

## **Report to COUNCIL**

# **Welfare Reform Update**

**Portfolio Holder:** Cllr A Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Corporate Resources

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**Ext.** 4905

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### **Reason for Decision**

This report is for information only and presents a status update on the Government's Welfare Reform programme.

### **Executive Summary**

The Government's Welfare Reforms continue to have an impact on the residents of Oldham. Most of the Government's cuts to the Welfare budget as part of the wider austerity programme have now been implemented. However, Universal Credit is yet to be implemented in full and 2019/20 will see the fourth consecutive year of the freeze on working age benefits. This report looks at the current position placing particular focus on the impact of the roll out of Universal Credit in the borough.

### **Recommendations**

That Members note the contents of the report.

## Welfare Reform Update

### 1 Background

- 1.1 The Welfare Reform programme was introduced by the Government as part of its wider austerity agenda which aimed to reduce the budget deficit. The changes also had a policy aim of encouraging incentives to work. There have been a large number of amendments to the social security system since 2011, most of which have now been implemented. However, some, including the phased implementation of Universal Credit and the working age benefit freeze (set to continue through 2019/20) are still on-going. The Office of Budget Responsibility<sup>1</sup> (OBR) has noted that these policy changes have resulted in expenditure on welfare benefits has been falling as a share of national income since 2012/13 with this trajectory set to continue.
- 1.2 This report focusses on the roll out of Universal Credit which is of particular concern to Oldham as one of the early adopter pathfinder authorities for this large-scale welfare benefit change. The report also gives a snapshot of the current position including unemployment levels and the impact of the freeze on working age benefits, set to move into its fourth year in 2019/20.

### 2 Current Position

- 2.1 The Welfare Reform dashboard at Appendix 1 sets out the current position. Alongside a snapshot of the current position detailing the number and location of benefit claimants and unemployment levels in the borough, this also includes details of the support provided by the Council to vulnerable residents including awards of Discretionary Housing Payments (DHPs) to support those experiencing difficulty in covering their housing costs and awards made through the Local Welfare Provision (LWP) scheme to support those experiencing extreme financial hardship.

### 3 Universal Credit

- 3.1 Universal Credit (UC) is a single monthly payment which replaces six working age benefits (known as legacy benefits). These are Housing Benefit (HB), Income Support (IS), Working Tax Credits (WTC), Child Tax Credit (CTC), Employment and Support Allowance (Income-related) and Job Seekers Allowance (Income-related) (JSA). UC supports residents on low incomes who are both in and out of work.
- 3.2 Oldham has been a pathfinder for Universal Credit (UC) live service since 2013. The number of residents moving onto UC from 2013 were initially quite low as those eligible to apply for UC were restricted to new claimants and straightforward cases. The roll out of the full service of UC which commenced in Oldham on 26 April 2017, adopted a new entirely online-based system and claimants now have to apply for and manage their UC claim online. From April 2017, the roll out also gathered pace because it brought in a wider range of claimants (including those with more complex circumstances) who were signposted to UC when they made a claim for the first time or had a change in circumstances that meant their existing claim had to be cancelled.
- 3.3 As at end of December 2018, there were 16,385 UC claimants in Oldham, representing 8% of the total of UC cases in the whole of the North West. Universal Credit has a conditionality regime which means that claimants have to satisfy certain work-related criteria to continue to receive UC. Failure to comply with this conditionality regime can

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1. Office for Budget Responsibility [An OBR guide to Welfare Spending](#) 4 May 2018 pg 9

result in claimants being sanctioned and their benefits suspended or cancelled. A breakdown of the conditionality regime categories and the number of claimants falling into each category end of December 2018 is set out below: -

<b>Conditionality Regime</b>	<b>Numbers as at December 2018</b>	<b>Definition</b>
<b>Preparing for work</b>	<b>701</b>	Expected to start preparing for future work even with limited capability for work at the present time or with a child aged 2. This may include attending work focused interviews
<b>Planning for work</b>	<b>526</b>	Expected to work in the future. Lone parent / lead carer of child aged 1. Attendance at periodic interviews is required to plan for a return to work
<b>Working no requirements</b>	<b>3,220</b>	Individual or household earnings over the level at which conditionality applies.
<b>No work requirements</b>	<b>3,375</b>	Not expected to work at present. Health or caring responsibility prevents claimant from working or preparing for work
<b>Working with requirements</b>	<b>2,693</b>	In work but could earn more or not working but has a partner with low earnings
<b>Searching for work</b>	<b>5,863</b>	Not working, or with very low earnings. Claimant is required to take action to secure work - or more / better paid work. The Work Coach supports them to plan their work search and preparation activity.
<b>Unallocated conditionality regime</b>	<b>7</b>	Not yet allocated to a particular conditionality regime

### **Unemployment and Claimant Levels**

- 3.4 Historically, claimant count has been used as a good proxy for unemployment levels. However, since the Introduction of Universal Credit Full Service in Oldham, claimant count has ceased to be a good proxy for unemployment, as significantly more benefit claimants are included in the claimant count. As such, Annual Population Survey now presents a clearer picture of true unemployment levels.
- 3.5 The Claimant Count is the number of people claiming benefits because they are out of work. Before 2013, this was limited to the number of people claiming Job Seekers Allowance (JSA). Following the introduction of UC, the Claimant Count is now measured as the number of people claiming JSA plus the number of UC claimants who are required to look for work. There has been a marked increase in the Claimant Count following the roll out of UC full service and this is more pronounced in areas like Oldham who have been operating UC full service for longer. For example, someone out of work who previously claimed Housing Benefit but not JSA was not required to look for work. Under UC, they are (subject to certain exceptions). Also partners are required to look for work under UC.
- 3.6 The Claimant Count as of December 2018 was 6,380, an increase of 51.5% since the implementation of UC full service in April 2017. Oldham's claimant count rate currently stands at 4.4% which is higher than both Greater Manchester (GM) (3.2%) and England (3.1%). The Youth Claimant Count as of December 2018 was 1,365, a rise of 10.2% since the implementation of UC full service. The Youth Claimant Count rate is 7%, which is also higher than both the GM (4.2%) and England (3.1%). Oldham is much further along in

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terms of the roll out of UC full service which makes comparisons with other areas much more difficult.

- 3.7 The Annual Population Survey (APS) Unemployment Rate<sup>2</sup> shows that unemployment in Oldham has been falling relatively steadily since the peak of the recession (11%), with the latest rate being 5.2% as of September 2018, somewhat above both GM (4.3%) and England (4.5%). The Youth APS Unemployment Rate in September 2018 was 5.4%, which was lower than the GM (6.7%) and English (7.3%) levels.

### **Universal Credit - Impacts**

- 3.8 The structure of UC can cause issues for claimants. According to a study conducted by Welfare Conditionality<sup>3</sup> which included longitudinal interviews with Universal Credit service users, some key issues highlighted were that:
- A broader span of people are subject to work requirements and thus also subject to sanctions regimes
  - New claimants who are awaiting or appealing Work Capability Assessments (an assessment to determine whether claimants should receive Universal Credit through disability eligibility) are being required to look for work. As an indication of the scale of this issue in Oldham in the first half of 2018 there were 919 completed Work Capability Assessment cases, therefore 919 potentially disabled people would at some point have been required to look for work.
  - In-work conditionality can be difficult to comply with as it places further requirements on individuals who are already in work (which may be difficult to meet without giving up the existing work.)
  - Working recipients reported struggling to attend Jobcentre Plus appointments and that increasing their hours of work or number of jobs was ineffective in moving them out of poverty or improving the quality of their work.
  - The current sanctions regime has widespread and deeply negative impacts on wellbeing whilst failing to improve employment outcomes substantially or enable beneficial in work progression.
  - The application and threat of sanctions impacted negatively on in-work and out-of-work UC recipients and did more harm than good in terms of gaining or progressing in work.
  - Working recipients experienced financial hardship, were forced to use food banks, accumulated debt or risked losing their homes because of arrears and had worsening physical and mental health.
- 3.9 Early adoption of UC in Oldham has meant that our residents have been ‘test and learn’ pilot cases for UC and have not benefited in full financially from some of the later adjustments to UC entitlement and regular pausing of roll out of the benefit made by the government across other areas of the country. The changes to the UC system to date include:

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<sup>2</sup> The Annual Population Survey Unemployment rate is the accepted standard unemployment measure as stated by the ILO (International Labour Organisation). This dataset however carries some limitations. For example, it is a quarterly dataset released with a lag of 3-4 months. Secondly, when breaking down the national survey to the Local Authority level, the confidence intervals increase, which decreases the figures reliability. This is why the Claimant Count has previously been used as a proxy measure of unemployment.

<sup>3</sup> Welfare Conditionality Article: <http://www.welfareconditionality.ac.uk/wp-content/uploads/2018/05/40414-Universal-Credit-web.pdf>.

Date	Changes to Universal Credit
January 2018	Advance payments were increased from 50% of monthly entitlement paid back over 6 months to 100% paid back over 12 months
February 2018	The initial waiting period of 7 days with no entitlement to money at all was abolished
April 2018	A 2 week run on of Housing Benefit was introduced for those moving to UC
April 2018	Help with housing costs for homeless people in short term temporary accommodation for the homeless was returned to HB from UC. UC was not an appropriate fit for this category of tenancy (For the period April 2017 to January 2018, rent arrears for households in temporary accommodation was over £55,000. This was largely attributable to UC. The total amount for the previous four years combined was £36,000.)
January 2019	Those claimants in receipt of a severe disability premium will not move to UC until managed migration

- 3.10 Oldham's largest registered social landlord, First Choice Homes Oldham (FCHO) reported in November 2018 that since UC came into force, arrears have risen by £473k across all their tenants. Whilst it is difficult to link arrears directly to UC, 62% of rent arrears were owed by 2,500 UC customers (from 11,500 properties) FCHO find that it can take up to 18 weeks for people moving to UC to adjust and establish regular payment patterns
- 3.11 UC claimants apply for and manage their claim online. This can work well for those residents who are IT proficient. However, for those with learning or language difficulties, severe mental health issues, no ready access to mobile phones or the internet, this can cause problems resulting in payments being suspended or stopped. While the online journal works for many claimants, more vulnerable residents can struggle to understand how to access their accounts, reset passwords if they are locked out and understand how to check and update their online 'to do' lists. This can mean that they rely on wider support to manage their claims. The Council's Welfare Rights Team report that difficulties in managing the online journal are one of the biggest problems they encounter with residents on UC.
- 3.12 The structure of UC assessment periods (assessed and paid monthly) and how this affects people with different pay dates also creates problems. Weekly paid earners for example will have 4 months where they potentially are not entitled to any UC at all because the monthly assessment period covers a 5 week pay period. Even monthly paid earners can find that depending on their payment dates (say if their employer pays earlier than usual at the weekend/bank holiday so their monthly assessment period includes 2 months' pay) that they suddenly find they have no entitlement to UC one month and a higher than normal payment the next.
- 3.13 The phased introduction of UC has been postponed several times by the Government. Roll out of UC full service was completed across the country on 12 December 2018. This includes transferring residents to UC when they have a new claim or relevant change in their circumstances which means that they can no longer claim legacy benefits such as Housing Benefit. The managed migration programme, which is the final stage of the process when the remaining cases are transferred en bloc from legacy benefits to UC has been delayed. A pilot of managed migration will take place from July 2019 with most areas of the country not starting this process until the end of 2020. The scheduled completion

date for managed migration of UC cases is December 2023. Other changes to UC announced by the Government include:

- Those families with more than two children will now claim UC rather than Housing Benefit
- The two child limit in UC has been removed for children born before April 2017
- Those entitled to a Severe Disability Premium in a legacy benefit will not move to UC until managed migration (and will not be worse off when they do transfer)
- Work allowances in UC will increase by £1,000 p.a. for those with children or with a limited capability for work.
- Universal Credit deductions to repay an advance payment will be reduced from 40% to 30% of the standard allowance of UC. The period over which advance payments can be recovered will also be extended from 12 to 16 months.

### Benefit Freeze

3.14 Over the period April 2016 to April 2020, the government introduced a freeze on 'working age' benefits. This means that benefits are not increased (uprated) during this period of no regardless of the inflation rate over this period. Therefore, as the consumer price index (CPI) sees the price of an average basket of goods increase per household, benefits will not be adjusted to compensate for this increase, thus leaving particular benefit claimants worse off.

3.15 The benefits affected are the following:

- Job Seekers Allowance (JSA)
- Income Support (IS)
- Employment Support Allowance (ESA)
- Child Benefit (CB)
- Applicable amounts for the calculation of housing benefit and local housing allowance rates (HB)
- Child and working tax credits (C&WTC)
- Universal Credit (UC)

3.16 The number of individuals and households which could be affected by the benefit freeze in Oldham are in the table below:

	Individuals					Households		
Benefit	JSA	IS	ESA	UC	Total	HB	C&WTC	CB
Count	520	891	9,376	16,385	27,127	13,676	23,500	32,280
Date	Dec-18	May-18	May-18	Dec-18		Nov-18	2017	Aug-17

3.17 According to the Institute of Fiscal Studies<sup>4</sup> the cumulative effects of the benefit freeze will see households lose an average of £700 to £800. The impact to date on Universal Credit/JSA claimants alone in Oldham could thus be broadly estimated at £9.3m (£750 x (11,953 UC + approx. 500 JSA households)). This may be an underestimate. IFS estimate that the policy will save £1.6bn nationally in April 2019: If we pro-rata that to Oldham, even taking no account of deprivation, it equates to a loss of £5.6m for that year alone.

3.18 Some benefits have been restricted for longer periods. For example, in 2010/11 Child Benefit for the first child was £20.30 and for each additional child was £13.40 per week. Increases were frozen until 14/15 and then frozen again from 16/17.

<sup>4</sup> <https://www.theguardian.com/commentisfree/2018/oct/19/benefits-cuts-poorest-politics-media-cuts>

Over a ten-year period, Child Benefit has only been increased in 2014/5 and 2015/16 and 2019/20 rates are £20.70 (an increase of 40p) and £13.70 (an increase of 30p) respectively. Had Child Benefit been updated in line with CPI, these would have increased by an additional £3.20 and £2.10 respectively.

<b>Child Benefit</b>	<b>2010/11</b>	<b>11/12</b>	<b>12/13</b>	<b>13/14</b>	<b>14/15</b>	<b>15/16</b>	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>	<b>19/20</b>
1 <sup>st</sup> child	20.30	20.30	20.30	20.30	20.50	20.70	20.70	20.70	20.70	20.70
Each additional child	13.40	13.40	13.40	13.40	13.55	13.70	13.70	13.70	13.70	13.70

## **Living Wage**

- 3.19 Alongside the detrimental impacts of welfare reform and current economic policy in general for residents is that incomes for low to middle income families are lower in real terms than they were 15 years ago.<sup>5</sup>
- 3.20 To mitigate this, the Council has made a commitment to seek national accreditation from the Living Wage Foundation with regard to adopting its National Living Wage over a three-year timeframe, as confirmed in the paper approved by Cabinet on 28 January 2019. The first stage in 2019/20 has been to ensure that the Council's wholly owned companies are compliant and appropriate budgetary provision is included in budget estimates. The next stage is ensuring other external service providers pay the higher value wages. The Council will work towards this over 2020/21 and 2021/22. It is likely to have significant financial implications, but these are still being worked though. As a result, such costs will emerge and will be featured in later reports on the financial position of the Council.

## **4 Options/Alternatives**

- 4.1 For information only. Members are asked to note the content of the report and provide feedback where needed.

## **5 Preferred Option**

- 5.1 Not applicable

## **6 Consultation**

- 6.1 No external consultation was undertaken to inform this report.

## **7 Financial Implications**

- 7.1 There are currently no financial implications associated with the report in terms of Council investment either revenue or capital. Finance may be involved as the work continues and if potential changes to services or investment in new technologies are needed, then finance will provide comments as appropriate.
- 7.2 It should also be noted that there is likely to be an ongoing impact to Council services in relation to Welfare Reform. The changes could see an increase in Council Tax and rent arrears and a greater reliance on additional financial support. The Council may also face increased expenditure on homelessness services for young people. Any impact to services will be highlighted in the budget monitoring reports.  
(Nicola Harrop – Finance Manager)

<sup>5</sup> <https://www.resolutionfoundation.org/app/uploads/2018/07/Living-Standards-Audit-2018-3.pdf>

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- 8        **Legal Services Comments**
- 8.1      Legal services comments have been requested.
9.        **Co-operative Agenda**
- 9.1      Welfare reform activity is directly relevant to the achievement of corporate and co-operative objectives, for example through:
- Reducing dependency on public services ‘confident communities where everyone does their bit’
  - Tackling worklessness ‘a productive place where business and enterprise thrive’
  - Local Welfare Provision, Discretionary Housing Payments and Council Tax Reduction ‘a co-operative council creating responsive and high-quality services’.
- 10       **Human Resources Comments**
- 10.1     There are currently no HR implications, although People Services are leading on the Living Wage Foundation accreditation work. It is worth noting that as 68% of the Council’s workforce are Oldham residents, they may be affected by welfare reform timelines which are specific to the borough. (Lauren Jones – HR Business Partner)
- 11       **Risk Assessments**
- 11.1     None
- 12       **IT Implications**
- 12.1     There are no IT implications
- 13       **Property Implications**
- 13.1     There are no property implications
- 14       **Procurement Implications**
- 14.1     There are no procurement implications
- 15       **Environmental and Health & Safety Implications**
- 15.1     There are no Environmental and Health & Safety Implications
- 16       **Equality, community cohesion and crime implications**
- 16.1     None as part of this report
- 17       **Equality Impact Assessment Completed?**
- 17.1     No
- 18       **Key Decision**
- 18.1     No
- 19       **Key Decision Reference**
- 19.1     N/A
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20      **Background Papers**

20.1      The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref:                  Papers are contained in Appendix 1  
Officer Name:          Caroline Lee Andy Cooper  
Contact No:              0161 770 4905

21      **Appendices**

21.1      Appendix 1 Welfare Reform Dashboard – January 2019