

Responsive Services and Customer Care Scrutiny Panel

Policy Review 2014 – 2015

Impact of Welfare Reform on Sunderland – Draft Report

Contents

1	Foreword from the Scrutiny Lead Member.....	2
2	Introduction	3
3	Aim of Review	3
4	Terms of Reference	3
5	Membership of the Panel	3
6	Method of Investigation	3
7	Findings of Review.....	4
8	Conclusion	19
9	Recommendations	20

1 Foreword from the Scrutiny Lead Member for Responsive and Customer Services

The Welfare Reform Act 2012 constitutes the most significant reform of the welfare system in the last 60 years. The reforms will have a significant impact nationally and on the people of Sunderland. They will affect individuals, households, the local economy and the operation of the Council and its partners.

As part of its review, the Panel's review has considered an overview of the welfare reform legislation, the effect that these are having on the people of Sunderland and the way the Council and its partners are responding.

We have seen that welfare reform will have a very substantial impact on the income levels of many residents. Indeed, many families will be absorbing a number of welfare changes simultaneously and it is important that we understand the cumulative effect of these changes.

It is estimated that over half of the households in the North East will be affected in some way by the reforms. Some may suffer a reduction in income; some may find their present accommodation is no longer affordable and this could all impact on a range of services such as jobs, housing, community cohesion, and demands for local authority services. There will also be an impact on the local economy with a potential loss of spending power and additional demands for Council services and support.

The changes present a challenge to local authorities and partners particularly at a time of reducing funding. It is also important that the demands placed on the Council are reflected in additional funding from the Government.

In conclusion, I would like to thank my colleagues on the Panel and all of the officers and staff involved for their hard work during the course of the review and thank them for their valuable contribution.

Councillor Ronny Davison, Lead Scrutiny Member for Responsive and Customer Care Services

2 Introduction

- 2.1 The Welfare Reform Act 2012 constitutes the most significant reform of the welfare system in the last 60 years.
- 2.2 The reforms will have a significant impact nationally and on the people of Sunderland. They will affect individuals, households, the local economy and the operation of the Council and its partners.
- 2.3 This review will provide an overview of the welfare reform legislation, the effect that these are having on the people of Sunderland and the way the Council and its partners are responding.
- 2.4 The Panel recognise that welfare reform includes a broad range of measures whose impact will be far reaching. We felt that it was important to focus our attention on those areas where the Council can have a direct affect or exercise real influence. The Panel has therefore taken the opportunity to comment on the Council's draft proposals for the content of its Council Tax Support scheme and the Community Care Support and Crises Support schemes.
- 2.5 In looking at the effect of welfare reform, the Panel has made use of a number of individual case studies. We feel that such case studies can help to highlight the effect of the welfare reforms on individuals and their families.
- 2.6 As a follow up to the review, the Panel will also be producing a separate report looking at the operation of Food Banks in the city.

3 Aim of the Review

- 3.1 The review will provide an overview of recent welfare reform legislation and its impact on the people of Sunderland.

4 Terms of Reference

- 4.1 The Panel agreed the following terms of reference for the review:-
 - (a) to obtain a better understanding of recent Welfare Reform legislation;
 - (b) to consider the impact of welfare reform on the people of Sunderland;
 - (c) To hear from those working directly with residents and provide case studies illustrating the impact on Sunderland residents;
 - (d) To consult on the management and content of the Council Tax Support Scheme and the Crisis and Community Care Support Schemes.

5 Membership of the Panel

- 5.1 The membership of the consists of Cllr Ronny Davison (Chair), Cllr Barry

Curran, Cllr Margaret Forbes, Cllr Gillian Galbraith, Cllr Betty Gibson, Cllr Iain Kay, Cllr Anne Lawson, Cllr Lee Martin and Cllr George Thompson.

6 Methods of Investigation

6.1 The following methods of investigation were used for the review:

- (a) Desktop Research
- (b) Evidence from relevant Council officers and key stakeholders
- (c) Case studies of the experiences of residents

7 Findings of the Review

Findings relate to the main themes raised during the Panel's investigations and evidence gathering.

7.1 Overview of Welfare Reform

7.1.1 As a starting point for the review, the Panel looked at the aims and objectives of the Government's Welfare Reform programme, together with the range of measures included as part of the reforms.

Overview of Welfare Reform

7.1.2 The Government's welfare reforms represent the most fundamental change to the benefits system in a generation. While the reforms are intended to reduce dependency on social security and encourage employment, they also play a key part in the Government's deficit reduction strategy.

7.1.3 The Government contends that its welfare reform programme should make the benefit system fairer and more affordable, reduce levels of fraud and error, reduce welfare dependency, promote personal responsibility and help to address issues of poverty and worklessness.

7.1.4 The reforms consist of a number of measures; including:-

Capping of household benefits – so that no non-working household can receive more in benefits than the median earnings of a working household, after tax and national insurance;

Changes to housing benefit – so that any household deemed to be under-occupying their council or housing association home will lose part of their benefit;

Introduction of Universal Credit – a single benefit claimed on line and paid once a month in arrears will replace a number of existing benefits (including Job-Seekers Allowance, Employment and Support Allowance, Income Support, Child Tax Credits, Working Tax Credits, and Housing Benefit);

Replacing Disability Living Allowance for working age claimants with a new Personal Independence Payment;

Employment Support Allowance Scheme (ESA) – the introduction of more stringent medical tests, greater conditionality and the time-limiting of non-means tested entitlement for all but the most severely ill or disabled;

Replacement of the Social Fund - by a new localised service administered by local authorities.

Council tax support has been passed from central to local government, with a 10% reduction in total funding; each authority has to develop its own scheme for support, with protection for pensioners and other groups.

7.1.5 A number of other changes in the operation of the welfare benefit system have also been included in the report in view of their significant impact on the residents of Sunderland. These include the increasing use and severity of benefit sanctions and changes to the system of Child Maintenance.

7.2 Impact of the Welfare Reforms on Sunderland

7.2.1 The Panel went on to consider the impact of the welfare reforms on the people of the city. To do so we have made extensive use of individual case studies that can help to highlight the effect of the changes on local residents and also the range of responses being developed by the Council and its partners.

Household Benefits Cap

7.2.2 In April 2013, the Government introduced a cap on the total amount of benefits for most people aged 16 to 64. This means that households on certain benefits can no longer receive more in benefits than the average wage for working families. In effect this means that benefits are capped at £500/£350 for families/singles

7.2.3 The Panel was informed that the original data supplied by the Department for Works & Pensions (DWP) showed that 124 families would be affected in Sunderland. On review of the cases this was found to be 71 families. The table below shows the distribution of affected families across the city, based both on the original DWP figures and also following revision:-

Hendon	2	0
Ryhope	22	13
Silksworth	7	5
Pallion/Millfield	19	11

Castletown/Southwick	21	12
Roker	2	1
Houghton	7	2
Easington Lane/Hetton	15	8
Washington Central	2	1
Washington North	6	4
Washington South	3	2
Washington East	6	4
Washington West	12	8
Totals	124	71

- 7.2.4 The amount of income lost by residents varies, with some losing around £20 per week while for other the loss has been much more substantial of up to £300 per week.
- 7.2.5 The Panel was informed that the Council had made every effort to contact and provide support to those affected. As a result, of the 71 families affected, 16 have been helped to find work and 34 have gone into training.
- 7.2.6 It was noted that claimants are often more willing to seek advice from the Council rather than Jobcentre Plus and such meetings can also be used as an opportunity to provide advice on other issues such as budgeting and searching for jobs. The following case studies help to illustrate the individual circumstances of the some of the people affected by the benefits cap and the help that has been provided.

Case Study 1

This case involves a family with two children, with benefit income of £758 per week. With the introduction of the benefit cap they lost all but 50p of their housing benefit.

The Team gave them support with job search and training and the mother found a part time job for 24 hours a week. This meant that she was now eligible for Working Tax Credit which resulted in the family now having an income of £870 per week as well as being eligible once again for full housing benefit.

This woman had not had a job for a very long-time and she is now employed and had gained in confidence as well as making the family more financially secure.

Case Study 2

This case involves a single parent with six children, which includes two sets of twins who was £113 above the benefit cap. She had always wanted to train as a midwife but had been discouraged in this by the job centre lone parent advisor as too ambitious a goal.

The team worked helped her gain the necessary qualifications to get onto a university access course. She is now on her way to achieving her ambition.

7.2.7 The Panel recognises the very substantial distress and hardship that such a loss of income can cause to some of the most vulnerable people in the city. The Panel commends the proactive approach being taken to help those people in the city who have been affected by the benefit cap. We need to do everything we can to provide support and encourage people into training and work in order that they can support themselves and their families.

7.3 Changes to Housing Benefit - Size/Criteria

7.3.1 In April 2013 the Government introduced new rules for the size of accommodation that Housing Benefit, will cover for working age tenants renting in the social housing sector. Under these rules any household deemed to be under-occupying their council or housing association home will lose part of their benefit.

7.3.2 Under the rules, a household suffers a 14% loss for 1st spare room and a 25% loss for 2nd spare room. Bedrooms are expected to be shared by the following:-

- an adult couple
- 2 children under 16 of the same sex
- 2 children under 10 (regardless of sex)

7.3.3 The following can have their own bedroom:

- a single adult (16 or over)
- a child that would normally share but shared bedrooms are already taken, eg you've 3 children and 2 already share
- children who can't share because of a disability or medical condition
- a non-resident overnight carer for you or your partner (but only if they must stay overnight)

7.3.4 The way in which the size criteria affects Gentoo, the city's biggest social housing provider, is set out below:-

Number of Bedrooms	Total	Need 1	Need 2	Need 3	Need 4	Need 5	Need 6
2	1795	1795	0	0	0	0	0

3	2200	697	1503	0	0	0	0
4	240	39	75	126	0	0	0
5	33	2	4	9	18	0	0
6	1	0	0	0	0	1	0

7.3.5 The figures suggest that most under-occupiers need only one bedroom meaning that it will be single working age adults and couples who are most affected by the this measure In Sunderland.

7.3.6 Clearly, the introduction housing benefit size criteria represents a major challenge for the city. Recent research has shown that arrears are up nationally by 16%. In Sunderland our largest Registered Social Landlord has not been impacted so severely. However, it is not just a question of people falling into arrears. Work done locally with Gentoo shows that many people are cutting back on basic necessities such as food and heating in order to cover for the loss of income.

7.3.7 In areas such as the Sunderland, there are no real overcrowding problems and most demand is for a limited number of smaller properties that under occupying households are being incentivised to move into, so the case for size criteria is not strong . There is also a danger that previously occupied properties could be left standing empty due to lack of demand as well as the effect of breaking up communities and family groups.

7.3.8 As with other local authorities, the Council can offer support through Discretionary Housing Payments (DHP). In 2013/14 the level of awards in Sunderland totalled £680,000. The figure for 2014/15 is likely to exceed £750,000.

7.5.9 While DHP was intended to be a transitional award it is proving to be a safety net for some of the most vulnerable families in the city. However, there are concerns that the funding provided by the Government may not be sustained or meet demand.

7.3.10 The Panel would stress the importance of using the Discretionary Housing Payment Scheme and the Council should continue to work with partners in order to identify those most in need. The Panel consider that the continuation of DHP is essential in order to avoid substantial hardship to some of the most vulnerable residents in the city.

7.4 Personal Independence Payments (PIP)

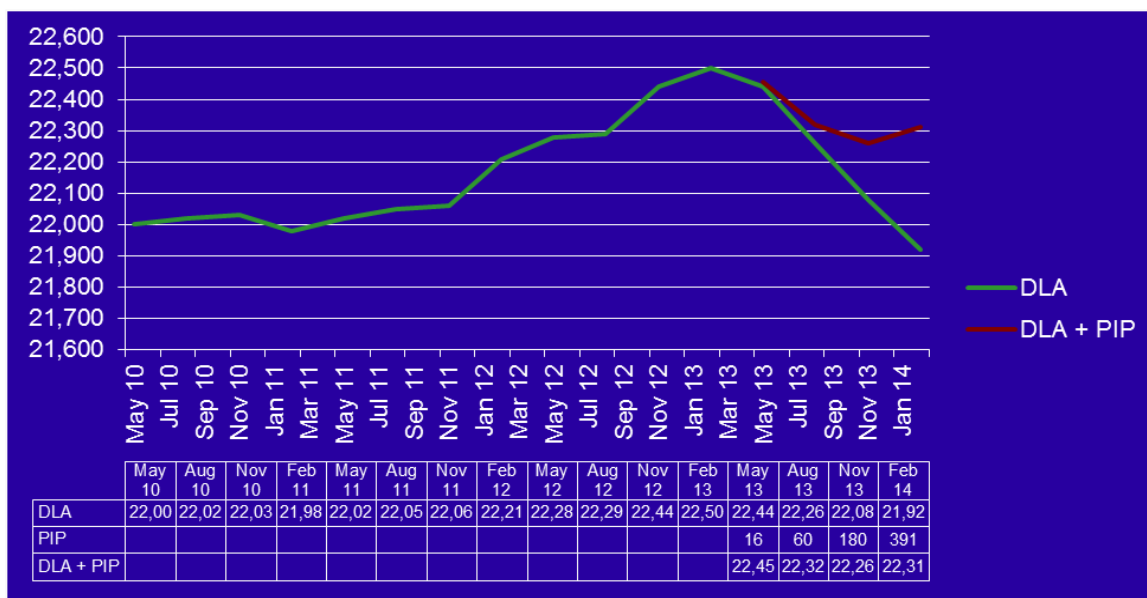
7.4.1 The Personal Independence Payment (PIP) was introduced in April 2013 and is intended to replace Disability Living Allowance (DLA) for people aged 16 to

64. It is designed to provide support for those disabled people with the greatest needs and who face the greatest challenges to remain independent.

7.4.2 The move from DLA to PIP's was largely based on the belief that DLA is unsustainable in the long term given the substantial increase in claimant numbers in recent years. The shift to PIP's is intended to ensure that support is focused on those with greatest need, that expenditure is financially sustainable and that assessment accurately identifies who will benefit from additional support. Transfer from DLA to PIP is dependent on satisfying the criteria of regular medical assessments.

7.4.3 There was an expectation that PIP would result in a 20% reduction in expenditure once fully introduced. The Panel was provided with a breakdown on trends relating to DLA and PIP claimants nationally and in the city.

Disability Living Allowance (all ages – including children and those over 65)



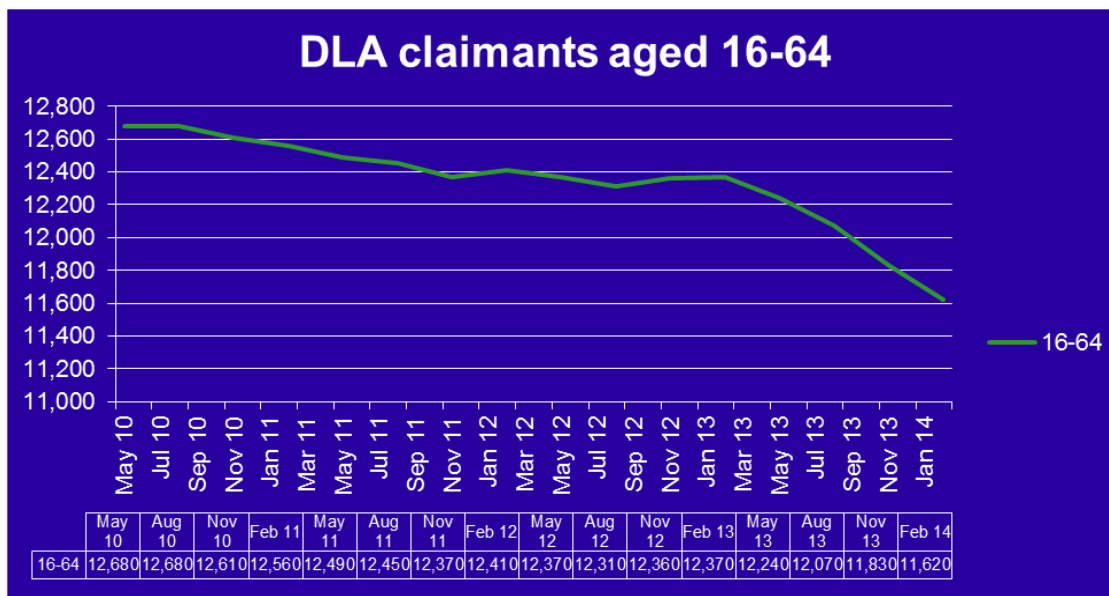
7.4.4 From February 2011 the number of DLA claimants rose (from 21,890) and peaked in February 2013 at 22,500. DLA claimant numbers then declined to 21,920 by February 2014 (580 fewer claimants).

7.4.5 As at February 2013 the overall amount paid to DLA claimants is calculated at £93,627,274. In February 2014 the overall amount paid to residents is calculated at £96,056,766. Thus although there has been a reduction in claimant numbers there is an increase in amount paid due to differences in payment amounts.

7.5.6 Based on the published experimental statistics, the first PIP payments were made to residents in Sunderland in My 2013 (16 people). By February 2014, 391 people were in receipt of PIP in Sunderland.

7.5.7 As at February 2014 there were 22,311 people in receipt of either DLA/PIP, 189 fewer than the number in receipt of DLA in February 2013.

Disability Living Allowance 16-64 (PIP is for those age 16 – 64)



7.5.8 As at May 2013, there were 12,240 DLA claimants aged 16-64. This had reduced to 11,620 by February 2014, a reduction of 620 claimants, thus a greater reduction in the 16-64 age group than in the overall numbers (580 fewer claimants).

7.5.9 The February 2014 combined total for the number of DLA claimants aged 16-64 and the number of PIP claimants (391) is 12,011. This is 349 fewer claimants than the 12,360 DLA claimants 16-64 in February 2013.

7.5.10 The introduction of PIP has been associated with concerns that a large number of people will effectively lose disability benefit payments. The introduction of PIP has also been the subject of delay and the accumulation of large backlogs in the assessment process. Concern has also been expressed over the criteria used in the assessment process and its objectivity and consistency. Worry about delays in moving over from DLA to PIP and that this could cause a loss of income.

7.5.11 The Panel suggests that Council will need to continue to monitor the number of people who were on DLA but are not eligible for PIP and the effect of this change on their level of income.

7.6 Employment Support Allowance Scheme (ESA)

- 7.6.1 As part of the review, the Panel received an update on the current position with regard the operation of the Employment Support Allowance Scheme (ESA).
- 7.6.2 While the scheme was first introduced by the previous Labour Government as a replacement for Incapacity Benefit, a number of changes introduced as part of the welfare reform programme will have a major impact on the people of Sunderland. Most notable are the time-limiting of non-means tested entitlement for all but the most severely ill or disabled, a greater level of conditionality and the introduction of Work Capability Assessments (WCA) which provide for more stringent medical testing.
- 7.6.3 Once again, concerns have been expressed at the objectivity and consistency of the assessment process and also that the assessment takes greater account of physical disabilities than mental disabilities.
- 7.6.4 The Panel was informed that in March 2014, the DWP agreed an early exit from Atos the company undertaking the WCA's. Furthermore in July 2014 it was concluded that the existing WCA assessment was flawed and required a fundamental redesign. This was reflected in the high percentage of ESA decisions challenged at appeal and the significant number are overturned.
- 7.6.5 The revised operational arrangements for ESA have considerable implications for the city. Recent studies suggest that the impact of welfare reform has been felt keenly by disabled people. Furthermore a long standing geographical variation sees former industrial areas such as the North East and Sunderland having the highest number of people claiming IB/ESA. It therefore follows that the area is likely to be disproportionately affected by changes to welfare changes for disabled people.
- 7.6.6 The Panel considers that it is again important that the Council continues to monitor the number of people who were on DLA but are not eligible for PIP and the effect of this change on their level of income.

7.7 Child Maintenance: Direct Pay

- 7.7.1 Government announced that the Child Support Agency was now closing to new applications and that current cases would be migrated into the new system and given 6 months-notice.
- 7.7.2 In future separated families will have to make their own arrangements for the payment of child maintenance. For those who are unable to make such arrangements there will be a number of charges including a £20 application fee, 20% collection fee for paying parent and a 4% collection fee for the receiving parent.

7.7.3 Clearly these changes will lead to a loss of income for a number of families and will result in greater hardship. It also has the potential to place greater demands on local authorities and other support agencies.

7.8 Operation of Sanctions

7.8.1 Recent changes to the welfare benefit system have been accompanied with an increase in the use and severity of sanctions.

7.8.2 The Panel was informed that failure to meet the conditions set out in benefit letters will result in sanctions. For example, these could be being late for the signing on time, failure to attend interviews or training or failure to be available for work. Sanctions can result in the removal of benefit for a period of time which can in the most serious cases be up to 3 years.

7.8.3 Clients can apply for a hardship payment but it was felt that this is not always made clear by the Job Centre or was poorly communicated. As a result, a number of clients who have been sanctioned are left without income for considerable period of time. This can result in real hardship for vulnerable people who often come to local authorities or the voluntary sector for support. Such support can take the form of access to Food Banks and the Council's Crisis Support Scheme.

7.8.4 The Panel heard that following recent meetings with Job Centre Plus, there is felt to be a need to improve the level of advice and guidance to claimants. Joint working is going on with JCP to improve communications and help people to better understand the system. To this end, the Welfare Reform Team is working on a short hints & tips guide for claimants.

7.8.5 The Panel would support the joint working approach being taken by the Council and JCP and commend the proposal for the creation of a guide for claimants. However, the Panel would also suggest that in common with the national direction of travel following on from the independent review of sanctions, JCP review the current operation of the sanctions system in order to help alleviate the hardship being experienced by many claimants and the demands being placed on the Council and other support agencies.

7.9 Council Tax Support Scheme

7.9.1 On the 1 April 2013, Central Government abolished the national Council Tax Benefit scheme and passed Council Tax support from central to local government. This was accompanied by a 10% reduction in total funding. All authorities were expected to develop their own Council Tax Support schemes setting out who should be helped and how much support should be provided.

7.9.2 The reduction in funding has meant that the Council has had to make up the 10% shortfall by either funding the amount itself or by reducing the level of support given under its Council Tax Support Scheme.

7.9.3 Nationally around 18% of local authorities have maintained the old system with some people paying nothing, and 82% have reduced support. In other neighbouring local authorities the following charges have been set in 2014/15:

- South Tyneside 30%
- Newcastle 20%
- Gateshead 8.5%
- North Tyneside 7%

7.9.4 In 2013, when developing its Council Tax Support scheme for the Sunderland, the Council undertook an extensive consultation exercise which showed a preference that everyone should pay something towards their Council Tax bill. A consultation exercise was also undertaken in 2014. Under the old scheme there were about 15,000 people in Sunderland who received 100% council tax benefit. Many of these people were some of the most vulnerable in the city so it was considered important to achieve a balance and not introduce an amount that was beyond their ability to pay.

7.9.5 With this in mind it was decided to set the contribution to 8.5% which meant most would pay £1 per week. This was felt to provide a balanced approach between responding to the financial challenge facing the Council and the ability to pay. It was also felt to be easy to understand. This payment was for all adults in the household, and would include other household occupants, such as non-dependent children still living in the household who would also need to pay £1. This would not affect pensioners as no pensioner would have to pay more than they did on the old scheme, as this was legislated for.

7.9.6 In 2013/14, as reported to the Panel, the total number of people of working age paying Council Tax for the first time was 15,227. The total amount paid to date was £1.23m (77% of the total debt raised). 12,071 people paid in full, 1705 paid something (£180,000), 110 owe less than £10 and of 1,451 who have paid nothing (£180,000), as 937 of these are already paying on a previous bill, only 514 are left to address .

7.9.7 Therefore, since its introduction 77% of people are up to date with their payments.

7.9.8 In terms of the approach to collection, decisions are taken on an individual basis and because it often involves very vulnerable individuals a good of discretion and common sense is exercised when trying to set achievable repayment schedules. Also every effort is made to prepare people for the introduction of the charge with the sending out of clear letters explaining the reason and operation of the scheme.

7.9.9 In order to simplify the payment process, the Council uses a number of methods for collection:-

- 75% of people pay by Direct Debit (DD)
- DD dates are flexible making to easier for residents
- People can pay by cash/cheque if preferred

- Attachment of benefits is used to collect some arrears and is popular with many clients
- Court costs are kept to a minimum
- Use of bailiffs is only used as a last resort, and has been used by exception for those in work

7.9.10 As part of the review, the views of the Panel were sought on how the Council Tax Support scheme should operate from 2015/16. In view of the positive experience of the last two years, the Panel supports the continued operation of the existing Council Tax Support scheme with the maintained contribution of 8.5%. It was noted that the operation of the Council Tax support scheme would need to be revisited after 2015/16 to assess the effect of the introduction of Universal Credit.

7.10 Crisis Support Scheme/Community Care Support Scheme

7.10.1 In April 2013, both the Crisis Support Scheme and the Community Care Support Scheme were transferred from the DWP's Social Fund to local authority control. It was argued that the localisation of such financial aid could be better targeted and controlled at a local level. The resources were to be provided from non-ringfenced funding from central government

7.10.2 As very little notice was given prior to the transfer, it was decided to retain the original DWP eligibility criteria for 2 years in order to obtain a better insight into how the scheme operates and how it could be improved from 2015.

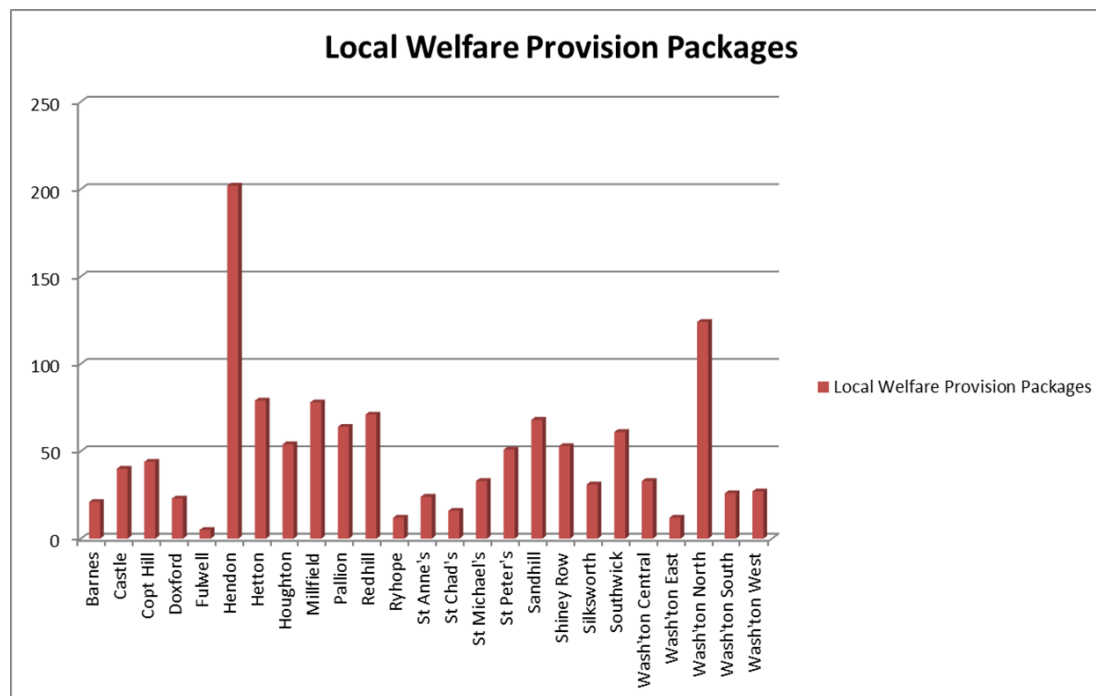
7.10.3 To be eligible for the scheme claimants:-

- must receive DWP help in the first instance e.g budgeting loan, short term benefit advance
- be on low or no income e.g receiving/applying for Housing Benefit/Council Tax Support
- live in Sunderland, or be moving into the area
- satisfy 1 of the DWP qualifying criteria – serious physical health problem, at risk of homelessness, substance or alcohol misuse problem, on probation, at risk of domestic abuse, learning disability, mental health problem, young person leaving care, prevention of going into care, older person with support needs, caring responsibilities, have dependent children, families under extreme pressure
- as deemed appropriate by a professional

7.10.4 The number of items awarded in 2013/2014 totalled 1152 with a spend of £421,000 (includes set up costs).

7.10.5 A list of the goods available is attached as an appendix to this report. Where possible local businesses are used to provide recycled white goods. This provides good value for money as well as adding value to the local economy. Unlike the DWP scheme this scheme does not give out cash loans that need to be paid back but give goods/vouchers which are seen as gifts.

7.10.6 The table below provides a breakdown ward by ward of the Welfare Provision Packages from 2013/14. This showed that Hendon and Washington North had the most cases by far.



7.10.7 After two years of operation, a significant amount of experience and feedback from consultation has allowed an understanding of what is required, and the scheme is to be rolled forward as is, with the addition of the following:

The Scheme to have a wider scope: including all applicants (including couples and singles) where there is a risk to their health and safety. The aim will be to provide immediate short term help to protect a person's health and safety/welfare by preventing a crisis.

The Scheme will retain key elements including: Be on low or no income e.g receiving or applying for Housing Benefit or Council Tax Support, live in Sunderland, or be moving into the area.

The scheme will also open up the qualifying criteria to include: Those who are sanctioned and can appeal, and those applying for Universal Credit where no support is available.

7.10.8 The overall aim of the amendments is to make the scheme as flexible as possible and future proof it against the introduction of further reforms. The scheme has been costed out and is expected that it will need a budget of £250,000 pa which has been built into the base budget to provide for future years.

7.10.9 In order to work within this budget it will be necessary to get value for money, use recycled goods and develop strong partnerships particularly with the Food Parcel Network (FPN).

7.10.10 This will be achieved through:

- Triage process with FPN
- Support the FPN with food supplies when running low
- Working closely with Salvation Army to identify the reasons people are asking for food parcels and providing Advice Workers in locality
- Using this information to improve Council's scheme to target the most vulnerable

7.10.11 The Panel referred to the benefits of working more closely with the Community Sustainability Service as quite often the goods that are collect could be recycled rather than disposed of.

7.10.12 Again, the Panel has looked at a number of case studies providing examples of the situation that people can find themselves in and how the scheme can help in times of desperation. in order to obtain a better understanding of the impact of the schemes.

Case Study 1 – Community Support Scheme

A customer approached the Community Care Support Section for assistance with furniture and white goods as he had recently been allocated a Gento property following being on a local authority at risk list for over a year and had nothing at all for his new property.

The Customer has mental health problems and a history of stroke and heart problems and has recently been released from hospital. The Council was able to offer the person assistance and delivered a bed, white goods, bedroom furniture, chairs and small kitchen and electrical items which enabled the person to move into his property.

Case Study 2 - Crisis Support Scheme – Joint Working with Social Justice Team at Job Centre Plus

This case involves a single person with 5 children. Following marital problems and domestic violence the husband was removed from the property by the Police. As he was the main benefit recipient the person had to make claims in her own right. When she contacted child tax credits and child benefits they informed her that she would have to make new claims for both benefits and that they would take a number of weeks to process. She also had to make a new claim for JSA so was advised her to claim for STBA. Claiming JSA meant that she had to be available for work to satisfy the claimant commitment criteria with the JCP.

Children's Services had become involved with the family as she was struggling to cope. She was therefore referred to the Social Justice Team at

JCP who are continuing to support her with her job search by adopting a light touch approach in terms of her actively seeking work until she has sorted out her family problems. This will prevent any sanctions being applied to her claim. The Council were able to support the family with a food parcel and utility vouchers whilst her benefits were being sorted out.

7.10.13 The Panel notes that replacing Social Fund provision locally is a new area of work for local authorities and represents a considerable new demand, the cost of which is difficult to forecast. The Panel consider that the Government must ensure that local authorities are provided with sufficient and adequate funding they need to deliver local support schemes.

7.10.14 In conclusion, the Panel supports the suggested amendments to the eligibility criteria of the Crisis Support and Community Care Support schemes.

7.11 Introduction of Universal Credit – Sunderland

7.11.1 Universal Credit is a single benefit claimed on line and paid once a month in arrears which will replace a number of existing benefits (including Job-Seekers Allowance, Employment and Support Allowance, Income Support, Child Tax Credits, Working tax Credits, and Housing Benefit).

7.11.2 Government intends that the introduction of Universal Credit will:-

- encourage people on benefits to start paid work or increase their hours by making sure work pays;
- make it easier for people to manage the move into work;
- simplify the system, making it easier for people to understand, and easier and cheaper for the government to administer;
- reduce the number of people who are in work but still living in poverty;
- reduce fraud and error.

7.11.3 Government estimate that the introduction of UC will result in an increase in income for the majority of claimants and it should help to ensure that people are not detrimentally affected when increasing their working hours.

7.11.4 However, the introduction of Universal Credit has been associated with a number of concerns. Firstly, claimants will receive their benefits monthly rather than fortnightly and people on housing benefit will now have to pay their rent directly to their landlord monthly rather than have the money paid directly to the housing association or local authority. It is felt that this could lead to difficulties for some claimants in terms of managing their spending.

7.11.5 There is also a concern that there has been a lack of information for people ahead of the transfer to UC, the adequacy of IT systems to deal with the complex nature of the benefit and the associated possibility of errors and delays in benefit payments.

7.11.6 Universal Credit is being introduced in stages. The original plan was to implement Universal Credit in full by 2017. However serious delays have been

experienced associated with problems with the IT systems and the complexity of the processes involved. As a result its introduction has been mired in considerable amount of controversy.

7.11.7 It has recently been announced that Universal credit will be rolled out in 4 tranches. Locally, Newcastle will be in tranche 1, going live on 27 April 2015. Gateshead are in tranche 2 and will be going live 15 June 2015. Sunderland are in tranche 3 and will be going live in November 2015

7.11.8 All roll outs will be working with a limited number of new cases (single customers claiming JSA). Significant analysis has been undertaken to identify these cases and the potential impact in Sunderland, which is estimated to be 50 new live cases per week, up to a maximum take up of 1,100 who may be impacted at its peak.

7.11.9 In addition to an analysis of caseload to identify potential UC claims, a detailed UC roll out plan has been developed, and includes:

- Refine Work Coach actions (e.g. personal budgeting advice)
- Refine co-commissioning activity
- Refine additional support mechanisms (e.g. crisis support)
- Systems review
- Funding/Budget
- Communication to customers/partners/stakeholders
- Impact on administration of Council Tax Support Scheme

7.11.10 The pilots in Newcastle and Gateshead will be kept under significant review to identify any learning or issues that may need to be addressed, and the roll out plan amended accordingly

7.11.11 In conclusion the Panel would urge that developments, impacts and support mechanisms for the introduction of UC be kept under careful review. It is highly likely that the introduction of UC will add a considerable burden of work to the Council and its partners, particularly in the event of operational difficulties and delays in payments.

7.11.12 The Panel commends the Council on the preparation work that is going on in advance of the introduction of Universal Credit and its commitment to partnership working.

8 Conclusion

- 8.1 The Government's welfare reforms represent the most fundamental changes to the benefits system in a generation. While the reforms are intended to reduce dependency on social security and encourage employment, they also play a key part in the Government's deficit reduction strategy.
- 8.2 The impacts of welfare reform are very substantial with an estimated loss of income of approaching £19bn a year once all the reforms have been fully implemented, or an average of £470 a year per adult of working age across the whole of Britain.
- 8.3 For some of the individuals affected by the changes, the loss of income is much greater. Many families will be absorbing a number of welfare changes simultaneously and it is important that we understand the cumulative effect of these changes.
- 8.4 A relatively high proportion of those affected by welfare reforms are of working age/working households. The reforms have also had a particular effect on the disabled people.
- 8.5 The welfare reforms are being applied uniformly across the UK and have little regard for particular local circumstance or conditions. For example in the case of changes to housing benefit size criteria, it is not as justified in its introduction based on the condition of the local housing market.
- 8.6 The financial losses arising from the reforms have hit some places much harder than others. The impact of the reforms are being felt most strongly in areas like Sunderland where there are relatively high number of people receiving welfare benefits, particularly in terms of disability.
- 8.7 It is estimated that over half of the households in the North East will be affected in some way by the reforms. Some may suffer a reduction in income; some may find their present accommodation is no longer affordable and this could all impact on a range of services such as jobs, housing, community cohesion, and demands for local authority services. There will also be an impact on the local economy with a potential loss of spending power and additional demands for Council services and support. The partnership working and the council working as an enabler rather than a deliverer is to be commended in areas such as the triage between the food banks and the Crisis Support Scheme, and plans to extend this are welcome.
- 8.8 The use of sanctions is causing major concerns in the city and an impact in other areas and on other services such as Food Banks and Crisis and Community Care Support funding. It also brings with it the danger of charity dependency among a growing number of residents.

- 8.9 The changes present a challenge to local authorities and partners particularly at a time of reducing funding, and plans for the enabling role of the council are crucial. It is also important that the demands placed on the Council are reflected in additional funding from the Government. However, concerns remain about the long term future of funding for Discretionary Housing Payments.
- 8.10 Such concerns are heightened by the impending introduction of Universal Credit and the prospect of difficulties, delays and backlogs in processing payments by DWP
- 8.11 The Panel commends the Council on the work going in the area of welfare reform and its commitment to partnership working.
- 8.12 It is important for the Council to continue to adopt a range of strategies to support clients; including the targeting of information campaign to raise awareness among those affected; personal support to help manage finances and avoid arrears. A key issue will be the future impact of Universal Credit. The Council has an important role to provide via partners support and ensuring that the city is prepared and has planned ahead.
- 8.13 We need to continue to develop joint working and signposting, in particular with Jobcentre Plus, housing providers and VCS. The development of a strong relationship with Job Centre Plus can help in addressing problems that may emerge at an early stage of UC and allow for the sharing data and information that can aid planning. Overall, we need to continue to work with housing providers, advice services, and VCS to mitigate problems and identify solutions.
- 8.14 The Panel supports the approach being taken on Council Tax support and we would support the continuation of the scheme in the present form. We would hope that the Government will continue to provide sufficient funding to allow for the future continuation of Discretionary Housing Payments.

10 Recommendations

10.1 The Panel's recommendations are as outlined below:-

- (a) That the Council continues to work with its partners and other agencies to help to mitigate the impact and hardship resulting from welfare reform on the people of the city;
- (b) That the Council continues to work with Jobcentre Plus in order to improve the clarity of information provide to claimants, particularly to prevent the unnecessary application of sanctions;
- (c) That the Council and its partners continue to prepare for the introduction of Universal Credit across the city and monitor its effect on the pilot areas.
- (d) That the Panel expressed its support for the continuation of the Council Tax Support at its current level during 2015/16 ;
- (e) That the Panel supports the content and eligibility criteria suggested for the amended Crisis and Community Care Support schemes as set out in the report.

