

Cabinet

19 December 2012

Welfare reform update

CORP/A/12/12/2



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Purpose of the Report

- 1 On 30 May 2012, Cabinet considered a report on the government's welfare reforms. This report updates Members on policy developments since then, what action the council is taking to prepare for the implementation of the reforms and seeks approval to the proposed approach to the localisation of the Social Fund in County Durham.

Executive Summary

- 2 The government brought forward the Welfare Reform Act 2012 to implement the Coalition's commitment to simplify the benefits system, make it fairer and to encourage people into work.
- 3 As reported to Members in May, the scale of reform is significant and involves over 40 changes. There is no single point of contact or document for the changes which makes it difficult to analyse the overall impact.
- 4 The Department for Work and Pensions is now at the stage where it is mapping out the detail of its initial policy reforms and since the last report to Members in May 2012, the government has made a number of further policy announcements relating to welfare reform, in particular:
 - a) **Localisation of Council Tax Support** funding allocations, statement of intent and draft regulations on default schemes;
 - b) pilots and guidance and draft regulations relating to the introduction and operation of **Universal Credit**;
 - c) indicative funding allocations for 2012/13 to 2014/15 to replace the **Social Fund**;
 - d) proposed assessment criteria and guidance for **Personal Independence Payments** and policy proposals relating to the **future of the Independent Living Fund**;
 - e) consultation on **Discretionary Housing Payments** and proposals relating to the removal of subsidised rents from high income households living in subsidised social housing ('**Pay to Stay**');
 - f) **Benefit Cap** guidance for local authorities.

- g) **limits to the future uprating of benefits** to achieve £3.7 billion of savings in 2015/16, announced in the Chancellor's Autumn Statement.
- 5 The Chancellor's Autumn Statement made on 5 December 2012, confirmed welfare expenditure reductions to 2015/16 only, by limiting future increases in benefit payments. Confirmation and detail are therefore still awaited on whether, when and how these future policy suggestions may be implemented.
- 6 Independent commentators such as the Institute for Fiscal Studies are still suggesting that further reductions in welfare will be required to avoid significant spending reductions in other government departments and the Chancellor has confirmed that a spending review will be held in the first half of next year to determine departmental spending limits for 2015-16 and 2016-17.
- 7 In relation to the abolition of the Social Fund, it is clear that this will leave a gap in assistance of last resort for vulnerable people in times of need, unless the council intervenes to provide help. It is at the council's discretion whether it should do so, however in the light of the withdrawal of the Social Fund, it is suggested that the council should step in to provide assistance of last resort to people in need, within the available funding devolved from government.
- 8 Members are recommended to:
- a) note the contents of this report and further developments in government welfare reform;
 - b) note the latest assessment of impacts and implications for residents in the county;
 - c) agree that in the light of the abolition of the Social Fund, the council should step in to provide assistance of last resort to people in need, within the funding devolved from government;
 - d) introduce the draft Welfare Assistance Fund policy and criteria attached as Appendix 2;
 - e) seek external support to assist with the administration of the proposed Welfare Assistance Fund;
 - f) delegate authority to the Assistant Chief Executive in consultation with the Leader, to make any final amendments to the proposed scheme and agree the method of delivery in line with the commencement date of 1 April 2013.

Background

- 9 Welfare reform is a key element of the Coalition's *Programme for Government*, published in May 2010. Cabinet considered a comprehensive report on the government's welfare reform programme at its meeting of 30 May 2012. At that time, officers were authorised to prepare for the implementation of the reforms alongside other changes such as the localisation of Council Tax benefit and its replacement with local Council Tax support schemes (LCTSS).

- 10 Since May 2012, the government has made a number of further welfare reform policy announcements which are outlined in more detail below. Increasing detail is being provided on the roll-out and operational implementation of the changes and the next phases of welfare reform.
- 11 Over 40 changes have been made to welfare, however, there is no single point of contact or document for the changes which makes it difficult to analyse the overall impact.
- 12 In addition, the Welfare Reform Act 2012 included proposals to abolish the Social Fund, which currently provides emergency support to those in most need. In future, local authorities will receive an element of the funding and will be free to decide what, if any, local support they wish to provide. The report goes on to outline how much funding the council will receive from April 2013 onwards and recommends an approach for how the council can step in to provide emergency and crisis support of 'last resort' for the most vulnerable and needy people in the county.

Update

- 13 The most significant policy announcements since the last report to Members in May 2012, relate to the following, which are outlined in more detail below:
 - a) Localisation of Council Tax Support funding allocations, statement of intent and guidance on taking work incentives into account in the determination of localised Council Tax support;
 - b) draft regulations on Localised Council Tax Support default schemes;
 - c) £100 million of additional support to councils to help support the development of Council Tax Support Schemes and incentives into work;
 - d) proposals relating to the removal of subsidised rents from high income households living in subsidised social housing (the 'Pay to Stay' proposals);
 - e) draft regulations relating to the introduction and operation of Universal Credit;
 - f) Social Fund replacement indicative funding 2012/13 to 2014/15;
 - g) proposed assessment criteria and guidance for Personal Independence Payments;
 - h) policy proposals relating to the future of the Independent Living Fund;
 - i) local authority Universal Credit pilots;
 - j) Discretionary Housing Payments consultation;
 - k) Benefit Cap guidance for local authorities;
 - l) new financial products to help Universal Credit claimants;

- m) consultation on claimant count statistics for Universal Credit;
- n) changes to the WaterSure support scheme as a result of the introduction of Universal Credit;
- o) limits to the future uprating of benefits to achieve £3.7 billion of additional savings in 2015/16, announced in the Chancellor's autumn statement.

Local Council Tax support

- 14 On 17 May 2012, the government published a consultation paper on the funding arrangements for the Localisation of Council Tax Support which is set to replace Council Tax Benefit from April 2013.
- 15 This was followed on 21 May 2012 by guidance on taking work incentives into account in the determination of Council Tax Support within the context of the Government's wider welfare reforms and local authority duties in relation to vulnerable people.
- 16 In addition, draft regulations on Local Council Tax Support were published in May for local authorities which may opt initially to adopt a default scheme as opposed to developing an entirely new local scheme and policy in the first year of operation. The final regulations were laid before parliament on 22 November 2012 and came into force on 18 December 2012. To coincide with this, the government published guidance with worked examples on how account should be taken of Universal Credit income in localised Council Tax Support schemes.
- 17 In June, the government published an updated impact assessment of its policy to localise Council Tax Support.
- 18 On 16 October 2012, it announced that it would be making available a further £100 million to support councils in developing local Council Tax Support Scheme and positive incentives into work. In part, the additional funding is to ensure that those who currently receive 100 per cent support, pay no more than 8.5 per cent of their Council Tax liability under localised schemes and that those entering work, do not experience a sharp increase in their Council Tax liability because support is withdrawn.
- 19 Cabinet considered a more detailed report on the Localisation of Council Tax Support at its meeting of 12 September 2012 and a further report which considers the recommended approach to Council Tax Support in the county is also included on the agenda for this meeting of Cabinet.

Pay to Stay

- 20 On 13 June 2012, the Department for Communities and Local Government launched a consultation on addressing the issue of households earning high incomes who occupy subsidised housing. The Government proposes to introduce a 'Pay to Stay' scheme whereby landlords could charge a fair rent to tenants on high incomes who want to stay in their social homes. The consultation sought views on how the proposal might be delivered, including

the income threshold above which high income tenants might be asked to pay a higher rent; what the higher level of rent should be; disclosure of income by tenants and whether the policy should be voluntary or compulsory for social landlords. The government has advised that it expects to respond to the consultation by the 2013 Budget.

Universal Credit

- 21 The key feature of the government's changes to welfare is the introduction of Universal Credit, which is intended to simplify benefits, increase the incentive to work and contribute towards Comprehensive Spending Review reductions on welfare of £18 billion by 2015.
- 22 The Universal Credit is a new all-encompassing benefit for both those in and out of work, which will be paid on a monthly basis. It replaces a number of existing benefits including Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Housing Benefit, Child Tax Credit, and Working Tax Credit.
- 23 Changes are also to be made to the contribution-based Employment Support Allowance, limiting the amount of time claimants in the work-related activity group or assessment phase can claim to 365 days. The 'Youth' provision which enables disabled young people to qualify for the benefit without paying National Insurance contributions is also to be removed.
- 24 On 15 June 2012, the Government began to publish draft regulations for the current welfare reform proposals associated with the introduction of Universal Credit in October 2013. Draft regulations published thus far include:
 - Housing Benefit (benefit cap) Regulations 2012;
 - Employment and Support Allowance Regulations 2012;
 - Jobseeker's Allowance Regulations 2012;
 - Universal Credit, Personal Independence Payment and Working-age Benefits (Decisions and Appeals) Regulations 2012;
 - Universal Credit, Personal Independence Payment and Working-age Benefits (Claims and Payments) Regulations 2012;
 - Housing Benefit (Amendment) Regulations;
 - Jobseeker's Allowance (Sanctions) (Amendment) Regulations 2012.
- 25 Consultation on the draft regulations was via the Social Security Advisory Committee and the Council responded highlighting a number of instances where the proposed regulations would have detrimental implications for current welfare recipients or vulnerable people in need.
- 26 On 31 August 2012, the government announced 12 local authority pilot projects to support people to claim Universal Credit. The pilots will run from Autumn 2012 exploring how local expertise can support residents under Universal Credit, by for example helping claimants to learn how to claim

Universal Credit online, manage their own finances as well as look for employment.

- 27 The 12 local authorities areas chosen to run pilots include Bath and North East Somerset, Birmingham, Caerphilly, Dumfries and Galloway, Lewisham, Melton and Rushcliffe Borough Councils, Newport, North Dorset, North Lanarkshire, Oxford, West Dumbartonshire and West Lindsey.
- 28 The pilots will explore a range of support around Universal Credit implementation, for example:
- Birmingham will introduce a digital logbook of government services for residents and highlight those who need extra support with financial skills and digital literacy;
 - Melton and Rushcliffe Borough Councils will identify the most vulnerable members of the community in order to provide support in increasing financial inclusion and get customers ready for work, working with the local voluntary sector and the county council;
 - Oxford will build on their work as a Direct Payment Demonstration Project to work with residents not in contact with Jobcentre Plus;
 - North Dorset will work with a credit union, Citizens Advice, the Department of Work and Pensions (DWP) and the social housing provider Spectrum to provide money advice, budgeting support and employment skills for people living in remote areas.
- 29 In the main, the government's intention is that Universal Credit will be run as an online service, but two further 'pathfinder' pilots run by Oldham and Wigan are being established to examine how face to face services can help people to become digitally independent.
- 30 As part of the piloting process, the government has confirmed that Universal Credit will go live in parts of Greater Manchester and Cheshire in April 2013, six months before the planned national roll-out. Tameside, Oldham, Wigan and Warrington will be the first areas to go live which will enable the government to test the service and use claimants' feedback to make final improvements before the national launch in October 2013. It is understood that the national roll-out will 'start small' with relatively simple benefit claims such as Job Seeker's Allowance and that by April 2014, all new claims across the country to the current benefits and credits will be phased out and replaced by Universal Credit.

- 31 In addition, the government has announced its intention to procure a range of online financial products to help benefit claimants manage their finances. In particular the government is looking for online products which will provide:
- support for claimants to budget and manage their money;
 - regular payments for housing and other main bills;
 - options for multiple income streams from work and benefits;
 - access to all claimants, irrespective of credit history;
 - options to build up a credit rating;
 - availability to people once they have moved off Universal Credit.
- 32 The government has also established a Universal Credit implementation task force and the council is involved in a wider reference group of local authorities informing the task force's work.
- 33 On 3 October 2012, the government launched a consultation on the production of claimant count statistics for Universal Credit when it is introduced and on 18 October consequential changes to the WaterSure support scheme, whereby the water industry helps low income households with their water bills were announced as a result of the introduction of Universal Credit.
- 34 In his Autumn Statement, published on 5 December 2012, the Chancellor announced that the key parameters regarding Universal Credit will be included in regulations to be published on 10 December 2012. These will set the earnings disregards for April 2013, which will subsequently be increased by one per cent in April 2014 and April 2015. The Chancellor expects that these measures will result in savings of £640 million a year by 2015-16.

Personal Independence Payments

- 35 Under the Welfare Reform Act 2012, the Disability Living Allowance (DLA) is to be replaced for all working-age people by Personal Independence Payment (PIP). There will be no automatic transfer from one benefit to the other, so people currently receiving DLA will have to make a fresh claim for the new benefit and be re-assessed in line with its new assessment criteria.
- 36 Claimants in the county will be amongst the first in the country to experience the new benefit, with new claims in North East and North West England transferring to PIP in April 2013, with the rest of the country following in June 2013. All other existing DLA claims will be re-assessed and where supported, transferred to PIP between October 2013 and Spring 2016.

- 37 Earlier in the year, the government consulted on the proposed assessment criteria for PIP and its response to the consultation has been awaited since this autumn. The associated draft regulations to implement PIP were due to be laid before parliament in November 2012.

Independent Living Fund

- 38 In July 2012 the government consulted on the future of the Independent Living Fund, which provides support to help people with disabilities to live as independently as possible in their home.
- 39 The government proposes to close the fund from 2015, devolving responsibility to local authorities for providing care and support and promoting the use of personal budgets and direct payments so that people with disabilities who receive support, have more choice and say in how their care is managed and provided.
- 40 The consultation closed on 12 October 2012 and the council submitted a response. The final outcome and the government's response to the consultation have been due since Autumn 2012.

Discretionary Housing Payments

- 41 During August 2012, the government consulted on changes to Discretionary Housing Payments, in the light of the introduction of Universal Credit and the replacement of Council Tax Benefit with more localised council tax support from April 2013.
- 42 Since 2001, local authorities have been able to make Discretionary Housing Payments to benefit claimants in receipt of Housing Benefit and or Council Tax Benefit where they consider that additional help with housing costs is required.
- 43 In the light of welfare reform, the government has increased the amount provided to local authorities to make discretionary housing payments, in order to help mitigate the impact of welfare changes on specific groups. Funding has increased from £20 million per annum to £65 million in the current year, £165 million for 2013/14 and £135 million for 2014/15.
- 44 Although local authorities will still have a large degree of discretion in how discretionary housing payments are administered, revised guidance has been issued on who should be given priority when considering claims for DHPs, in order to ensure that the increased funding provided is used for its intended purpose to support those affected by welfare reform. Under the revised guidance, local authorities are encouraged to direct support towards those affected by the introduction of the benefits cap, the occupancy/size criteria in the social rented sector and by reductions in Local Housing Allowance.

- 45 The outcome and the government's response to the consultation on Discretionary Housing Payments is expected shortly. However, it is already clear that the increase in funding to local authorities for discretionary payments is relatively limited compared with the demand which will be created by the government's wider changes to welfare and is likely to be insufficient to help all those affected by welfare reform.
- 46 In addition, it should be noted that in his Autumn Statement, the Chancellor announced that the funds available for Discretionary Housing Payments will be reduced by £30 million from 2013 to 2017 in order to fund other more targeted welfare measures.

Benefit cap guidance

- 47 Under the Welfare Reform Act, from April 2013 a cap will be introduced on the total amount of benefit that working age people can receive, in order to ensure that workless households no longer receive more in benefits than the average earnings of working households.
- 48 The benefits which will be taken into account when calculating the cap include Bereavement Allowance/ Widowed Parent's/Mother's Allowance, Carer's Allowance, Child Benefit, Child Tax Credit, Employment and Support Allowance (ESA) (contribution-based and income-related) except where the Support Component has been awarded, Guardian's Allowance, Housing Benefit, Incapacity Benefit, Income Support, Jobseeker's Allowance (contribution-based and income-based), Maternity Allowance, Severe Disablement Allowance (SDA) and Widow's Pension.
- 49 If an individual, their partner or any children they are responsible for and who live with them in a household are entitled to Working Tax Credit or are in receipt of certain benefits such as Attendance Allowance or Disability Living Allowance/Personal Independence Payments, they will be exempt from the cap.
- 50 In addition, to protect those who have who have recently fallen out of employment, the government is proposing a 'grace period' whereby the benefit cap will not be applied for 39 weeks to anyone who has been continuously in work for the previous 12 months.
- 51 In the first instance, it is proposed that the cap will be administered jointly by the Department for Work and Pensions and local authorities through deductions from Housing Benefit payments. In the longer term, it will form part of the new Universal Credit system, which in due course will incorporate housing benefit.

Future direction of welfare policy

- 52 The overall context for the future direction of welfare policy is that in his 2012 Budget speech, the Chancellor advised that if departmental spending reductions are to be maintained in the next Spending Review at the same rate as in the current review which runs to 2014/15, the government would need to save £10 billion from welfare by 2016. In the Autumn Statement, the government confirmed that it will operate on the principle that departmental resource budgets will continue on the same trajectory in 2015-16 as over the period of Spending Review 2010 (with spending on health, schools and overseas development assistance protected) and that a spending review will be held in the first half of next year to determine departmental spending limits for 2015-16 and 2016-17.
- 53 The main announcement of the Chancellor's Autumn Statement on welfare was that a further £3.7 billion would be saved in 2015/16 by limiting the future uprating of a number of benefits to one per cent for the next three years, as opposed to uprating in line with inflation, which is the current policy.
- 54 The principal announcements in relation to welfare were as follows:
- a) Most working age benefits (this will apply to Jobseeker's Allowance, Employment and Support Allowance, Income Support, applicable amounts for Housing Benefit, Maternity Allowance, Statutory Sick Pay, Statutory Maternity Pay, Statutory Paternity Pay and Statutory Adoption Pay) will be uprated by one per cent for three years from April 2013;
 - b) Child Benefit will be frozen in April 2013, as set out in the June Budget 2010, but will be uprated by one per cent for two years from April 2014;
 - c) Uprating by one per cent will also extend to the Child Tax Credit and Working Tax Credit (excluding disability elements). The couple, lone parent and child elements will be uprated by one per cent for three years from April 2013. The basic and 30 hour elements will not be uprated in 2013-14 as set out in Spending Review 2010, but will be uprated by one per cent in 2014-15 and 2015-16. All disability elements will continue to be uprated by prices each year;
 - d) The Additional State Pension and those specifically for disability and carers, will continue to be uprated in line with prices, as will the disability elements of tax credits. The government confirmed that the basic State Pension will increase by 2.5 per cent in April 2013, higher than both average earnings and inflation, in line with previous policy commitments. As a result, pensioners will see a cash increase of £2.70 a week to the basic State Pension in 2013-14;
 - e) There will be a reduction in the pensions tax relief available to the top two per cent of earners. Lifetime allowance will be reduced from £1.5 million to £1.25 million and the annual allowance from £50,000 to £40,000;
 - f) Local Housing Allowance rates will be uprated in line with the previously announced policy in April 2013, but will cap increases to one per cent in most areas in 2014-15 and 2015-16;

- g) 30 per cent of the potential savings from the Local Housing Allowance rates will be used to exempt rates in those areas where rent increases are highest, in recognition of the fact that rental markets differ across the country;
- h) Housing payments for those in supported exempt accommodation will be disregarded for the purpose of the benefit cap. Funds available for Discretionary Housing Payments will be reduced by £10 million in 2013-14 and 2014-15, and by £5 million in 2015-16 and 2016-17, to fund this measure.

55 Implementing many of these changes will require primary legislation and the Chancellor confirmed that a Welfare Up-rating Bill will be brought forward for parliamentary consideration.

Impact of changes

56 As reported to Members in May, the government's proposed changes to welfare will have significant implications and impacts on large numbers of people in the county and the council as a service organisation.

Universal Credit

57 The most significant change is the introduction of Universal Credit, which is to be rolled-out nationally between 2013 and 2017. Initial estimates suggest that this will affect at least 32,000 existing benefit claimants who will transfer to the new benefit. In addition, a further 24,000 Incapacity Benefit claimants may transfer, depending upon how Incapacity Benefit and Employment and Support Allowance migrations develop.

58 58,000 families in receipt of Families Tax Credits will be affected and 47,000 Housing Benefit claimants will transfer to Universal Credit.

59 Taking into account that under the current system, some claimants may be in receipt of multiple benefits, overall we estimate that the introduction of Universal Credit will affect approximately half of all households within the county, amounting to around 120,000 households. Impacts include affected households having to re-apply online for the new benefit and having entitlement and the level of support re-assessed, which could lead to a change in the amount of benefit received. In addition, Universal Credit will be paid monthly and claimants will be expected to take more responsibility for managing their own finances, as opposed to for example, having benefit paid direct to their landlord or housing provider to cover their housing costs.

60 The government has sought to respond to growing concerns about the need to provide people with significant support during the transition and the 12 local authority pilots and early roll out in the north west are intended to identify and demonstrate good practice and test the system before it is rolled out nationally from October 2013 onwards.

61 The invitation to suppliers to come forward with online products to help claimants manage their finances more easily and effectively is part of this effort. However, it provides little time for such systems to be tested and for support agencies to familiarise themselves with the products so that they are

able to help new and existing benefit claimants get to grips with the new approach.

- 62 In terms of the national roll-out between 2013 to 2017, new claimants will be amongst the first to receive Universal Credit and it is understood that existing claimants will move across to the new benefit on a council by council basis. The government is yet to confirm when existing claimants in Durham will move across, although indications are that this will not be in 2013.

Localised Council Tax Support

- 63 In total, the council estimates that 63,000 Council Tax Benefit claimants will be affected by the move to local Council Tax Support in the county next April.
- 64 While government guidance has sought to protect certain groups, and in particular pensioners, under the move, the council has consulted on introducing a scheme which would ensure that no one is any worse off as a result of the transition.
- 65 A more detailed report which considers the proposed approach to local Council Tax Support is also included on this agenda for Cabinet.
- 66 The announcement that a further £100 million is to be made available to support local authorities to develop local Council Tax Support schemes is welcome. However to put it in context, the overall budget for Council Tax Support transferred to local authorities has been reduced by approximately £5 billion a year, compared with the overall budget for Council Tax Benefit which it replaces. In Durham, this amounts to a reduction of £5.5 million a year. In addition, it should be noted that local authorities will need to wait until 31 January 2013 to apply for support from the scheme, which is approximately two months before local Council Tax Support Schemes need to be in place.

Housing

- 67 From April 2013, the government is implementing changes to Housing Benefit, with size criteria to be applied to social sector housing, meaning that working-age households deemed to be under-occupying their homes would have part of their Housing Benefit removed from their overall benefit calculation. This is likely to affect around 8,300 households in the county, who at the very least will have their benefit entitlement reviewed and potentially reduced depending upon the outcome of the reassessment.
- 68 Housing Benefit claimants are also the most likely to be affected by the introduction of the benefit cap from April 2013, as well as separate capping arrangements for Local Housing Allowance which apply in the private rented sector.
- 69 In addition, most working-age claimants will be expected to manage their own housing benefit and will no longer be allowed to have that element of benefit paid directly to their landlord.

Support for people with disabilities

- 70 The reform of Disability Living Allowance (DLA) will mean that DLA will be replaced by a Personal Independence Payment (PIP) for those of working age from April 2013. Currently DLA is split between two different components: Care Awards and Mobility awards. Each component has rates of award depending on which eligibility criteria are met. People can be eligible for one or both components of DLA. Overall, there are around 21,000 working age people claiming DLA in total in County Durham which is around 6.3 per cent of the working age population, higher than the regional average of 5.8 per cent and the national average of 4.4 per cent. All corresponding Care Award Types (Higher rate etc) are more prevalent in County Durham. In addition, we also have relatively more nil rate care award claimants than the national average. Generally, these are people who qualify for mobility awards but not a care award.
- 71 PIP will have many similarities with DLA. In particular, it will have two components: a daily living component (which has two levels of award compared to the current care component which has three) and a mobility component. Overall, the government intends to cut the DLA budget by 20 per cent, delivering savings of up to £1.5 billion a year by 2016-17. Nationally, it is estimated that 500,000 fewer people will receive PIP by 2015-16 compared with the current DLA, which is likely to mean significant changes in income for some working age claimants.
- 72 Government modelling of the impact of the new eligibility criteria for PIP shows, in terms of transition from Care Awards to Daily Living Components, the number of higher rate/enhanced rate recipients increases slightly by 2 per cent, the number of middle/lower rate recipients more than halves and nil rate recipients more than doubles. So nationally, the number of people receiving any Care award will fall by nearly 40 per cent. In addition, the scale of the impact to individuals can be large.
- 73 There are around 13,000 people receiving middle and lower rate care awards in County Durham, at £51.85 per week and £20.55 per week respectively. Under PIP, using assumptions from the government modelling, the equivalent number receiving an award is around 6,000 people. Around 19,000 people in County Durham receive a mobility award. Around 12,000 people receive a higher mobility award (£54.05 a week) and around 7,000 receive the lower mobility award (£20.55 per week). According to the government modelling, this may fall by 20 per cent to around 15,000.
- 74 In addition, the changes to care award caseloads are also likely to have knock-on-effects for council budgets as some people currently receiving DLA also receive social care support. DLA is taken into account in terms of their individual financial assessments for social care support and any reduction in incomes, through DLA being reduced, will mean that council funds will be needed to meet this loss of income to pay for services.
- 75 Members should also note that disabled people will be affected by a number of the government's wider welfare reforms and not just those which relate specifically to disability.

- 76 The announcement that housing payments for those in supported exempt accommodation will be disregarded for the purpose of the benefit cap, will be to the benefit of some disabled people, however it should be noted that this is to be funded by reducing the funds available for Discretionary Housing Payments by £10 million in 2013-14 and 2014-15, and by £5 million in 2015-16 and 2016-17. The government had previously proposed that local authorities should use DHP to help those affected by its wider welfare reforms.

Equality impacts of the government's welfare reforms

- 77 The report to Cabinet on 30 May 2012 included a summary of the potential impacts identified by government and indications of the scale of change in County Durham. There have been a number of national research reports published on the equality implications of the changes, particularly in relation to the impact on disabled people.
- 78 Whilst much of the current research into equality impact is predictive, there is existing evidence which supports the view that some groups will be disproportionately affected. Whilst the government's stated mitigation is that the changes will provide an incentive to seek employment, there are many for whom employment is not an option, including some disabled people and those with full-time caring responsibilities. For others the need for benefit support may be sudden or of varying degree, which can also be affected by an equality characteristic. Loss of employment or lower wages, costs of childcare, changes in relationship status, health or caring responsibilities are all common causes of financial difficulties. In response, many households turn to benefit support in addition to borrowing through formal and informal routes, including from family members.
- 79 Some of those protected under the Equality Act are more likely to be in receipt of support or benefits. For example national research by the Equality and Human Rights Commission states that disabled people, people from some ethnic minorities and lone parents who are often women are less likely to be in paid work than other groups and where they are in work are more likely to be in low paid or part time jobs. Those aged 55 and over are less likely to find new employment if they lose their job and younger age groups are less likely to have savings which they can rely on if their circumstances change. Research in 2011 suggested that 10 million people in low income households have unsecured debt and three quarters in the lowest income quintile have no cash savings.
- 80 In November 2012, the House of Commons Work and Pensions Select Committee published its third report '*Universal Credit implementation: meeting the needs of vulnerable claimants*', which looked at the implications for disabled people, homeless people and those struggling to manage their finances.

- 81 The report highlighted several concerns over the effect of proposed changes on particular groups:
- a) Online systems as the main access for applications and content will be a potential barrier for some older or disabled people who may not have access to IT or be proficient in its use;
 - b) Monthly payments are not the norm for those currently receiving benefit or in low paid work so may make budgeting difficult;
 - c) Single recipient in each household could result in one person controlling finances and cause or exacerbate gender imbalances or increase domestic abuse;
 - d) Direct housing payments to the recipient rather than the landlord could create a risk for some who are unable to manage rent payments, for example people with learning disabilities or mental health problems;
 - e) Bank account requirements may be a barrier for some vulnerable people and could lead to exploitation;
 - f) Additional disability payments – although the government have given assurances that disabled people will be no worse off there are concerns that transition arrangements will not maintain this position effectively;
 - g) Benefit caps may impact on those in temporary accommodation, for example those fleeing domestic violence, and there is lack of clarity around the effect of other statutory payments such as maternity or sick pay on the benefit cap;
 - h) Additional passported benefits such as free school meals may also be affected though the initial results from Pathfinder projects suggest that linked entitlements were protected.
- 82 Other evidence suggests that the changes to Housing Benefit are likely to have a greater impact on lone parents and those aged under 35. For example, a single father aged under 35 whose children stay occasionally may only be entitled to a shared room rate, which would not take account of the need for additional bedrooms.
- 83 In addition, the reforms may have unintended impacts on looked after children as potential foster carers may be impacted by the introduction of the under-occupancy criteria and no longer be able to afford the extra room which would enable them to accommodate foster children.
- 84 Information from the Bevan Foundation highlights that under-occupancy changes mean that couples would not be able to have separate bedrooms if they choose to sleep apart for health or other reasons. Excluding homes with more than four bedrooms means that multiple generations of a family may not be entitled to Housing Benefit if they live together

Impacts on disabled people of national changes

- 85 The impacts on disabled people have been considered in a number of national reports. Households with disabled adults or children tend to receive a combination of benefits so the current changes are likely to affect them over a period of time. There are also specific issues which mean the government's key mitigation of encouraging work does not apply to many disabled people. Some have multiple or complex needs which makes work impossible, others are limited by the availability of appropriate support in the workplace or the attitudes of employers and some have fluctuating conditions which mean that they cannot work on a permanent or full-time basis. Disabled people in employment are more likely to work in low paid or part-time jobs. Carers face similar issues - depending on the level of care they provide, it can be impossible for them to work or choose to work additional hours if they are in employment.
- 86 Changes to eligibility and assessment criteria have focussed narrowly on the medical model of disability and an individual's physical capability, rather than the social model which presents a combination of issues affecting the individual's quality of life.
- 87 The move from DLA to PIP will have a direct financial impact for some who will lose their current entitlement. The changes may also impact in other financial areas through loss of linked entitlements such as motability vehicles or the effect on carers' allowances where the carer also has a disability.
- 88 Current allowances for some disabled children under DLA will also change, added to the frequently higher costs of raising disabled children or availability of appropriate affordable childcare, this means that those families will be worse off.
- 89 In addition to DLA, there are changes to Housing Benefit which limits under-occupancy of homes. Although the change allows for a spare room where a disabled person is assessed as requiring overnight care, it does not allow for those who may need a spare room for treatment or who have fluctuating needs which require overnight care.
- 90 The cumulative impacts of the changes mean that some disabled people will be financially poorer, and may rely more heavily on emergency support and be at greater risk of social isolation. Where a family member has previously been able to provide care they may now be under pressure to seek employment to meet the income gap. This may increase the numbers of people in work but could have implications for their own health and wellbeing or the person they care for and some will not be able to earn enough to pay for additional care whilst they are at work.
- 91 Overall there is growing evidence that those groups which traditionally face barriers to employment are more likely to be disproportionately affected by the combination of changes in financial terms and as a result of changes to eligibility and application processes. There is potential for knock-on effects in relation to linked entitlements which may be lost - even temporary delays in the process could create significant hardship for some people. There is evidence that some disabled people and carers could be particularly disadvantaged in monetary terms or in impacts on their health and wellbeing.

In addition, there is evidence that the welfare reform changes are affecting community relationships, as lack of understanding that some people are unable to work, increases local tensions and may contribute to the increased reports of disability hate crime.

Replacing the Social Fund

- 92 The Welfare Reform Act abolishes the Social Fund, which provides additional financial assistance to people in times of need. From April 2013, the government will provide some elements of assistance centrally, while other elements will be left to the discretion of local authorities, who will receive a non-ring fenced grant to provide whatever crisis support they deem appropriate in line with local circumstances and priorities.
- 93 The regulated elements of the Social Fund, that is, funeral payments, cold weather payments, winter fuel payments and Sure Start maternity grants, will remain the responsibility of the Department for Work and Pensions (DWP).
- 94 The discretionary part of the fund currently consists of three separate schemes: Crisis Loans, Community Care Grants, and Budgeting Loans.
- 95 Crisis Loans are split into various elements:
- One off items such as cookers, fridges and beds ('items');
 - Living expenses, including day to day items such as monies for food, travel expenses and energy reconnection/charges;
 - Rent in advance;
 - Alignment Payments.
- 96 The Community Care Grant and the items and living expenses elements of the Crisis Loans will become the responsibility of local authorities who will be free to decide what, if any, support they wish to provide.

Existing Crisis Loan provision

- 97 The DWP describes Crisis Loans as interest-free loans available to anyone (whether on benefit or not) who cannot meet their immediate short-term needs in an emergency or as a consequence of a disaster. Repayments are made directly from benefit where possible. Separate arrangements are made for people not in receipt of benefits.
- 98 The loan must not be for 'excluded items', cannot exceed £1,500 and it is expected that it should be repaid.
- 99 In order to reduce expenditure on crisis loans from April 2011, crisis loans for items such as cookers and beds are now only available following a disaster such as flooding, the rate paid for living expenses has reduced from 75 per cent to 60 per cent of the personal allowance benefit rate, and a cap of three Crisis Loan awards for general living expenses in a rolling 12 month period has been implemented.

Existing Community Care Grant provision

- 100 The DWP describes Community Care Grants as non-repayable grants awarded for a range of expenses including household equipment. They are primarily intended to support vulnerable people to remain in or return to the community or to ease exceptional pressure on families. Eligibility is conditional on receipt or imminent receipt of an income related benefit.
- 101 Eligible expenditure and household equipment includes:
- furniture, cookers, beds, bedding and household equipment, floor covering, curtains and heaters;
 - moving expenses, including removal costs, fares and storage charges;
 - connection charges when setting up or moving home;
 - reconnection charges for fuel when you have been disconnected (though the DWP might only accept this where you are also having direct deductions from your benefit to pay off your debt);
 - items which will improve your living conditions such as minor repairs, redecoration, installation of a pre-payment meter, washing machine;
 - clothing and footwear;
 - maternity and funeral expenses that are arguably not covered by the regulated social fund;
 - items needed because of disability (including wheelchairs, stair lifts, special clothing, an orthopaedic mattress or an upright armchair).
- 102 To date, the DWP has declined to provide the council with detailed information on existing claims and client numbers, arguing that the existing Social Fund scheme will not be comparable to any local financial assistance scheme the council develops, as this would be based on local as opposed to national criteria. We have been able to determine a profile of successful claimants from DWP data and the overall and average amount of Social Fund payments. This suggests that the funding to be devolved is less than that currently distributed in the county. However, it has proved very difficult to anticipate the precise nature of claims people are making, the size of the potential client group and therefore the number of staff we may need to deploy to support such people.

Existing administration

- 103 Applications are administered centrally by the Department of Work and Pensions. Where an award is made, the recipient has to attend a Job Centre office to collect the payment. The DWP only uses Job Centre offices with adequate security including two security officers, because of the risk of verbal and physical violence to staff from desperate claimants.
- 104 The staff who make the decision on whether to make an award are not based locally, for the same reasons.

Funding to be devolved

- 105 No ring fencing has been attached to the money that is to be devolved to local authorities to deliver these services, nor, will there be any duty to provide a particular type of service.
- 106 On 6 August 2012, local authorities were sent an indicative 'settlement letter', with the final settlement to be announced later in the year, setting out the expected level of funding for 2013/14 and 2014/15 and the purposes for which the money is intended to be spent.
- 107 The level of indicative funding is:

2012/13

Set Up funding	£ 15,921
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2013/14

Programme Funding	£1,592,057
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Administrative Funding	£ 336,414
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2014/15

Programme Funding	£1,592,057
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Administrative Funding	£ 308,359
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- 108 This funding was based on the first six months expenditure for 2011/12 and equates to 1.104 per cent of England's expenditure. However, if we take the average expenditure for the three years 2009/10, 2010/11 and the first six months of 2011/12, the expenditure average equals 1.3 per cent of total expenditure.
- 109 If this average was used, then the council would expect to receive an additional £564,587 Programme Funding and £114,327 Administrative Funding over the two years.

Developing a local scheme

- 110 The council has researched proposed approaches elsewhere and explored a number of practical issues in considering whether to provide a local scheme.
- 111 Other councils are pursuing mixed approaches.
- 112 Hampshire has decided against providing an alternative scheme, arguing that there is no statutory duty to do so. Instead, they intend to support existing advice networks rather than providing direct financial support to mitigate the withdrawal of Social Fund assistance. All councils in the North East are currently developing alternative schemes for the provision of welfare assistance.

- 113 A number of other authorities including East Sussex, Lancashire and Northamptonshire are looking to provide alternative schemes, with some elements administered in-house and others delivered externally. In the North East it is understood that around a quarter are seeking to use external providers, with the remainder developing in house services.
- 114 Several local authorities including Oxfordshire, Cumbria, North Yorkshire, Plymouth, Suffolk, Essex are looking at external provision options for the full administration of the support schemes they are able to fund.
- 115 Compared with previous funding, the level of funding for 2013/14 has reduced considerably and if the council agrees to introduce a scheme, we need to be mindful that the level of funding being made available to us, may well not be sufficient to meet current demand.
- 116 In addition, the DWP is not proposing any transition period, so the reduction in funding available could constitute a 'cliff edge' of support for applicants from the old scheme, who will turn to the council for assistance from 1 April 2013.
- 117 The DWP operated a limited out of hours service for the scheme and the ability for a potential applicant to contact us in an emergency outside normal working hours will need to be considered, in the light of the limited funding available.
- 118 Another key issue to consider, is that this type of funding is the last stop for many desperate people and if refused, the situation can become very emotive. As outlined above, Social Fund decisions are not made in the local office and customers have no face-to-face contact with the decision makers, with decisions notified in writing or by phone. The council therefore needs to think very carefully about how it handles customers who due to the reduced funding, may be turned down whereas they may have received support under the current scheme.
- 119 In addition, given that this will be the council's first experience of administering this type of scheme and we do not know the extent to which the amount of funding devolved will fall short of local demand, it would make sense to agree a transition scheme, while demand is assessed and a longer term solution developed.
- 120 Given that the government is devolving less funding to the council to administer than is currently available from the Social Fund, the council will need to develop and agree funding criteria which balance the funding available and the needs of this particular client group. Officers have consequently developed a set of funding criteria for a successful application for resettlement payments and daily living expenses and qualifying criteria for how we might classify people as being vulnerable and therefore entitled to assistance. The criteria have been developed in consultation with interested parties and stakeholders including the Citizens Advice Bureaux and local food bank and welfare organisations.
- 121 The eligibility criteria were developed using existing Social Fund criteria and expenditure levels and in consultation with stakeholders and relevant council services such as Welfare Rights and Adult Social Care Commissioning. In addition, approaches by other local authorities were considered and best

practice identified and incorporated into the final criteria and policy, attached as Appendix 2 as a Draft Welfare Assistance Fund policy. An equality impact assessment, attached as Appendix 3 has also completed to ensure the proposed criteria are as fair as possible.

- 122 In the light of the uncertainty around demand compared to funding and in line with approaches being pursued in other councils, officers have explored whether external expertise could be contracted in to handle the initial administration of the scheme.
- 123 The principal benefits of such an approach are that an external provider would be able to vary the resources deployed to deal with the number of claims and that the council would avoid having to invest in the specialised customer services and security, which experience has shown is required for this type of scheme.
- 124 To determine whether external administration is a viable option, a soft market testing exercise has been undertaken, which has demonstrated that there is commercial and third sector interest in providing such support and that some of the potential providers have a track record in this area.
- 125 It is therefore proposed that the council should explore the optimum method of providing a welfare assistance fund scheme externally.
- 126 In order to be able to implement the scheme by 1 April 2013, it is proposed that authority be delegated to the Assistant Chief Executive in consultation with the Leader, to make any final amendments to the proposed scheme and agree the optimum method of delivery.

Council preparations and planning

- 127 The implementation of welfare reform cuts across all of the council's strategic themes and has implications across the entire council. As a result, the council's preparations are being overseen by all Cabinet Members, supported by an officer project group, reporting to the Assistant Chief Executive. The officer group oversees the work of a number of workstreams, which have been set up to focus on particular aspects of welfare reform including the Social Fund, housing implications, policy analysis and community resilience. The group also coordinates planning with the parallel preparations for the localisation of Council Tax Support, which is overseen by a Member/officer steering group, chaired by the Corporate Director, Resources.
- 128 Government policy announcements and regulations are being monitored and analysed and where appropriate, the council is responding to consultations and calls for evidence where they provide an opportunity to inform government policy formation and implementation. The council responded to the Communities and Local Government Select Committee call for evidence on the implementation of welfare reform.
- 129 A Housing Welfare Reform Group has been established to work with local housing providers to assess housing implications and develop policy accordingly. As agreed by Cabinet on 14 November 2012, the Durham Key Options letting policy has been reviewed and priority awarded to people suffering financial hardship as a result of welfare reform. In addition, a

protocol is being developed with social landlords for the use of Discretionary Housing Payments.

- 130 A comprehensive communications plan has been developed to coordinate communications on a multi-agency basis and to make benefit claimants aware of the impending changes, which are likely to affect them and to point them towards sources of help and advice.
- 131 The approach to communications is phased, with the initial phase through to January 2013 aimed at raising awareness of the proposed changes with staff, Members, residents and partners. Customer Services staff and other front line staff have received awareness training on the changes. In addition, an article has been included in Durham County News, and over 8,300 social housing tenants who are likely to be affected by the introduction of the under occupancy change have received a letter outlining the changes and implications, checking their personal circumstances and providing advice on what their options might be and where they can go for help.
- 132 In addition, a leaflet on the welfare reform changes has been prepared for Members and staff and this leaflet will be distributed over the next few weeks.
- 133 Further guidance is being developed for front facing staff and community and voluntary sector agencies so that they are able to respond effectively to detailed enquiries and to support the introduction of the Social Fund changes. This more detailed communication will occur as part of phase two of the communications plan to be run in the New Year. There is also a Members' seminar planned for 10 January 2013.
- 134 As part of the community resilience work, a review of advice services has commenced to ensure that the council and community and voluntary services are fully informed and provide the public with consistent and coordinated advice and support. A financial inclusion action plan is also being developed which will include a review of concessions on fees and charges for council services.
- 135 With regards to the localisation of Council Tax support, the council has consulted on a default Council Tax Support Scheme which would ensure that current claimants are not detrimentally impacted during the transition from Council Tax Benefit to local Council Tax Support. This is the subject of a more detailed report on this agenda.
- 136 Finally, the council is also working with partners to agree a monitoring framework so that we can track and evaluate the impact that welfare changes have on the county, local communities and the local economy. This will be key in assessing the impact and effectiveness of policy changes and making the case to government for further support where it can be afforded and is required.

Conclusions

- 137 As reported to Members in May 2012, the proposed changes to welfare will have a significant impact on people in the county when they are implemented from April 2013 onwards.

- 138 We estimate that half of all households in the county, amounting to around 120,000 households will be affected and will have to re-apply for support under the new system of benefits and potentially experience a change in their entitlement:
- Universal Credit will affect 32,000 existing benefit claimants and a further 24,000 Incapacity Benefit claimants may be affected depending on the further development of the scheme.
 - Changes to Families Tax Credits will affect 58,000 families and 47,000 people will be affected by changes to Housing Benefit entitlements. 8,300 will be affected by the under-occupancy charge.
 - Currently, there are 63,000 Council Tax Benefit claimants in the county who will be affected by the introduction of a local Council Tax Support scheme. In spite of a reduction in government funding, the council is however seeking to ensure that existing claimants are not detrimentally affected during the transition, as outlined in the more detailed report on local Council Tax Support elsewhere on this agenda for Cabinet.
 - Although as yet to be confirmed, the proposal to remove Housing Benefit from people under 25 would affect around 4,400 people.
 - Currently, there 21,000 working age people claiming Disability Living Allowance who would be affected by the move to Personal Independence Payments. Estimates suggest that 40 per cent may experience a reduction in assistance, which indirectly may increase the costs incurred by the council in providing social care and support.
- 139 Overall, it is estimated that the quantum impact of the government's welfare reforms will lead to a loss of £150 million to the local economy in 2013/14.
- 140 This is based on the confirmed current national reduction in welfare expenditure of £18 billion within the current spending period and does not take into account the additional £3.7 billion welfare savings in 2015/16 announced in the Autumn Statement.
- 141 In spite of the uncertainty and as best it can, the council is anticipating and planning for the implementation of the reforms through the programme management approach described in paragraphs 127 to 136 above.
- 142 In addition, it is clear that the abolition of the Social Fund, will leave a gap in assistance of last resort for vulnerable people in times of need, unless the council intervenes to provide help.
- 143 It is at the council's discretion how it designs such a scheme if it chooses to do so, and we need to be mindful of the amount of funding to be devolved compared with current estimates of government expenditure on Social Fund schemes. Officers have taken this into account, in designing the proposed eligibility criteria in the draft Welfare Assistance Fund policy attached as Appendix 2, and the associated equality impact assessment attached as Appendix 3.

Recommendations

144 Members are recommended to:

- a) note the contents of this report and further developments in government welfare reform;
- b) note the latest assessment of impacts and implications for residents in the county;
- c) agree that in the light of the abolition of the Social Fund, the council should step in to provide assistance of last resort to people in need, within the funding devolved from government;
- d) introduce the draft Welfare Assistance Fund policy and criteria attached as Appendix 2;
- e) seek external support to assist with the administration of the proposed Welfare Assistance Fund;
- f) delegate authority to the Assistant Chief Executive in consultation with the Leader, to make any final amendments to the proposed scheme and agree the method of delivery in line with the commencement date of 1 April 2013.

Background papers

[Cabinet 30 May 2012, Welfare Reform – report of Assistant Chief Executive](#)

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Appendix 1: Implications

Finance – The council will receive additional support from the government in 2013/14 to provide a local Council Tax Support Scheme and to develop local alternatives to the elements of financial assistance currently provided by the Social Fund, which the government will withdraw in April 2013. As well as affecting the individuals concerned, the move from Disability Living Allowance to Personal Independent Payments is likely to have financial consequences for the council, which received income from Disability Living Allowance payments to meet individual's health and social care needs. Although the government has significantly increased the amount of funding for local government to make Discretionary Housing Payments to specific groups affected by welfare reforms, the council is likely to receive less than initially indicated in 2013/14 and 2014/15, given the £30 million spending reduction between 2013 and 17 announced in the Autumn statement.

Staffing – not applicable.

Risk – the implementation of welfare reform is to be included as a strategic risk in the corporate risk register.

Equality and Diversity – impact assessments have been undertaken on the Localisation of Council Tax Support Scheme and the draft Welfare Assistance Fund policy.

Accommodation – not applicable.

Crime and Disorder – not applicable.

Human Rights – the council will have to be mindful of Humans Rights issues in agreeing the proposed Welfare Assistance Fund policy.

Consultation – interested parties and stakeholders including citizens' advice bureaux, food banks and local welfare organisations have been involved in the development of the proposed draft Welfare Assistance Fund policy and criteria.

Procurement – the proposed approach to the localisation of welfare assistance funded through the Social Fund involves the procurement of specialist support to administer the proposed Welfare Assistance Fund.

Disability Discrimination Act – the government's changes to welfare will have significant implications for disabled people. The council is taking steps to communicate and advise disabled people about the reforms.

Legal Implications – legal advice has been sought about the implications of the localised Council Tax Support Scheme and proposed Welfare Assistance Fund and further legal advice will be sought on any proposed delivery options.