

**11 September 2013**

**Welfare reform update and review of  
Local Council Tax Support Scheme**



**Key decision CORP/R/13/03**

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**Report of Corporate Management Team**

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**Purpose of the Report**

- 1 This report updates Cabinet on recent policy developments relating to the government's welfare reforms, the council's response and the expected impact on the county. The report also considers a review of the council's Local Council Tax Support Scheme and the requirement to agree the council's approach to Local Council Tax Support for 2014/15 as well as an early operational review of the Welfare Assistance Scheme and the Discretionary Housing Payments policy, which have been in place since 1 April 2013.

**Executive summary**

- 2 The government brought forward the Welfare Reform Act 2012 to implement its commitment to "simplify the benefits system, make it fairer and to encourage people into work".
- 3 As previously reported to Members, 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 (DWP) is continuing to add detail to the operational implementation of its initial policy reforms and the more recent cap on the future uprating of benefits, as announced in the Chancellor's Autumn Statement. Since the last report to Members in March 2013, policy announcements relating to the following have been made:

- a) Universal Credit pilots, pathfinders and roll-out;
  - b) Benefit Cap roll-out;
  - c) Personal Independence Payment toolkit and medical assessments;
  - d) Employment Support Allowance;
  - e) Discretionary Housing Payment guidance and changes to Housing Benefit reductions for specific groups;
  - f) Welfare reform support services;
  - g) Disability Living Allowance claims and Court of Appeal judgements;
  - h) Social Fund loans budget allocations and guidance on discretionary payments;
  - i) Armed Forces and Reserve Forces Compensation Scheme;
  - j) The government's response to the Communities and Local Government Select Committee report on the implementation of welfare reform by local authorities;
  - k) Work and Pensions Select Committee review of progress with the implementation of Universal Credit;
  - l) Food banks;
  - m) Spending review.
- 5 Whilst the government did not undertake a comprehensive impact assessment of its welfare reform programme, a number of studies and assessments of the impacts are now being published.
- 6 In April 2013, researchers at Sheffield Hallam University identified that those local authority areas with the greatest levels of deprivation stood to be most impacted by welfare reform, losing most income as benefit payments are withdrawn and reduced, whilst having insufficient economic growth and employment opportunities to enable benefits claimants to move into work and off welfare.
- 7 In terms of absolute losses, the researchers estimate that the County Durham economy stands to lose £188 million per year because of the welfare changes. This is equivalent to £565 per working age adult, slightly more than the regional average loss of £560 per working age adult and significantly more than the average loss of £470 per working age adult for Great Britain as a whole.
- 8 Given the nature of the reforms and their impact on the county, the council continues to monitor and respond to the implementation of the government's welfare changes.

- 9 At its meeting on 19 December 2012, Cabinet agreed a new Welfare Assistance Scheme to fill the gap left by the withdrawal of the Social Fund. In addition, on 13 March 2013, Cabinet agreed a revised Discretionary Housing Payments policy for the council, operating from 1 April 2013 to coincide with the introduction of wider welfare reforms including the social sector size criteria (otherwise known as the 'bedroom tax').
- 10 Both schemes have been successfully introduced and officers are closely monitoring the uptake and feedback to identify if either needs to be revised in order to support those affected by the changes. The monitoring includes reviewing the application of the award criteria within the agreed policies, and a number of minor changes to both schemes have been agreed since their implementation under delegated authority in order to fine-tune the schemes to improve the support the council is able to provide. The policies will continue to be reviewed as our understanding of the impacts grows and to ensure where it is appropriate we can respond quickly to improve the support available.
- 11 In addition, in January 2013, the council agreed a new Council Tax Support Scheme to replace the national Council Tax Benefit scheme, abolished in April 2013. An initial review of the scheme has been carried out; however, in terms of learning from other councils, there is a lack of meaningful data available at this stage on the impact of charging working age benefit claimants for the first time to inform a complete review of the scheme. We will keep this position under review.
- 12 Based on our MTFP planning for 2014/15, the council could continue with its current scheme for a further year. This will allow a more comprehensive review to be undertaken in early 2014/15 when more comparative data will be available before recommending options to Cabinet on what the council may wish to do from April 2015 and consulting on this during the summer/autumn of 2014.
- 13 It is also fair and reasonable to assume that the Government has applied pro-rata reductions in the Council Tax Support Grant element in line with overall reductions in the formula funding, as published in the Spending Round of 26 June 2013. As a result, discussions have been held with the Town and Parish Councils about their share of this grant being reduced accordingly.

## **Background**

- 14 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. A further report on 19 December 2012 considered the introduction of Local Council Tax Support Schemes (LCTSS) and the replacement of the Social Fund and on 13 March 2013, Cabinet considered a revised approach to Discretionary Housing Payments in the light of changes to government guidance and funding allocations.
- 15 In between these major reports, updates have also been included in the regular government policy implications reports, the most recent one being the report to Cabinet on 5 June 2013.

- 16 Since then, the government has made a number of further policy announcements, which are outlined in more detail below.
- 17 In addition, more information is beginning to emerge on the impact of welfare changes on the county and the performance of the schemes, which the council has put in place to support individuals to adapt to the changes.

## **Update**

- 18 The most significant policy announcements since the last report to Members in March 2013, relate to the following, which are outlined in more detail below:
- a) Universal Credit pilots, pathfinders and roll-out;
  - b) Benefit Cap roll-out;
  - c) Personal Independence Payment toolkit and medical assessments;
  - d) Employment Support Allowance;
  - e) Discretionary Housing Payment guidance and changes to Housing Benefit reductions for specific groups;
  - f) Welfare reform support services;
  - g) Disability Living Allowance claims and Court of Appeal judgements;
  - h) Social Fund loans budget allocations and guidance on discretionary payments;
  - i) Armed Forces and Reserve Forces Compensation Scheme;
  - j) The government's response to the Communities and Local Government Select Committee report on the implementation of welfare reform by local authorities;
  - k) Work and Pensions Select Committee review of progress with the implementation of Universal Credit;
  - l) Food banks;
  - m) Spending review.

## **Universal Credit pilots, pathfinders and roll-out**

- 19 On 28 March 2013, the Department for Work and Pensions (DWP) issued an update on the rollout of Universal Credit, confirming that the new benefit would be introduced in parts of North West England at the end of April 2013 before being progressively rolled out across the rest of the country by October 2017.
- 20 On 29 April 2013, new claimants in Ashton-under-Lyne were able to make limited claims for the new benefit. In addition, jobcentres in Oldham, Wigan, and Warrington started to trial other elements of the new credit, including the new Claimant Commitment and Universal Jobmatch, which allows people to

share their curriculum vitae online and receive notification of vacancies, which may be of interest to them.

- 21 On 20 May 2013, the DWP published initial results from the direct payment demonstration projects, which have been taking place in six parts of the country to assess how social housing tenants cope with taking responsibility for paying their own housing costs under Universal Credit as opposed to having housing benefit paid direct to landlords.
- 22 Across the different areas, the DWP reported that levels of payments by tenants varied from 91 per cent to 97 per cent. The total level of rent charged stood at £19,204,022 and the average rent collection rate stood at 94 per cent, compared with 92 per cent in the first four months of the pilots.
- 23 6,168 tenants were being paid by direct payments, however the DWP also acknowledged that another 1,258 tenants (17 per cent of the total) had originally been paid by direct payment but had subsequently had the payments switched back to their landlord.
- 24 While the government drew comfort from the figures as indicating that the majority of claimants were able to manage their own money, a number of organisations involved in the pilot work disputed the figures and reported that rent arrears were higher and increasing. Southwark claimed that rent arrears have increased from two per cent to 11 per cent, whilst New Charter Housing Trust Group, which manages homes within the Ashton-under-Lyne pathfinder area said it had seen a 29 per cent rise in people contacting its financial support team in the last year, and a 19 per cent rise in the total amount of debt referred.
- 25 On 16 May 2013, Ministers confirmed that the demonstration projects exploring the effect of paying housing benefit directly to social tenants rather than to landlords were to be extended for six months until the end of this year.
- 26 On 28 May 2013, the Major Projects Authority, which is part of the Cabinet Office raised doubts about whether the DWP is on track with Universal Credit, and the overall benefit cap. While this indicates concerns within some quarters of government about potential slippage, the DWP has commented that significant progress has been made in recent months and it expanded the Ashton-under Lyne pathfinder into other areas in July.
- 27 On 10 July 2013, the Minister for Work and Pensions announced that from October 2013, there would be a three-stranded approach to the Universal Credit roll out. The first strand will address the changes needed within Jobcentre Plus to support the introduction of Universal Credit for example, additional training for Jobcentre Plus advisors. The second strand will involve improving digital services across Jobcentre Plus including the installation of ICT equipment, the final strand will involve the roll out of Universal Credit to six hub Jobcentres at Hammersmith, Rugby, Inverness, Harrogate, Bath and Shotton (in Wales).

28 A summary of the early learning from the Local Authority led pilots was published on 25 July 2013. The report highlights six core themes that the local authorities have identified and the key challenges under these:

- Digital Inclusion:
  - Not all customer groups have access to the internet.
  - There is some resistance from some customers to using online services and to making online benefit claims.
- Budgeting and financial management support:
  - Many social housing tenants have problems with debt and rent arrears compounding problems they may have with personal budgeting.
  - Reluctance among social housing tenants to attend group financial management sessions.
  - Concerns that some tenants are poor money managers and will face additional problems because of welfare reform changes.
- Work access:
  - Providing work access support encourages customer to focus on employment as a way of maximising income.
- Vulnerable groups and the triage process:
  - Effective triage processes are essential in allowing authorities to identify customer groups most likely to be affected by welfare reform and who require additional support services.
  - Authorities report difficulties in getting people to engage with the welfare and benefit changes that are likely to affect them.
- Partnership development:
  - Some authorities report that existing partnership arrangements do not facilitate the effective joint delivery of local services. More work is needed to understand the core business and service delivery processes of each partnership agency.
- Data sharing:
  - Local authorities report that data sharing amongst partners is a significant problem and the lack of shared data is limiting their ability to identify and target particular customer groups.

29 In summary, the government has toned down the ambitions for the national roll out of Universal Credit from October this year and is taking a more

cautious and measured approach in the light of concerns about the ICT systems and experience from the pilot authorities.

- 30 At the time of writing, the council is still waiting for the outcome of the consultation on the Universal Credit local support services framework, and in particular, the role of local government and how the government proposes to fund this.

### **Benefit Cap roll-out**

- 31 On 25 February 2013, the government confirmed that its new benefit cap would be implemented in April in four London boroughs (Bromley, Croydon, Enfield and Haringey), to test the new system prior to wider national roll-out, which was initially scheduled to take place between July and September this year.
- 32 On 5 June 2013, the government confirmed the schedule for the wider roll-out, based on the number of households affected in each local authority area. From 15 July, the cap was introduced in 335 local authority areas including Durham. Roll-out in the remaining 40 authorities, which mainly comprise London boroughs and major urban authorities with greater numbers of households affected, commenced in mid-August.
- 33 In April, the government issued a press release claiming that 8,000 people who would have been affected by the benefit cap had moved into work, demonstrating the effectiveness of the policy.
- 34 Following a complaint from the Trades Union Congress, Andrew Dilnot, the chair of the UK Statistics Authority wrote to the Secretary of State on 9 May 2013 to advise that the claims were not substantiated by official statistics from the DWP, which had explicitly cautioned that the figures were not intended to show the additional numbers entering work as a direct result of the contact. The department was also criticised for two sets of figures released alongside the ministerial statement, which did not fully comply with the UK's codes of practices on statistical releases, with particular concerns around information on methodology and sourcing, and possible sharing of the data in advance with some media outlets.
- 35 In addition, a judicial review proceeding has commenced regarding Part 8A of the housing benefit regulations relating to the benefit cap. Eight claimants argue that the benefit cap is 'discriminatory and unreasonable', and that the Secretary of State did not take into account the impact of the policy on women, children, disabled people, racial and religious minorities, and carers when formulating the policy.
- 36 In July, initial data was released on the impact of the benefit cap in the pilot areas. Between 15 April 2013 and the end of May 2013, in the four local authorities, almost 2,500 households had their housing benefit capped. The biggest impact was in the London Borough of Enfield where 48 per cent of claimants had their benefit capped. Across the four pilots, 86 per cent of households capped had between one and four children and 78 per cent of households constituted a single parent with child dependents. Some 67 per cent of households were capped by £100 or less per week.

- 37 Building on these findings, research by the Gingerbread charity has estimated that 46 per cent of the households affected by the benefit cap will be single parents who claim income support.
- 38 Currently, the only mechanism for capping benefit until Universal Credit is introduced is to reduce the amount of housing benefit paid to claimants by local authorities. This means that in areas such as Durham with low cost housing, a claimant receiving say £400 over the benefits cap, but with the housing benefit element of only £100, will still receive £300 per week in benefit entitlement over the imposed cap limit.
- 39 Alongside the data on the impact of the benefit cap in the pilot areas, the DWP has published research into the public perceptions of the benefit cap and pre-implementation impacts. The research found that there was a consensus about the need to have a benefit system; however only 11 per cent of the people surveyed in this report thought the current benefit system is working effectively. The report found that there was positive endorsement for the aim to reduce governmental spend on benefits, with broad support for encouraging claimants to take low paid jobs, move to a cheaper property or move to a similar property in a cheaper area to manage reductions in benefit. However, the level of knowledge about the benefit cap was limited with only 29 per cent reporting that they knew a great deal or a fair amount about the policy.

### **Personal Independence Payments and Disability Living Allowance**

- 40 On 25 February 2013, the government published updated statistics on the number of claimants receiving Disability Living Allowance (DLA). The total number of DLA claims in May 2012 was 3,258,440, an increase of 15,000 on the previous quarter. In ten years, the number of people claiming DLA has risen by almost 35 per cent from 2.4 million to 3.3 million people.
- 41 As part of its welfare reforms, the government is replacing DLA with Personal Independence Payments (PIP) and will require all those who change from DLA to PIP to be reassessed as part of the transfer.
- 42 The government expects that the level of spending will be the same under PIP, as under DLA; however, the new system will include a face-to-face assessment and regular reviews, which may lead to a change in the number of claims approved. The Department for Work and Pensions has also recently confirmed that DLA and PIP will be included in the overall cap on welfare expenditure announced in the spending review. The government believes that the change from DLA to PIP will better reflect today's understanding of disability, particularly for people with mental health conditions; and will help improve the targeting of money spent on disability benefits.
- 43 In February 2013, the DWP released a toolkit for support organisations, given the national roll-out of PIP to replace DLA.
- 44 Trials for the new PIP award began on 8 April 2013 in Merseyside, north-west England, Cumbria, Cheshire and parts of north east England including County Durham.



- 45 Following the trials, from 10 June 2013, the new payment was rolled out nationally for all new claims.
- 46 From October 2013, anyone with a DLA award coming up for renewal, young people turning 16 or DLA claimants reporting a change in their health condition or disability, will be contacted by DWP and invited to claim PIP.
- 47 From October 2015, DWP will write to all other existing DLA claimants to let them know when their DLA is due to end and to explain how they can make a claim for PIP. It is important to note that unless a claimant applies for the new payment, they will lose their benefit. The council may therefore need to support the DWP by ensuring that claimants, who may also receive social care support, respond to the notifications and apply for the new payment.
- 48 Earlier in the year, Ministers had announced plans to amend the Regulations on PIP, to make clear that, when assessing whether an individual can carry out an activity, consideration must be given to whether they can carry out that activity safely, to an acceptable standard, repeatedly, and in a reasonable time period.
- 49 The move followed a critical report from the Public Accounts Committee on the DWP's contract management of work capability assessments, which called into question what the committee saw as a 'one size fits all' approach to medical assessments and the department's long term reliance on a single contractor (Atos) to undertake the assessments. The proposed changes to the regulations were issued for consultation until 8 August.
- 50 On 26 February 2013, Employment Minister Mark Hoban MP announced that senior occupational physician, Dr Paul Litchfield, would carry out a fourth independent review of the work capability assessment, overseen by an independent scrutiny group chaired by Professor David Haslam, past President of the Royal College of General Practitioners, National Professional Adviser to the Care Quality Commission, and Chair Designate of National Institute for Clinical Excellence (NICE).
- 51 On 22 July 2013, following an internal audit undertaken by the DWP, the government announced that additional providers are to be brought in alongside Atos from 2014 in order to improve the quality of capability assessments.
- 52 As previously reported to Cabinet, a legal challenge has been mounted in relation to the mobility limits for the new PIP award. The claimants' case is that the official consultation did not state that the new PIP mobility limit was to be reduced from being able to walk for 50 metres to being able to do so for 20 metres.
- 53 On 3 May 2013, the High Court gave permission for the case to go to a full hearing.
- 54 Following feedback that stakeholders were unhappy with the changes that had been made for the assessment criteria for the 'moving around' activity in PIP, the government has gone back out to consult on opinions on the moving around activity assessment criteria, including the current thresholds of 20 and 50 metres. It is also asking for estimates of what the impact of the current

criteria will be and whether government needs to make any changes to them or assess physical mobility in a different way altogether.

- 55 In addition, Members may wish to note that while the High Court found in the government's favour in a challenge to its decision to close the Independent Living Fund, five disabled people are appealing the decision.

### **Employment Support Allowance (ESA)**

- 56 On 10 July 2013, a two-year pilot was announced for those claimants on ESA. Around 3,000 people on ESA who have been assessed as being able to work in the future will have regular appointments with healthcare professionals as a condition of receiving their benefit. The meetings will focus on helping claimants to move closer to being able to get a job.
- 57 There will be three separate pilot schemes:
- health care professional-led – mandatory engagement with health care professionals;
  - Jobcentre Plus – enhanced Jobcentre Plus support;
  - Work Programme – enhanced support designed by Work Programme provider.
- 58 The pilots will begin in November 2013 and will run until August 2016. They will involve people on ESA in the work related activity group who are expected to be able to return to work in 18 months or longer.

### **Discretionary Housing Payment guidance and changes to Housing Benefit reductions for specific groups**

- 59 Following last minute policy changes in relation to foster carers, service personnel and families with disabled children who cannot share with a sibling, the government issued a revised guidance manual on Discretionary Housing Payments on 2 April 2013. In response to mounting concerns about the impact of the size criteria (or 'bedroom tax') on specific groups, the government amended policy so that the criteria did not apply to foster carers (with one spare bedroom), families with disabled children and service personnel. In addition, the Minister wrote to local authorities to encourage them to prioritise households with people with disabilities for support through Discretionary Housing Payments.
- 60 On 15 May 2012, the Court of Appeal upheld the legal challenge made by Burnip, Trengove and Gorry that the Local Housing Allowance (LHA) size criteria discriminated unlawfully against the three appellants on grounds of disability, by not including provision to meet their need for an additional room.
- 61 Although initially, the government sought leave to appeal against the decision, on 12 March 2013, the Secretary of State decided not to pursue the action further and issued urgent guidance to local authorities to clarify that from the date of the Court of Appeal judgment, local authorities should allow an extra bedroom for children who are unable to share because of their severe disabilities. The judgment applies to both the LHA size criteria and the

reduction of the size criteria for social housing, which came into effect on 1 April 2013.

- 62 On 15 May 2013, the High Court began a three day hearing into cases brought by lawyers representing 10 families challenging the government's decision to cut housing benefit for recipients living in properties deemed too large. The appellants included families with disabled children or who have suffered from domestic violence and an individual who suffers from mental health problems.
- 63 They argued that changes to the size criteria discriminate against them because they need extra rooms to cope with their disability and that whilst the government has made Discretionary Housing Payments (DHP) available to help people affected by welfare reforms, the payments do not offer long-term security, and are insufficient to meet the needs of all those affected.
- 64 Following deliberation, the High Court finally ruled that the changes to the social housing size criteria did not breach equality duties. It is understood that the families involved in the legal case plan to appeal this decision.
- 65 Alongside the ruling on the legal case, the DWP announced an additional £35 million in-year funding to help claimants affected by changes to housing benefit in the social sector who need extra support. The funding comprises:
- £10 million transitional payments distributed to all councils (Durham received £104,000);
  - £5 million discretionary housing payment funding for the least densely populated areas in the country (Durham did not receive any of this funding);
  - a new £20 million discretionary housing payment fund (against which local authorities will need to bid for funding).
- 66 On 20 June 2013, Lord Freud wrote to local authorities to warn against re-designating properties without reducing their rent to reflect the loss of a bedroom.
- 67 This followed announcements by a number of local authorities of re-designation of properties in light of the under occupancy policy changes.
- 68 While not objecting to re-designation where there are justifiable grounds, for example, where a property has been adapted for a disabled person's need, the Minister warned that blanket re-designations without a clear and justifiable reason and without reductions in rent, were inappropriate and could lead to DWP considering to either restrict or not pay housing benefit subsidy in such circumstances.
- 69 Since the 1 April 2013, the Council has re-designated a total of 85 properties on the basis of correct size and layout – effectively correcting anomalies in the current charges. All of these have been in the former Durham City area and were identified as part of the on-going stock condition survey work. In all of the cases, the rent was reduced, with the Delegated Decision being made by the Corporate Director, Regeneration and Economic Development, with reference to the impact on the HRA Business Plan.

## **Welfare reform support services**

- 70 On 7 February 2013, the government published proposals for information-sharing in relation to welfare services to combat fraud, improve services and to enable support services to work more effectively
- 71 In March, the DWP published a welfare reform communications toolkit to help local authorities and other delivery partners to explain how and why changes were being made to welfare.
- 72 Following consultation earlier in the year on a proposed local services support framework for Universal Credit, Lord Freud wrote to consultees on 17 May 2013 to outline the government's initial response and to confirm that further detail would be provided over the coming months.
- 73 He acknowledged concerns raised about the need to provide long term support as opposed to shorter term, transitional help to some client groups and that clarity about funding and associated outcomes was a central concern in many consultation responses. On this, he advised that work was underway on a financial instrument, which will address a minimum offer for local support services, and the way in which both funding and outcomes should reflect variations in local needs, for example taking account of factors like rurality and levels of deprivation.
- 74 The government expects to publish more detail about the funding instrument shortly and aims to finalise the design of the support framework before Universal Credit is rolled out more widely.
- 75 In speeches to the Policy Exchange on 5 June 2013, Mark Hoban MP, Minister of State for Employment issued a 'call for ideas' on implementing UC and Lord Freud, Minister for Welfare Reform highlighted the government's openness to support a range of tests and pilots across the country to explore how effective support can be provided to welfare claimants, beyond benefit payments. He drew attention to the new 'Claimant Commitment' under Universal Credit, which is being extended beyond the claimant's obligation to look for work, to also include ongoing support from Jobcentre Plus until a claimant achieves full financial independence, and no longer requires welfare payments.
- 76 He also pointed towards trials being undertaken by Jobcentre Plus, working in conjunction with the Cabinet Office's Behavioural Insights Team to test tools and techniques from behavioural science that can improve an individual's chances of finding work.
- 77 Following on from the Communities and Local Government Committee report on the implementation of welfare reform by local authorities, on 19 April 2013, the Work and Pensions Committee launched an inquiry into the role of Jobcentre Plus. The inquiry will focus on the services Jobcentre Plus offers to benefit claimants and employers and its relationships with external providers and stakeholders, including local authorities, in the introduction of Universal Credit.
- 78 On 5 June 2013, the government published a summary of the responses received to their call for ideas, for ways in which claimants of Universal Credit

in work will be supported to maintain work and encouraged to progress. Over 350 responses were received, the ideas covered:

- provision of advice and support on career and skill development;
- supporting the identification and generation of progression opportunities;
- self employment;
- addressing barriers; and
- cross cutting ideas.

79 DWP is considering which of these ideas will be developed into pilots.

### **Social Fund loans budget allocations and guidance on discretionary payments**

80 Since the last report to Members, the government has announced that it will allocate £460.7 million in 2013/14 for the gross national loans budget. The budget supports interest-free loans, which are designed to spread the cost of certain one-off expenses for claimants (for example, the cost of furniture/household equipment) over a longer period. Local awards are managed by Jobcentre Plus and are made to those people in need, who have been in receipt of specified benefits for at least 26 weeks. The national loans budget is funded exclusively by recoveries from existing loan debt and it is expected that the scheme will continue until the full roll out of Universal Credit.

81 Alongside the announcement on the funding allocation, the Secretary of State issued amended directions and guidance on the discretionary social fund to reflect the ending of community care grants and crisis loans and the continuation of budgeting loans.

### **Armed Forces and Reserve Forces Compensation Scheme**

82 On 22 March 2013, the government launched the Armed Forces Independence Payment (AFIP) to simplify the financial support available for members of the armed forces who have been seriously injured as a result of military service since 2005.

83 The benefit is designed to provide financial support to service personnel and veterans who have been seriously injured as a result of service to cover the extra costs they may have as a result of their injury. The amount paid will be £134.40 per week, the same amount as the enhanced rates of both the daily living and mobility components of PIP or the highest rate of both components of DLA. It is non-taxable and will not be means tested and service personnel and veterans seriously injured as a result of their service, will not be subjected to review or further medical assessments.

84 The new benefit does not impact on the eligibility of service personnel and veterans to other benefits, other than Personal Independence Payment (PIP), Disability Living Allowance (DLA) or Attendance Allowance (AA).

## **Government response to the Communities and Local Government Select Committee report on the implementation of welfare reform by local authorities**

- 85 On 6 June 2013, the government published its response to the Communities and Local Government Select Committee report on the implementation of welfare reform by local authorities.
- 86 The council was one of 25 local government bodies, which provided written evidence to inform the select committee's report.
- 87 The Select Committee had highlighted that the implementation of welfare reform posed significant challenges and risks for local authorities and recommended that government should:
- do more to provide local authorities with essential spending data and the public and claimants with information about the national aspects of the changes;
  - work with the Local Government Association to assess the cumulative impact of the welfare reform programme on local authority resources;
  - do more to address the risk of rent arrears to local authorities and housing providers arising from direct payments and Universal Credit;
  - provide assurance that the benefits system will not be vulnerable to fraud, given concerns regarding the readiness of ICT systems.
- 88 In relation to the Social Fund, it is interesting to note that the Select Committee commented that *'We expect that there will be pressure to divert funding for replacing Social Fund provision to support Discretionary Housing Payments (DHP). It is a matter for local authorities how they allocate non-ring-fenced money from central Government to provide local support in place of the Social Fund'*.
- 89 The Select Committee also identified that *'The Government gave local authorities an assurance that replacing the Social Fund would not result in additional unfunded burdens. Replacing Social Fund provision locally is a new area of work for local authorities and represents a major change in their costs particularly when taken together with DHP, the demand for both of which is difficult to forecast.'* The Committee recommended that *'The Government must ensure that local authorities are provided with the funding they need to set up and administer local support schemes and deal with reasonable demands for DHP from 1 April. We recommend that the Government meet with the Local Government Association after 12 and again after 24 months to review the level of support required and decide on the appropriate level of additional funding if local authorities are incurring reasonable, unfunded costs.'*
- 90 In the main, the government response to the Select Committee response was that its existing strategies and programmes addressed the select committee's recommendation and concerns.
- 91 On the cumulative impact on local authority resources, the government pointed towards the New Burdens doctrine, which has been introduced to

compensate local government for additional duties and responsibilities it takes on as a result of public sector reform.

- 92 Cabinet may wish to note that the Public Accounts Committee's report on the financial sustainability of local authorities published on 7 June 2013 concluded that the government did not properly understand the overall combined impacts on local government resulting from separate but interlinked policy and funding decisions on services.

### **Work and Pensions Select Committee review of the implementation of Universal Credit**

- 93 On 10 July 2013, the Work and Pensions Select Committee held a one-off oral evidence session on progress with implementation of Universal Credit. In the session, Committee members questioned Ministers on the progress that has been made since the committee published its report on Universal Credit implementation in November 2012. A key line of inquiry from the committee was whether the current pilots were robust enough to test the complexities of some claims. Lord Freud and Ian Duncan Smith defended the approach of the pilots, arguing that initially starting with small numbers was more helpful "so you can ramp up and learn the lessons".
- 94 The Work and Pensions Select Committee has also announced they are to undertake an inquiry into provision of support to meet housing costs in the reformed welfare system. The committee is looking for view on changes to housing support already taking place, which could help future approaches.

### **Food banks**

- 95 The use of food banks has been the focus of some media scrutiny and debate. In a Lords debate on 2 July 2013, Lord McKenzie of Luton asked Lord Freud about the link between the changes to the Social Fund, harsher benefit sanctions, longer wait for benefits, and the increase in use of food banks.
- 96 Lord Freud responded by saying, *'My Lords, there is actually no evidence as to whether the use of food banks is supply led or demand led. The provision of food-bank support has grown from provision to 70,000 individuals two years ago to 347,000. All that predates the reforms. As I say, there is no evidence of a causal link.'*
- 97 Following this statement in the Lords, the Archbishop of Canterbury commented that, *'I'm not sure where [Lord Freud] got his information from on that. Certainly, in my last diocese in Durham about 35 per cent of those who came to food banks came referred by social services because they were entitled to benefits, which had not been paid.... We're very strict about our statistics and we don't just hand out food, you have to be referred, usually by social services. I'm not absolutely sure how he came to that conclusion.'*
- 98 Timely data was produced by the Trussell Trust which reported that nationally during the last 12 months they have provided almost 350,000 people with at least three days' emergency food, this is triple the number of people helped in 2011/12. The Trust reports that more than half of the 150,000 people receiving emergency food aid between April and June were referred because

of benefit delays, sanctions, and financial difficulties relating to the size criteria and abolition of council tax relief.

## **Welfare reform and the spending review**

- 99 In the Spending Review on 26 June 2013, the government announced that for the first time, it will introduce a cap on the country's welfare spending to improve spending control, support fiscal consolidation and ensure that welfare remains affordable. The cap will apply to over £100 billion of welfare spending. All other social security and tax credits expenditure will be included, however the basic and additional state pension will be excluded as will Jobseeker's Allowance (JSA) and any passported expenditure. Over the coming months, the government will consider whether it is appropriate to include other elements of Annually Managed Expenditure (AME) in the cap.
- 100 In addition, it announced that the period before a claimant is able to apply and be eligible for support under the Job Seekers Allowance is to be extended from three to seven days.

## **Impacts of welfare reform**

- 101 The Cabinet report on 30 May 2012 provided an initial analysis of the potential impacts of welfare reform, based on our assessment of the proposed changes known at that time.
- 102 Whilst the government has not undertaken a comprehensive impact assessment of its welfare reform programme – and therefore we do not have a comprehensive picture – the council has been able to update its assessment of the likely impact of the changes and a number of other studies and assessments are now being published.
- 103 The council's latest estimate is that Universal Credit will impact on around 95,000 households in the county, which is around two in five households (this is lower than the estimate reported in May 2012 and is due to changes to Tax Credit eligibility and methodological changes arising from more information being released by DWP). Although the implementation of Universal Credit will begin in some areas later this year, most of the impacts will be felt well beyond 2015 with the full impact not realised until 2018 when all of the existing work-related payments will have been incorporated into the new payment.
- 104 Unlike many of the other welfare reforms, Universal Credit is not expected to result in a net reduction in benefit entitlement. Although there will be individual households who will gain or lose, on balance UC is expected to result in slightly higher expenditures, particularly as transitional relief will be available to existing claimants transferring across to the new system.
- 105 The same cannot be said of the other changes where the county can expect to have large numbers of households who will experience a reduction in their benefit entitlement.
- 106 A national external assessment of this has been produced by researchers at Sheffield Hallam University, whose report *Hitting the Poorest Places Hardest: the local and regional impact of welfare reform*, published on 10 April 2013,



identified that those local authority areas with the greatest levels of deprivation stand to be most impacted by welfare reform. The researchers expect such areas to lose most income as benefit payments are withdrawn and reduced, which will be compounded by low levels of economic growth and employment opportunities in these areas, which limit the ability of benefit claimants to move into work and off welfare.

- 107 Overall, the total estimated financial loss to the county economy per year is estimated to be £188 million. In terms of financial loss per working age adult per year, this is equivalent to £565 per adult, which compares with the loss per working age adult in the North East region of £560 per adult and £470 per adult across Great Britain. This compares with other regions as outlined below;

**Overall impact of welfare reforms by 2014/15\* by region**

	Estimated loss £million per annum	Loss per working age adult £ per annum
County Durham	188	565
North East	2,560	560
North West	940	560
Wales	1,070	550
London	2,910	520
Yorkshire and the Humber	1,690	500
West Midlands	1,740	490
Scotland	1,660	480
East Midlands	1,310	450
South West	1,440	430
East	1,490	400
South East	2,060	370
Great Britain	18,870	470

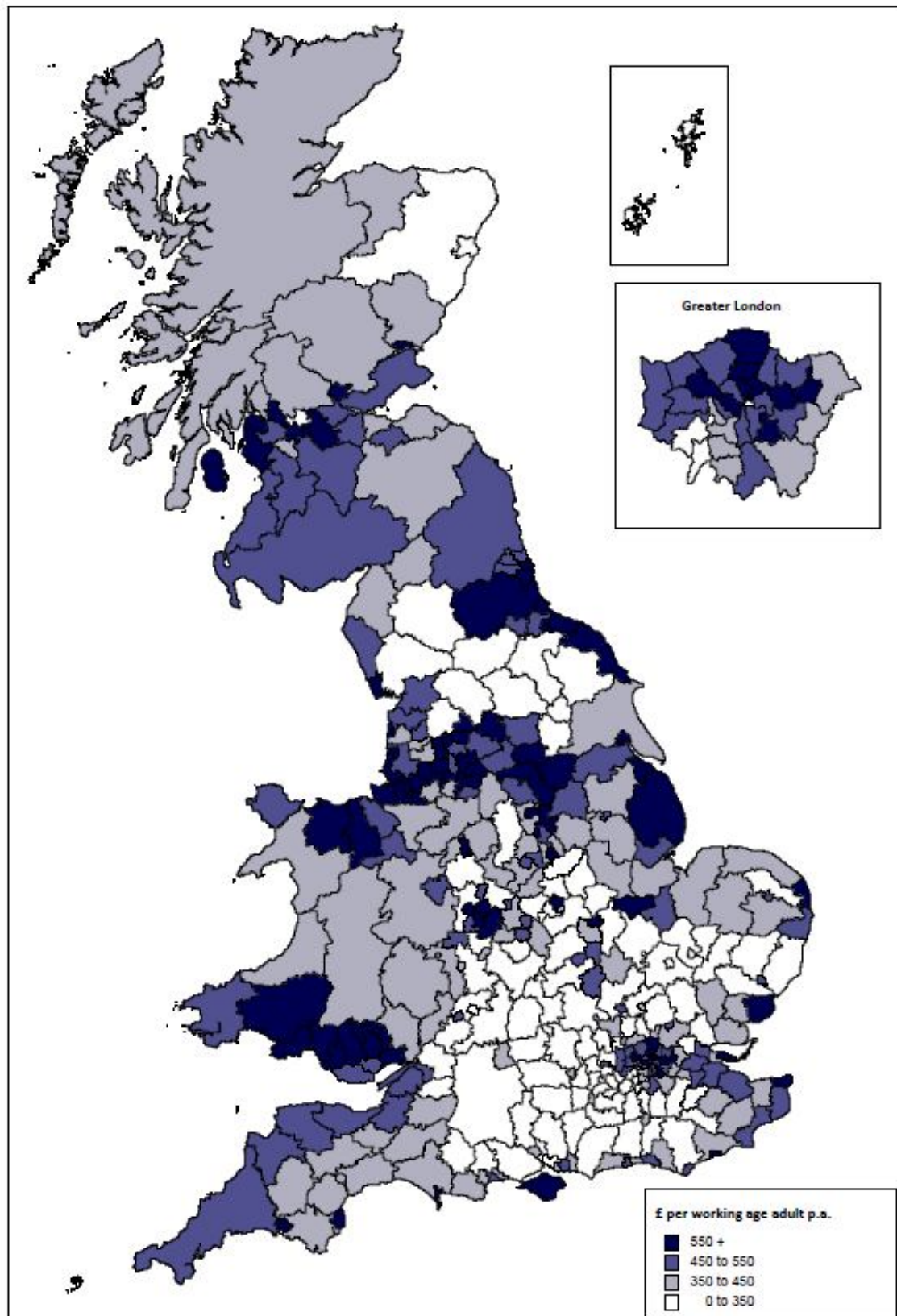
\*Except DLA by 2017/18, incapacity benefits and 1% up-rating by 2015/16  
Source: Sheffield Hallam estimates based on official data

- 108 Appendix 2 outlines the quantitative and financial impacts of each of the main welfare changes.
- 109 The study identified that Britain's older industrial areas, a number of seaside towns and some London boroughs are the most affected, as illustrated in

figure 1 below. In contrast, much of the south and east of England outside London is affected comparatively lightly.

- 110 Blackpool is the worst affected area, losing more than £900 a year for every adult of working age in the town. The three northern English regions can expect to lose around £5.2 billion a year in benefit income.
- 111 The researchers concluded that as a general rule, the more deprived the local authority, the greater the financial impact and as a result, a key effect of the welfare reforms will be to widen the gaps in prosperity between the strongest and weakest local economies across Britain.

**Figure 1: Overall financial loss arising from welfare reform by 2014/15<sup>(1)</sup>**



- 112 The themes found by the Sheffield Hallam study are mirrored in the findings of a report undertaken by the Institute for Local Governance at Durham University with Northumbria and Teesside Universities for the Association of North East Councils (ANEC). The report considers the impact of the welfare reforms within the context of the North East and the wider economic circumstances.
- 113 The research estimates that around £380 million will be lost to the region from the changes to Council Tax Benefit, the benefits cap, the move from Incapacity Benefit (IB) to Personal Independence Payment (PIP) and the change to size criteria for Housing Benefit. This figures increased to around £940 million when taking into account the changes to Child Benefit and Child Tax Credits.
- 114 The most significant proportion of the loss is attributable to changes to the benefits of disabled people. It is estimated that over 70,000 people in the North East will be affected by the time-limiting of contribution-based Employment and Support Allowance (ESA) and the stricter eligibility criteria being applied to it. This will represent a cost to the regional economy of more than £175 million. The estimated loss to the region for the transition from Disabled Living Allowance to Personal Independence Payments is over £128 million, affecting nearly 33,000 people.
- 115 The government has explicitly stated that the aim of the welfare reform changes is to encourage claimants back into work. The weak economy in the North East makes this shift exceptionally challenging; the scale of this challenge is significant, for example in November 2012, there were 7.5 Job Seeker Allowance Claims for every unfilled job centre vacancy across the region.
- 116 The impacts from the welfare reform changes are already being experienced by communities in the North East, with anecdotal evidence of increased activity of pay day loan companies (including illegal money lenders) and increased take up of support from food banks and charities.
- 117 The impact of the social sector size criteria is particularly of note in the North East given the high percentage of tenants in social housing and high concentrations of under occupiers. For example, there are 12 wards in the North East with over 400 under occupiers - one ward in Newcastle has over 850 under occupiers. The root of this problem is a fundamental mismatch between housing availability and need. Social housing stock in the North East is skewed towards family sized property (over 75 per cent) with a much smaller number of one bedroom homes (22 per cent). In a typical year, fewer than 6,500 single properties become available, with over 45,000 registered on the waiting list. This situation means that there are not enough properties to accommodate relocations, leading to less saving on Housing Benefit than anticipated, leading to increased risk of empty properties and perverse allocation practices. Currently, there is already an increase in the number of bids for one bedroom properties and an increase in housing terminations.
- 118 Some analyses of the impact of the welfare reform changes have been based on the assumption that the current economic climate will remain relatively

steady. However, the Resolution Foundation has undertaken research that has identified that the number of families in Britain with perilous levels of debt repayments could more than double to 1.2 million if interest rates rise faster than expected in the next four years and household income growth is weak and uneven. The figures from the Foundation suggest that the ongoing squeeze on households could leave Britain seriously exposed if interest rates were to rise faster than expected, resulting in levels of debt as high as those last seen in the run up to the financial crisis. This could compound the impacts of welfare reform changes and push more individuals and families into greater financial difficulty.

- 119 The recent decision by the Bank of England to issue 'forward guidance' on interest rates, whereby rates will be held at the current level until the jobless rate has fallen to seven per cent or below (as at 15 August 2013 it stood at 7.8 per cent), is intended to avoid unexpected increases and to provide households with more certainty on future interest rate rises. To achieve the target a further 800,000 jobs will need to be created nationally.
- 120 It should be noted however, that there is significant variation in unemployment rates across the country and areas with high levels of unemployment and benefits dependency could still be affected if the interest controls were relaxed because the overall strength of the economy improved
- 121 The DWP has released the 'Local Authority insight survey: wave 24', this document collates responses from local authorities in relation to how they are managing current and future policy and regulation changes.
- 122 The report is wide ranging but there are a number of points, which are of interest in considering how the welfare reform changes are impacting on communities and how authorities are responding.
- 123 There is a reported increase in the proportion of local authorities saying that they awarded DHPs because the tenant was in rent arrears (with 52 per cent now compared with just one per cent in 2011).
- 124 In relation to the size criteria, 44 per cent of local authorities said they were finding the process of identifying cases affected by the removal of the size criteria difficult. Sixty-seven per cent of local authorities also observed an increase in the number of requests for direct payments by landlords on the grounds of arrears (an increase of seven per cent from last year).
- 125 Thirty per cent of local authorities, had seen an increase in the number of landlords letting properties as shared housing/houses in multiple occupation that were previously let to families or as self-contained accommodation, which is significantly higher than in 2011 (eight per cent).
- 126 It would appear that the changes to housing benefits is impacting on levels of homelessness, with more than half of local authorities (57 per cent) reporting that there had been an increase in homelessness among private rented sector tenants since the new regulations. Similarly, a third of local authorities have noticed an increase in the number of homelessness claimants moving into their area compared with just 21 per cent that said this last year.

## **Council preparations and planning for welfare reform**

- 127 The council is continuing to respond and plan for the implementation of the various changes to welfare.
- 128 A key element in this response has been the Council's Local Council Tax Support Scheme, which has enabled the existing levels of Council Tax Benefit to be maintained for our residents so that no resident potentially impacted by this element of the welfare reform changes has had to pay any more council tax in 2013/14 than they did in 2012/13.
- 129 Public information on welfare reform has been published on the council's website and via Durham County News and all frontline staff including customer services, housing, and social workers have been briefed on the changes, so that they are better able to handle the increase in calls the council expects as the reforms continue to be implemented.
- 130 Information has also been made available in doctors' surgeries and other public places in order to increase awareness of the changes and encourage residents to respond where necessary to the changes being introduced.
- 131 The council's Welfare Rights service continues to provide advice and advocacy and an additional welfare rights worker has been funded through the Macmillan Trust. It is also proposed that the Welfare Rights team will be moved to sit alongside the Council's Benefits team, which should further improve our ability to target help to residents affected by the changes.
- 132 Working with local housing providers, the council has also introduced a triage service, to provide advice to welfare claimants and to help those who are experiencing difficulty with meeting their housing costs. Claimants receive housing, employment and financial management advice and help with planning how they can improve their own circumstances.
- 133 All of this activity is being monitored so we can build up a picture of how many residents are impacted, how they are choosing to respond and how the help being provided has improved individual circumstances for example by helping residents move house, support them in obtaining employment or through better financial management.
- 134 Presentations on welfare reform have been made to area action partnerships (AAPs), and a very successful County Durham Partnership partners' event attended by 150 people took place on 26 July 2013 to map support services and encourage greater coordination and collaboration between advice and support services operating across the county.
- 135 As outlined above, the benefit cap became applicable to claimants in the county from 15 July. The cap is applied through the council reducing the amount of Housing Benefit paid to tenants that have combined benefits exceeding the £500 a week cap. Affected households are identified by the Department for Works and Pensions and the council is notified of whom to apply the cap to and how much to reduce their housing benefit by.
- 136 The latest figures indicate that there are around 120 households affected by the cap in the county, with housing benefit entitlement reduced by a total of

over £6,800 per week from these cases. The average reduction is £57.43 per week, ranging from £143.73 per week to £3.65 per week. Given changing individual circumstances, the final number affected will not be known until the DWP provide confirmed details and the system has been in operation for a number of months.

- 137 In advance of the implementation, the council's benefits service contacted those households, which we believed would be affected and offered help from our Welfare Rights team to check their benefits. In addition, our Housing Solutions Team is visiting affected household to discuss the changes and to offer help and support. This includes advice on more affordable housing, budgeting to help tenants manage their household income, and employment and training advice, which may improve their chances of getting a job. Tenants are also advised on how they could become more involved with activities in their local community as well as support with improving confidence, motivation and personal skills should they wish. This work has been supported by both new burdens money from Government and from the DWP. In addition, officers from DWP have also been working with those affected to help secure employment opportunities.

### ***Welfare Assistance Scheme***

- 138 On 19 December 2012, Cabinet agreed to establish a new welfare assistance scheme to fill the gap created by the abolition of the Department of Works and Pensions' Social Fund. As reported to Members on 13 March 2013, following a procurement exercise, Civica, Five Lamps and the Family Fund were appointed as external partners to work with the council to implement the scheme.
- 139 Since then the council has worked with Civica, Five Lamps and the Family Fund to develop the Help and Advice Network Durham (HAND) to implement the council's new Welfare Assistance Scheme.
- 140 HAND has been established to ensure that there is a comprehensive picture of support on offer for Durham residents beyond the time limited Government funding provided to replace the Social Fund. It is therefore important that it acts as a signpost for support in the statutory, voluntary and community sectors.
- 141 As at 18 August, there had been over 3,800 telephone calls to HAND. Many of these were handled by signposting the callers to other organisations who could provide help appropriate to the need identified. A large number were put in touch with DWP as they have continued to provide a number of support schemes to help those affected by delays in benefit payments, which have accounted for many of the calls received by HAND. Others have been referred to partner organisations or were put forward for an award under the Council's Welfare Assistance Scheme.
- 142 As a result of the nature of the calls received, the number of awards actually made under the scheme has been significantly lower than had originally been expected. So far, approximately 370 of the telephone calls received have converted into an application for an award. As at 18 August there had been 125 awards made under the Welfare Assistance Scheme, totalling £36,730. This pattern is reflected across the region with all councils in the North East

reporting a lower number of applications than had been expected and numbers proportionately in line with our figures.

- 143 As part of an on-going review of the scheme any complaints received or queries about applications not accepted are followed up to ensure residents are not being declined for an award unnecessarily or to see if there are further changes required to the policy.
- 144 From this review and in order to improve the performance of the scheme, a delegated decision was taken to refine the policy to ensure that it is more effective. The key changes that have been made are:
- Removal of the requirement for claimants to have both a crisis and health issue ;
  - Increased settlement grant to £1,000;
  - Removal of the need to apply for DWP Budgeting Loan before applying for a settlement grant
- 145 The scheme is continually being reviewed and is being promoted amongst our partners to ensure they are fully aware of the details and to sign up partners under the scheme's 'Trusted Partner' arrangement, which can speed up the application for an award.
- 146 In light of the on-going review, it is proposed that Cabinet provide the Assistant Chief Executive and Corporate Director Resources, in consultation with the Leader and Deputy Leader, delegated powers to amend the policy where opportunities are identified to improve this in line with demand for the scheme.

### ***Discretionary Housing Payments***

- 147 Cabinet agreed on 13 March 2013 to a revised Discretionary Housing Payments (DHP) policy in the light of new guidance and regulations from government and to coincide with the introduction of wider welfare reforms including the social sector size criteria.
- 148 To support the revised policy and in recognition that DHP is short term assistance, the council also introduced closer working arrangements with local housing providers to provide initial assessment and 'triage' before formal applications for DHP are made. The support identifies what other sources of financial and other support may be available. This will help clients to help themselves, by improving or adjusting their financial circumstances through debt management, better budgeting or access to training and employment support, so that they are better able to meet their housing costs without being dependent on short term transitional assistance via DHP.
- 149 To date Housing Providers and the council's Housing Solutions team have seen over 1,250 tenants through the triage process. This is in addition to the general enquires received within Housing Solutions. Already we have identified that 20 tenants have successfully moved to a smaller house, 130 have received advice which has improved their financial situation so they can now afford the rent following the reduction in housing benefit and 140 are receiving additional support in finding employment.

- 150 Anecdotally it is understood that through the other interventions made by the Council in responding to the changes to welfare, particularly the Local Council Tax Support Scheme, a large number of tenants have to date been able to absorb the loss in housing benefit through the introduction of the social sector size criteria. This is partly borne out by the information below on arrears, which has been provided by the seven biggest housing providers within the County;

	<b>March 2013</b>	<b>June 2013</b>	<b>July 2013</b>
All tenants who are in arrears	15,233	15,968	15,007
Tenants who are under occupying who are in arrears*	n/a	3,585	3,427

\* These figures include tenants who were in arrears before the introduction of the social sector size criteria

- 151 We are, continually monitoring the situation to ensure that tenants are provided with proactive advice and support in order to avoid them getting into financial difficulty, wherever possible.
- 152 As at 18 August, we had made 476 DHP awards under the new policy and a further 189 under the former policy where applications were received prior to 1 April 2013. This is an increase of over 80% on this time last year. DHP awarded to date totals over £205,000. In addition, the number of applications received has increased by over 150%. At 18 August, there were 195 DHP live applications in the system i.e. currently being processed / under consideration by the Benefits Service.
- 153 Following feedback on the progress of the DHP scheme, a number of amendments to the criteria of the scheme have been made since 1 April 2013.
- There has been an increase in the period of time that initial awards can be made from 13 weeks to 26 weeks on the condition that recipients continue to engage with their housing provider or the council;
  - For those applicants who are experiencing a significant change trigger, which would affect under occupancy or housing benefit entitlement, they can now apply twelve months in advance of this event rather than six.
- 154 We are continuing to review the scheme with our housing providers and other stakeholders. In particular we are working together to determine how we manage those tenants who have received DHP help and will be coming to the end of the award from October when the awards granted in April for 26 weeks



close. Where it is appropriate we will look to extend the award for a further period, but given the limited funds available under the scheme we will need to be mindful of how we continue to make best use of the funds available.

- 155 It is again proposed that Cabinet provide the Assistant Chief Executive and Corporate Director Resources, in consultation with the Leader and Deputy Leader, delegated powers to amend the policy where opportunities are identified to improve this in line with demand for the scheme.

### ***Monitoring of impacts***

- 156 A monitoring and evaluation framework has been developed and included within the council's performance management framework so that we are better able to track the impact of the changes on the county, local communities and the council.
- 157 At a regional level, ANEC (Association of North East Councils) has been bringing member authorities together through the 'Assistant Chief Executive's Network' to develop a combined approach to managing and responding to the impact of the welfare reform changes. As such, ANEC is developing a North East monitoring framework, to enable relevant data to be brought together to develop a consistent and coherent picture to the impacts of welfare reform in the region. The proposed framework will focus on high-level key issues using existing quantitative performance data. The areas to be covered will include:
- Economy, employment and social impacts
  - Housing
  - Discretionary Housing Payments
  - Advice and support
  - Impact on groups
- 158 Whilst the council is undertaking extensive tracking of how residents are responding to the welfare reform changes, in many instances it is still too early to fully understand the impacts. However, it is already apparent that as the proposals start to bed in, a greater number of individuals will start to experience problems, and that there will be increased demand on council support services. It is important to note that the council's decision to maintain the previous level of council tax support through its Local Council Tax Support Scheme has helped to mitigate the impact of welfare changes on some people.
- 159 Alongside the monitoring, we are actively engaging and communicating with residents to help support them as well as raise awareness of the changes taking place. Housing providers and the council's Housing Solutions team are investing a significant amount of time and effort in visiting residents. Of the 8,000 tenants who we understand have been affected by the social sector size criteria over 6,700 have not been visited or have refused the offer of help made through the triage process. It is however, our joint intention to ensure everyone is contacted and offered help and advice and this work continues to be progressed as a matter of priority.

## ***Housing support***

- 160 Further support for our residents is also being provided through the Housing Revenue Account medium term financial plan for 2013/17. A £500,000 ring fenced fund was created with the purpose of supporting tenants in council housing through the changes being made through welfare reform, particularly financial inclusion, and to help them develop financial skills and awareness to manage their money more effectively and minimise the council's income management costs.
- 161 Following discussions with three of the council's housing management bodies, a number of initial proposals have been developed, utilising this funding. Those which are being taken forward include:
- Two-year funding for six energy advisors posts – full two year funding dependent on the outcome of the energy tariff procurement (total cost £325,500);
  - Two year funding for an additional money advice post in East Durham Homes (total cost £60,000);
  - Project to improve digital access for tenants, including a 6 month training programme
- 162 Other ideas are currently being considered and will be introduced alongside those above shortly. This will add to the high level of support the Council has already been able to put in place to help residents manage the impacts of these changes.

## ***Review of Local Council Support Scheme***

- 163 The Government abolished the national Council Tax Benefits System on 31 March 2013, replacing it with a requirement for local authorities to work with their precepting bodies to establish a Local Council Tax Support Scheme with effect from 1 April 2013. The new schemes provide a 'discount' against the Council Tax charge, rather than a benefit entitlement.
- 164 The Government's Council Tax Support Scheme Grant replaced Council Tax Benefit subsidy and from April 2013 is now payable directly to the council and the major precepting bodies (Police and Fire). The funding made available to support the Local Council Tax Support Schemes in 2013/14 (90% of the previous funding available under the Council Tax Benefit System) now forms part of the council's formula funding arrangements. Whilst separate figures were published for this in 2013/14, from 2014/15 there is not yet any visibility over what level of funding is actually to be contained within the formula for Council Tax Support.
- 165 The council's grant payment includes an element relating to Town and Parish (T&P) Councils and whilst the Council has passed the grant on to the T&P Councils in 2013/14, there is no statutory requirement to do so.
- 166 In the absence of absolute figures as yet for 2014/15, and based on information to date, it is fair and reasonable to assume that the Government has applied pro-rata reductions in the Council Tax Support Grant element in

line with overall reductions in the formula funding, as published in the Spending Round on 26 June 2013.

- 167 Discussions have been held with Town and Parish Councils and it is proposed that from 1 April 2014 the Council will apply pro-rata reductions in the proportion of the grant, which relates to the Town and Parish Councils in line with the council's overall reduction in formula grant funding in 2014/15 onwards. Individual Town and Parish Councils have been written to regarding this issue to allow early financial planning to take place.
- 168 As Members are aware, the government reduced their funding contribution towards council tax support by 10 per cent nationally in 2013/14. By so doing, they also transferred the risk of any growth in the system through more council taxpayers becoming eligible for council tax support to local authorities by subsuming the new grant within the government's formula grant, which is a fixed amount. Councils now have discretion within some constraints, to design their own Local Council Tax Support Schemes. Pensioners, who account for around 50 per cent of the caseload in County Durham, have to be protected, with any reductions only being able to be applied to working age claimants. Councils are required to review and approve their schemes annually and have this agreed by a full council meeting before 31 January each year.
- 169 Members agreed to adopt a Local Council Tax Support Scheme for 2013/14, which mirrored the previous entitlement under the Council Tax Benefit System for all claimants. No council tax benefit claimants have therefore been financially worse off in 2013/14.
- 170 In approving the scheme for 2013/14, the council was mindful of the impacts of the wider welfare reforms and the fact that the additional Council Tax liabilities to individuals would be relatively small (around £250 a year) and were expected to be more difficult and costly to recover. There was a commitment to review the scheme on the grounds of MTFP affordability and ongoing austerity causing further MTFP pressures, as well as wishing to learn from experience (including recovery rates) in local authorities that have reduced entitlement for working age claimants.

### ***Current Position***

- 171 At this stage, there is a lack of meaningful intelligence available from authorities that have introduced Local Council Tax Support Schemes that reduced entitlement to their working age claimants in terms of impacts and performance in terms of recovery. Anecdotal feedback from other authorities indicates that the recovery rates, although below the general recovery rate, appear to be broadly in line with their expectations. The full range of welfare reforms (including the Benefit Cap where we have around 100 households affected) have yet to fully work through the system so any assumptions made now should be made with a degree of caution.
- 172 In terms of the council's financial forecast on the impact of retaining 100% entitlement to council tax support in 2013/14, the position at 30 June 2013 indicates that the planning assumptions in terms of setting the 2013/14 budget were prudent and remain within our planning assumptions.

- 173 For the reasons outlined above, it is recommended that the current scheme should be extended from April 2014 for a further year. This will allow a more detailed understanding of the impacts of the changes to benefits both within the county and across the region to be developed which can then help inform the decision for a scheme from April 2015.

## **Conclusion and recommendations**

- 174 The government is continuing to progress its welfare reform programme, although there is increasing evidence to suggest that some changes most notably, Universal Credit will not be implemented as quickly as initially envisaged.
- 175 Whilst the government did not undertake a comprehensive impact assessment of its welfare reform programme, a number of studies and assessments of the impacts are now being published.
- 176 Researchers at Sheffield Hallam University identified that those local authority areas with the greatest levels of deprivation stood to be most impacted by welfare reform, losing most income as benefit payments are withdrawn and reduced, whilst having insufficient economic growth and employment opportunities to enable benefits claimants to move into work and off welfare.
- 177 Given the nature of the reforms and their impact on the county, the council continues to respond to the implementation of the government's welfare changes, through the provision of support and advice, its new welfare assistance scheme and revised Discretionary Housing Payments policy.
- 178 Cabinet is recommended to:
- a. note the contents of this report and further developments in government welfare reform;
  - b. note the latest analyses of the impact across the county;
  - c. note the progress with the new Welfare Assistance Fund scheme introduced in April 2013, the amendments to the scheme made under delegated powers and to allow further changes where necessary to be made under these delegated powers by the Assistant Chief Executive and Corporate Director Resources in consultation with the Leader and Deputy Leader of the Council
  - d. note the progress with the revised approach to Discretionary Housing Payments, implemented from April 2013, the amendments to the scheme made under delegated powers and to allow further changes where necessary to be made under these delegated powers by the Assistance Chief Executive and Corporate Director Resources in consultation with the Leader and Deputy Leader of the Council
  - e. note the review of the Local Council Tax Support Scheme and recommend to Council that the current scheme be extended for a further year for 2014/15 with a full review in early 2014/15 to inform our approach from April 2015;

- f. confirm that the Council Tax Support Grant currently passported to the town and parish councils be reduced in line with the reductions made in the overall funding available to the Council.

## Background papers

[Cabinet, 19 December 2012, Local Council Tax Support Scheme, Review of Discretionary Council Tax Discount on Unoccupied Properties & Calculation of Council Tax Base 2013/14 – report of Corporate Director Resources](#)

[Cabinet, 19 December 2012, Welfare Reform Update – report of Assistant Chief Executive](#)

[Cabinet, 13 March 2013, Welfare Reform Update – report of Assistant Chief Executive, Corporate Director Resources and Corporate Director Regeneration and Economic Development](#)

[Cabinet, 5 June 2013, Implications for Durham County Council of the Government's policy programme – report of Assistant Chief Executive](#)

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## Appendix 1: Implications

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**Finance** – Payments /awards made under the council's Welfare Assistance Scheme (£26,730 to 18 August 2013) and Discretionary Housing Payments Policy (£205,500 to 18 August 2013) are monitored closely and remain within budget.

The latest estimate of the overall financial impact of welfare reforms on the county is that benefit income will be reduced by £188 million a year.

In the Spending Review on 26 June 2013, the government announced that for the first time, it would introduce a cap on the country's welfare spending. The cap will apply to over £100 billion of welfare spending.

**Staffing** – Through the New Burdens funding provided by Government alongside the changes additional staff have been recruited to help with the work on responding to the changes. All other work being undertaken is being managed within existing resources.

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

**Equality and Diversity** – Changes to the policies have been subject to an equality impact review and any future changes will also be reviewed. Some of the changes being introduced by Government are having direct impacts on certain groups for example disabled tenants and where it is possible, the Council is providing help to mitigate these impacts

**Accommodation** – not applicable.

**Crime and Disorder** – not applicable.

**Human Rights** – not applicable.

**Consultation** – not applicable although a consultation will be undertaken next year if changes to the existing Local Council Tax Support Scheme are proposed.

**Procurement** –not applicable.

**Disability issues** – See comments under Equalities and Diversity.

**Legal Implications** – legal advice was sought on delivery options for the new Welfare Assistance Fund and the revised approach to Discretionary Housing Payments.

## Appendix 2: Impacts of wider welfare reforms

		County Durham	North East	Great Britain
<b>Housing Benefit: Local Housing Allowance</b>	No. of households affected	12,600	63,400	1,350,000
	Estimated loss £m per year	13	70	1,650
	No. of households affected per 10,000	560	560	520
	Financial loss per working age adult £ per year	39	40	40
<b>Housing Benefit: Under occupation</b>	No. of households affected	8,700	50,000	660,000
	Estimated loss £m per year	5.9	30	490
	No. of households affected per 10,000	390	440	260
	Financial loss per working age adult £ per year	18	20	10
<b>Non-dependent deductions</b>	No. of households affected	3,100	16,000	300,000
	Estimated loss £m per year	3	20	340
	No. of households affected per 10,000	140	140	120
	Financial loss per working age adult £ per year	10	11	10
<b>Household benefit cap</b>	No. of households affected	250	1,500	56,000
	Estimated loss £m per year	1.2	5	270
	No. of households affected per 10,000	11	15	20
	Financial loss per working age adult £ per year	4	4	5
<b>Council Tax benefit</b>	No. of households affected	-	140,000	2,450,000
	Estimated loss £m per year	0	20	340
	No. of households affected per 10,000	-	1,190	950
	Financial loss per working age adult £ per year	0	10	9
<b>Disability Living Allowance</b>	No. of households affected	5,700	27,000	500,000
	Estimated loss £m per year	17	80	1,500
	No. of households affected per 10,000	170	160	130
	Financial loss per working age adult £ per year	52	45	40
<b>Incapacity benefits</b>	No. of households affected	16,500	74,000	1,250,000
	Estimated loss £m per year	57	260	4,350
	No. of households affected per 10,000	500	440	310
	Financial loss per working age adult £ per year	172	155	110

		County Durham	North East	Great Britain
<b>Child Benefit</b>	No. of households affected	63,400	320,000	7,600,000
	Estimated loss £m per year	22	110	2,850
	No. of households affected per 10,000	2,830	2,860	2,960
	Financial loss per working age adult £ per year	68	65	70
<b>Tax Credits</b>	No. of households affected	42,000	220,000	4,500,000
	Estimated loss £m per year	34	180	3,660
	No. of households affected per 10,000	1,880	1,940	1,750
	Financial loss per working age adult £ per year	102	105	90
<b>One per cent uprating</b>	Estimated loss £m per year	33	170	3,430
	Financial loss per working age adult £ per year	99	100	90
<b>Total impact</b>	Estimated loss £m per year	188	940	18,870
	Financial loss per working age adult £ per year	565	560	470

Source: Sheffield Hallam estimates based on official data