

Benefits are changing

An update from Sunderland City Council



Welfare Reform Act 2012

REPORT BY: Executive Director Commercial and Corporate Services

SUBJECT: Welfare Reform and Localisation of Council Tax Project Update

DATE: July 2012

1 Purpose

To provide an update of the work ongoing by the council and its partners, in respect of preparing for the impact of the Government's Welfare Reform Programme, together with details of work undertaken so far.

2 Background

The Government's Welfare Reform Programme is the biggest change to the benefits system in at least 60 years. It aims to reduce overall spending on the welfare system by £18 billion per year by 2014-2015 and aims to reduce benefit dependency and 'to make work pay' for more people by ensuring that those on benefits are not better off than those with modest incomes.

Furthermore, it was announced in the 2012 budget that if in the next spending review the same rate of reductions is maintained there would need to be a further saving in welfare of £10 billion by 2016. Recent reports have also indicated that an additional £25 billion savings could be needed in future years.

The majority of changes therefore will impact on:

People of working age

- Increase in the tax credit withdrawal rate from 39% to 41%
- Reduced amount of child care costs that can be covered from 80% to 70%
- Incapacity Benefit claimants expected to lose out through ongoing conversion to Employment and Support Allowance and 'tougher test'
- Contribution based Employment and Support Allowance limited to 1 year for most people
- Introduction of Universal Credit – a single means tested benefit / income replacement benefit for those out of work (unemployed or sick) or those in low paid work
- Proposed benefit cap of approximately £26,000
- Increased conditionality and increased range of sanctions proposed

- Less scope for challenging unfavourable benefit decisions

Children and Young People

- Child Benefit frozen for 3 years and withdrawn from higher rate tax payers (2013)
- Free school meals extension for Working Tax Credit recipients cancelled
- Health in Pregnancy Grant (£190) abolished
- Child Trust Fund payments cease
- Education Maintenance Allowance replacement provides approximately one third of the money that EMA did

People with a disability and carers

- Disability Living Allowance (DLA) replaced by new Personal Independence Payment with 20% cut in budget. Proposed changes include:
 - all claimants subject to review under new assessment criteria
 - longer qualification period before benefit can be paid
 - reduction in number of potential award levels
- Carers
 - knock on effect from above changes for those getting Carers Allowance / Carers Premiums – if DLA stops
 - additional allowance for 'live in' carers within 'Housing Benefit'
 - recognition that Carers Allowance is inadequate

Pensioners

- Protection for pensioners confirmed:
 - winter fuel payments and free TV licenses will continue
 - future assistance to help meet Council Tax costs should be no less than under current Council Tax Benefit System
 - basic pension triple guarantee – other benefit payments and housing costs linked to Consumer Price Index rather than Retail Price Index
- State pension equalisation from 2018 and raised retirement age to 66 from 2020.
- Savings credit freeze for 4 years
- Proposal to introduce 'flat rate' State Pension of £140 per week

Housing Benefit / Local Housing Allowance

- Private Housing Benefit rates based on the lowest third of market rents rather than the 50th percentile
- Changes to rules about topping up housing benefit in certain cases
- LHA benefit capped at the 4 bedroom rate.
- Potential increase in Non-dependant Charges
- Single claimants under 35 will receive benefits based on the shared room rate
- Size Criteria rules introduced in the Social Housing Sector - rent only paid for the minimum size of accommodation required

The programme also involves a major change in responsibilities in relation to administering benefits for those of working age, with councils losing responsibility for the current housing benefit system, but gaining responsibility for developing and implementing localised Council Tax Support and for providing support to vulnerable people in emergency situations, which was previously met by the Social Fund.

A number of changes have already been implemented with the majority of the rest due for implementation between now and 2013, however the specific detail for many of these is still to be developed, may still be subject to change, and transitional arrangements between the old and the new are expected to be in place in relation to some benefits for a number of years.

Work undertaken so far, using fair presumptions, indicates the net loss of income to the City over the period 2011-2013 could be in the region of £52m for individual benefits. This includes Disability Living Allowance, Incapacity Benefit, Jobseekers Allowance, Child Tax Credit and Working Tax Credit.

Work is ongoing to identify further impacts due to multiple effects, for example, as the changes progress it is apparent that residents could be personally affected three times e.g. by:

- dwelling size criteria,
- reduction in Housing Benefit to 50p per week due to the benefits cap of £26k pa with effect from April 2013.
- the introduction of Universal Credit in October 2013

From data modelling and scenario planning undertaken, the following case studies have been designed to demonstrate the possible impact of welfare reform on individuals/families currently in receipt of benefits and support available to them.

Individual

John is single and aged 30. He has worked in the past, mainly on casual contracts where he was sent home if there was no work. He is currently signing on and gets £71.00 in Job Seekers Allowance per week.

He has previously been sanctioned (lost his benefit) for two weeks because he was late signing on and he did not have a good enough reason for not doing so. Because of this he didn't receive JSA for two weeks and, as he was not in a priority group, he was not entitled to a hardship payment or Crisis Loan.

His Housing Benefit has also been affected by changes introduced in January 2012. He now only receives Housing Benefit based on a shared accommodation rate rather than enough for his one bed roomed flat. He has to try to make up the shortfall himself from his Job Seekers Allowance, which leaves him less money each week to pay for other essentials and bills, and he is going further into debt as a result.

In order to try to improve his situation he is taking part in the work programme and is on a training course that he hopes will increase his chances of finding a job.

People / the retired

Mr and Mrs Jones are both aged 63. Mr Jones had been receiving Employment and Support Allowance, based on his National Insurance Contributions but this stopped at the beginning of May due to a change in the rules for many people getting ESA. Mrs Jones only has a small occupational pension. Both are in ill health and were worried about how they were going to manage, as they only have limited savings.

Mr Jones made enquiries at his local Customer Service Network; where he was advised by council staff about his entitlement to Housing and Council Tax Benefit.

They also recommended that he access the council web pages in relation to checking how the changes brought about by welfare reform could affect him, www.sunderland.gov.uk/benefitchanges and to check on other potential benefit entitlements.

He was assisted to find the pages and was able to learn a lot about the proposed changes and this reassured him that he knew what to expect.

He also found out that he and his wife could be entitled to Pension Credit due to his and his wife's low income and limited savings

He was able to contact the Pension, Carers and Disability Service (DWP) about this claim, but he also took the telephone number of his local advice centre, in case he needed further advice with this.

Mr Jones felt empowered and confident following his visit, and more able to be able to access information / services in the future

Children and Families,

Mr and Mrs Smith live in local authority accommodation with rent of £80 per week. They have two children. Mr Smith currently earns £350 per week but has been told his hours are to be reduced to 22 per week for the foreseeable future. They owe a loan of £2,000, catalogue debt of £600 and a credit card with £1200 outstanding. The family have never claimed benefits other than Child Benefit and now don't know which way to turn.

Mr Smith was in his local library when he saw someone using the computer to access Sunderland City Council www.sunderland.gov.uk/benefitsandyou . He decided to have a look and quickly realised that he could get help. He took numbers for his local advice provider and an organisation that could help him look at his finances.

The local advice provider informed Mr Smith that he could be entitled to Child Tax Credit and also to Housing Benefit/ Council Tax Benefit to reduce their rent and council tax payments. He was advised to inform Housing Benefit and Council Tax Benefit if their tax credit claim was successful

Mr Smith contacted the Money Advice Service and using their resources was able to negotiate lower monthly payments on all of his debts, and also make the money that the family had coming in to go further.

3 Actions taken so far

The aim of the project is to prepare the council, its partners, employees and other stakeholders for the impending changes. The following workstreams have been designed to identify specific responsibilities, cross-overs, links and dependencies to existing strategies and ongoing or planned work programmes. Parameters are also set for where activity needs to be jointly delivered or where it should be delivered discreetly, whilst also avoiding duplication and seeking minimisation of barriers to delivery.

Across the project, initial risks have been identified and financial resources are being identified.

1. Preparation for the Introduction of Universal Credit

Universal Credit (UC) is a single means tested benefit/income replacement benefit for working age people out of work (unemployed or sick) or those in low paid work. From September 2013 UC will be administered centrally by the Department for Work and Pensions (DWP) and will replace six other means tested benefits and tax credits which are:

- Housing benefit (HB)
- Income support (IS)
- Income based jobseeker's allowance (JSA)
- Income related employment and support allowance (ESA)
- Child tax credit (CTC)
- Working tax credit (WTC)

It is intended that the introduction of UC will enable the Government to increase and better target the support that is provided through the benefit system in order to ensure that work always pays and the most vulnerable are protected. By creating a single, integrated benefit, households who claim UC will automatically receive everything they are entitled to.

Activity Completed:

- Data sets of live benefit caseload is available and being utilised to enhance data modelling and scenario planning
- Data sets of those that are not known to us (i.e. residents not claiming council benefits) are being developed
- Agreement with Job Centre Plus (JCP) to work jointly on work incentives
- Admin Grant under review
- Local Presence models under review
- e-enablement of Benefit Applications available and being rolled out by using advocates throughout the city to help with self service/supported self service.

This includes partners such as Gentoo and other Registered Social Landlords, Private Landlords, Citizens Advice Bureau, Age Concern etc. in the process of mapping support networks throughout the city and then utilising corporate communications to maximise support and take up.

2. Policy Changes and Impacts and Analysis, Impact on Council Services Performance and Outcomes and Increased Demand for work

The purpose of the workstream is to keep abreast of potential and actual changes that the Welfare Reform Programme may have for customer services provided by Local Authorities (Local and Regional) and local partners and the impact on customers e.g. capping of benefits. To understand the affect upon Council services and to enable interventions, and process updates to be made. To make links with other stakeholders e.g. Job Centreplus, to enhance access / data share re national and local employment market data to determine the likelihood of additional impact.

Activity Completed:

- Various stages of data analysis have been completed giving a snapshot of affected areas in the city by proposed changes
- A SPPM working group has been set up to look at policy and performance implications

3. Working with Landlords

This workstream includes the setting up of a working group with landlord representatives/groups to discuss issues that will impact on landlords and their tenants such as potential increase in rent arrears, collection costs, evictions and to also explore areas for tenant support by creating affordable tenancies and considering rent reductions for model tenants.

Activity completed:

- Presentation by the Benefit Section at Landlord Forums, the Child Poverty Working Group and Homeless Group
- Joint working with Landlords to assist tenants impacted by the single room rate change
- 3 monthly landlords forum arranged with Private Rented Sector Landlords

4. Single Financial Assessment and Benefit take-up

A single financial assessment system is being developed to produce a single notification of potential entitlements for residents, with clear links to applications. This includes Council benefits and also identifies potential entitlement to a range of other benefits and identifies entitlements linked with UC. This will therefore

maximise benefit take-up whilst also reducing time and cost for the Council and the customer.

Activity completed:

- The Council has procured a tool to support improved customer access across all information, advice and guidance levels, including increasing the capacity and involvement of mediated access partners, via e-learning modules and tools.
- Phased introduction is taking place to allow the Council to address priority areas first whilst also allowing for some quick wins.

5. Community Care Grants and Crisis Loan

Responsibility for administering Community Care Grants and Crisis loans is to transfer to the Council in April 2013. This workstream will develop processes to consider applications and provide support to the City's customers.

Activity completed:

- A briefing has been drawn up to highlight potential options for this work stream
- Current provision within the City is being mapped out to identify potential lead providers and/gaps in service
- Discussion is ongoing with other regional LA's regarding potential best practice/call for evidence data

6. Design and Implementation of the Localisation of Council Tax Support Scheme

This work stream will deliver a new localised Council Tax support scheme, replacing the current Council Tax Benefit system the council currently delivers.

Activity completed:

- A tool has been identified that will help with the analysis required to determine the new scheme
- Discussions are ongoing with neighbouring councils around best/shared practice
- Options are being developed toward identifying a preferred scheme for further consultation

7. Housing Policy and Alignment

The desired outcome of this work stream will give us a full understanding of the impact welfare reform has on the housing stock within the city.

Data is currently being analysed to understand the impact at individual/family, community, organisational and economic levels. Partnership working will then be developed with other stakeholders e.g. Gentoo, third sector, RSL and private

sector to further understand the needs of the different groups and their likely preferences in terms of engagement and to inform the development and/or deployment of assets to better support these groups.

8. Assumed consent for Free School Meals

This workstream includes 2 phases. Phase 1 is complete with regard to the involvement through this project, producing a major uptake of free school meals and therefore also helping to maximise of benefits.

Phase 2 is currently developing and further considers the impact of the welfare reform impacts on both those that are currently in receipt of free school meals and also the Council's school meal service.

9 Working with Jobcentre Plus

The purpose of this work package is to describe how the Welfare Reform Board will work closely with JCP to ensure that both parties are aware of issues that may affect them as a consequence of the new approach to conditionality and sanctions and that all actions and measures put in place are subject to joined up working where possible. This is especially important to help with understanding how such changes may impact upon advice given and services provided by the Council i.e. eligibility for the Council Tax Support Scheme, Crisis Loans and Community Care Grants.

10 Communications and Links with others

A welfare reform communications plan has been developed to raise awareness of continuing changes and responsibilities, encourage self service, and to support dissemination of key messages around money management, debt advice and illegal money lending.

The 'Stay informed, plan ahead' campaign was launched in June 2012 to communicate the changes to residents, landlords businesses and other key stakeholders. It includes:

- creating and maintaining an informative on-line portal. This will also act as signpost facility for residents to direct them to the most appropriate agency producing and distributing a range of materials to direct those affected to the on-line portal e.g. posters, newspapers, radio and social media
- promotional materials e.g. via libraries, leisure centres, schools, GPs and electronic village halls
- member communications e.g. area committee briefings and ward bulletins

As the Welfare Reform Project progresses, further workstreams will come on line to enhance the aims of the project, for example potential working with GPs and Schools.

Appendix A gives a visual indication of how the Project aims to collate data, make links with others, communicate messages across the City in relation to welfare

reform and also in preparation for the introduction of Universal Credit from September 2013.

Welfare Reform Project Preparing the City for Welfare Reform

