

RMBC – REPORT TO CABINET

1.	Meeting:	Cabinet
2.	Date:	4th July 2012
3.	Title:	Welfare and Benefits Reform
4.	Directorate:	Resources

5. Summary

This report follows on from the report that was presented at the LSP Board in March 2012, outlining the major changes on welfare and benefit reforms and the potential impact on the community.

The report provides a brief summary of the likely local impacts of the Government's welfare reform programme, set out in the Welfare Reform Act 2012, and gives an update on the Council-led partnership response.

6. Recommendations

Cabinet is asked to:

- a) Note the contents of this report.**
- b) Endorse the approach taken so far and ensure adequate and appropriate representation on both the Welfare and Benefit Operational Task Group and Partner Strategic Steering Group moving forward.**
- c) Provide a strategic steer and receive progress reports at future meetings when policy changes and adaptations in response to the welfare and benefit reforms will be set out for Cabinet's consideration.**

7. Proposals and Details

Background

In 2008, the economic downturn created a credit crunch whereby institutions were very cautious about lending within the financial sector and to businesses and individuals. In addition, the shrinking economy led to job losses and falling incomes alongside price rises in everyday items. Consequently, individuals were finding it difficult to meet their financial liabilities.

National agenda – What the ‘Big Picture’ looks like

To address the budget deficit, the Government has identified welfare reform as a key part of its austerity programme, expecting the changes to realise savings of £18 billion over the life of this Parliament. The Welfare Reform Act 2012 will see the permanent withdrawal of base income for people reliant on state benefits. This requires a different response to the credit crunch in that the implications are long term and will impact most on those who are most vulnerable.

Beyond saving money, the reform programme has the following objectives:

- To improve work incentives by ‘making work pay’
- To reduce welfare dependency
- To reduce the complexity of the benefits system by bringing together the majority of benefits in a new “Universal Credit” for people of working age

Key changes include:

- **Benefits to be capped at £500** per week for a couple or family and £350 per week for single person households from April 2013. The cap will apply to the combined income from Jobseekers Allowance, Income Support, Employment Support Allowance, Housing Benefit, Child Benefit, Carers Allowance and later the new Universal Credit (some benefits, such as Disability Living Allowance, are exempted).
- **Universal Credit (UC) to be implemented from October 2013**, which will consolidate a range of means tested benefits into one monthly payment, potentially causing budgeting problems for individuals and families who are used to receiving weekly benefit payments.
 - Direct payment of Housing Benefit (HB) to claimants as part of UC is another issue, as this is currently paid directly to landlords. Under UC, tenants will have to budget effectively in order to keep up with rent payments. Landlords, including local authorities, are likely to face **an increase in rent arrears cases and a reduction in income** (just under 70% of RMBC’s tenants receive full or partial Housing Benefit).
 - The DWP is seeking to move a large proportion of people onto online assessments rather than face to face assessment.
- Eligibility for **Working Tax Credit has increased from 16 hours to 24 hours per couple** from April 2012.
- **Disability Living Allowance to be replaced by Personal Independence Payment (PIP)** and funding reduced by 20% from June 2013.
- **Lone parents** with children over 5 will move from Income Support to Job Seekers Allowance (JSA) or Employment Support Allowance (if they qualify) from April 2012, reducing benefits and forcing them to meet “availability for work” criteria (JSA).

- From May 2012, **contributory Employment Support Allowance (ESA) claims are limited to 1 year**, after which people will be assessed for means tested ESA. A tougher medical test and re-testing of existing Incapacity Benefit and ESA claimants are likely to remove long term sickness benefits from many people.
- **Government will cut legal aid for social welfare law**, despite the reforms leading to increased demand for advice on welfare rights, debt and housing.
- **Council Tax Benefit** to be localised and the amount available to councils reduced by 10%. Local authorities will need to devise, consult on and implement their own schemes by January 2013. Pensioners will be protected but this increases the impact on working age claimants.
- From January 2012, changes to Local Housing Allowance shared accommodation rates have led to **reduced benefits for single people aged 25-34**.
- Housing Benefit size criteria to be applied in the social rented sector from April 2013, leading to **benefit cuts for those deemed to be “under occupiers”**.
- Housing Benefit administration changing from April 2013 to enable application of a benefit cap, with possible redundancy/TUPE issues for local authorities.
- **Crises Loans and Community Care grants**, part of the Discretionary Social Fund administered by DWP, are to be replaced with a devolved local scheme to local authorities from April 2013. The intention is to transfer the full amount so that the current provision is funded on the basis of grants rather than loans.

Attached at Appendix A are exemplifications of what these changes will mean for typical family circumstances.

Local Impact

The range of changes outlined above will impact on some of the most vulnerable people in the borough, as well as having direct and indirect implications for the Council and other service providers. Our response must be to work in co-production with people to create an environment where they are encouraged to help themselves.

The struggling local economy presents a problem in that there are insufficient jobs available for people successfully “incentivised” from benefits into the labour market. The number of working age claimants of JSA, ESA/IB, Income Support and DLA in Rotherham was 28,850 in November 2011 (21,060 excluding JSA). Two thirds of non-JSA claimants had been claiming for over 5 years and are unlikely to be ready for work or attractive to employers, so will find the job market very difficult. Young people lack work experience and are already hardest hit by unemployment, and will be further disadvantaged by benefit changes. Of working age claimants, 5,490 (19%) are aged under 25, half of them on JSA and half on other benefits.

Based on DWP information on existing claimants from August 2011, a conservative estimate of the cost to the Rotherham economy in reduced benefit payments is £28m by the end of March 2015. However, it is likely that the financial impact will be much greater, once the multiplier effects of financial losses are calculated.

Families with 3 or more children are most likely to be hit by the benefits cap, which could impact on child poverty and troubled families. Early analysis suggests we have around 250 claimants in around 100 families that this will have an impact on.

The effects of welfare reform will be felt disproportionately in the borough’s most deprived communities where a high proportion of residents depend on benefits. The

11 most deprived neighbourhoods contain 15% of the population but 27% of working age benefit claimants. The loss of income estimated at £7.3 million over 3 years will hamper efforts to tackle deprivation and reduce inequalities in these areas.

The Operational Task Group are working on a detailed action plan which aims to capture all of the interconnected impacts, as well as giving an idea of scale in terms of the estimated number of people affected by changes to individual benefits. The information in the plan will be refined over the summer by the Task Group so that we will have:

- A comprehensive picture of the impact and issues facing organisations and communities
- An action plan that will take the emerging themes, issues, impact and make recommendations for consideration on a number of actions and areas of policy development and resource allocation.

All of the changes will take place against a local backdrop of high rates of worklessness, particularly affecting our most deprived communities, a high number of people on long term sickness and disability benefits, a low adult skill base, low paid jobs and a lack of appropriate small properties to meet the impact of Housing Benefit changes. There are likely to be implications for healthcare, particularly mental health and an increase in low level crime.

What we need to do in response to these changes

Following a report to the Rotherham Partnership Board in March, a Welfare and Benefit Operational Task Group was set up, taking a similar approach to the credit crunch work of 2008 & 2009, which received national recognition for Rotherham's proactive response to local issues, including job losses and increased demand for advice, particularly regarding financial matters. The Task Group includes officers from across the council and partner agencies. This group has built up a good understanding of the range of changes and issues associated with welfare reform, and is starting to coordinate and focus a response. It is anticipated that the Task Group will develop an action plan that will identify a number of activities that will aim to mitigate the risk for organisations and the community.

It is proposed that a Partner Strategic Steering Group is set up to direct and monitor this work by addressing the wider implications of the changes. Some of the key areas to address will require a different approach to local policy and the way resources are allocated which will be necessary to mitigate the impact.

Whilst some ad hoc activities have already occurred with organisations taking a lead for their specific areas, the task group is now coming together to plan and initiate coordinated actions in a number of areas, including:

- **Communications, marketing and social media** – developing an overall strategy and targeted campaigns for particular affected groups
- **Training for front line workers** – providing staff with the basic knowledge required to answer questions, raise awareness and signpost customers affected by welfare reform.
- **Looking at external funding opportunities to support the work – submitting bids for up to £10,000** of support funding from DWP, made available to help people affected by the benefit cap

- **Mapping out the offer** – what current resources are available to signposting people for support for benefit advice and getting into work

The work for the Task Group over the next few months will be to develop a longer term action plan which will be key to:

- successfully managing and mitigating the impact of the changes
- addressing the wider implications and scenarios
- starting to suggest actions that will mitigate such impacts.

A priority of the action plan will be to develop an effective and sustainable long term approach that will start to address the need to support people to develop life skills that will build resilience in communities for the future.

However, there are some imminent priorities for the next 3 months:

1. Developing a clear and consistent communication strategy – because the welfare reforms are very complex and confusing, there is a danger of information overload for people and organisations. We need to be clear what the ‘big ticket’ items are and when they will happen and plan the campaigns accordingly – and how do we get this message out so people understand what’s happening – then where can they go for advice and support.

2. Raising awareness of the changes with elected Members and partner organisations so they can deal with issues raised with them by the public and staff.

3. Raising awareness with the public - we need to consider a range ways to get key messages out to the public on the changes. People don’t always read or take notice of letters or access facilities run through Government agencies. There needs to be a number of ways to engage effectively with people to make them aware of the changes and where they can go for support and advice. These could include: social media, local campaigns, targeting hot spot areas, targeting places with greatest footfall, i.e. hospital entrances, council buildings, Rotherham Show.

The themes and some of the strands of activity emerging from the work to date are:

1. Building resilience in communities to include:
 - Money Management skills – budgeting, having a bank account
 - Borrowing from Regulated Institutions – including the services offered by Credit Unions in communities
 - Staying Healthy - keeping warm, eating well and staying active
 - Having access to online facilities
2. Making sure that people take up benefits they are entitled to:
 - Understanding where the gaps are where there is a low take up of benefits
 - Providing coordinated services to enable people to access good quality support and advice on what the changes will mean to them
 - Building the capacity of the advice sector to cope with increasing demand
3. Ensuring a collective response from partners to the communication and coordination of services:

- Communication and Marketing sub-group established to draw up a communication strategy
 - Maximise resources available to ensure that information, support and advice is co-ordinated, and publicity reaches the relevant groups including those most marginalised.
4. Providing opportunities for people to move into work:
 - Work with the business sector regarding employment issues around contracts for part-time workers
 - Look at activities that will keep people active in communities
 - Increase apprenticeships
 5. Ensure the welfare and benefit work links into other strategic priorities and strategies so that work can be targeted to those areas of greatest need, particularly:
 - Housing Strategy
 - Early Help Strategy
 - Health and Well-being Strategy
 - Ageing Well Strategy
 - Priority work initiatives:
 - Neighbourhoods suffering from multiple deprivation
 - Think Family
 6. Identify areas that impact locally for policy development and resource allocation:
 - Social Housing – the need to manage changing demand for different types and sizes of home, movements between the social and private rented housing, increasing rent arrears and consequent risk of evictions.
 - Localisation of Council Tax Benefit – the need to devise a local benefit scheme, possibly in liaison with neighbouring authorities and deal with rising levels of arrears and court action.
 - Online access –
 - Challenge for organisations to have systems in place and workers trained in online systems and providing relevant advice.
 - People to have access to online facilities and have the required skills to apply for benefits or know where to get advice.

Coordination of activities

To achieve a coherent and coordinated response and find the quickest route to decision making and actions to mitigate the impact of the welfare and benefit changes, will require both strategic and operational responses. Therefore a recommendation is made to set up a Strategic Partner Steering Group and a Partner Operational Task Group.

It is suggested that a Strategic Steering group should be established to guide the core group, to receive and comment on issues and proposals and where required advise on proposals for policy changes and resource allocation. It is suggested that this Steering Group is chaired by the Leader of the Council.

Development of partners' work needs to be fully inclusive of all relevant and interested agencies. However, inclusion needs to avoid making decision making and implementation ineffective and inefficient. This can be achieved by adopting good practice from the credit crunch work in that the operational task group will review the changes to the welfare and benefit systems and take recommended actions to help to address and mitigate the impact. Other agencies not on the core group will be consulted with and co-opted onto the group as necessary, and kept informed of developments and activities.

The operational work is intrinsically linked with the Financial Inclusion Group (FIG) hosted by Voluntary Action Rotherham. The FIG is a partnership network that looks to support the development of initiatives/partnership to meet local need and is already working on a number of projects that will assist with the delivery of the welfare and benefit operational task group action plan. This will include front line training for workers including public sector workers, support for working with communities to explore how to deliver financial capability training and piloting pieces of work to discover best engagement practices. They are also working with social housing providers and potentially private landlords to reduce unsuccessful tenancies in people under 25.

A further dimension will be the Rotherham Partnership which will look at the wider economic and social impacts and it is expected that reports will be taken through the Rotherham Partnership Chief Executive Group and the Rotherham Partnership Strategic Governance Board.

Any RMBC specific issues arising from the ongoing monitoring of the impact of the Welfare Reform which will impact on Council's services would be formally reported to Cabinet.

Attached at Appendix B are draft Terms of Reference for the Partner Strategic Steering Group.

8. Finance

There are a wide range of likely financial impacts from the welfare reform programme, the scale of which is hard to quantify at this moment in time. The operational group is working to gain a full understanding of these but clearly there will be significant costs incurred to the Council.

Implementation of a local Council Tax Benefit system, for example, has obvious direct costs, but will also result in higher collection and enforcement costs as well as reduced income. As outlined above, direct payment of Housing Benefit as part of the implementation of Universal Credit, present similar challenges to the Housing Revenue Account and rising homelessness.

Financial resources will be required to address some immediate areas that require action such as raising awareness, interim bridging of gaps in service, kick starting activities for building resilience in communities (money management skills) and initial training for key front line staff.

The action plan will start to identify further areas for consideration; given that the changes will take place over a three year period, any additional resources identified need to be sustainable during this period. Early indications suggest investment in advice sector work in targeted communities, support for credit unions, incentives to take on apprenticeships. It is important at this stage to note that the work on mapping out what support is available to signpost people will be critical as we need to utilise available resources effectively and avoid duplication.

However, history tells us if we take significant action now, it will achieve a cost avoidance further downstream. Refocusing existing resources to areas of greatest need would facilitate the Partners' response to the challenges facing people across Rotherham created by the Coalition Governments changes to welfare and benefits. Members will appreciate the probable need to reconsider current policy and resourcing decisions, alongside those of our partners, if we are to meet the challenges as successfully as possible.

9. Risks and Uncertainties

Welfare reform is a complex issue and the timetable for implementation is very tight. How agencies are going to cope with the changes is uncertain and there are likely to be indirect impacts which could have a range of social and/or economic consequences.

A specific risk relates to the establishment of a local Council Tax Benefit scheme by January 2013. Colleagues in Resources are already working up models and options, which will be presented to SLT and then Members shortly. An uncertainty is future access to Free School Meals after Universal Credit is introduced in October 2013. The Children's Society has estimated that around a quarter of pupils currently eligible could lose their entitlement.

10. Policy and Performance Agenda Implications

Welfare reform has implications across a range of policy areas and links need to be made with various ongoing initiatives to prevent duplication of effort. Examples include:

- Making sure no community is left behind (Corporate Plan priority)
- Child poverty (statutory duty)
- Provide additional support to the most vulnerable (Community Strategy priority)
- Prevention and early intervention (key Council strategy and business principle)
- Troubled Families initiative (RMBC led programme)

In terms of the Council's performance framework, the following outcomes are most relevant:

- Fewer children are living in poverty
- Fewer people struggle to pay for heating and lighting costs
- More people are in work or training rather than living on benefits

The Council aims to support people from reliance on benefits into work and the general thrust of welfare reform encourages this. However, the adverse economic climate and disengagement of most claimants from the labour market means that progress will be slow. Consequently benefit changes are likely to have a negative impact on a number of our performance indicators for some time.

11. Background Papers and Consultation

- Report to LSP Board 29th March 2012 (available on request)
- Consultation on the impacts of and responses to welfare reform has taken place with a wide range of local partners and neighbouring authorities

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