**Cabinet**

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# Welfare reform and poverty issues

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**Report of Corporate Management Team**

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## Purpose of the Report

1 The purpose of this report is to outline the current thinking on welfare reform and poverty issues as they affect the county, how the council is responding currently and what it and its partners propose to do to maintain an effective approach to welfare reform and build a more comprehensive response to poverty in the county.

## Background

2 As previously reported to Cabinet, the government's welfare reform programme is having a significantly bigger impact on the county, given the disproportionately large number of benefit recipients we have in County Durham.

3 The Welfare Reform Act 2012 consolidated a raft of changes intended to reduce government spending on welfare by encouraging people to support themselves through work rather than welfare.

4 At the time, 40 different changes were made to the benefits system with the intention of reducing welfare spending by £18bn by 2015. The principal changes legislated for include:

a) the introduction of Universal Credit (UC), a single benefit to be paid on a monthly basis, to replace Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Housing Benefit, Child Tax Credit, and Working Tax Credit;

b) the abolition of Housing Benefit (HB) and Council Tax Benefit (CTB) which are/were administered by local authorities on behalf of the DWP. The Act replaced centralised support for CTB with local Council Tax support with effect from 1 April 2013, with funding from un-ringfenced grants paid directly to local authorities. Government funding was reduced by 10 percent before being devolved to local authorities to implement locally;

c) changes to Housing Benefit including the application of a size criterion in social-sector houses, with any working-age household deemed to be under-occupying their home, having part of their Housing Benefit removed (the so-called 'spare room subsidy' or 'bedroom tax');

d) the abolition of the Social Fund with effect from 31 March 2013, which used to fund 'last resort' benefits such as crisis loans, and its replacement with a non-ring fenced grant paid to local authorities to fund local scheme and distribute as they see fit. The government has just closed a consultation on funding from April 2015, following an announcement earlier this year to cease funding from next year, which was challenged in court;

e) replacing Disability Living Allowance (DLA) for all working-age claimants with a new Personal Independence Payment (PIP);

f) the introduction of a cap on the total benefits to which an individual or couple is entitled from out of work benefits. The cap was introduced in April 2013, and set at £26,000 a year (a maximum of £500 per week) for lone parents and couples with or without children, and around £18,000 a year (a maximum of £350 per week) for single people without children or whose children for whom they have responsibility do not live with them.

g) limiting the amount of time that people can receive contribution-based Employment Support Allowance (ESA), to 365 days for those claimants in a work related activity group or in the assessment phase;

h) the abolition of the 'Youth' provision, which enabled disabled young people to qualify for the benefit without paying National Insurance contributions.

5 Since then the government has legislated to set an annual limit on overall spending on welfare, subject to parliamentary scrutiny and made a number of other changes, including increasing the waiting time before people can claim benefits and reducing and limiting benefit entitlements for jobless migrants.

6 It has also changed the implementation timetables for a number of its reforms, most notably Universal Credit, which is still to be rolled out nationally beyond the pilot areas.

7 Progress with implementation and analyses of the impacts on the county, have been the subject of a number of update reports to Cabinet, the most recent being on 15 October 2014.

8 In considering that report, Cabinet agreed to broaden the scope of the welfare reform policy work and the Welfare Reform Steering Group to take a more comprehensive overview of poverty issues in the context of welfare reform.

9 This report considers poverty issues in the county, what the council is doing to respond and how, working with partners, it intends to maintain effectiveness and develop a more comprehensive response to welfare and poverty issues.

**Economic recovery**

10 There is a great deal of conflicting information on cost of living poverty issues, which in part reflects different perspectives on the nature of the country's recovery from recession.

11 After a four year period of low and faltering economic growth following the global financial crisis in 2008, the economy finally emerged from recession in 2013.

12 While the recovery took longer to take hold in the UK than in other countries such as the United States and Germany, the UK economy is now growing at a faster rate and previous estimates of economic growth have been revised upwards, which suggests that the recovery may have started earlier and faster than initially reported. The same is true for forecast growth, with the Bank of England in November upgrading its growth forecast for 2014 to 3.5 percent from 3.4 percent and for 2015 from 2.9 percent to 3 percent.

13 The Bank however warned that sustained growth in the UK is threatened by uncertain economic prospects in the wider European economy, where a number of countries are falling back into recession. In addition, at last month's G20 Summit, the Prime Minister warned that the global economy was on the verge of economic crisis with faltering growth in Europe and suppressed demand in major Asian economies such as China and Japan.

**Income, cost of living and poverty**

14 Although the economy may have emerged from recession - it surpassed the peak level of output before the 2008 financial crisis in May of this year – the economic outlook remains uncertain and unclear.

15 What also remains unclear is the extent to which society feels any more secure or better off compared with the heights of the recession in 2008-09.

16 For some time, several commentators have pointed towards a 'cost of living crisis', in which the benefits of economic growth are not being felt by sections of society which are still struggling with reduced, low or uncertain income at the same time as being affected by differential price inflation.

17 According to the Institute for Fiscal Studies[1] (IFS), real household incomes have fallen significantly since the recession and by 2013, the real median household income was still below its pre-crisis peak.

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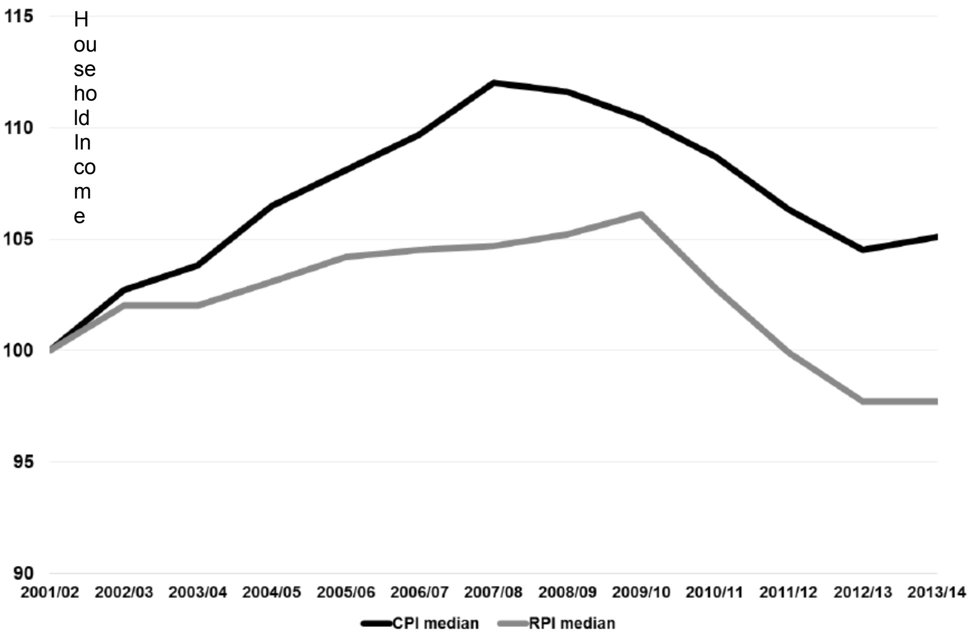
[1] Adams, A., Hood, A. and Levell, P. (2014) 'The squeeze on incomes'. Institute for Fiscal Studies Green Budget 2014. London: Institute for Fiscal Studies.

18 This occurred because household income has not kept pace with prices, irrespective of whether income is deflated by the Consumer price Index (CPI) or the retail Price Index (RPI) to take into account the effect of prices (figure 1).

19 Real incomes fell significantly from 2007/08 according to the consumer price indicator (CPI) deflation method, and from 2009/10 via the retail price indicator (RPI) deflation method and only began to recover (or in the RPI-deflated case, stabilise) after 2012/13[2]. Median real income (on the CPI measure) was still estimated to be 6.2 per cent below its pre-crisis peak by the end of 2013/14.

**Figure 1: UK real household income deflated by Consumer Price Index (CPI) and Retail Price Index (RPI)**




20 In a further report, the IFS[2] highlighted that official Households Below Average Income statistics show that inflation-adjusted median household income (measured before housing costs, BHC) was broadly stable between 2011/12 and 2012/13 (a fall of 0.2 percent) and mean income fell by 1.5 percent. This came after a two-year period following the recent recession in which average incomes fell sharply. As a result, real median income in 2012/13 was 5.8 percent below its 2009/10 peak and mean income was 8.5 percent lower.

21 The fall since 2009/10 was driven largely by a 9.4 percent fall in the pre-tax earnings of households. This came about despite a rise in the proportion of people employed, because workers' pay grew much less quickly than prices.

22 The IFS' analysis of official figures identified that between 2007/08 and 2012/13, there were significant falls in relative poverty using a poverty line of

[2] Belfield, C., Cribb, J., Hood, A. and Joyce, R. (2014) 'Living Standards, Poverty and Inequality in the UK: 2014', Institute for Fiscal Studies.

60 percent of median income. The numbers in relative poverty fell by 1.3 million (2.8 percentage points) to 9.7 million (15.4 percent) before housing costs and by 300,000 (1.5 percentage points) to 13.2 million (21.0 percent) after housing costs are taken into account.

23 In terms of absolute poverty, in 2012/13 10.6 million people (16.8 per cent of the population) were in absolute poverty in the UK, based on measuring income before housing costs and using a poverty line equal to 60 per cent of 2010/11 median income in real terms. This was close to pre-recession levels seen between 2004/5 to 2008/09, indicating an improving situation as the economy has returned to growth.

24 However, when housing costs are taken into account, 14.6 million (23.2 per cent) were in absolute poverty, an increase of 600,000 people or 0.8 percentage points compared with 2011/12. Moreover, the number in absolute poverty is 3 million (3.6 percentage points) above its low point in 2004/05 and at its highest level since 2001/02, which suggests that many people are still struggling financially even though the performance of the economy, in terms of output and employment has improved.

25 The increase in numbers in absolute poverty has been driven by falls in real income combined with the effects of differential price inflation - hence the significant impact on numbers when housing costs are taken into account.

26 Given regional variations in wage rates and prices, levels of poverty are tending to vary across the country, as shown in Table 1.

**Table 1: Absolute poverty before and after housing costs by region**

| | *Absolute poverty (BHC)* | | | *Absolute poverty (AHC)* | | |
|---|---|---|---|---|---|---|
| | 2007–08 to 2009–10 | 2010–11 to 2012–13 | Change (ppt) | 2007–08 to 2009–10 | 2010–11 to 2012–13 | Change (ppt) |
| South East | 11.5% | 12.8% | 1.2 | 16.7% | 18.8% | 2.1 |
| East of England | 14.2% | 13.6% | –0.5 | 18.6% | 18.7% | 0.1 |
| South West | 14.3% | 14.7% | 0.3 | 18.2% | 19.6% | 1.4 |
| Scotland | 15.9% | 15.5% | –0.4 | 17.5% | 18.8% | 1.4 |
| London | 16.2% | 16.3% | 0.1 | 27.0% | 29.1% | 2.1 |
| East Midlands | 18.7% | 16.8% | –1.9 | 20.6% | 20.6% | 0.1 |
| North West | 17.9% | 18.4% | 0.5 | 21.5% | 23.4% | 1.9 |
| North East | 19.6% | 18.9% | –0.8 | 22.0% | 22.8% | 0.8 |
| West Midlands | 20.3% | 19.1% | –1.2 | 22.9% | 24.2% | 1.3 |
| Wales | 19.1% | 20.5% | 1.4 | 21.5% | 24.4% | 2.9 |
| Yorkshire and the Humber | 19.1% | 20.6% | 1.6 | 21.9% | 24.0% | 2.1 |
| Northern Ireland | 18.9% | 21.3% | 2.4 | 18.8% | 21.7% | 2.9 |
| United Kingdom | 16.5% | 16.7% | 0.2 | 20.7% | 22.3% | 1.6 |

27 In January 2014 the Office for National Statistics (ONS) reported nominal wage growth below the rate of price inflation has resulted in household real wages failing for the longest sustained period since at least 1994.[3]

[3] http://www.ons.gov.uk/ons/rel/elmr/an-examination-of-falling-real-wages/2010-to-2013/index.html

28 According to the Institute for Fiscal Studies[4], by 2012/13 real median household income was 6.2 per cent below its pre-crisis peak. Were the trend for real income growth observed between 2001/02 and 2007/08 to have continued, households might expect real incomes to be about 20 per cent higher than they are now.

29 The Institute of Economic Affairs[5] argues that this fall, taken with increases in the cost of living as indicated by the consumer price index (CPI), means that since the beginning of the recession, living standards have been squeezed for the median household and that there is a significant squeeze on living standards in the post-crisis period.

30 Differential impacts of inflation occur because price levels for many goods and services which might be regarded as essential, and which the poorest households spend disproportionately more upon, have risen significantly more than average CPI inflation since 2008 (table 2).

**Table 2: Overall change in price index 1999 to 2013**

| Category | Change |
|---|---|
| Overall CPI | 36.6% |
| Food, alcoholic beverages and tobacco | 60.7% |
| Energy | 129.0% |
| Electricity, gas & miscellaneous energy | 161.4% |
| Liquid fuels, vehicle fuels etc | 98.4% |
| Clothing and footwear | -44.4% |
| Water supply, material for maintenance | 51.5% |
| Audio-visual goods | -76.2% |
| Housing services | 50.9% |
| Rent (RPI series) | 45.8% |
| Transport and travel services | 111.6% |
| Communication | -1.8% |
| Recreational and personal services | 60.2% |
| Education | 189.9% |

31 Differential price inflation is reflected in personal financial concerns. According to the debt survey[6] conducted by the Association of Business Recovery Professionals (the trade body for insolvency practitioners), where people say they are experiencing financial difficulty, the most commonly cited struggles to payday are the rising costs of food (59 percent), household

[4] Adams, A., Hood, A. and Levell, P. (2014) 'The squeeze on incomes', Institute for Fiscal Studies Green Budget 2014, IFS.
[5] Bourne, R. (2014) 'Low pay and the cost of living: a supply-side approach', Briefing 14:05, Institute of Economic Affairs.
[6] Association of Business Recovery Professionals (2014) 'Personal Debt Snapshot: Wave 13 – Are personal finances taking a turn for the worse?', March 2014

energy bills (52 percent), transport (38 percent), making credit card payments (27 percent) and rent payments (24 percent).

**Jobs and wages**

32 To the end of September 2014, UK unemployment had fallen for 18 consecutive quarters and stood at 1.96 million, or 6 percent of the working age population, the lowest rate since late 2008.

33 Growth in average pay for UK workers overtook inflation for the first time in five years, with wages excluding bonuses rising by 1.3 percent in the year to the end of September, outstripping the Consumer Prices Index at 1.2 percent.

34 This followed results for the previous quarter where average wages excluding bonuses rose by 0.6 percent in the year to June, which was the slowest rise since records began in 2001. Including bonuses, wages fell 0.2 percent, the first fall since 2009.

35 In August 2014, the Bank of England warned that although employment was increasing, a 'wages lag' was occurring, in which wage growth was not keeping pace with economic growth. In August the Bank halved its forecast for average wage growth, from 2.5 per cent to 1.25 percent this year.

36 However by November 2014, the Bank had revised its estimate up again, forecasting that average salaries would be growing by 2 percent by the end of the year and that real pay growth would accelerate into 2015.

37 The forecast is at odds with provisional results from the Annual Survey of Hours and Earnings, 2014[7]. These indicated that median gross weekly earnings for full-time employees had only risen by 0.1 percent since 2013. This was the smallest annual growth since 1997, when the data first became available. Growth has been slower since the downturn, with the annual increase averaging around 1.4 percent per year between 2009 and 2014.

38 Adjusted for inflation, weekly earnings decreased by 1.6 percent compared to 2013. The largest decrease was between 2010 and 2011, but inflation-adjusted earnings have continued to decrease every year since 2008, to levels last seen in the early 2000s.

39 Although many people may be starting to feel the benefits of wage increases and lower food, energy and import prices, for those on the lowest incomes, the situation is different.

40 For those on the lowest incomes, the growth in zero hours contracts has increased income uncertainty in many lower paid jobs. In addition, the gap between the national minimum wage at £6.50 an hour for adults aged 21 and over (£5.13 for those aged 18 to 20), and the 'Living Wage' (the generally accepted amount required to cover the costs of living) at £9.15 an hour in London and £7.85 an hour in the rest of the UK, means that many 'working poor' people will struggle to climb out of poverty, without welfare support.

[7]http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings/2014-provisional-results/index.html

41 The Living Wage Commission[8] estimates that the number of workers paid below a Living Wage is 5.24 million and this has increased by 420,000 in the last 12 months, which means that for the first time, the majority of people in poverty in the UK are working.

**Austerity**

42 In parts of the country, such as ours which have disproportionately higher numbers of people employed in the public sector, concerns about economic recovery have to be seen within the context of the government's ongoing austerity programme and reductions in public spending.

43 Whereas, it was initially envisaged that the structural deficit would have been resolved by the end of this parliament, the government now expects that it will take until 2018/19 before the country returns to surplus.

44 One of the reasons cited for it taking longer, is the number of people having to claim benefit entitlements. The Institute of Financial Studies[9] has identified that there has been an increase in housing benefit claimant spending because more people are renting, rents are rising but earnings growth is low. In addition, the slower earnings growth has meant that spending on tax credits has not come down as quickly as expected.

45 To further balance the deficit, the government intends to maintain the squeeze on public spending until at least 2018/19.

46 In the Autumn Statement, the government confirmed an additional £1 billion of savings from the welfare budget this year and that its fiscal assumption is that overall Total Managed Expenditure (TME) will fall in real terms in 2016/17 and 2018/18 at the same rate as between 2010/11 and 2014 and will be held flat in 2018/19 and 2019/20.

47 As reported to Cabinet in July, although at this stage we do not know the detail of future funding cuts, we are expecting them to be of the same scale and scope as those experienced over the last four years and to include an additional £12 billion of savings from the national welfare budget.

48 Welfare spending has been capped at £119 billion to 2015/16 and will rise with inflation thereafter to a maximum of £127 billion by 2018/19, unless parliament approves a change in government policy.

49 For those on lower incomes dependent on benefits, this may exacerbate the impact of differential rates of inflation, with the prices of essential items which poorer people spend disproportionately more upon, rising significantly more than general inflation.

50 In addition, the Secretary of State is proposing further reforms to reduce welfare spending. These include freezing benefits for working age people for two years, removing benefits from migrants if they have no prospect of work,

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[8] Living Wage Commission (2014) 'Working for poverty: the scale of the problem of low pay and working poverty in the UK'.
[9] http://www.ifs.org.uk/publications/7447

removing housing benefit entitlements for 18-21 year olds and reducing the household benefits cap from £26,000 to £23,000 a year.

51 As it currently stands, Universal Credit is to be rolled-out in parts of the North East (Hartlepool and Newcastle-upon-Tyne) from March next year and pilots are under way to explore the linkage between Universal Credit and crisis support in Northumberland and the provision of face-to-face support in South Tyneside. We should hear shortly when Universal Credit is to be rolled out in Durham.

**Local authority response**

52 Clearly, many of the drivers of poverty – such as the strength of the economy, employment, wage rates and inflation - are beyond a local authority's control, but we can attempt to make some of the impacts less severe.

53 Understanding the impacts on local communities is a very difficult task, in part because they are not uniform and involve a complex range of factors, but also because there has been no attempt to assess the collective impact of the government's welfare reforms. The same applies to the quantum of local government spending reductions and reforms including the removal of area-based grants and the shift away from the principle of local government funding being based on need. The lack of adequate impact assessments and the knock-on effect of policy change in one area on another have been highlighted on a number of occasions by the Public Accounts Committee and most recently by the National Audit Office[10].

54 Unless there is a significant change in government policy, the reduction in local authority funding is set to continue, which will inevitably impact on frontline services. We therefore need to improve our understanding of the local impacts of change, so that when we have to reduce spending and service delivery, we mitigate the impacts where we can through a well thought out and targeted approach.

**Current position in County Durham**

55 The council is not starting from scratch in addressing these issues. Since the formation of the unitary council, economic regeneration has been our highest priority. Through our apprenticeships and employability programmes, we have helped over 3,000 people into employment and through major projects such as Hitachi, Atom Bank, NetPark and Freeman's Reach we have sought to attract and retain investment and jobs in the county.

56 Improving the economic competitiveness of Durham as a place is the underpinning narrative for the County Durham Plan which proposes a suite of spatial policies to create 30,000 new jobs and 32,000 new homes.

57 In addition, due to our work making the case for County Durham to be granted transition region status, the county stands to benefit from £135m of European structural funding through to 2020. The forthcoming programme includes specific themes around inclusive growth (addressing employability issues for the most economically vulnerable) and skills.

[10] http://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2014/

58 In April 2011, the council agreed a child poverty strategy to comply with legislative requirements and to provide the context for partnership working on child poverty.

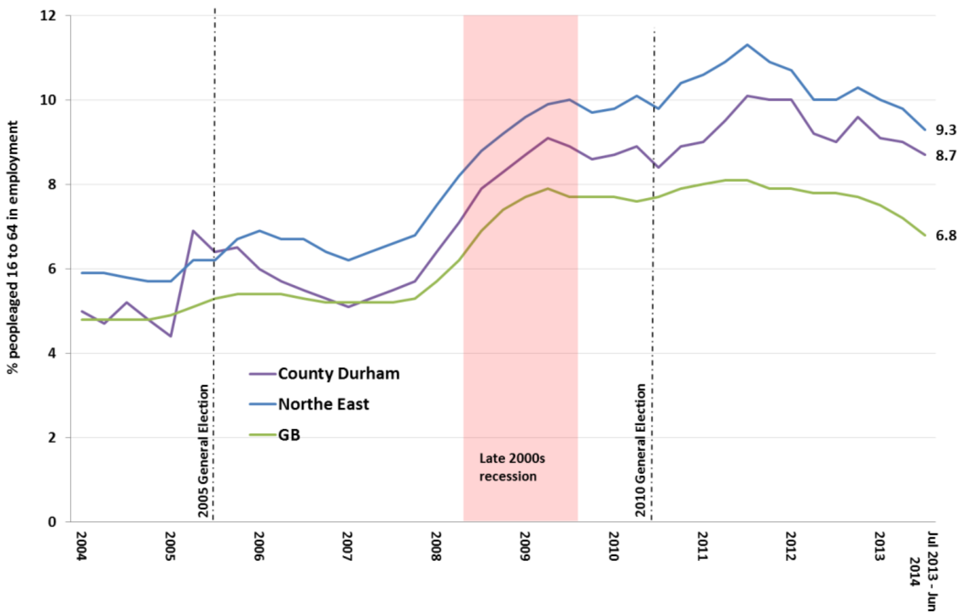
59 The strategy, which built upon current programmes at the time, was well received and was cited as an example of best practice. However, the strategy needs to be refreshed as many of the initial actions have been implemented and the nature of poverty in the county has changed, in part due to welfare reform and the performance of the local economy.

60 According to End Child Poverty[11], at the end of 2013 the proportion of children living in poverty after housing costs are taken into account stood at 27 percent in the county compared with 25 percent nationally. There is also evidence to suggest that the gap between the county and the national average is widening and rates have not improved since the recession has ended.

61 According to research by Sheffield Hallam University[12] previously reported to Cabinet, in 2014/15 the county stands to lose £188m in benefits income, which equates to £560 per working age adult.

62 Since 2011, unemployment in the county has fluctuated and unlike the rate for the country as a whole, has yet to return to pre-recession levels (Figure 2).

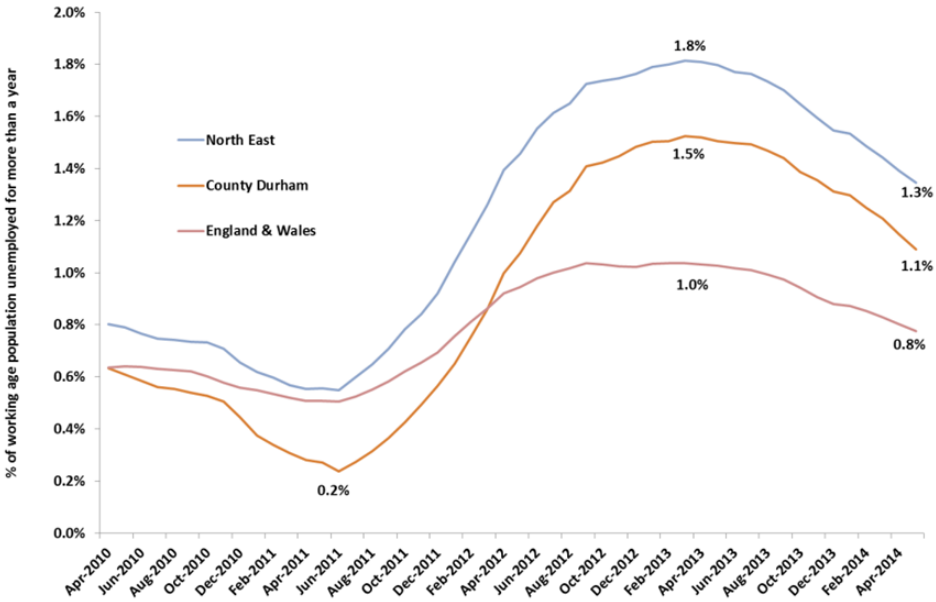
**Figure 2: Unemployment 2004-2009**




63 The same is true for long term unemployment where the number of residents claiming Job Seeker's Allowance (JSA) for a year or more has fluctuated but generally risen since the onset of the recession (figure 3).

[11] http://www.endchildpoverty.org.uk/images/ecp/Report_on_child_poverty_map_2014.pdf
[12] Beatty, C. and Fothergill, S. (2013) 'Hitting the poorest hardest: the local and regional impact of welfare reform', Centre, for Regional Economic and Social research, Sheffield Hallam University.

**Figure 3: Unemployment for more than a year 2010-2014**




64 Gross disposable household income (GDHI) in the county has increased since 2011 at a faster rate than the national average but still stands at just under £2,400 less than the national average (table 3).

**Table 3: GDHI per head at current basic prices (2012)**

| | GDHI | % growth in GDHI | |
|---|---|---|---|
| **Area** | **(£ per person)** | **since 2011** | **since 2001** |
| **County Durham** | **14,151** | **+3.9%** | **+39.1%** |
| North East | 14,393 | +4% | +42.8% |
| UK | 16,791 | +3.3% | +41% |

65 Deprivation remains a key issue. In the 2010 Index of Deprivation (the most up-to-date figures), Durham was the 62nd most deprived local authority in England.

66 Almost half of the population (45.4 percent) live in a deprived area (the top 30 percent most deprived areas nationally).

67 Employment deprivation (as measured by the number of working age people in receipt of Job Seekers Allowance and Incapacity Benefit) is particularly acute with nearly two thirds (64.9 percent) of the population living within the top 30 percent most employment deprived areas.

68 Health deprivation is also particularly acute, with nearly three quarters of the population (70.9 percent) living within the top 30 percent most deprived areas.

69 In terms of the broader determinants of health, the county is not performing well against the Marmot Indicators for Health. In 2014[13], of the 15 indicators where local authority data is available, 10 were significantly worse than the England average.

[13] http://www.lho.org.uk/lho_topics/National_Lead_Areas/Marmot/Documents/LA_E06000047.pdf

**Response to date**

70 In response to welfare reform and related poverty issues, the council has pursued a partnership approach, working across sectors and with partner organisations to understand impacts and to support individuals and communities affected by change.

71 Working with our partners Civica and Five Lamps, we have established a Welfare Assistance Scheme, promoted as HAND ('Help and Advice Network Durham') to provide emergency and crisis support to fill the gap left by the termination of the government's Social Fund. Since April 2013, the scheme has helped over 2,200 people.

72 We are currently considering options to continue providing assistance beyond March 2015 when the current funding ends. In response to the government consultation on future funding for Welfare Assistance, both the Association of North East Councils (ANEC) and the council responded to request that funding be continued given the help and support being provided.

73 Through its Local Council Tax Reduction Scheme, the council has protected economically vulnerable working age people from the 10 percent national cut in Council Tax support. Council recently agreed that we should extend the Local Council Tax Reduction Scheme for a further year into 2015/16 in order to maintain the same level of benefit support provided before the scheme was changed in 2013. This will mean that we will have maintained the support for three years providing a valuable lifeline to many in need.

74 In addition, through its Discretionary Housing Payments policy, the council has helped 2,800 people to meet their housing costs and rental commitments.

75 The council has also provided £10,000 of additional funding to each of the 14 area action partnerships to support local action to address welfare issues. The range of interventions has varied across the county but most notably led the development of a welfare champions scheme in East Durham, which is now being rolled out countywide providing community-based and community-centred support to individuals and households affected by benefit reductions and entitlement changes.

76 Where required, the council has also developed a number of targeted interventions to support vulnerable individuals and communities. This has ranged from 'Think Family' interventions such as the council's Stronger Families programme and its employability schemes which are providing universal and targeted support to unemployed people in particular parts of the county.

77 With some council support, foodbanks in the county have helped 17,800 people in the last 12 months.

78 The council's Warm Homes programme has sought to address fuel poverty by increasing the energy efficiency of the council's housing stock and the regional Warm Up North scheme, delivered in partnership with other local authorities and British Gas, is providing a wider range of support, under the government's Green Deal scheme. As well as advice and financial assistance

with energy efficiency measures, this includes signposting and advice to maximise the take-up of relevant benefit entitlements.

79 As it stands, 11.4 percent of households in the county were in fuel poverty in 2012 according to the government's definition which compares with the rate for England nationally at 10.4 per cent

80 Through partnership work in the Crook area, we have improved our understanding of how the new benefits regime is affecting individuals. This has identified the impact on individuals with mental health issues, drug and alcohol dependency and recent offending. Through a greater understanding of how benefits are processed and the requirement to avoid sanctions, support agencies are better informed and are helping ensure clients do not lose their entitlement.

81 In addition, as a matter of course when the council considers policy changes or service restructurings, it undertakes thorough impact assessments to understand the effect of proposed changes and to identify what could be done to mitigate any detrimental effects on disadvantaged communities and vulnerable groups through mitigating actions.

82 This is particularly important as the recession and public spending reductions have disproportionately affected northern and poorer areas such as the county, which have lower levels of economic growth, higher rates of benefit dependency and disproportionately higher levels of public sector employment. Reductions in welfare support, at a time when public sector employment is falling and private sector growth has yet to create sufficient numbers of replacement jobs, present the county and local partners with a significant and major challenge.

**Continuing to respond**

83 Although many of the issues affecting poverty in the county are national (and indeed international) and beyond local partners' control, the county does have some capacity to improve the situation for affected communities to a certain degree.

84 The diverse geography of the county means that Durham has the scale and scope, through the council and the diverse range of community and voluntary sector organisations here, to provide a wide range of support and innovative and targeted interventions.

85 To facilitate this and to ensure that the actions we are able to afford are as effective as they can be, the council and its partners are concentrating on developing joined-up intelligence (to pool our knowledge) and joined-up services (to maximise our impact and avoid duplication).

86 This coordinated and collaborative approach helps to ensure that people in need are signposted to and receive the correct support and that the assistance and schemes we develop are based on a clear and detailed appreciation of the issues involved.

87 For example, the Welfare Assistance Scheme and Discretionary Housing Payments policy have been informed by collaborative work with the voluntary

sector and local housing providers to understand the nature of demand and the most effective forms of support which could be provided.

88 Despite the ongoing austere times and cuts in local government funding we continue to face, the council needs to extend this approach by using every opportunity it has to identify and potentially support vulnerable people affected by poverty and welfare reform. Through housing services, we are signposting people to debt and benefits advice and employability support and through schemes such as our Stronger Families programme, we have the potential to broaden the range of support provided to include benefits and financial advice to help families become more financially resilient and independent.

89 Similarly, there are increasing calls for partners to work with schools to help address poverty issues, be it through the provision of breakfast clubs and the availability of food during school holiday activities, to future life skills as part of the curriculum or support for parents with basic skills issues.

90 By sharing knowledge, the council and its partners are developing greater customer insight into which people need most help, the issues they face, where they are located and how we can reach them to offer advice, help and support.

91 By working together, we are developing a joined-up approach to financial inclusion in the county, which will help to promote financial independence.

92 In addition, organisations across the county have established an advice partnership between all of the various agencies which maximises capacity and the provision of specialist advice.

93 Through the performance management of the council’s grant to Citizens Advice County Durham (the new countywide citizens advice bureau (CAB) service), we are developing a more comprehensive picture of the nature of demand, based on the type of enquiries and issues which CAB staff and volunteers are being asked to help with.

94 This knowledge is helping us to target the advocacy and support the council is able to offer through its Welfare Rights Service, which is now integrated with Revenues and Benefits to improve understanding of supply side and demand side issues around benefit entitlements and welfare payments.

95 In addition, by working together, we are developing a greater understanding of the capacity and resource available through other organisations such as charities and churches.

96 The partnership is currently looking at gaps in service provision and anticipated gaps based on the potential impacts of on-going welfare reforms, such as the roll-out of Universal Credit and the transition from Disability Living Allowance to Personal Independence Payments.

97 Using the council’s performance management framework, currently we monitor performance and track issues through a sub-set of welfare reform management information and performance indicators, which track indicators such as:

a) the proportion of council owned housing that are empty;

b) the proportion of council owned housing that is not available to let and has been empty for more than 6 months;

c) first time entrants to the Youth Justice System aged 10 - 17 (per 100,000 population of 10-17 year olds);

d) the number of repeat incidents of domestic violence (referrals to Multi-Agency Risk Assessment Conferences [MARAC]);

e) first time entrants to the Youth Justice System aged 10 - 17 (per 100,000 population of 10-17 year olds);

f) current tenant arrears as a percentage of the annual rent debit.

98 Given that Cabinet has agreed to broaden the scope of the welfare reform steering group to take a more holistic view of poverty issues within the context of welfare changes, we propose to augment the framework by tracking a broader range of poverty-related issues.

99 This will help us to focus on preventative work to avoid households getting into financial difficulties and to develop targeted interventions aimed at supporting the poorest households in the greatest need.

**Further work**

100 Welfare changes and poverty issues are having an impact on residents and we will be looking at how we can continue to respond and to help those affected.

101 We propose to focus on further work around the following themes:

a) Attitudes to poverty and raising its profile;

b) Focus on child poverty;

c) Involvement of agencies with direct involvement in poverty;

d) Credit and debt;

e) Further welfare reform and benefit changes;

f) Work and personal wellbeing and sense of worth.

102 As work progresses, further reports will be brought to Cabinet to update Members on developments, including national policy announcements and proposed partnership responses and interventions.

## Recommendations

103 Cabinet is recommended to note the contents of this report and to agree to the further work programme proposed in paragraph 97 above.

## Background papers

Cabinet, 15 October 2014, Welfare Reform Update, Report of Corporate Director Resources and Assistant Chief Executive.

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## Appendix 1: Implications

**Finance –** There are no new financial implications contained within the report.

**Staffing –** There are no new staffing implications contained within the report.

**Risk –** N/A

**Equality and Diversity / Public Sector Equality Duty –** The council's Welfare Assistance Scheme, Discretionary Housing Payments policy and bids for funding referenced have all been subject to an equality impact assessment where appropriate.

**Accommodation –** N/A

**Crime and Disorder –** N/A

**Human Rights –** N/A

**Consultation –** N/A.

**Procurement –** N/A

**Disability Issues –** N/A

**Legal Implications –** N/A