

**AGENDA ITEM XX**

**REPORT TO CABINET**

**17 July 2014**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

**CABINET DECISION**

Leader of the Council – Lead Cabinet Member – Councillor Cook

**WELFARE REFORM UPDATE INCLUDING PERFORMANCE MONITORING AND UPDATES  
ON GENERAL PROGRESS IN ROLLING OUT THE NATIONAL WELFARE REFORM  
PROGRAMME**

1. Summary

To present an update on quarter 4 monitoring of the outcomes/impact of Welfare Reform including emerging issues and to update on national developments with regard to welfare reform national rollout.

2. Recommendations

1. The contents of the report be noted;
2. Members note the quarter 4 performance monitoring outcomes and observations;
3. Members note the suggested changes to the performance framework and approve the new framework as the appropriate monitoring tool for welfare reform in the financial year 2014/15.

3. Reasons for the Recommendations/Decision(s)

This report provides an update on the various welfare reforms, highlighting early indications of impact and areas of concern.

4. Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

5. Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, in accordance with **paragraph 18** of the code, consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or

- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.
6. A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code).
  7. Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

### **Disclosable Pecuniary Interests**

8. It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.
9. Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code).

**AGENDA ITEM XX**

**REPORT TO CABINET**

**14th JULY 2014**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

**CABINET DECISION**

Leader of the Council – Lead Cabinet Member – Councillor Cook

**WELFARE REFORM UPDATE**

**SUMMARY**

To present an update on quarter 4 monitoring of the outcomes/impact of Welfare Reform including emerging issues and to update on national developments with regard to welfare reform national rollout.

**RECOMMENDATIONS**

1. The contents of the report be noted;
2. Members note the quarter 4 performance monitoring outcomes and observations;
3. Members note the suggested changes to the performance framework and approve the new framework as the appropriate monitoring tool for welfare reform in the financial year 2014/15.

**INTRODUCTION**

1. Previous reports have detailed the introduction of the Welfare Reform Act 2012 which set out Government's intention to reform the benefits & tax credits system to provide greater incentives to work. This report provides details of the fourth quarter's monitoring (2013/14) using the framework agreed by Members in July 2013. Performance data has now been collected for a year and following a detailed review of data the report contains proposals for amending the performance framework.

**BACKGROUND**

2. As part of the Government's roll out of welfare reform a number of changes have already been implemented as previously reported to members. The long awaited national programme for roll out of Universal Credit has however not been released although the Government have issued a letter to all local authorities assuring them that programme is on track and going ahead with roll out continuing in the north west. Nationally the media continue to speculate about the readiness of the IT system which will support Universal Credit. The Government maintain full national rollout will be by 2017.
3. The biggest single impact of introducing Universal Credit will be the work which will pass from the housing benefit staff to DWP. However, as previously reported, we cannot make any plans in relation to the workforce until timescales are firmed up and we know the volume of work which will remain.

4. We do know that even if Universal Credit is rolled out by 2017 there will still be circa 700,000 Employment Support Applicants, nationally who will not be in receipt of Universal Credit and will require housing benefit payments plus there are a range of functions that will still remain with the Local Authority such as Housing Benefit for pensioners (pending the introduction of Pension Credits), Supported Housing and Discretionary Housing Payments.

### **Discretionary Housing Pot**

5. The pot for discretionary housing payments which amounted to £395,000 for the financial year 2013/14 was fully spent.
6. Stockton's DHP allocation for 2014/15 is £446,762 (with a permitted total spending limit of £1,116,905). The Government has also announced that funding for people affected by the removal of the spare room subsidy (RSRS) will be maintained in 2015/16 to give Local Authorities the confidence to make long term awards where appropriate.

### **Single Fraud Investigation Service (SFIS)**

7. On 1<sup>st</sup> May 2014 we received a letter from DWP informing us of the programme that will result in our Local Authority Housing Benefit Fraud Service transferring over to DWP. National rollout is commencing in October 2014 and Stockton's services will go to DWP on 1<sup>st</sup> May 2015. Information has been provided with regard to the terms and conditions staff will receive when they transfer and HR have been working with DWP to identify which staff are in the scope of the transfer. The TUPE regulations state that... 'the transfer of administrative functions between public administrative authorities is not a relevant transfer so TUPE does not apply'. However DWP have stated their commitment to taking on Local Authority employees and plan to transfer staff via a statutory transfer scheme which gives employees 'TUPE' like protection protecting terms and conditions on transfer. There are currently 5 FTE's working in the Council's Housing Benefit Fraud Team plus a manager of the service who carries out other functions in addition to managing fraud. The staff and Unions have been briefed. Staff are broadly happy with the proposals. We have yet to have it confirmed where staff will be based but we believe it will be at the local DWP fraud office in Eston. Members will be advised of progress on the transfer.

### **Under-occupation**

8. The Department for Work and Pensions previously advised Local Authorities that there were a number of claimants for whom the under-occupation rules should not apply. In broad terms these were housing benefit claimants who had been continuously entitled to housing benefit since at least January 1996 and had occupied the same dwelling since that date, save for a number of exceptions.
9. The Government remedied what they saw as a loophole on 3<sup>rd</sup> March 2014 and the under occupation charge has now been reapplied.
10. Work was undertaken with Registered Providers to identify the affected cases. Of the 249 cases identified the under occupancy charge was removed from 164 of them for the period 1/4/2013 to 2/3/2014. Where a deduction of 14% had been made customers received an average payment of £500 and where a reduction of 25% had been made customers received an average of £900. The actual payment was made directly to the landlord and customers were advised to consider using this payment to fund future rental charges. In total awards were made to the total value of £108,000.

## **Benefit Cap Project**

11. Since 15 July 2014, households have had their benefits 'capped' by the Department of Work and Pensions (DWP).
12. The Benefit Cap Project is a joint project between Stockton and District Advice and Information Service (SDAIS) and Stockton Council and was introduced to mitigate the negative effect of the Benefit Cap for households affected in the borough. It is a proactive home visit/outreach service that gives specialised and tailored advice and information on various topics relating to welfare reform, as well as streamlined access to SDAIS and Stockton Council services.
13. The effect of the cap is a cut in housing benefit. For some households in the borough this has meant a loss of up to £149.50 per week. This means that the rent is no longer covered in full and as a result families have to rely on other benefits e.g. child benefit and child tax credits to pay the rent. If not there is a risk of rent arrears and possibly eviction.
14. The project aim was to reduce, remove or manage the potential negative impact of the cap and change households' income. This was by providing advice, assistance, financial capability training, training to empower families and support to all affected households.
15. The project has successfully integrated the expertise and skills of the staff in both organisations. It has provided a comprehensive and holistic package of support for those in need.
16. There are 80 households in the borough who have been affected by the Benefit Cap to date. The 80 households contain 400 children. 57 of the families affected have 5 children or more (71%).
17. The project has been very successful and has recorded the following outcomes:
  - 39 households are now managing their reduction in benefits or have had the cap removed, 21 of which are managing through budgeting and maximising income.
  - Ongoing work with 37 households.
  - Minimised the negative impact on children.
  - No one has lost their home as a result of the benefit cap.
18. The project was paid for from DWP welfare reform funding. Initially it was planned that the project would run from July 2013 to March 2014, however it has been decided to extend the project to the end of September 2014 using DWP funding. This is to ensure continuity for families we are working with.

## **Local Support Services Framework**

19. The Local Support Services Framework (LSSF) is the product of joint working between DWP and Local Authorities to develop an approach that ensures those who need support to make and manage a Universal Credit claim receive it. The first framework was published in February 2013 and details were presented to Cabinet at that time. An update on the framework and trialling plan were then published in December 2013. The idea of trialling LSSF's is to learn from experiences of trial sites over an 18 month period and DWP have asked for expressions of interest from Local Authorities. It is not proposed to put SBC forward as a trial site. Resources for trialling are very small and scrutiny from DWP will be intense. Our intention locally is however to begin developing our local framework learning lessons from others so we have a robust support network in place locally.

## **Council Tax Collection Performance**

20. The introduction of Council Tax Support and effect of other welfare reform initiatives has impacted on Council Tax collection performance. By the end of 2012/2013, 98.2% of the Council Tax billed for the year had been collected; however the equivalent collection performance for 2013/2014 was down to 96.9%, and only 76% had been collected from those Local Council Tax Support cases that were paying Council Tax for the first time.
21. The higher level of non-payment has resulted in a sharp increase in the volume of enforcement action during the year; the number of summonses issued last year was more than double the previous year, with 4,700 summonses being issued to claimants that were paying for the first time. Whilst new initiatives such as text messaging and home visits have been introduced to try to bring in payments and support those residents that are struggling to pay, although these measures have generated some success, all of the extra recovery action has increased the overall cost of collecting Council Tax.
22. The Council Tax non-payment situation is expected to get worse in the second year of Local Council Tax Support. New year bills will remain unpaid whilst those claimants that still have sums outstanding from year one continue to pay off their arrears.

## **Social Fund/Back on Track**

23. Members will recall the administration of the Social Fund was passed to Local Authorities to deliver from April 2013 along with funding of £887,000 per year. Following a procurement exercise Five Lamps set up our local scheme known as Back on Track and previous Cabinet Reports have detailed the criteria against which payments are made. This fund has very much been the fund of last resort providing support in emergency situations. Although the LGFS indicates that the Social Fund grant is available for 2014/15, there is no indication of funding for 2015/16 onwards and no funding has been transferred into Revenue Support Grant. This means that there is a further reduction of £887,000 in core funding and it means that the Council will no longer have the resources to fund this area. The Housing and Community Safety Scrutiny Committee have asked officers to consider arrangement for the future with regard to hardship payments and a separate report on options will be presented to September Cabinet.

## **Welfare Reform Data Set**

24. Monitoring of an agreed set of measures has been undertaken for a full year since the introduction of Welfare Reform in April 2013. Data has been monitored quarterly for many of the measures. Although a full 12 months of data is helpful in tracking and supporting our understanding of behaviours and emerging trends, as many aspects of Welfare Reform were new from April 2013, historical data and trends are not always available for comparison purposes.
25. Measures were grouped by themes; analysis shows trends differ across the themes in terms of impact and monitoring of behaviours and the level of intelligence we have at our disposal. Although still early days in terms of having a good understanding of behaviours and the potential longer term impact of these reforms, current analysis shows:
  - Employment figures show an increase in the numbers employed with more people from all age groups moving into employment. Data shows an increase in the numbers of self-employed. Subsequently the numbers of JSA claimants has reduced.

- Slight increase in the levels of reported acquisitive crime on the previous year, with levels of shoplifting offences showing a particular increase on last year's figures.
- Overall reduction on last year's data of the reported levels of domestic violence, however these figures fluctuated quarterly. There has also been a reduction from last year's outturn in incidents of domestic violence presentations to A&E.
- Indications continue to show that the numbers and levels of individual debt are increasing. This is supported both by data and anecdotal evidence.
- Approaches to the housing options team remain high with slight fluctuations each quarter, reasons for visits remain consistent although no real trends/ patterns are emerging. Overall numbers approaching the service this year are slightly down on last year's figures; however this does not reflect complexity of cases and the wider impact on these families and other services.
- Availability of one and two bed properties continues to have an impact on numbers of applications per properties and waiting times. Numbers affected by under occupancy have reduced slightly over the last 12 months for a variety of reasons which are detailed in Appendix 1, however there are still a large number of people affected by the under occupancy charge, which in turn impacts on the numbers applying for smaller properties and the waiting times for availability.
- Rent arrears for social rented properties follows an expected pattern of decline over the 4 quarters as those in arrears are supported in the management of debt and procedures to collect outstanding debt have time to impact. Rent arrears, court eviction claims and repossession court orders show slight increases over the 4 quarters to year end. Data supplied by registered social landlords show an overall better picture than in previous years of net rent arrears. Although the numbers of households and properties in arrears as a % of overall business is still significant as is the level of debt for a smaller numbers of households.
- Services providing advice and information continue to be stretched. Recording methodologies at CAB have changed slightly due to the introduction of a new IT system. Most referrals have been recorded as being PIP or ESA related.
- Impact on Health has proven more difficult to monitor and understand any direct correlation with the impact of Welfare Reform measures. Our means of understanding any impact is through the monitoring of survey questions through viewpoint where those questioned indicated a slight increase in the numbers of residents who feel they have bad or very bad health. Anecdotal evidence suggests a negative impact on mental health of residents.
- Impact on the economy is more difficult to track. The ILG is undertaking a longer term study on impact. Numbers seeking advice and support on debt and the higher usage of food banks would indicate less disposable income for some families, however the direct impact on the Stockton economy is more difficult to evidence through this basket of measures. The regular economic climate update to cabinet provides further background/impact.

**A copy of the full year's data set is available at Appendix One.**

26. The data collated provides a useful benchmark to monitor changes and impact; however this is just one level of intelligence used to inform our understanding of the overall impact of the Welfare Reform legislation. Other detail contained in this report alongside anecdotal evidence and case studies collated over the last 12 months identify that there are a complex set of circumstances that surround many aspects of welfare reform, with changes to one aspect impacting on other areas. Data collection, monitoring, tracking of service level activity and monitoring of behaviours has evidenced that some measures show an immediate impact whilst others will take longer to understand, consequences and in some instances unintended consequences. Collection and monitoring of the impact of Welfare Reform through these measures and other interactions has highlighted both the complexity of the circumstances of some of our residents and the interconnectivity of the different elements of this legislation.

### **Review of Basket of Welfare Reform Measures for 2014/15**

27. Members agreed the above framework to monitor the impact of Welfare Reform throughout the first year of implementation. Principles of data collection were in support of a manageable and informative process without creating an industry of data collection for the council and its partners. The framework set out clear principles for monitoring short and long term impact and identified methods used to monitor and capture both organisational and individual impact.
28. The over-arching principles of monitoring and data collection were:
- To inform Policy Shaping
  - To provide information to the leadership and executive of the Council
  - To benchmark regionally / nationally
  - To collect data at a manageable geography/ community of interest where possible and appropriate.
  - To identify any emerging trends.
  - To monitor short, medium and long term impact
  - To only collect from a data source we hold as a council or from partner organisations.
29. A clearer understanding of the Welfare reform legislation and its impact has emerged during the 12 months since implementation supported by the monitoring framework which continues to support the understanding of further changes throughout the last year as new elements have been introduced and cumulative effects of the legislation have started to emerge.
30. The framework has identified that some aspects or impacts of the legislation have been more difficult to track; an understanding of the measures which monitor direct and indirect impact has also become clearer. Monitoring has evidenced the complexity of data collection, analysis and interpretation of the impact of welfare reform and behaviours.
31. Learning from year one informed discussion at the Welfare Reform Data Group to conclude that changes to some of the monitoring arrangements would help to better inform members and officers of impact and correlation between the various elements of Welfare Reform and the impact on residents.
32. To allow the data to better support other elements of the monitoring report it is recommended that the monitoring framework is set out under the following themes linked to the Welfare Reform legislation.



- Universal Credit
- Personal Independent Payments
- Under Occupation
- Social Fund/ Crisis Loans
- Local Council Tax support Scheme
- Benefit Cap
- Satisfaction Measures
- General / cross cutting e.g. crime, advice/ information.

33. Measures will be identified as having a direct or indirect link to the various aspects of Welfare Reform. Satisfaction measures will be shown under a separate category. Some measures are less relevant for year 2 monitoring and a few measures are not possible to collect or do not support the principles detailed above. Some additional measures will be added to the framework on sanctions and animal welfare. Universal Credit has yet to be rolled out in our area; inclusion of measures to monitor the impact will be included as appropriate. Children's activity data and the economic climate update reports, received regularly by members should be considered alongside this welfare reform monitoring arrangements.
34. Discussion is on-going at a regional level for an agreed basket of measures to support ANEC and the Institute of Local Governance in their work to track the short medium and longer term impacts of Welfare Reform. Once agreed these measures will also be included in year two monitoring arrangements.

A revised schedule of measures for Year two is attached **at Appendix 2**.

### **JSA and ESA Sanctions**

35. Rules applied to sanctions for those claiming **Job Seekers Allowance (JSA)** changed in October 2012. There are 4 types of decision categories within JSA sanctions as follows:
- **Adverse** - A decision to apply a sanction. i.e a decision is found against a claimant which means a sanction is applied or a JSA claim is closed.
  - **Reserved** – A reserved decision is where a sanction would have applied but cannot be imposed because the claimant does not have a current claim to JSA. A case would be re-referred if the claimant reclaims within the period of the referred decision.
  - **Non adverse** - A decision not to apply a sanction i.e a decision found in favour of the claimant so the sanction or disallowance is not applied.
  - **Cancelled** – A cancelled referral results in no sanction decision being made. This can occur in specific circumstances e.g the sanction referral has been made in error, the claimant stops claiming before they committed the sanctionable failure or information requested by the decision maker was not made available within the required time period.
36. There are 3 levels of sanctions, higher, medium and low which are applied depending on the severity of the non-compliance. The different levels are also applied depending on the frequency of non-compliance. As detailed above new sanction rules were applied from October 2012; for the 12 month period following, figures for Stockton on Tees show an 82% percentage change on the same period the previous year, with some 5531 sanction decisions made between Oct 2011 and October 2012 compared to 10,060 between October 2012 and October 2013. This compared to a 50% percentage change across the North East and a 28% percentage change for all England. Figures for the 3 month period

October 2013 to December 2013 show the rate rising still with an average of 460 sanction decisions per month in 2011/12, rising to 838 in 12/13 compared to 941 per month in the period October – December 2013.

37. Main reasons cited by DWP for non - compliance are:
- **Low-** Failure to attend a scheme, or refusal to take up a place on an employment scheme.
  - **Medium –** Not actively seeking employment
  - **High –** Failure to apply for a job or accept an offer of a job.
38. Details and a breakdown of all 4 decision categories including figures for Stockton on Tees, the North East region , All England and the 12 North East authorities is attached at **Appendix 3** .

### **Employment and Support Allowance**

39. New sanction rules were applied from December 2012 for those claiming ESA. There are 3 decision categories as detailed below:
- **Adverse** - A decision to apply a sanction. i.e a decision is found against a claimant which means a sanction is applied or a JSA claim is closed.
  - **Non adverse** - A decision not to apply a sanction i.e a decision found in favour of the claimant so the sanction or disallowance is not applied.
  - **Cancelled** – A cancelled referral results in no sanction decision being made. This can occur in specific circumstances e.g the sanction referral has been made in error, the claimant stops claiming before they committed the sanctionable failure or information requested by the decision maker was not made available within the required time period.
40. For the period December 2012 – November 2013 (11 months) following the changes figures for Stockton show a 249% percentage change on a 12 month period previous (December 2011 to December 2012,) , with some 463 sanction decisions being made compared to 125 in the year before rule changes. This compares to an 86% percentage change across the North East, and a 179% change for all England.
41. Sanctions are applied for only two reasons; failure to attend a mandatory interview and failure to participate in work related activity, the latter being cited by DWP as the most common reason for ESA sanctions being applied.
42. Details and a breakdown of all 3 decision categories including figures for Stockton on Tees, the North East Region , All England and the 12 North East authorities is attached at **Appendix 3** .

### **FINANCIAL IMPLICATIONS**

43. It is essential that discretionary housing payments funding is committed and directed to the appropriate households in Stockton for this financial year 2014/15. It will be necessary to ensure we maximise these resources whilst not overspending. Possible impact on MTFP/Council Tax collection, impact on staff/potential redundancy costs should Universal Credit be rolled out by 2017 as indicated by Government.
44. Members will be aware that £500,000 was made available for Welfare Reform Support via the budget report to Council on 26<sup>th</sup> February. The cessation of Social Fund resources will need to be considered by Members as part of the MTFP in the future.

## **LEGAL IMPLICATIONS**

45. Requirements for the DHP scheme are specified in the Discretionary Financial Assistance Regulations 2001. The requirement for a LCTS scheme is contained in the Local Government Finance Act which received Royal assent on 31 October 2012. The existing scheme complies with legal requirements.

## **RISK ASSESSMENT**

46. The Discretionary Housing Payment policy is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk. There are potential risks to collection rates for Council Tax, increases in homelessness and demands on customer services, advice agencies etc. These risks are managed via our performance framework.

## **SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS**

### **Environment and Housing**

47. A key principle of Discretionary Housing Payments is to assist people to live independently in their own accommodation and to help sustain tenancies.

### **Children and Young People**

48. DHP's are specifically targeted to assist families with disabled children to live independently, help support foster carers, support families affected by the benefit cap and help provide some financial support and stability to families in crisis situations. Additional advice and information provision will support economic well-being and build on work to prevent homelessness by providing access to effective support and advice services.

### **Healthier Communities and Adults**

49. DHP's are targeted to assist disabled people, those with care needs and other vulnerable adults. In certain cases providing financial stability and helping to maintain a resident in suitable accommodation can help to maintain physical and mental health and wellbeing. The scheme promotes the provision of support for vulnerable adults and older adults within our communities. Current and future pensioners will be protected, receiving the same level of support as under the previous Council Tax Benefit scheme. For working age claimants the means test will acknowledge additional costs associated with bringing up a family, caring for others or coping with disability.

### **Stronger Communities**

50. The proposals to continue to refer residents to advice and information provision will promote financial inclusion, providing residents with access to financial advice.

### **Older Adults**

51. Older adults are exempt from many of the welfare reform changes and are likely to place less demand on the DHP scheme, but additional support will be provided to those affected who are approaching retirement age. Support for those with medical needs is targeted to many older residents.

### **Community Safety**

52. There may be community safety implications arising from increasing numbers of tenants unable to afford to pay rent as a result of the welfare reforms.

## **EQUALITIES IMPACT ASSESSMENT**

53. An equalities impact assessment was carried out in 2008 in relation to the DHP fund and judged to have a positive effect. Further funding has been provided and it is judged that a further assessment is not required. However equality issues have been considered as an intrinsic part of the development of this policy, and regard has been had to national equality impact assessments of the effect of the welfare reforms.

## **CONSULTATION INCLUDING WARD/COUNCILLORS**

54. Previous member seminars on welfare reform, Select Committee consideration of key issues.

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Education related N/A

Background Papers: None.

Ward(s) and Ward Councillors: See above.

Property: N/A