

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **HOUSING OVERVIEW & SCRUTINY COMMITTEE**

DATE: **WEDNESDAY, 15 OCTOBER 2014**

REPORT BY: **CHIEF OFFICER (COMMUNITY AND ENTERPRISE)**

SUBJECT: **WELFARE REFORM UPDATE**

1.00 PURPOSE OF REPORT

1.01 To update Committee Members on the latest position with the reforms being introduced to the social security system and of the activities that are providing help and support to Flintshire residents who are affected by the reforms.

2.00 BACKGROUND

2.01 The on-going transformation of the social security system¹ is aiming to put social security expenditure onto an affordable and sustainable footing; simplify the system; and tackle the causes of poverty and worklessness by providing personalised support for people to help them to overcome the barriers, which are preventing them from returning to employment.

2.02 Many of the Flintshire households impacted by the welfare reforms are experiencing a reduction in their level of social security income. The Government maintain that majority of households who are losing social security income are being supported and incentivised to look for and enter employment with their earned income more than compensating the household for the loss of social security benefit income.

2.03 However, whilst Flintshire County Council proactively creates, promotes and supports increased employment opportunities within the County, it recognised that the welfare reforms would generate negative impacts upon some of the more vulnerable households within the County, particularly, households containing a sick and/or disabled person. For example, the sickness and disability benefit reforms are affecting residents who, due to their poor health, may not be best placed to replace their lost social security income with earned income. In addition, a disabled household, impacted by the spare room subsidy (commonly referred to as the bedroom tax) will find it more problematic to move to suitable alternative accommodation.

¹ The majority of the welfare reforms are being initiated through the Welfare Reform Act 2012 that came into effect on the 01 April 2013. However, some of the reforms pre-date the Welfare Reform Act, e.g., sickness benefit reforms which were introduced in 2011, but are only now taking full effect.

2.04 In response to these concerns, the Council, together with its partners, developed and implemented a range of proactive initiatives that aimed to protect vulnerable households from the experiencing the full force of the negative impacts inherent within the welfare reforms.

3.00 CONSIDERATIONS

3.01 The report will now provide an updated on the latest position with the implementation of the various changes to welfare benefits and upon the initiatives that are helping residents manage these changes.

3.02 Benefit Cap

3.02.1 The Government introduced the benefit cap to restrict the income from 'out of work benefits' that working-age claimants can receive to the level of the average working income after tax. This is assumed to be £500pw for couples/lone parents and £350pw for single people. Some households that include a person claiming certain sickness or disability benefits will be exempt from the benefit cap. If affected, a household's housing benefit entitlement will be reduced so that the total amount of benefit received is no longer higher than the cap level.

3.02.2 During the period 15th April 2013 to the 31 May 2014, around 43,500 households within the United Kingdom had their benefit capped. Forty-six percent of households are within London and of the top 20 local authorities, with the highest number of households affected by the benefit cap, only one was not in London and this was Birmingham.

3.02.3 The Benefit Cap is an ongoing process with the Department for Work and Pensions advising Flintshire's Housing Benefit department of new cases to be capped or removed from capping on a monthly basis. As at 24th September 2014, a total of 33 Flintshire households are subject to the benefit cap. Households impacted by the Benefit Cap continue to receive support to help them to manage the reduction on their household income.

3.02 Spare Room Subsidy

3.02.1 From the £19 billion reduction in the United Kingdom's expenditure upon social security payments (that the welfare reforms are projected to generate), the spare room subsidy is estimated to be reducing Housing Benefit expenditure by £250 million. However, whilst being the reform that is generating the least savings to the public purse, the spare room subsidy has proven to be the most controversial of all the changes to social security benefits that the Welfare Reform Act 2012 has introduced.

3.02.2 Numerous studies have analysed the impact of the spare room subsidy upon both tenants and social landlords, with the majority concluding that one of the main policy intents behind the introduction of the spare room subsidy, i.e., to encourage under-occupying households to downsize to

smaller properties and free up larger social housing properties for over crowded households, is not currently being attained. A report from the Department for Work and Pensions, published in August 2014, examining the 'early impacts' of the introduction of the spare room subsidy, found that nationally only 4.5% of under-occupying households had moved to smaller accommodation. Further information on the key findings within this report can be found within appendix 1.

3.02.3 On the 5 September 2014, an amendment to change how the spare room subsidy is applied to the Housing Benefit awards of under-occupying tenants was introduced within the Affordable Homes Bill as it continued its passage through the House of Commons. In summary, the amendment, if implemented, would exempt under occupying social housing tenants from having their Housing Benefit award reduced if they cannot find a smaller home. Likewise, tenants who are disabled and need a spare room, or who live in an adapted property would also be exempted from having their Housing Benefit reduced. The Affordable Homes Bill will now be subject to more detailed scrutiny at the committee stage.

3.02.4 At the end of August 2014, Flintshire County Council had 909 tenants whose Housing Benefit award was being reduced because they were deemed to be under occupying their home. The total reduction in Housing Benefits payments for these tenants is approximately £12,000pw. Please see appendix 1, for additional information on how Flintshire County Council tenants impacted by the spare room subsidy are being supported.

3.03 **Council Tax Reduction Scheme**

3.03.1 In January 2014, Flintshire County Council adopted the Council Tax Reduction Scheme (CTRS) for the 2014/15 financial year, with the availability of 100% reduction in eligible cases. In June 2014, the Welsh Government confirmed that the Council Tax Support scheme, which provides full support for low-income households, will continue in 2015/2016 and 2016/2017.

3.03.2 Although Flintshire County Council welcomes the Welsh Government commitment of 100% household support for a further two years it must be recognised that the funding of this support is based at 90% of the 2012/13 cost of Council Tax Benefit, with no recognition of annual increases in Council Tax, therefore there is an ongoing budgetary cost to Flintshire to support the scheme.

3.04 **Discretionary Assistance Fund (DAF)**

3.04.1 The Discretionary Assistance Fund (DAF) is a Wales wide scheme that offers grant payments to help people where there is a need to safeguard their, or a member of their households, health and well-being and the applicant has no other means of meeting their immediate cost of living. The DAF is being managed by Northgate Public Services who are

working in partnership with The Family Fund and Wrexham County Borough Council.

3.04.2 During its first year of operation, April 2013 to March 2014, Flintshire residents made 1,467 DAF applications with 963 (66%) applications being successful. The monetary value of the successful awards is £233,000. For information, the DAF spent £7.2 million of its annual budget of £10.2 million in 2013/14. During the first quarter of the current financial year, Flintshire residents made 325 applications to the DAF and 203 (62%) applications have resulted in a successful award.

3.04.3 There were concerns over the on-going funding from Central Government for the DAF scheme. However, it is understood that the Welsh Government will receive funding from to continue the DAF scheme from April 2015 onwards.

3.05 **Personal Independence Payments**

3.05.1 When Personal Independence Payment (PIP) was introduced in April 2013, it followed a period where Disability Living Allowance (DLA) had not been fundamentally reformed since it was introduced over 20 years ago. The Government maintain that the introduction of PIP is positively transforming the outdated disability benefit system as the PIP eligibility criteria and assessment is based upon a modern understanding of disability. For information, statistics released in September 2014, by the Department for Work and Pensions show that only 45% of PIP claims, made under the general application process, i.e., the applicant is not terminally ill, are successful.

3.05.2 In a report published in June 2014 by the Public Accounts Committee (PAC) it was noted that a failure to pilot the PIP scheme properly meant that critical assumptions about the application and assessment processes were not fully tested and have been proven to be incorrect. In particular, the PAC report highlighted that:

- encouraging claimants to apply by phone has deterred and delayed some disabled people from making a claim;
- many claimants have had to wait over six months for a decision on their PIP claim and have had to resort to Discretionary Housing Payments, food banks, loans and charitable donations to support the extra costs of living associated with their disability.

3.05.3 In response to the PAC report, the Secretary of State for the Department for Work and Pensions has confirmed that the delays faced by some people claiming PIP are unacceptable and has given a commitment to Parliament that by the autumn of 2014, no one will be waiting for a decision on their claim for longer than six months, and that before the end of 2014, no one will be waiting for more than 16 weeks to receive a decision on their application.

- 3.05.4 The Secretary of State has also confirmed there are no plans to postpone the large-scale reassessment of DLA claimants throughout the United Kingdom, under the PIP eligibility criteria. The reassessment, which will include over 2,000 Flintshire residents, will commence in October 2015. The Government project that the reassessment of DLA claimants will result in around 20% of current DLA claimants not being entitled to a payment under the PIP scheme as the eligibility criteria is more robust than that which governed entitlement to DLA. For information, the current success rate of DLA claimants transferring to PIP is 69%.
- 3.05.5 In addition to the Flintshire residents who will not meet the stricter eligibility criteria for PIP, there will be more residents, due to the process of assessing entitlement to disability benefits being extremely complex, who will receive a decision not to award them PIP which, when subjected to a legal challenge, will prove to be incorrect.
- 3.05.6 Thus, the Council and its partners will work together to put appropriate measures in place to ensure that Flintshire residents, whose disability benefit payment is subject to reassessment under the PIP criteria, have timely and easy access to specialist welfare benefit advice during the PIP assessment process, and, if necessary, access to Tribunal representation services to challenge adverse decisions. This is of particular importance due to the workings of the means-tested benefit calculation as, explained simply; the loss of a disability benefit can reduce the amount of Housing Benefit that a person is entitled too. Thus, people find themselves having less household income due to losing their disability benefit yet are expected to contribute more to their rent than they did when they had a higher level of income.

3.06 **Universal Credit**

- 3.06.1 Perhaps the most far-reaching provision within the Welfare Reform Act 2012 is the introduction of Universal Credit. The Government maintain that Universal Credit will address a number of problems with the current means-tested benefit system. For example, the complexity of the current system causes confusion about entitlements and about the financial gains that can be obtained from work. The cumulative effects of these problems, the Government argue, mean that people are reluctant to take the risk of moving into work and a culture of benefit dependency is engendered.
- 3.06.2 There is consensus amongst key stakeholders that the principles of Universal Credit are positive, for example, creating a single benefit that is responsive to changes in a claimant's circumstances and contain incentives that aim to make work pay. However, there are concerns around the serious implications for claimants if the computer systems required to deliver Universal Credit are not fit for purpose, or if support is not available to help residents prepare for the changes and challenges that claiming Universal Credit will bring.

- 3.06.3 The Department for Work and Pensions (DWP) is introducing Universal Credit in a measured and controlled manner. Currently, Universal Credit is only available to unemployed single people and couples who meet specific criteria and live within localities served by 44 Jobcentres across the United Kingdom. However, the Secretary of State for the Department for Work and Pensions recently announced that by April 2016, Universal Credit will have been rolled out to all Jobcentres and local authorities across the United Kingdom for new claims from single jobseekers.
- 3.06.4 The latest national statistics show that between April 2013 and 31 August 2014, a total of 13,260 people across the United Kingdom had claimed Universal Credit and 11,070 are still live claims. Seventy percent of claimants were male and sixty percent aged under 25. Shotton Jobcentre began to accept Universal Credit claims from single claimants on the 7 April 2014 and from couples on the 28 July 2014. At the 03 October 2014, a total of 177 people, living within the Shotton catchment area, have made a claim for Universal Credit and 163 claims are still live.
- 3.06.5 The DWP are responsible for managing the major programme to roll out Universal Credit throughout the United Kingdom. However, at a local level, the Council has a leading and critical role to play in the development and implementation of measures that will overcome the various challenges that claiming Universal Credit will bring for some residents. For example, managing a household budget on a monthly basis and being responsible for paying their own housing costs.
- 3.06.6 To formalise the processes that would be needed to underpin the safe introduction of Universal Credit within Flintshire the Council and the DWP have implemented a 'Local Delivery Agreement'. This agreement details the support services that are available to help residents claiming Universal Credit. The agreement also provides the DWP with direct access to technical advice from the Council's Housing Benefit Department on Universal Credit claims that include housing costs. The DWP are funding the additional resources that are required to provide the local delivery agreement during the period April 2014 to March 2015.
- 3.06.7 From the 177 Universal Credit claims made by Flintshire residents, only one person required support to make their claim on-line and nine people have been referred to Flintshire Citizen Advice Bureau for personal budgeting support to enable them to better manage their monthly payment. Flintshire's Housing Benefit Service has also received twenty-five requests from the DWP for technical advice with Universal Credit claims that included housing costs. The low numbers currently claiming Universal Credit and needing to access support will not affect the level of funding provided by the DWP to fund the local delivery agreement during the current financial year. However, the DWP may use these figures to propose a reduction in the level of funding they provide in the next financial year. However, when negotiating future funding levels, the Council will ensure the DWP acknowledge the fact that currently

Universal Credit is being delivered to the less problematic claimant groups and the need for support will increase as the roll out of Universal Credit extends to include claimant groups with more complex needs.

- 3.06.8 The Council, alongside other local authorities and the National Housing Federation, has been encouraging the DWP to amend the Universal Credit new claim procedures to a process that will lend itself to the proactive use of the 'alternative payment arrangements'. It is pleasing to report that the DWP are introducing changes to improve their processes for Universal Credit claims that include housing costs to lessen the potential for the monthly payment method to increase rent arrears.
- 3.06.9 The latest improvement introduced provides an opportunity for a social housing landlord to be notified when one of their tenants makes a claim for Universal Credit. Being notified at the start of the Universal Credit claim process will allow a landlord, in appropriate cases, to make a request for their tenants housing cost element to be paid direct to themselves under the alternative payment arrangements, prior to the first payment of Universal Credit being made to their tenant.
- 3.06.10 As a social landlord, the Council welcomes these positive changes and recognises they will help to prevent rent arrears accruing whilst a tenant claiming Universal Credit is supported to adjust to the new way within which they will have to manage their household budgets. However, as the changes only relate to claims made by social housing tenants, the Council is continuing to work with the DWP to assess the potential for the same or similar processes to be introduced for Universal Credit claimants renting in the private rented sector.

3.07 **Discretionary Housing Payments (DHP)**

- 3.07.1 The Department for Work and Pensions have increased DHP funding to assist claimants who have been affected by welfare reform, this assistance generally should be temporary assistance until a claimant is able to adapt to the challenges and changes. The Council also provides funding within its base budget for DHP payments and this was re-profiled in the 2014/15 budget to take account of the level of DWP funding and levels of demand.
- 3.07.2 FCC Housing Benefits Department have established protocols to ensure DHP is available to support affected claimants with an application process to ensure that help is provided in accordance with Department for Work and Pensions guidelines.
- 3.07.3 FCC Housing Benefits Department are actively engaged in a Pan Wales DHP project to share Flintshire's approach and protocols, which are already established and accepted as good practice. The purpose of this group is to develop a Policy Framework, which sets out an agreed approach to the decision making for DHP's. This will make discretionary decision making more systematic, consistent and transparent in Wales.

Whilst, at the same time, maintaining and protecting the element of discretion and giving decision makers the power to take into account unusual or special circumstances presented within an application.

- 3.07.4 As at 31st July 2014, DHP totalling £119,990, has been paid to eligible claimants. A review of applications up to 31st July 2014, shows that 81% of applications were approved with landlord sector approval of :-
- Flintshire 82%
 - RSL 91%
 - Private 74%
- 3.07.5 The Council's continued proactive work with DHP claimants will help to identify strategies and support which will assist some to reduce their dependency on DHP, whilst identifying those who will be in need of this type of support for a considerable period of time.
- 3.08 The Flintshire Tackling Poverty Partnership (TPP) comprises of representatives from advice and support providers operating within the County, the Department for Work and Pensions and Credit Unions. The primary aim of the TPP is the development of a more strategic and coordinated approach to the funding, planning, and delivery of advice and support services in Flintshire. The TPP reports as an Improvement Plan priority and as part of the Local Service Board where Welfare Reform is one of the three workstreams of the Health, Wellbeing and Independence priority of the Single Integrated Plan.
- 3.08.1 The TPP has acknowledged that the on-going transformation of the social security system will generate increased demands upon front line advice and support service providers, particularly in the fields of welfare benefit, debt, housing advice and financial inclusion/ capability services. Unfortunately, at the same time as the welfare reforms are increasing the demand for access to social welfare advice services, the provision of such services has been reduced by changes to Legal Services funding and reductions in other funding streams.
- 3.08.2 The TPP is committed to maintain, as much as practical, the provision of quality advice and support services within the County, as these services are the essential ingredient that enable households to resolve many of the problems the changes to their social security entitlement will generate. Therefore, the TPP is supporting workstreams, which aim to maximise the effective and efficient use of available advice and support services resources through reducing duplication in process and streamlining the contact point for the customer. The workstreams include: (For information, future reports will provide more detail on these workstreams.)
- 3.08.3
- Flintshire Advice Referral Gateway: in May 2014, Flintshire County Council secured grant funding from the Welsh Government and the Department for Work and Pensions to fund the cost of a 12-month

post within Flintshire Citizen Advice Bureau to develop an Advice Gateway to complement and work in partnership with the Flintshire Housing Support Service Gateway. The aim of the Gateways is to maximise the use of limited resources through reducing duplication of effort and enhance the customer experience by ensuring those in need of advice and support have timely and ease of access to the most appropriate advice and/or support service provider.

As the Advice Gateway is being developing it is only accessible to Flintshire residents who are referred by a service provider and, presently, a resident cannot self refer. During the period May 2014 to August 2014, the Advice Gateway dealt with 151 referrals, made from a range of providers. All referrals managed within the Gateway are holistically triaged to accurately collect all appropriate information, resulting in the person being referred to the most the appropriate service provider, improving both customer service and maximising provider resources as the time wasted in handling inappropriate referrals is reduced.

The Advice Gateway is also enabling objective information on the need and type of advice within Flintshire to be collected and collated in order for gaps in service provision to be identified, etc. The 151 referrals so far managed within the Gateway generated 301 separate social welfare problems. Approximately 63% of the problems related to a welfare benefit issue and 28% were in reference to debt issues.

- 3.08.4 ▪ Welfare Reform Response Team (WRRT) was established in May 2013 to directly target advice and support at vulnerable households throughout Flintshire who are at most risk of losing household income and may face an increased risk of homelessness.

During the period May 2013 to August 2014, the team directly targeted over 250 households. The interventions with these households helped them to implement solutions that have alleviated, in full or part, the difficulties that they faced as result of losing welfare benefit income.

The WRRT has demonstrated that early intervention through the direct targeting of offers of help and support to households does generate very positive results. However, engaging with the households who have not 'asked for assistance' are resource intensive and the optimum outcomes tended to be obtained through face-to-face interactions with householders in their own home. Due to uncertainty over on-going funding, two of the three people within the WRRT left to take up new employment opportunities. However, additional funding has now been obtained from the Welsh Government to enable recruitment of new staff to continue the excellent work that is delivered by the WRRT until the end of the current financial year.

- 3.08.5 ▪ *Empowering Flintshire's Front Line Service Providers*: to help manage the increase in demand for specialist advice on welfare benefits, housing, debt, etc, the pressures upon advice providers needs to be eased as much as possible. For example, by empowering front line (non-advice) practitioners to deal with basic social welfare queries raised by households they are supporting in order to reduce the number of residents who are referred to an advice service provider to have such queries answered. Therefore, staff within front line service providers, are being trained so they possess the knowledge, skills and the confidence to provide basic advice and support to their service users who are impacted by the welfare reforms and help them to begin to implement measures that will assist them to manage any reduction in their household income.

Since November 2012, thirty-two training courses and briefing sessions have been delivered to staff from service providers throughout the County. These sessions have provided the participants with a better understanding of the implications of the Welfare Reform Act 2012, of individual benefits such as Personal Independence Payment, and of issues related to improving financial capability, etc.

3.09 **Assisting Households to Maximise Social Security Income**

3.09.1 A report produced by Sheffield Hallam University Centre for Regional Economic and Social Research² examined the financial impact of the welfare reform upon Great Britain as a whole and for each of the 379 local authority areas. This report estimates that the total loss of social security income amongst households within Flintshire impacted by the reforms will be £44 million. (It is important to note that this figure shows the projected impact when the welfare reforms have come into full effect. Some of the reforms, particularly of the sickness and disability benefit system and the introduction of Universal Credit, are being implemented in stages over a number of years and not expected to be fully implemented until 2018.)

3.09.2 Using the projections within the report, we can estimate that the welfare reforms will, on average, result in Flintshire households losing social security income totalling £8.8 million per annum from 2013 to 2018. However, at the same time that the welfare reforms are removing social security income from Flintshire households and reducing spending power within the local economy, Flintshire County Council, together with its partners, continue to provide advice services that are helping Flintshire households to increase their household income through accessing their legal entitlement of social security benefits and tax credits. For example, during 2013/14, the successful interventions from the welfare benefit advice services provided by Flintshire Citizen Advice Bureau and Flintshire County Council assisted Flintshire residents to claim additional

² Hitting the poorest places hardest – the local and regional impact of welfare reform – Sheffield Hallam University Centre - April 2013

social security income totalling more than £5 million, helping to mitigate the negative impacts the welfare reforms have upon the Flintshire local economy.

- 3.09.3 Alongside the positive consequences for the Flintshire local economy, there are also well documented and positive impacts upon a person's health and wellbeing, which are generated through successful advice interventions, for example, improve mental health and raised living standards. In addition, the available research on the economic value of welfare benefit advice services is now demonstrating that the outcomes from welfare rights interventions provides a positive contribution towards reducing public expenditure on statutory and crisis intervention services. A study by Citizens Advice³ has concluded that for every £1 spent on the provision of welfare benefit advice services there is an estimated saving to the public purse of £8.80.

4.00 RECOMMENDATIONS

- 4.01 That Members note the report and the proactive work that the Council, together with its partners, continues to undertake to mitigate the full impact of the welfare reforms from falling upon vulnerable households

5.00 FINANCIAL IMPLICATIONS

- 5.01 None directly as a result of this report.

6.00 ANTI POVERTY IMPACT

- 6.01 The welfare reforms will hit the poorest parts of our local communities the hardest, especially those communities with large numbers of non-working and/or sick/disabled households. However, the extent of the welfare reforms go beyond out-of-work households and the reduction in Housing Benefit and Child and Working Tax Credit payments, etc, will be having negative impacts upon the income of many working households throughout the County⁴.
- 6.02 The workstreams, which are being managed within Flintshire's response to the welfare reforms, aim to protect, as much as possible, the most vulnerable members of our communities from being adversely affected by the ongoing transformation of the social security system. However, the workstreams have tended to focus advice and support upon non-working households and it is important that initiatives be developed that aim to support working households, particularly containing children, who are now seeing their income fall because of the welfare reforms.

³ Towards a business case for legal aid – Citizen Advice - 2010

⁴ A report by the Trade Union Council has projected that throughout the UK, three-quarters of all welfare reform cuts to people of working age will be on working families, with almost half hitting working families with children.– TUC August 2014

7.00 ENVIRONMENTAL IMPACT

7.01 None.

8.00 EQUALITIES IMPACT

8.01 As legislative decisions, the equality impacts of the changes to social security benefits have been assessed by Department for Work and Pensions, Welsh Government, Welsh Local Government Association and at a Local Authority level

9.00 PERSONNEL IMPLICATIONS

9.01 Front line staff are encountering an increased demand to explain the social security changes to residents and to provide the initial advice and support to help residents to begin to manage any resultant reduction in their household income.

10.00 CONSULTATION REQUIRED

10.01 None

11.00 CONSULTATION UNDERTAKEN

11.01 None.

12.00 APPENDICES

12.01 Appendix 1: The impacts of welfare reform upon FCC tenants

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

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