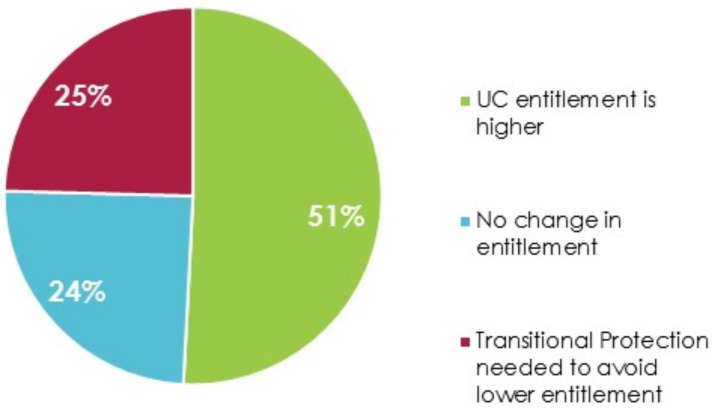
7.6 The 2020 scenario

To take into account the full set of reforms that is expected to be implemented by the end of the Parliament, we have modelled a 2020 scenario. This includes a complete roll-out of Universal Credit, a lower benefit cap, and increases in the income tax threshold and National Living Wage. However, we do not make assumptions about households' circumstance changes, so reforms that only affect new or updated claims (such as limiting Child Tax Credit for third and subsequent children) are not included. Likewise, this does not model future rent or inflation increases.

The 2020 scenario provides a more favourable outlook for Haringey's residents, where 51% of households will see their income increase under Universal Credit compared to current benefits (up to April 2016) and the percentage of households in need of tranisitional protection will fall from 40% (the result if Universal Credit was rolled out in 2016) to 25%. The remaining 24% of households will face no change in income.

This analysis has taken into consideration the rise in the minimum wage to £9 per hour and the higher personal allowance of £12,500. These findings indicate how the measures announced in the July 2015 Summer Budget may partially mitigate the transition to Universal Credit if employers increase wages accordingly.

Figure 16: The impact of Universal Credit on household income in 2020



In addition, the analiysis has identified 195 households with children aged between 3 and 4 years old that are likely to receive higher childcare support in 2020. While the number is likely to vary in the coming years, this figure provides an indicative sample of the proportion of households who will benefit from this measure.

The situation by 2020 is likely to have improved compared to 2016: more people will benefit from some of the positive measures introduced, leaving a more positive picture than in many other local authorities. However, LBH will still have to support many people who will be very negatively affected by a combination of reforms. A well-targeted proactive approach following the recommendations of this report can help to make this transitionless difficult than it otherwsie would be.

8. Recommendations

Policy in Practice recommends that this information and the accompanying dataset are used by the London Borough of Haringey to target support to households who are hardest hit by welfare reform.

In particular, we recommend the following actions:

Identify exemptions

The data provided does not enable us to identify some households that may be exempt from reforms, such as the reduced benefit cap. Other datasets such as ATLAS may help to identify households in the ESA Support Group, in receipt of Carer's Allowance, or with disabled children. Identifying additional exempt households enables the council to focus support more accurately on those most severely affected.

Our analysis has identified 2,007 households that will likely be affected by the benefit cap and will experience a fall in income.

- All 521 new benefit cap cases in receipt of ESA should be further investigated, to identify whether or not they are exempt by being in the Support Group.
- 22 households are affected by the current benefit cap and in receipt of Carer's Allowance – often those with disability benefits for children. This number increases to 264 once the lower cap at £23,000 is applied. A recent high court judgment, found that these households should now be exempt from the cap. Though this is under appeal, we recommend that LBH follow any potential updates on this case, and get in touch with these residents.
- Some affected households are already in work, and may be able to increase their weekly hours worked in order to reach the qualifying threshold for exemption. The data identifies some households marked as affected by the cap, already at the qualifying threshold, these households should be further investigated.

Target employment support

This report provides a qualified list of households that will be affected by the benefit cap in 2016. We recommend front-line support should be targeted to those households most heavily impacted by the benefit cap. Frontline support should engage them, make them aware of the impact of changes, and work proactively to minimise income reduction. The Benefit Cap White Paper and Benefit Cap software may be helpful in increasing the effectiveness of frontline support. In addition, employment support could be targeted to the 'quick wins' – those who are highly affected by welfare reform but appear to have low barriers to work.

Further analysis of the data may help to identify additional barriers to work. For example:

- Longitudinal analysis may enable us to identify when households were last in receipt of earned income

- A "what if" analysis may identify the extent that the household would be better off, if they were to move into a job and receive the minimum wage.

The dataset can also be manipulated to identify households with low barriers to work, and are affected by future reforms (e.g. 18-21 year olds) in order to pro-actively target preventative support.

Use this data to co-ordinate support across the council and with partners

This analysis and the accompanying household level dataset can help to co-ordinate activity across the council to avoid duplicating support (e.g. DHPs, Social Fund) and provide a more joined-up service (e.g. Troubled Families).

- The Council should target those households in receipt of more than one form of discretionary support, and consider taking proactive steps to support them toward independence, working with other departments where necessary.

- Demand for support is forecast to grow in the next few years. The council should ensure robust policies are in place that support, accurate targeting and efficient administration.

The cumulative and forward-looking assessment of the impact of welfare reform means that it may be possible to better co-ordinate support to focus on households with greatest need, or targeted to where support is likely to be most effective.

In addition, sharing this analysis and the accompanying household level dataset with partners, through appropriate processes will help develop an understanding of the impact of welfare reform across all delivery channels, and help to build consensus around how to deliver appropriate support.

Use this data, and further analysis to identify and deliver cashable savings

Homelessness costs the council. Birmingham City Council estimated the cost of a homelessness application in Birmingham to be £8,000 in 2012, and this is likely to be higher in Haringey.

- Identifying households that are at high risk of homelessness, and lowering that risk through targeted support would save the council money.

- Lewisham Council, working with Policy in Practice were able to help 21.5% of households likely to be affected by the Benefit Cap in 2013 into work, compared with a control group of 7.5%.

- If Haringey were able to support an additional 14% of affected households into work so that they are exempt from the benefit cap, 280 families would no longer be affected by the cap, and the savings by avoiding homelessness could be around £600,000[4].

[4] This figure was reached by assuming that households that are likely to lose more than £100/week of their Housing Benefit through the lower benefit cap could become homeless.

Schools in Haringey are missing out on Pupil Premium funding, due to the introduction of Universal Infant Free School Meals for 5-7 year olds.

- The analysis identified 1,783 households eligible for both UIFSM and means-tested FSM. One school in Bolton found that applications for means-tested FSM among this cohort fell by half.
- If Policy in Practice were able to identify those households least likely to have made a claim, and completed applications rose through a targeted campaign then the additional income to schools in Haringey could be worth up to £1.2m.

There may be other opportunities for cashable savings through further analysis. We would be pleased to discuss with you further.

Annex 1: Data limitations

<table>
<tr><td colspan="4">Limitation: Passported Housing Benefit cases receiving Employment and Support Allowance (ESA) do not give information on work capability group.</td></tr>
<tr><td>Assumption:
We use DLA data to determine ESA Group, where available. People receiving the higher rate of either the care or mobility component of DLA will be put in the Support Group. People receiving the middle rate or lower rate or those without information on DLA will be put in the Work Related Activity Group.</td><td>Rationale:
If the data are sufficient, the rate at which Disability Living Allowance is paid reflects the level of disability of the individual. This will give the best approximation of which ESA group they would be put into.</td><td>Records Affected:
There are 6,646 passported ESA cases in the SHBE records. 3,019 (45%) of the passported cases do not provide information on ESA income, group or disability premiums.
1,849 (28%) of passported ESA cases do not report DLA income.</td><td>Implications:
Since only 72% of ESA cases report DLA income, there may be cases where the claimant is receiving DLA but it is not recorded. We may then be over-estimating the number of people in the WRAG group. This may over-estimate the number of people affected by the benefit cap and the number of people at risk of losing the WRAG premium in ESA.</td></tr>
<tr><td colspan="4">Limitation: No information on previous year’s earnings to calculate tax credits</td></tr>
<tr><td>Assumption:
Assumed income last year was the same as in the current year for future tax credit calculations.</td><td>Rationale:
Will disregard any tax credit overpayments, so gives a truer comparison to Universal Credit.</td><td>Records affected:
All working-age households with children or working the hours required to qualify for tax credits – 16,799 (57% of working-age records)</td><td>Implications:
May over- or under-estimate tax credit awards in the short term, but will be accurate in the long term.</td></tr>
<tr><td colspan="4">Limitation: Passported Housing Benefit cases do not provide information on earnings.</td></tr>
<tr><td>Assumption:
Passported cases are out of work.</td><td>Rationale:
No information on which to base assumptions otherwise.</td><td>Records Affected:
43% of SHBE records are passported.</td><td>Implications:
Analysis will not capture the impact of low hours work which may underestimate the number of cases that are better off under Universal Credit.</td></tr>
<tr><td colspan="4">Limitation: No information on child disability benefits. Only information on whether the household receives the child disability premium in SHBE records.</td></tr>
<tr><td>Assumption:
Where the household receives the child disability</td><td>Rationale:
This is a conservative estimate. We have no other information</td><td>Records Affected:
269 (0.8% of total) SHBE records include the child disability</td><td>Implications:
Missing data on child disability may overestimate the</td></tr>
</table>

<table>
<tr><td>premium, we have assumed the lowest rate care component of DLA for one child.</td><td>to base assumptions on the level of disability.</td><td>premium.</td><td>number of households affected by the benefit cap, since child DLA exempts households from the benefit cap.</td></tr>
<tr><td colspan="4">Limitation: Limited information on childcare. We only have information on the childcare disregard in the Housing Benefit claim, not childcare support claimed through tax credits in SHBE records. CTRS records contain no information on childcare.</td></tr>
<tr><td>Assumption:
Childcare support added for records with a childcare disregard only.</td><td>Rationale:
No other information on which to base assumption.</td><td>Records affected:
Childcare disregard used in 752 cases, 7.7% of households that have children and are in work.</td><td>Implications:
Under-estimating the take up of childcare support. Since childcare support is higher under UC, this also under-estimates the number of households that would be better off under UC.</td></tr>
<tr><td colspan="4">Limitation: No information on housing costs for households only receiving council tax support, as they do not claim Housing Benefit. They may however receive Support for Mortgage Interest.</td></tr>
<tr><td>Assumption:
CTRS-only cases are owner-occupiers with no housing costs.</td><td>Rationale:
No other information on which to base assumption.</td><td>Records affected:
5,819 records (14.8%) are CTRS-only.</td><td>Implications:
We may under-estimate the number of people who are worse off under UC. This is because owner-occupiers are not entitled to mortgage support in work, so those working low hours will be worse off.</td></tr>
</table>

Annex 2: Drivers for a change in entitlement between the current system and Universal Credit

Drivers for why a household might be better off under Universal Credit

- Young people under 25 without children or a disability are not entitled to Working Tax Credit, but will qualify for in-work support under UC.
- The base entitlement for people in the ESA Support Group has risen from £226 per month to £316 per month.
- Though work allowances in Universal Credit have been reduced, families with children will still have a higher work allowance than currently..
- People working a low number of hours face a 100% withdrawal rate of JSA/IS/ESA under the current system, but will only see a 65% withdrawal rate under Universal Credit.
- Households in work and receiving Housing Benefit and tax credits will see their benefits withdrawn at a lower rate under Universal Credit.
- Parents working under 16 hours who need formal childcare are not entitled to childcare support through tax credits, but they will be eligible for help with childcare costs under UC.

Drivers for why a household might need transitional protection

- Lone parents between 18 and 25 will no longer be entitled to the over-25 rate of the personal allowance under Universal Credit.
- Under the current system, households see a large jump in income (i.e. cliff edge) when they begin working enough hours to qualify for Working Tax Credit (16, 24 or 30 hours depending on the household type). There is no distinction between out-of-work and in-work support or an hours threshold within Universal Credit, to smoothen work incentives. Households working at the tax credit threshold will generally see a lower entitlement under UC.
- The child disability element of Universal Credit, for those not entitled to the highest rate care component of DLA, is worth around half of the disability element of Child Tax Credit.
- The benefit cap under the current system only reduces a household's Housing Benefit. Under Universal Credit, the benefit cap can reduce all elements of a household's UC award, meaning that capped households may see an even greater reduction under UC and households not in receipt of Housing Benefit under the current system may also be capped under UC.
- People in work and in receipt of only tax credits (i.e. not in receipt of Housing Benefit) will see an increase in their withdrawal rate from 41% to 65%.
- Households with savings over £16,000 will not be entitled to Universal Credit, but are eligible for tax credits under the current system.

- Universal Credit has a single flat rate for non-dependant deductions, meaning some households with non-dependants will see a higher reduction to their housing support under Universal Credit than the current system.
- Under Universal Credit, owner-occupiers will not be eligible for help with their mortgage when in work. Under the current system, they are eligible for mortgage support as long as they are not in 'remunerative work' (usually 16 or 24 hours depending on household type).
- Couples with one partner above and one partner below the state pension age. Under the current system, the couple would claim Pension Credit (a higher amount) but under Universal Credit, their entitlements are determined by the youngest partner and therefor will claim UC (a lower amount).

Annex 3: Household data documentation

Variable	Explanation
reference	Housing Benefit and/or Council Tax Reduction claim number
postcode	Postcode (where available)
children	Number of dependent children living in the household
nondependants	Number of non-dependants in the household
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	• 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	Household savings, using bands.
economicstatus	• In work (if there are earnings in the household) • Not in work, disabled (if no earnings in the household and someone is in receipt of a disability-related benefit) • Not in work, carer (if no earnings and in receipt of the Carer's Premium) • Not in work, lone parent (if no earnings and a single person with children) • Not in work, other (if no earnings and does not fit in the categories above)
2015 REFORMS	
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 = one person in the household is above pension age, and could be exempt N = no-one in the household if above pension age
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.
ctrs_notprotected	Y = not in a protected group under CTRS,

	subject to a minimum payment N = in a protected group under CTRS, eligible for full council tax support
ctrs_notprotected_amount	Weekly shortfall between council tax liability and council tax support.
ctrs_notprotected_pensionage	Y = households with at least one individual of pension age that are not protected under CTRS
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 LBH 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 = claimant or partner is earning below the current National Minimum Wage N = not applicable
2016 REFORMS	
benefitcap_23k	Y = household will be affected by the lower benefit cap at 23k N = household is unlikely to be affected by the lower benefit cap
benefitcap_23k_amount	Weekly reduction to Housing Benefit due to the lower benefit cap.
benefitcap_23k_receivingESA	Y = affected by the lower benefit cap and in receipt of ESA (could potentially be exempt if in Support Group) N = not affected by the lower benefit cap
benefitcap23k_carer	Y = household identified as affected by the lower benefit cap, but in receipt of carer's allowance N = not affected by the benefit cap and receiving carer's allowance
taxcredits_2children	Y = household would not receive additional tax credit support if it were to have another

	child after April 2016 N = not at risk
2017 REFORMS	
yp18to21_housingatrisk	Y = young person at risk of losing automatic entitlement to 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
paytostay	Y = living in social housing with household earnings above £30,000 per year N = not affected by 'pay to stay'
2018 REFORMS	
LHA_lower_than_socialrent	Y = this social-rented property has a higher rent than the applicable LHA rate. N = not affected by the LHA cap for social households.
socialrent_LHAshortfall	Total weekly shortfall between the rent and the LHA rate of social properties.
UNIVERSAL CREDIT	
nondep_uc	Higher = household will have a higher non-dependant deduction under UC Lower = household will have a lower non-dependant deduction under UC N/A = household has no non-dependant deductions, or does not claim housing support
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 = will need transitional protection to be no worse off under Universal Credit N = will be better off, or see no change, under Universal Credit
Uc_needsprotection_amount	Weekly amount of transitional protection that this household will need under Universal Credit
IMPACT	
incomereduction_2015	Total weekly income reduction in 2015 due to the under-occupation charge, the benefit cap, the LHA cap, and localised council tax support.
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, localised council tax support, 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
OTHER SUPPORT	
dhp_received	Y = household received a DHP in the last year N = no DHP award
section17_received	Y = household received a Section 17 payment in the last year N = no Section 17 award
supportfund_received	Y = household received a Support Fund payment in the last two years N = no Support Fund award
troubled_family	Y = household is in the Troubled Families records N = not in Troubled Families records
socialcare_received	Y = household received a social care intervention N = no social care intervention