

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2013-2014

**OVERVIEW AND SCRUTINY
COMMITTEE**

4 FEBRUARY 2014

**REPORT OF THE DIRECTOR OF
LEGAL & DEMOCRATIC SERVICES**

Agenda Item 4

**REPORT OF THE WELFARE REFORM
SCRUTINY WORKING**

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1.0 PURPOSE OF THE REPORT

1.1 The purpose of this report is to inform the Committee of the findings and recommendations of the Welfare Reform Scrutiny Working Group.

2.0 RECOMMENDATIONS

It is recommended that

- (i) the Committee notes and endorses the findings and recommendations of the Committee's Welfare Reform Scrutiny Working Group, subject to any amendments;
- (ii) the report be passed to the Executive with the request that the appropriate action be undertaken in response to the recommendations.

3.0 BACKGROUND

3.1 In response to concerns relating to the predicted implications of welfare reform, at the meeting of the Overview & Scrutiny Committee held on 29th October 2012, Members agreed that a working group should be formed to consider the issue in more detail.

3.2 During the course of 2013, Members of the Working Group met with a wide range of stakeholders, to obtain their views in relation to the impact of welfare reform on their organisations/service. The draft report of the Working Group is attached for consideration at Appendix A.

3.3 Interestingly, the House of Commons Welsh Affairs Committee last week published its report in relation to the impact of changes to housing benefit in Wales which highlights many of the concerns identified by the Scrutiny Working Group. A summary of the report is attached as Appendix B.

However, those wishing to read the full report may access it through the link below:

<http://www.publications.parliament.uk/pa/cm201314/cmselect/cmwelaf/159/159.pdf>

LOCAL GOVERNMENT ACT, 1972
as amended by
THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL
OVERVIEW AND SCRUTINY COMMITTEE
4TH FEBRUARY 2014

Report of the Director of Legal & Democratic Services

Item

Report of the Welfare Reform Scrutiny Working Group

List of Background Papers

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APPENDIX A

**RHONDDA CYNON TAF
COUNTY BOROUGH COUNCIL**

**OVERVIEW & SCRUTINY
COMMITTEE**

**WELFARE REFORM SCRUTINY
WORKING GROUP**

DRAFT REPORT

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CHAIRMAN'S FOREWORD



The Working Group is only too well aware of the challenges facing the Council and more importantly its residents. However, if the County Borough is to move forward there is a need to raise the aspirations of those who live here. Deprivation is not easy to overcome but it is not impossible and key to this must be instilling hope to those who are struggling and most importantly instilling hope and ambition to those in our schools. As an Authority we must do our utmost to ensure that our children have the necessary skills to compete in a difficult labour market and ensure that there is equitable provision across the County Borough for those who need help in trying to enter or re-enter the jobs market.

There are many elements of the Welfare Reform which the Working Group cannot condone. However, no-one can argue against the aim of moving people from unemployment into employment or ensuring that people in work are not worse off than they would be on benefits. The problem facing Rhondda Cynon Taf and many of its neighbouring authorities is the lack of employment opportunities. It is important that we work with our partners to address the social disadvantages within many of our communities and strive to build on some of the successes to date, such as the use of capital projects to deliver local jobs. We cannot be content to see more and more of our citizens needing the assistance of Food banks to feed their families. Confidence breeds confidence and we need to focus more on the advantages rather than the disadvantages of living in Rhondda Cynon Taf.

I would like to thank all those who took the time to meet with Members and provide us with an understanding of the challenges faced by their organisations. I would especially like to thank Mr Neil Elliott, Service Director, Direct Services, Business & Housing; Mr Nick Jones, Service Director, Operational Finance and Mr Andy Symes, Head of Revenue, Benefits & Awards for their support throughout the process.

I hope that this report will add weight to the good work which is already going on to mitigate the effects of welfare reform and add impetus to regenerating our communities.



R K Turner
Chairman, Overview & Scrutiny Committee

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1. EXECUTIVE SUMMARY

- 1.1 Rhondda Cynon Taf has some of the most deprived communities, not only in Wales but across the UK. Child poverty is 26.7 % against a Welsh average of 22.7% as identified by the Welsh Government's Child Poverty Unit. In 2012, Rhondda Cynon Taf had the second largest percentage of workless households in Wales at 26.6%.¹ Current government policy is to move people from economic inactivity into the workplace and it is therefore inevitable that the UK Government's welfare reform agenda will impact heavily on the County Borough. Research undertaken by the Centre for Regional Economic & Social Research, Sheffield Hallam University² has concluded that Britain's older industrial areas will be amongst the hardest hit.
- 1.2 To date, the effects of welfare reform have been less than expected but that is not to say that there will not be wider implications over the coming years both for the Council, its partners and the wider community and it is important that the Council and its partners continue to work together to develop a sustainable response.
- 1.3 During the course of the review, the Working Group met with a wide range of stakeholders. There is a clear concern from those delivering advice and support that demand for their services will grow at a time when funding is being reduced. The Social Registered Landlords are concerned that any reduction in their income will hamper their ability to invest in housing stock and could in the worst case scenario impact on their financial viability. However, what is clear to the Working Group is that there is a willingness by all parties to strive to work together to ensure that the citizens of Rhondda Cynon are as prepared as they can be. There is a need to ensure that support and advice services are clearly signposted but equally there is a need to ensure that limited resources are well targeted and that there is not duplication.
- 1.4 Unemployment figures continue to drop despite no obvious influx of new jobs into the area. Whilst this is to be welcomed, there is concern that working families are increasingly struggling to make ends meet. Whilst commending the work of foodbanks and the Trussell Trust, the Working Group is dismayed that so many of its citizens (including those in work), are reliant on charitable donations of food and feel that this is a regressive step for society.
- 1.5 The transition from Incapacity Benefit to ESA will see large numbers of claimants who have not worked for many years (if at all) trying to enter employment. There is a need to ensure that these people are equipped with the IT skills to enable them to search for employment

¹ Stats Wales

² Hitting the Poorest Places Hardest: The local and regional impact of welfare reform – Christina Beatty & Steve Fothergill – Sheffield Hallam University – Centre for Regional Economic and Social Research, April 2013-11-01

opportunities and compete in the jobs market. In addition, what job opportunities there are tend increasingly to be more distant from our communities. There is a need to encourage mobility and the Working Group would support the work of SEWTA and the Welsh Government in delivering a sustainable public transport system. The Council has embarked on a major regeneration programme for Aberdare and Pontypridd Town Centres and there is a need to continue the work with businesses and stakeholders to attract investment and support existing businesses. The failure rate of new businesses is high and there is a need to ensure that support is well signposted and well co-ordinated to ensure the best use of limited resources. The Working Group learnt that there is a need to ensure that those managing small businesses have the opportunity to develop the skills which will give their organisations the best chance of success and enable them to take on more employees.

- 1.6 The Council has a good working relationship with Jobcentre Plus and the Working Group would hope that this partnership continues to ensure that the skills based training being delivered, whether by the Council, Jobcentre Plus or the third sector reflects the needs of the regional job market.
- 1.7 The DWPs roll out of Universal Credit has not gone as planned. A recent National Audit Office report has not been complimentary in respect of the introduction of Universal Credit concluding that the Department for Work and Pensions has not achieved value for money in its early implementation of Universal Credit and concludes that the Department was overly ambitious in both the timetable and scope of the programme.
- 1.8 The DWPs Local Support Service Framework (LSSF) that is being developed to support the introduction of UC will be a key element in providing support to the most vulnerable. The DWP has expanded the roll out UC to 10 pilot areas from October 2013. The original guidance has been withdrawn by the DWP and is being re-written with the intention of there being a public consultation from October 2014 on a revised version to incorporate good practice learning from the pilot areas to inform the basis of service planning for the 2015/16 financial year. There will need to be a watching brief in relation to how the LSSF develops.
- 1.9 The Working Group has been pleased to learn of the positive work which has already been undertaken by the Council and partners and following consideration of the evidence gathered have made our recommendations at Section 2.

2. RECOMMENDATIONS

Benefits

1. It is recommended that the work of the Council and its partners in relation to regenerating of our communities carries on and that the Local Service Board closely monitors the delivery of the actions sitting within the Prosperity theme of the Single Integrated Plan “Delivering Change”. It is also recommended that the LSB Scrutiny Working Group continues to provide oversight of the LSB's delivery of the outcomes.
2. It is recommended that staff within the Revenue and Benefits Section are kept informed in relation to the transfer of work and that everything possible is done to mitigate the impact on the employment prospects of the workforce.
3. It is recommended that the Council makes representations to local AMs and MPs requesting that they in turn make representations to the effect that Housing Benefit should remain within the remit of local authorities.
4. It is recommended that the Council make representation to the Welsh Government to rectify the current shortcomings of the Discretionary Assistance Fund (DAF) process in relation to both public awareness and the digital application process.
5. It is recommended that the Council does all it can to ensure that residents are signposted to the DAF where appropriate and that Councillors are provided with a basic level of understanding in relation to the digital application process so that they are able to assist those in their communities that need their assistance.
6. It is recommended that a mechanism be introduced to monitor as best as possible, the impact on the Council as a result of residents of Rhondda Cynon Taf being unable to access emergency funding.
7. It is recommended that consideration be given to maximising the multi agency opportunities of the ‘RCT On-line’ digital champions project in order to assist those in the community who need assistance in developing IT skills.
8. It is recommended that the Council works closely with the DWP to develop the Council's role in relation to the implementation of Universal Credit, including the Local Support Framework, IT skills and budgeting support and communication with residents.

Advice & Support

9. It is recommended that the Council continues with the good work in publicising the changes associated with welfare reform and signposting residents to the appropriate advice service.

10. It is recommended that the Director of Education & Lifelong Learning be requested to review to what extent financial capability is being taught at schools..
11. It is also recommended that the Council works with the voluntary sector to ensure that the most vulnerable have access to financial capability programmes.
12. It is recommended that the Council continues to support the core funding of CAB.
13. The Working Group endorses the action proposed in the Council's Social Regeneration Action Plan to review the advice services to ensure the quality of these services and to ensure that all parts of the County Borough have access to good quality debt advice.
14. It is recommended that the Council ensures that the services of the local credit union, Dragonsavers is widely advertised across the County Borough and not aimed purely at those claiming benefits.
15. It is recommended that any future funding from the Council to Dragonsavers be linked by way of a service level agreement which will include a commitment to provide equity of provision to those disadvantaged communities across the County Borough.
16. The Working Group supports the recommendations of the Council's 'Transform' project team in relation to foodbanks which include signposting and advice leaflets for potential users.
17. It is also recommend that the statistics relating to the foodbanks are incorporated within the Council's Social Regeneration WPI Action Plan suite of indicators.

Housing

18. It is recommended that the Social Housing Landlords who submitted evidence to the Working Group in April be requested to provide updated figures in relation to the actual number of households affected by the 'Bedroom Tax', and the impact over the period 1 April 2013 – 31 March 2014, the information to be fed back to the appropriate scrutiny committee.
19. It is recommended that a briefing report be presented to the Corporate Services Scrutiny Committee early 2014/15 in respect of the Council Tax Reduction Scheme.

Regeneration & Employability

20. It is recommended that any actions for the future, such as a reduction in transport subsidy, should take account of the mobility of the workforce. The Working Group would also recommend that an impact assessment be undertaken for all decisions which are likely to affect people's ability to access employment and training opportunities.
21. The Working Group would recommend that consideration is given to ensuring that the Council's on-going priorities continue to focus working with partners on promoting independence and the journey into sustained employment where possible.
22. It is recommended that the Council continues to support SEWTA and the Welsh Government in delivering a sustainable public transport system which would benefit Rhondda Cynon Taf in the long term through initiatives such as the development of the South Wales Metro system, electrification of the rail network, station improvements; as well improvements to the road networks along the M4 corridor and Heads of the Valleys.
23. The Working Group would recommend that additional statistical information be included as part of the Social Regeneration suite of performance indicators such as the Jobseekers' Allowance (JSA) figures for Rhondda Cynon Taf. (See also recommendation 16)

Welfare Reform

24. Building on the above, it is recommended that a suite of welfare reform related indicators are developed and monitored through the Council's Social Regeneration WPI Action Plan
25. It is recommended that further work is undertaken to explore the longer term effects of welfare reform on communities across the county borough, such as the movement of households and the impact on family poverty and children.

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3. TERMS OF REFERENCE AND METHODOLOGY

Given the predicted implications of the proposed welfare reforms on the residents of Rhondda Cynon Taf and the Council itself, at the meeting of the Overview & Scrutiny Committee held on 29th October 2012, Members agreed that a working group should be formed to consider the issue in more detail.

3.1 Terms of Reference

The Terms of Reference and Scope of the review was agreed as follows:

1. To monitor the work of the Council in identifying and responding to the challenges of Welfare Reform and assess its impact on:
 - (i) the residents of Rhondda Cynon Taf;
 - (ii) the Council and its workforce;
 - (iii) public sector and 3rd Sector partners;
2. To consider what arrangements are in place to support people into work;
3. To consider what actions can be undertaken by the Council to mitigate any negative impacts.
4. To establish whether there is a need to undertake any additional scrutiny of specific areas affected (either by the Overview & Scrutiny Committee or any of the four service scrutiny committees).

3.2 Scope:

- To consider the changes in how Housing Benefit will be calculated and its transition Universal Credit;
- To consider the impact of the change from Council Tax Benefit to a Local Council Tax Reduction Scheme;
- The introduction of a Single Fraud Investigation Service;
- To consider the replacement of Disabled Living Allowance by a new benefit called the Personal Independence Payment;
- To consider the risk of increased Homelessness and the impact of benefit changes on private sector and social landlords;
- The impact of the introduction of Universal Credit on those currently claiming benefit including 'direct payments' and its design as being 'digital by default';
- Impact of the predicted loss of income to the local economy;
- To consider what action the Council can take to stimulate the local economy;

- To consider what capacity the Council has to support people back into employment.

3.3 Methodology

The Membership of the Working Group comprised of

- the Chairman and Vice of the Overview & Scrutiny Committee, County Borough Councillors R K Turner & G Hopkins;
- the Chairman of the Community & Children's Services Scrutiny Committee, County Borough Councillor (Mrs) M Davies
- the Chairman of the Corporate Services Scrutiny Committee, County Borough Councillor G Stacey
- the Chairman of the Education & Lifelong Learning Scrutiny Committee (County Borough Councillor (Mrs) J Cass (2012/13) and County Borough Councillor (Mrs) C Leyshon (2012/13);
- the Chairman of the Environmental Services Scrutiny Committee, County Borough Councillor G Davies;
- County Borough Councillors P Jarman and C J Williams.

The Working Group met on 6 occasions between February 2013 and October 2013.

The Group reviewed a range of written evidence from the Council's Revenue & Benefits Officers, Rhondda Taff Citizen's Advice Bureau, Social Housing Providers, Jobcentre Plus and consulted the following publications:

- Hitting the Poorest Places Hardest: The local and regional impact of welfare reform – Christina Beatty & Steve Fothergill – Sheffield Hallam University – Centre for Regional Economic and Social Research, April 2013
- Mitigating the Impact of changes to Housing Benefit in Wales: Our Recommendations – Cuts Watch Cymru, January 2012
- Cap in hand – The impact of Welfare Reform on disabled people in Wales – report by the Bevan Foundation.

During its enquiry the Working Group also heard evidence from the following witnesses:

Paula Holland, WLGA
Erica Helps, Citizens Advice Bureau
Karen Taylor, Citizens Advice Bureau
Cheryl Emery, Housing Advice Centre, Rhondda Cynon Taf CBC
Joanna Syms, Shelter Cymru
Alan Morgan, Hafod Housing Ltd
Ann Jones, Hafod Housing Ltd
Paul Roberts, Newydd Housing Association

Jason Wroe, Newydd Housing Association
Antonia Forte, Cynon Taf Community Housing Group
Kevin Barry Cynon Taf Community Housing Group
Stephen Evans, Rhondda Housing Association
Sheila Isles, Rhondda Housing Association
Andrew Lycett, RCT Homes
Paul Jones, RCT Homes
Christina Stoneman, Dragonsavers
Kevin Morgan, Jobcentre Plus
Matthew Thomas, Jobcentre Plus
Jane Cook, Director of Regeneration & Planning, Rhondda
Cynon Taf CBC
Wendy Edwards, Head of Community Learning
Christian Hanagan, Head of Strategy & Tourism
Mr Dave Batten – Head of Leisure, Parks & Countryside
Ms Louise Cook – Head of Services for Young People,
Education Services

The Working Group would also like to thank the following for their contribution and invaluable support provided to the working group:

Mr Neil Elliott, Service Director, Direct Services, Business & Housing
Mr Nick Jones, Service Director, Operational Finance
Mr Andy Symes, Head of Revenues, Benefits & Awards

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4. **INTRODUCTION**

4.1 Following the general election in 2010, the Coalition Government published its consultation paper 21st Century Welfare, which stated that despite reforms by successive governments there had been a failure to address:

- The rising cost of welfare;
- High rates of welfare dependency and poverty
- Structure and rules that promote negative rather than positive behaviour
- Poor work incentives for some groups
- Complexity of the system.

4.2 On 8th March 2012 the Welfare Reform Act received Royal Assent. The main elements of the Act are as follows³

- the introduction of Universal Credit to provide a single streamlined payment that will improve work incentives
- a stronger approach to reducing fraud and error with tougher penalties for the most serious offences
- a new claimant commitment showing clearly what is expected of claimants while giving protection to those with the greatest needs
- reforms to Disability Living Allowance, through the introduction of the Personal Independence Payment to meet the needs of disabled people today
- creating a fairer approach to Housing Benefit to bring stability to the market and improve incentives to work
- driving out abuse of the Social Fund system by giving greater power to local authorities
- reforming Employment and Support Allowance to make the benefit fairer and to ensure that help goes to those with the greatest need
- changes to support a new system of child support which puts the interest of the child first.

³ Official Website of the DWP

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5. WELFARE REFORM – THE MAJOR CHANGES AND POTENTIAL IMPACT ACROSS THE COUNTY BOROUGH

(i) Statistics

- 5.1 In 2012, Rhondda Cynon Taf had the second largest percentage of workless households in Wales at 26.6%⁴. Blaenau Gwent had the highest at 28.8% and Monmouthshire the lowest at 13.8%.
- 5.2 Research undertaken by the Centre for Regional Economic & Social Research, Sheffield Hallam University⁵ has concluded that welfare reform will hit Britain's older industrial areas, a number of seaside towns and some London Boroughs hardest. Much of the south and east of England outside London escapes relatively lightly. Their research estimates that Rhondda Cynon Taf will be the 9th worst affected local authority across Great Britain in relation to the change from Disability Living Allowance to Personal Independence Payment and in all 8 Welsh Authorities feature in the top 20 worst affected areas. In relation to Incapacity Benefit reform Rhondda Cynon Taf will be the 5th worst affected authority. They predict that Rhondda Cynon Taf will lie 20th in the list of worst affected Authorities when looking at the overall impact of Welfare Reform with a loss per working age adult of £670 per annum. In contrast they equate the loss per working age adult in the City of London as being £180 per annum.
- 5.3 Many households and individuals in the County Borough are reliant on multiple benefits and will be hit several times as the changes to benefits are introduced. There will be less spending power in the local economy which will have a knock-on effect for local businesses

Nomis Official Labour Market Statistics for Rhondda Cynon Taf:

		Rhondda Cynon Taf - numbers	RCT %	Wales %
Resident Population – Aged 16 – 64	2012/13	149,500	63.5%	62.8%
Economically Active	2012/13	108,600 (aged16 +)	71.7 (16-64)	73.8 (16-64)
Total JSA Claimants	July 2013	6472	4.3	3.7
JSA 18-24 age group		2145	9.6	7.1
Incapacity Benefit & ESA	February 2013	17530	11.8	8.4
Loan Parents claiming income support	February 2013	2780	1.9%	1.4

⁴ Stats Wales

⁵ Hitting the Poorest Places Hardest: The local and regional impact of welfare reform – Christina Beatty & Steve Fothergill – Sheffield Hallam University – Centre for Regional Economic and Social Research, April 2013

- 5.4 Figures for JSA, Incapacity Benefits and Lone Parents receiving income support are all above the Welsh Average. The number of 18-24 year olds is a significant percentage of the total figure claiming JSA. However, in some areas of the County Borough it can be as much as 60%. Similarly, there are areas where the percentage of adults claiming Incapacity Benefit are above the average (it can be as much as 20% in some areas) and areas where there is a greater concentration of 'lone parents'
- 5.5 The number claiming Incapacity Benefit has declined over recent years (November 2010 the figure was 19560 and November 2011 the figure stood at 19,030) and there could be a range of reasons for the decrease –
- People returning to work
 - Movement from one benefit to another
 - Some retiring or dying.
- 5.6 The changeover from Disability Living Allowance (DLA) to Personal Independence Payments (PIP) began on 10th June 2013. There are 23,963 receiving DLA in Rhondda Cynon Taf who are of working age. Someone can claim DLA from age 5 to over state pension age therefore it is not the total figure.

(ii) Benefits Cap

- 5.7 The UK Government has said that no-one can receive more in benefits than the average wage which they have calculated as £26k per annum. Therefore a maximum cap will be imposed on the amount of benefits a household can claim, as follows:
- £500 per week for couples and lone parents
 - £350 per week for single people.
- 5.8 The cap applies to the combined income from most benefits but there are a number exceptions (set out below) and one way out of the cap is to work – e.g. a household can still receive £700 in benefits if in work. (Minimum number of hours must be worked to qualify for Working Tax Credits).
- 5.9 The benefit cap will not apply where someone in the household:
- Obtains work and becomes entitled to Working Tax Credit;
 - Is in receipt of War Widows or Widowers Pension, Disability Living Allowance (Personal Independence Payment from April 2013), Attendance Allowance, Constant Attendance Allowance or the support component of Employment Support Allowance.
 - People who have been in employment for 52 weeks or more when they claim benefit, who lost their job through no fault of their own, may be exempt from the cap for up to 9 months.

- 5.10 In the first instance the cap will be administered by local authorities and be deducted from Housing Benefit payments. In the long term it will form part of the new Universal Credit system.
- 5.11 As the County Borough is an area with lower rentals the cap will generally only affect those households with 4 or more children. The Benefit Section initially identified approximately 220 potential households during summer 2012. However, as a result of the work undertaken by the Revenues and Benefits section to make residents aware of the changes the number of households affected at the introduction of the cap was greatly reduced. Based on data provided by the DWP there are currently 70 cases in Rhondda Cynon Taf that have been capped to the value of £3700 per week. Each month any new cases that are identified are notified to the Council and the customer contacted to set out options and signpost to available services as necessary.

(iii) Under Occupancy

- 5.12 From the 1st April 2013, working age tenants living in social housing and receiving housing benefit have had their Housing Benefit restricted as follows:-
- One spare room – 14% (approx. £11 p.w. in RCT)
 - Two or more – 25% (approx. £18 p.w. in RCT)
 - Two children (any sex) under the age of 10 will be expected to share a bedroom
 - Two children (of the same sex) under the age of 16 will be expected to share a bedroom.
 - A couple with a 3rd child will be entitled to a 3 bedroom house whilst if there is a fourth the above conditions will similarly apply.
- 5.13 There are some exceptions, these are set out at Appendix 1 some of which have only come about as a result of public pressure.
- 5.14 There are concerns that the 3rd bedroom in many properties is no more than a 'box room'. However, should Housing Associations decide to re-designate their properties they will have to reduce their rent accordingly and this will have an adverse effect on their income levels.
- 5.15 In Rhondda Cynon Taf initially approximately 3,500 claimants were identified as being affected in October 2012 when preparations were being made to introduce the change. In the six months since the Bedroom Tax has been implemented, a number of tenants are no longer subject to the restriction due to a change in circumstance and the current number is 2954.
- 5.16 The possible options available to affected claimants to meet any shortfall are:

- Move home - a claimant may be able to move to more appropriately sized accommodation in the social sector with the help of their landlord or the private sector.
- Take a Boarder / lodger - with the agreement of the landlord a claimant may be able to take in a boarder or lodger to fill any unoccupied room. This would mean the room would not be treated as unoccupied for the purposes of applying the size criteria rule and the claimant may find they are better off due to the additional income.
- Have family members contribute more - If there are non-dependants living in the accommodation a claimant may be able to cover the excess rent through new or increased contributions.
- Move into work / increase hours - If it is possible or a realistic option, moving into work or increasing working hours would increase a claimant's income and help cover any reduction in housing benefit.
- Discretionary Housing Payments (DHP) - For those claimants who cannot cover a reduction in housing benefit from their own resources and who have a compelling case for remaining in their current accommodation, there is the DHP fund.

5.17 The UK Government has increased the amount of money available for Discretionary Housing Payments (DHP) which is distributed across authorities on a formula basis. RCT will receive £451k for 2013/14 which is a significant sum of money but nowhere near the level of benefits cuts being made. However, it will provide some protection for the most vulnerable. The Authority is allowed to top up the DHP fund by 2 ½ times. Historically, the allocation has been spent each year and this was without the pressures of welfare reform. Applications for assistance have soared: there were 1200 in total for 2012/13 whilst in comparison there were 1043 received between 1 April and 30 June 2013. Currently, (October 2013) of those affected by the bedroom tax, 475 are being supported through DHP. Applications continue to be made as social sector landlords take arrears cases through the recovery process and identify those that may qualify.

5.18 The DWP have updated their guidance on delivering DHP and the Council has duly updated it's policy in place to ensure that the limited funding is targeted as fairly as possible towards the most vulnerable.

5.19 As a result of the reform, the annual reduction in housing benefit paid is estimated at £1.984m (based on 2246 properties with one room and 708 with two or more).

(iv) Council Tax Reduction Scheme

- 5.20 Council Tax Benefit has now been abolished and replaced by a local scheme known as the Council Tax Reduction Scheme which was introduced on 1st April 2013. The Welsh and Scottish governments were given responsibility for developing replacement schemes in Wales and Scotland whilst in England the responsibility was given to the individual local authorities. Central Government has also cut funding to the replacement schemes by 10% (approximately £500M across the UK). The Welsh Government has developed an all Wales Framework which allows a minimal amount of local discretion.
- 5.21 it had been expected that all those receiving council tax benefit would suffer, some to a greater extent than others – those who had never had to pay Council Tax before would now be required to pay at least 10%. However, the Welsh Government at the eleventh hour agreed to subsidise this cut for 2013/14. Further, Welsh Ministers have also now decided that this provision should be maintained for a further year (2014/15). The Welsh Government is undertaking a review to establish a long term equitable and sustainable scheme for 2015/16 onwards.
- 5.22 Whereas Council Tax Benefit was more or less fully funded in the past, the funding from Central Government for the new scheme is based on previous year's claimant expenditure (less 10%). Whilst the Welsh Government has agreed to subsidise the shortfall in expenditure, any council tax increases or rises in caseload pose a considerable financial risk to the Council.

(v) Universal Credit

- 5.23 Universal Credit (UC) will replace a number of current means tested benefits such as Tax Credits, Housing Benefit, Job Seekers Allowance and Income Support.
- 5.24 There are a number of concerns but one of the biggest is the move to one monthly payment, in arrears, to one individual in the household to manage. Additionally, the housing element will not be paid directly to the landlord. Those areas currently piloting the direct payments are seeing a big increase in rent arrears. The introduction of UC has been plagued with setbacks and the implementation date is continually shifting. Currently, it is not expected to impact on Rhondda Cynon Taf until 2015 although there may be a few claimants that move to the County Borough leading up to 2015 that have been transferred to UC from another area. Migration is still intended to be complete by 2017.
- 5.25 There were concerns regarding the digital by default approach but there has been some softening of approach in some respects in response to lobbying to a digital where appropriate stance.

- 5.26 One of the key selling points for Universal Credit is that it will encourage people into work. For those that do not work some will lose out financially whereas others will benefit from the introduction of UC. For those who will lose out there will be an element of protection.

(vi) Discretionary Assistance Fund (DAF)

- 5.27 Elements of the previous Social Fund provided by the DWP were discontinued on 31st March 2013 and responsibility for delivery transferred to the Welsh Government. The replacement scheme known as the Discretionary Assistance Fund (DAF) comprises of two elements, namely Individual Assistance Payments and Emergency Assistance Payments. The criteria for this scheme are tighter than for the previous social fund scheme. However, any funding given out will be a grant and not a loan. There are fears that the restricted eligibility could result in an increase of in borrowing from loan sharks. The new scheme was introduced on 1st April 2013 with limited publicity and lack of public awareness. The DAF is jointly delivered in partnership by Northgate Public Services, the Family Fund and Wrexham CBC. The total value of the DAF for 2013/14 is £10m. Data for the 1st quarter ie April-June 2013 indicates that only £1m has been spent. There is a perception that on-line application process is difficult to navigate and is time consuming to complete.

(vii) Tax Credits

- 5.28 Entitlement to Tax Credits has become more restricted and low paid part time workers have been hardest hit by the changes. There are reductions in childcare cost allowances and a requirement to work more hours eg a couple with children will now need to work 24 hours per week between them. There is also a reduction to the upper income limit. Recent research by the New Policy Institute⁶ has found that there are now more working families living in poverty than on benefits in Wales although in the South Wales Valleys area, worklessness is still the major cause.

(viii) Employment Support Allowance (ESA)

- 5.29 ESA has replaced new claims for Incapacity Benefit and Income Support since 2008 and the migration to ESA will be complete by March 2014. All claims will be re-assessed through individual work capability assessments to determine if a transfer is applicable. If "YES" they switch to an ESA support group or work-related activity group at a transitionally protected rate. Contribution based ESA is limited to 12 months for people in the work-related activity group. If "No" they can appeal, sign on for income based JSA or lose benefit

⁶ Monitoring Poverty and Social Exclusion in Wales 2013, New Policy Institute, Joseph Rowntree Foundation

- 5.30 Some groups face a test for the first time. Indications on a national basis in respect of reassessment outcomes show:
- 73 per cent of claimants were entitled to the benefit. Within this –
 - 38 per cent of claimants were placed in the Work Related Activity Group (WRAG), and
 - 35 per cent of claimants were placed in the Support Group (SG); and
 - 27 per cent of claimants were assessed as Fit for Work (FFW) and are not entitled to ESA".⁷
- 5.31 ESA for youth was abolished from April 2012. Claimants will switch to income based JSA or lose benefit. **(Check)**

(ix) Personal Independence Payment (PIP)

- 5.32 From 10 June 2013, Disability Living Allowance (DLA) began to be replaced by PIP for people under 65 by 2016.. People already getting DLA will not be affected by this new benefit until at least October 2015, unless their condition changes earlier or their existing DLA award ends. By October 2017, all existing DLA claimants should have been invited to make a claim for PIP. There will be no automatic transfer from DLA to PIP and everyone will need to make a new claim eventually – a medical assessment will be required focusing on essential living tasks. There are approximately 20,000 claiming DLA in RCT. In some cases DLA acted as a passport to other benefits therefore, those losing out under the new scheme could find that they lose other benefits as well. Whilst DLA could be claimed by making a paper application, PIP will require (in the main) an initial telephone contact followed by a face to face assessment. The contract for undertaking the medical assessments in Wales has been awarded to Capita plc who have committed to carrying out a proportion of these assessments at claimants' homes.

- 5.33 At the moment the Mobility scheme is not affected.

(X) Single Fraud Investigation Service (SFIS)

- 5.34 The DWP has estimated that fraud/error across all benefits is £3.2Bn (2011/12). To help tackle all welfare benefit fraud the DWP will introduce a Single Fraud Investigation Service (SFIS) – with the aim to:
- reduce fraud & error by £1.4Bn by March 2015;
 - consolidate benefit/tax credit investigation services by merging teams from across the DWP, LAs and HMRC;
 - increase investigations, improve efficiency, consistency and fairness and provide better value for money;
 - phase in the new organisational structure during 2014/15 under the management and control of the DWP.

⁷ DWP Statistical Release April 2013

(xi) Impact on Council Services

- 5.35 The Working Group was advised that the total impact on families and communities of the changes and the consequent impact on and demand for Council services, for instance in adult social care, supporting people provision and children's services cannot yet be fully appraised. It was advised that there is likely to be significant impact on the services supporting low income families (particularly lone parent and large families) and families with disabled adults or children who will make up a large proportion of the people most affected.
- 5.36 The Working Group was informed that work was being undertaken to introduce arrangements to monitor the impact of welfare reform in order that action can be taken where necessary.

(xii) Mitigating the affects

- 5.37 The aim of the Welfare Reform is to 'make work pay'. However, there is a lack of jobs in the area and what is available is often short-term, poorly paid, low-skilled and with minimal prospects.
- 5.38 The Working Group was informed of the actions which had been undertaken by the Council to mitigate the impact:
- Bringing work streams together to maximise the chance of preventative work succeeding
 - Ensuring information on the welfare reforms is disseminated to residents and staff in a timely manner which is easily understood & accessible
 - A dedicated area of the website 'Your benefits are changing' has been introduced and co-ordinates all aspects of the reforms with regard to Council services and signposts customers to other relevant agencies.
 - Proactively targeting advice and support services at households whom are at most risk of losing household income, especially to improve financial capability within households impacted by welfare reforms
 - Ensuring that learning & employment pathways are tailored to support people into good sustainable employment
 - The formation of an officer working group to co-ordinate actions.
 - the Head of Revenues, Benefits and Awards heads a group of officers to manage the changes to Housing Benefits.
 - A new Economic Development Strategy is being produced.
 - The Director of ICT and Customer Care is undertaking work in relation to developing the role of the Council's facilities as part of the wider digital inclusion agenda.
- 5.39 At the start of the process, the Working Group sought an overview of the situation from the WLGA's Welfare Reform Officer. She highlighted

the various pilot projects being carried out across Wales and reported that in her opinion the Council was already proactive in its approach to welfare reform and doing much compared to many authorities. She highlighted the importance of the Local Support Service Framework and advised that the Council should maintain its proactive approach and suggested that following actions

- take on board the learning from the pilot exercises being carried out;
- continue to work with partner organisations to share provision and deliver joined up services.
- Consider undertaking a mapping exercise with regard to IT provision and debt advice

(xiii) Citizens Advice Bureau

5.40 CAB reported that as of 15th March 2013, they had assisted 3,676 residents of Rhondda Cynon Taff with 10,882 benefits issues during 2012/13⁸ with the top 6 enquiry areas comprising;

1. Employment Support Allowance (1621)
2. DLA Care Component (1264)
3. DLA Mobility Component (1229)
4. Council Tax Benefit (1193)
5. Housing Benefit (921)
6. Working & Child Tax Credits (715)

5.41 It was pointed out that 5 out of 6 of these benefits are, or can be, paid to clients who are in work demonstrating very clearly that it is not only those who are out of work who are being impacted by the early effects of welfare reform. CAB figures nationally confirm that 40% of their clients are already in work but unable to secure the additional hours or salaries which will lift them above the thresholds for means tested benefits and tax credits – local evidence is that this is an even greater issue for ‘in work’ clients in Rhondda Cynon Taf.

5.42 They have found that the overall numbers of benefit enquiries have increased 32% on the previous year and now represent over 52% of all problems brought to Rhondda Taff CAB and experience has shown that the position found in the Cynon valley is usually consistent with that of Rhondda & Taff.

5.43 CAB had been fortunate to have had the benefit of significant financial support over recent years from the Legal Services Commission which has funded specialist Welfare Benefits and debt advice (up to 1200

⁸ An individual client may have multiple benefits issues. As the CAB offers holistic advice to clients we will look at the presenting problem and then the wider impact hence the difference between client numbers and issue count. For example someone who loses their Employment Support Allowance will also need advice on linked benefits which will probably include Housing and Council Tax Benefit. They may also have linked debt problems which will also need to be addressed.

cases annually). However, this funding ceased entirely from 31st March 2013 due to UK Government cuts. Communities First funding for advice services has allowed the establishment of regular advice services in every Communities First area supported by additional capacity for specialist debt and Welfare Benefits advice (a further 500 cases). However, the changes to the Communities First programme have meant that this service has been supported by RCTCBC's Families First funding since that date.

- 5.44 CAB reported that the Welsh Government's Advice Services Review was expected to recommend some further specialist advice funding and network support from late October 2013 but pointed out that there was a clear and significant shortfall which potentially represented a cliff edge for specialist advice across the County Borough although they were appreciative of the efforts of the Council to support them through the transition. Aside from the Council's own Welfare Rights team there is no other organisation providing the same technically competent level of quality assured specialist casework services in the County Borough for a broad client demographic. All other advice services limit themselves by demographic, geographic or other criteria.
- 5.45 There are 36.9 full time equivalent paid staff and 15.1 FTE volunteers working to deliver CAB advice and support services in Rhondda Cynon Taf. Just 8.35 of these paid staff are specialist caseworkers with an equal split between debt & benefits expertise – a specialist caseworker will deal with between 200 and 300 cases per annum depending on a range of factors.
- 5.46 In order to mitigate the effects of Welfare Reform the following actions were proposed by CAB:
- the strategic steering group for Welfare Reform to be extended to include representatives of other stakeholder groups such as Social Housing providers, private landlords, the LHB and the third sector among others – clearly as the largest independent providers of advice services CAB would very much welcome the opportunity to engage on this basis. There is certainly the potential for operational and community benefits to be identified and delivered as a result.
 - Financial capability will need to be incorporated into all advice and information provision to ensure that those who can are helped to manage their personal experience of welfare reform. There is also need to ensure that incomes continue to be maximised to for the benefit of the individual and the wider community and to be prepared to pick up the pieces when clients experience indebtedness or experience threatened or actual homelessness. CAB would do this by training and supporting their people appropriately.

- Finally, the impact that Welfare Reform will have on their staff and volunteers. Their advisers will be on the front line in terms of breaking bad news to clients that they are not entitled to the benefit they have been used to receiving and that there is no replacement for that lost income in an economy where there are few, if any alternatives for the most vulnerable. They cannot afford to lose good advisers, receptionists, social policy workers and others through frustration and dissatisfaction with their ability to effect change in the face of such relentless welfare reforms.

(xiv) Dragonsavers Credit Union

- 5.47 Dragonsavers Credit Union have 3 branch offices and more than 40 satellite collection points across Rhondda Cynon Taf. It is important that the credit union has a mix of members as their income to provide loans comes from savers and the interest on loans paid the bills. To obtain a loan a member needs to demonstrate that they can afford to pay it back and also that there is a willingness to pay it back. For members that do not have a bank account they can be provided with a pre-paid card with their own sort code and account number to set up standing orders and which can be used in cash machines. It also provides them with the opportunity to use the internet to access the cheaper deals which are sometimes available through online shopping. More affluent members may use the card as a way of supporting children studying or working away from home. The Credit Union provides a budgeting account which takes away the worry of paying the rent or the temptation of spending money needed for household bills. Whilst much of the impact of the welfare reforms is yet to be seen, Dragonsavers report that they have noticed some change - whilst there has not been a rise in bad debt there has been a rise in the number of people that they are unable to lend to.
- 5.48 The Working Group questioned whether Dragonsavers was accessible across the county borough and were informed that the organisation felt that this was the case and so would not be likely to increase the number of collection points already in place.

(xv) Use of Foodbanks

- 5.49 The Working Group learnt that a project team as part of the 'Transform' management development programme had recently considered what strategic approach the Council should take with regard to foodbanks across the County Borough.
- 5.50 The foodbanks come under the umbrella of the Trussell Trust which is a UK based Christian Charity and are run by the community for the community. Their clients tend to be low-income families hit by unexpected crisis. There are four foodbanks across the County Borough which are:

- Pontypridd Foodbank, based at St Luke's Church, Rhydyfelin
- Pontyclun Foodbank, based at Bethel Baptist Church
- Rhondda Foodbank, based at the old Conservative Club, Tylorstown
- The Merthyr/Cynon Foodbank which covers Merthyr Tydfil and the Cynon Valley. The foodbank has its headquarters in Merthyr and 6 distribution centres across the Cynon valley.

5.51 It was reported that the foodbanks in Rhondda Cynon Taf fed 1,656 adults and 1,004 children during 2011/12 and 3324 adults and 1,806 children in 2012/13. This represents a 92% increase in the total number of people fed.

5.52 At the moment there is no shortage of food for distribution thanks to a national agreement between the Trussell Trust and Tesco. However, with the exception of the Merthyr/Cynon foodbank, they each had problems with regard to food storage and in some cases, distribution.

5.53 The Working Group learnt that at the conclusion of their work the Project Team made 5 key recommendations which have been reported to the Council's Corporate Management Team.

5.54 The operators welcomed the interest the Council was taking in their work, but considered that the formal intervention of the Council in the operation of Foodbanks could possibly be more of a hindrance than assistance. They felt that the added level of 'accountability' working with the Council might bring a significant burden on volunteers. It was therefore recommended that the Council should not become involved in the day-to-day operation of Trussell Trust Foodbanks. However, it was agreed that ongoing dialogue would assist the Council in evaluating the impact on the Welfare Reforms in its vulnerable communities and to enable service areas to be proactive in ensuring support is targeted appropriately and therefore it was recommended that the Council should identify a key officer responsible for regular strategic dialogue with Trussell Trust Foodbanks operating within the Local Authority. In addition, a further 3 key recommendations were made, namely

- To raise awareness across Council departments of the work of Foodbanks and ensure there is a consistent approach to ensuring key practitioners are aware of the mechanisms to access Foodbank vouchers and how their clients can be supported in this process;
- That the Council should produce a cohesive and comprehensive information and advice leaflet for all recipients of food vouchers signposting to additional support available within the Council or supported by the Council;
- Make premises available where possible to assist in the storage and distribution of food and food parcels.

- 5.55 The Project Team concluded that the Council's role at this stage should be light touch although it will be important that this is reviewed at regular intervals. For example, whilst the supply of food is not an issue at the moment as the full impact of welfare reform emerges the demand on food supply could mean additional avenues of food collection are needed. This could similarly be the case if the raised awareness of Foodbanks results in more people accessing vouchers.
- 5.56 The Working Group learnt that the Group Director Community & Children's Services had been given the task of lead director in respect of taking forward the recommendations.

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6. WELFARE REFORM – THE IMPACT ON HOUSING

(i) The Council’s Housing Advice Centre

6.1 The Council’s Housing Advice Centre provides the following services:

- General housing advice and information for everyone
- Housing Options
- Access to support services
- Bond assistance
- Specialist debt advice
- Independent Housing advice
- Specialist service for clients with mental health
- Administer Common Housing Register
- Access to the Private Rented Sector
- Partnership arrangements
- Mediation Service for young people aged 16 -21
- Supporting People accommodation commissioning.

6.2 The following table sets out the homelessness applications dealt with by the Centre as well as the preventative work undertaken:

Homelessness in RCT

	Applications	Accepted	Prevention
2009/10	276	153	510
2010/11	428	210	512
2011/12	546	245	877
2012/13	588	232	975

6.3 The Working Group learnt that the Housing Advice Centre had seen an increase in homelessness applications as a result of rent arrears and as the Local Housing Allowance rates are low this is also causing a problem for those in the private sector. The Housing Advice Centre was aware of some Notices to Quit being served as a consequence of the benefit cap but to date there had only been a few. However, it was known that landlords were concerned by the financial implications of the benefit cap. As a Discretionary Housing Payment can only be a short term solution it was the view of the Housing Advice Centre manager that it would be critical to understand how the local social housing providers would react.

6.4 The Working Group was informed that the service had secured funding from the Welsh Government to develop a ‘Lean Thinking Approach’ and which had allowed them to work on improving their processes. The service had recently gone through a re-structure, merging staff from different teams and up-skilling them to meet the new demands and thereby creating an additional 10 staff able to provide a generic frontline service.

6.5 The Working Group was also advised that there is still work to do in relation to fully understand the impact of the Housing Benefit changes

on the future rental levels and service changes for some specialist support accommodation and there was an on-going need to consider the make-up of the services provided and ensure that there was sufficient challenge.

(ii) Shelter Cymru

6.6 Shelter Cymru have 3 main areas of concern:

- Universal Credit –one person in a household will receive all the income. As approximately half their clients have addiction problems there is concern at the temptation this will create.
- Benefit Cap - as the rents in Rhondda Cynon Taf are relatively low this was not expected to cause too much difficulty. However, this will not be the case for some other areas across South Wales.
- Bedroom Tax –there are fears that the numbers seeking help from Shelter will rise significantly and that more people will present as homeless to the local authority. Shelter are aware that social landlords have been proactive in moving those that they can into smaller accommodation but this was limited due to a lack of availability. However, Shelter was disappointed that Social Landlords had increased their rents in April 2013 given the current climate. There are also concerns in relation to the additional demands being placed on the voluntary sector at a time of reduced funding.

6.7 To mitigate the situation Shelter Cymru would like:

- more 'joined up' thinking with regard to policy with local authorities and housing associations operating under the same umbrella.
- An assurance that landlords would not use Ground 8 as a means of re-possession. (This would allow landlords to obtain outright possession wherever an assured tenant is in arrears of at least eight weeks at the time notice is served and at the time of the proceedings.) Shelter Cymru would suggest that Housing Associations should use Money Judgements rather than pursue eviction when tenants fall into arrears.
- An assurance that local authorities would not find people intentionally homeless as a result of the impact of the 'Bedroom Tax' - Shelter Cymru has been lobbying the Welsh Government in relation to this issue.
 - More joint working between social landlords
 - More utilisation of the private sector.
 - Assistance from the Council in areas such as helping with 'rent in advance' and by avoiding any delays in housing benefit whilst it remained with the local authority.

- Social landlords needed to utilise stock more effectively; utilising void properties by changing them from 3 beds to two beds and converting suitable properties into flats. Can small bedrooms be converted into a cloakroom/utility room therefore creating a better use of space whilst providing a home that will not fall under the bedroom tax rules.
- More shared accommodation such as projects operated by Adref and it would be helpful if all hostels worked more closely together. Adref currently have a pilot scheme running placing individuals into shared housing initially on a license basis and if successful then creating a tenancy, which would be more secure for the occupants. It was believed that these tenants were being sourced from hostels but there would be no reason why they could not be taken at the point of presentation to local authorities.
- More hostel accommodation for the homeless ;
- Greater utilisation of empty homes within Rhondda Cynon Taf to ensure that they are brought back into use.
- Shelter hopes that the Council will not adopt the practice of determining that people have made themselves intentionally homeless and would also like the Council to consider the following actions:
 - whether it can increase the Discretionary Housing Payment pot
 - support the provision of Bonds to enable some tenants to move to the private sector.
 - Assistance with rent in advance and impact of any delays in housing benefit

(iii) Citizens Advice Bureau

6.8 CAB reported that they were producing independent evidence on the impact of benefit change and the first completed report related to Housing Benefit Reform. Their research identified that for those in social housing wishing to downsize the situation was particularly grim in the Taff area whilst not being good in Cynon and Rhondda either. When looking at the Private Rented Market the study looked at available accommodation and whether the properties would be available to those eligible for Local Housing Allowance. In Cynon only 13% of available properties were within LHA and for the two areas of Rhondda Taff North and Rhondda Taff South the situation was worse - in both areas only 4% were within LHA (2 properties out of 51 surveyed.)

(iv) The Social Housing Providers

6.9 The Working Group met with the 5 main social housing providers in Rhondda Cynon Taf. They expressed their concern about a number of short and long term implications to their organisations, namely:

- increasing tenant debt, income collection costs, voids, staff and transactions costs;
- impact on their business plans, service delivery and sustainability in some cases;
- Ability to develop new homes and services
- Lack of understanding by some tenants of situation
- Lack of suitable properties for people to downsize
- Uncertainty around timescales for UC
- Ability of tenants to manage their own income and change to a 'calendar month' payment system
- Reliance on digital processes
- Concern that Housing Associations will be expected to absorb the consequences of rent arrears and higher operational costs.

6.10 Through their own profiling the Housing Associations had identified potential households in Rhondda Cynon Taf that would be affected by the under occupancy rules.

Housing Association	No of Dwellings
Cynon Taf	345
Hafod	55
Newydd	130
Rhondda	348
RCT Homes	2260
Total	3138

6.11 RCT Homes are predicting that those 2260 households affected by under-occupancy could result in an extra £289,800 arrears. Newydd Housing Association predict their additional costs and lost income for 2013/14 to be £175,000, and Cynon Taf Community Housing report that their arrears could rise to £350,000. Rhondda Housing fear a shortfall in their income due to under occupation of £130,000 per annum.

6.12 The Social Housing providers cited the findings of the Bron Afon UC pilot which had resulted in rent arrears increasing fourfold in the group of tenants which had received their rent costs direct. Cynon Taf Community Housing feared that if this scenario was replicated they could see arrears rise to £1m and Rhondda Housing could expected their rent arrears to rise to around £719K.

6.13 In addition to increases in rent arrears the Social Housing providers pointed out that there will be higher collection costs and legal fees and an increase in the number of void properties. The loss of income to the Housing Associations will have an impact on their ability to invest in the development of new homes and services and in some smaller organisations could impact on their sustainability. The Housing Associations provide significant employment opportunities and see

themselves as providing a social service to the communities they serve.

- 6.14 Rhondda HA has already seen an increase in voids of around 50% (40 properties) since December, which given their stock size is a concern. Cynon Taf report that whilst they themselves have not seen a dramatic increase they are very aware that there is the potential for this to happen.
- 6.15 The Housing Associations fear that as more and more of their tenants begin to struggle financially the collection of arrears will affect the good relationships which they now enjoy with their tenants who are likely to blame them for the introduction of the Bedroom Tax. Some report that they are already considering whether to return to the doorstep collection of rent. They also fear a wider social impact with the disruption to settled communities, higher child density, possible overcrowding in some areas and potential for increased antisocial behaviour.
- 6.16 The Housing Associations report that they have no desire to evict tenants. There are significant costs associated with this action both in legal costs and loss of income. Hafod Housing report that each void property costs them approximately £4,500 and therefore it is in their interest to retain tenants.
- 6.17 In general they would not prevent tenants in arrears from moving to a smaller property but this might not be the case if moving to another landlord. They did however, express concerns in relation to how courts deal with arrears and feel that there is an unrealistic expectation on landlords to avoid legal action.
- 6.18 They agreed that clarification was needed with regard to dealing with significantly adapted properties where the tenant is affected by the 'bedroom tax'. It was agreed that it did not seem sensible to re-house tenants in this situation given the costs of the adaptations and it was confirmed by the Head of Revenues, Benefits and Awards that the better option would be to supplement the shortfall in Housing Benefit through a Discretionary Housing Payment rather than carry the cost of undertaking new adaptations.
- 6.19 To mitigate the situation the Social Housing providers would like the Council to:
- Ensure that opportunities for data sharing is maximised – enabling the best possible advice to tenants and avoiding duplication of work;
 - Establish a multi-agency group to increase tenants' financial capability;
 - Map out and publicise community based internet access facilities in preparation for Universal Credit;

- Further strengthen the good relationship with the Housing Benefits department.
- Consultation with/learn from neighbouring Authorities
- Consider whether the DHP 'pot' can be topped up by the Authority as an investment to prevent homelessness and the subsequent higher costs arising from temporary accommodation.
- More clarity over the use of DHP and prompt decisions
- Clarity over future housing developments - the Housing Strategy Team need to be aware of the implications of the Welfare Reform particularly around the under occupancy charge in relation to forecasting property size requirements.
- Ensure that future developments provided via Section 106 Agreements provide
 - The highest possible space standards to ensure DWP occupancy targets can be achieved
 - Housing provision under such agreements reflect local need and not developer aspirations
 - Commuted sums are taken and invested in other strategic areas (eg empty homes) to provide suitably sized properties that reflect local demand.
- Co-ordination of Local Lettings Policies – to ensure that individual housing associations do not implement local lettings policies in order to mitigate the impact of welfare reform and create problems for other landlords
- Re-designation of properties – if Housing Associations re-designate some properties with very small bedrooms, what will the Housing Benefit Section's response be?

7. LESSONS FROM THE PILOT SCHEMES

Local Authority

- 7.1 The DWP have extended the Local Authority led pilots until the end of December 2013. These sites are looking at the support for UC claimants encouraging claimants to access online support independently; improving financial independence and money management; delivering efficiencies and reducing fraud and error and reducing homelessness.
- 7.2 The three month extension to December 2013 will allow further testing of innovative ways of working in partnership with local organisations and align the pilots with the Local Service Support Framework so that claimants get the best support possible.

Direct Payment Demonstration Project

- 7.3 Six sites testing a range of different payment triggers and levels of support for claimants, ahead of the introduction of Universal Credit, to allow claimants to take greater control of their monthly budgets and allow a smoother transition into employment. Tenants receive a four weekly HB payment into their bank account from which they will pay their landlord directly.
- 7.4 The projects are examining the following issues of direct payments to provide protection for landlords and tenants:
- levels of support tenants may need to start direct payments e.g. advice on managing personal finances
 - the exemptions that need to be in place
 - payment switch-backs to the landlord i.e. a tenant falls into arrears/early intervention switchbacks before arrears reach trigger points
 - support needed to help tenants in arrears to pay back their arrears and return to direct payments
- 7.5 DWP report that over the first 9 months of the project levels of payments by tenants on the projects varied from 91% to 97% and the average rent collection rate stood at 94%. A total of 6,168 tenants are currently paid by direct payment, another 1,258 tenants had been paid by direct payment but have now had the payments switched back to their landlord (this compares with findings over the first four months showing 6,220 social tenants were paid their housing benefit directly and rent collection rates at 92%).
- 7.6 As with the LA Led Pilots, the DWP have extended this project for a further 3 months (until December 2013).

- 7.7 Of particular relevance is the information arising from the Torfaen Direct Payment Project. The Project had seen a 50% increase in the level of arrears. There has also been a need for additional resources with Torfaen CBC needing 4 additional staff and similarly Bron Afon Community Housing requiring 4 additional members of staff. It is also important to note that this pilot only involved approximately 1000 households and only tested one element of the Universal Credit proposals, ie only Housing Benefit was being paid directly, monthly in arrears.
- 7.8 Other initiatives have taken place across Wales in preparation for the changes, such as:
- A 'Jam Jar Accounts' pilot - undertaken by Cardiff County Council in partnership with Credit Unions. These accounts are available to those people exposed to debt or who feel unable to manage monthly payments and help to budget their monthly income into separate pots of money for spending, saving and bill payments.
 - Flintshire has carried out a mapping exercise to assess the impact of welfare reform on areas such as child protection & domestic abuse; rent/CT arrears; crime; homelessness; health & wellbeing and Discretionary Housing Payments.
 - Newport Council has undertaken a mapping exercise to understand customer communication preferences.

UC Pathfinders

- 7.9 There have been delays in the start of the UC pathfinders. The first UC pathfinder went live on 29th April in Ashton under Lyne Job Centre followed by Wigan on 1st July and Warrington and Oldham 29th July 2013. There are question marks around the use of such a small scale test and there are also concerns relating to whether the software used is 'fit for purpose'.
- 7.10 It is reported anecdotally that by the end of July 2013, the four pathfinder sites had only dealt with approximately 1,000 claims (the scope is very narrow with only the simplest new claims) and due to the limited IT functionality the processes require a high level of manual intervention. Claimants are also unable to amend details on-line as originally intended.
- 7.11 The DWP has always said that, as part of the rollout of Universal Credit, new claims for UC will start to be taken nationally from October 2013, following the Pathfinder exercise which started in April. The national roll out will be comprised of 3 strands. Expanding on the early approach, another 6 Jobcentre's will begin to take new claims to the benefit on a roll out programme from October 2013, which means Universal Credit will be rolling out in areas of England, Wales and

Scotland (although this is now much more limited than the DWP's original timetable).

- 7.12 At the same time, the other components of Universal Credit that will support the cultural transformation that it is claimed the new system will bring, such as the Claimant Commitment, and enhanced job-search support will also roll out across the country, with the DWP training 20,000 Jobcentre Plus advisers to achieve this.
- 7.13 Ten in-work conditionality pilots will test how to best encourage claimants to progress in work. Alongside this, improved access to digital services will expand across the Jobcentre Plus network. The DWP says it will install around 6,000 new computers in Jobcentres for claimants to use when claiming their benefit online.
- 7.14 A recent National Audit Office report has not been complimentary in respect of the introduction of Universal Credit concluding that the Department for Work and Pensions has not achieved value for money in its early implementation of Universal Credit. The Department is not yet able to assess the value of the systems it spent over £300 million to develop and has been forced to delay the national roll-out of the programme to claimants and concludes that the Department was overly ambitious in both the timetable and scope of the programme.

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8. **REGENERATION & EMPLOYABILITY**

8.1 Rather than only concentrate on the negative impact of welfare reform, the Working Group wanted to explore the potential for job creation through regeneration and education. To facilitate this a round table discussion took place with representatives from across the Council and Jobcentre Plus.

(i) Regeneration & Planning

8.2 The Council's Regeneration & Planning service tries to support the broader economy so that more jobs are available in Rhondda Cynon Taf. Whilst this is a challenge given the difficult economic climate opportunities are continually being sought. There are a number of ways in which the service provides support to boost the economy either through direct support to business or indirectly through regeneration of the town centres. Other agencies including the Welsh Government provide support and it is important that the full range of support is available and signposted but without duplication.

(a) Direct Support to Businesses

8.3 The Council's support tends to be directed at small businesses - 90% of the County Borough's businesses employ fewer than 20 employees. These businesses are very important to the County Borough's economy and employment opportunities.

8.4 The service manages a number of funding streams:

- the Local Investment Fund which is European Convergence Funding awarded to a consortium of the six south east Wales valley authorities provides support for small businesses. During 2012/13 it supported 183 businesses to either start up or grow and 251 jobs were created.
- Council's Capital Grant scheme - 44 businesses have been helped during 2012/13. These grants are not measured in the same way as European funding but this year the arrangements are being brought together.
- The Community Economic Development Programme (also a European funded South East Wales Programme) is not only a grant scheme which supports social enterprise projects but the Council through Interlink supports the sustainable development of those enterprises in terms of business development advice.
- The Regeneration & Planning service is clear about the need to link the management of grants and delivering outcomes; particularly job creation. It is important to ensure the impact of investment is as high as possible.
- In addition, the Regeneration and Planning service is currently improving its support to businesses. This is to include more of the softer side of business support. A survey was undertaken

to be clear about what business needs which is informing the approach. This is more of a continuing customer relationship and importantly includes signposting as businesses do find it difficult to navigate their way around the public sector.

- It operates the RCT Business Club which holds events, provides networking opportunities, advertising etc and works closely with procurement to make sure businesses can bid for and win contracts.

(b) Indirect Support

- 8.5 The service has also enabled job opportunities in a less direct way through the European Funded Town Centre regeneration schemes. The work in Ferndale has been completed and both Aberdare and Pontypridd have benefited from the Public Realm Scheme and Townscape Enhancement Programme (TEP). The TEP provides grants for commercial properties and owners have been encouraged to improve the fabric of their building and bring back unused floor space into use. Whilst not as significant as some of the direct grants programmes in terms of job creation, town centre regeneration has wider less direct benefits in terms of improving the environment therefore making the town centres more attractive to visitors and potential businesses. For example 25 jobs had been created in Pontypridd as a result of the regeneration work and this figure is constantly changing as more TEPs come forward and are implemented.
- 8.6 The Working Group was informed that despite a high start up rate, the failure rate of new businesses in Wales is high and this was an area which the service wished to explore with other agencies to establish a better understanding to help address the problem. There was a network of support in place but again there was a need for better co-ordination.
- 8.7 The Working Group was informed that preparation was underway for bidding for a new round of EU funding. The availability of match funding is a real issue with this current round and it will be important to work collaboratively and creatively to ensure the projects can be delivered. It will also be important that these projects are sustainable into the future when further funding may not be available. More people will be spending less money in an already difficult local economy and this would have a huge impact. The service would try to support businesses in Town Centres but business does need to develop and change with economic circumstances.
- 8.8 In her opinion, the Director of Regeneration & Planning's key to regeneration of the County Borough would be the development of good affordable transport links which would give people the ability to move around and take advantage of the jobs market. It was also important to support local job opportunities.

8.9 The Council and SEWTA are aware that transport is a barrier to work and the electrification of the main lines and also the valleys lines and Metro proposals would improve not only North-South travel but cross links as well. There would also be improvements to Pontypridd Railway Station through the Wales Station Improvement Programme as part of the overall improvement package.

(ii) Community Learning

8.10 This service includes responsibility for the Adult Education Service, Libraries and the Welsh Language and Translation Service.

8.11 The Working Group learnt that as recently as 2 years ago the adult education service had mainly consisted of delivering hobby/leisure type courses. Since then the service had re-aligned its provision to the extent that the majority of its provision is focussed on delivering work related and essential skills. Some of the traditional arts and craft type courses have been retained as there is also an obligation to support the Health & Wellbeing agenda – engagement with learning is recognised as enhancing the socialisation of older people and vulnerable groups and improving their well-being. All of the funding for the service comes from external sources with the exception of Gartholwg Lifelong Learning Centre. Whilst there has been a reduction in the number of tutors, the service has been able to retain the quality staff that have a teaching qualification, a PGCE or degree in their subject by offering more substantial teaching hours and career development opportunities. The service was now delivering high quality training to those more challenging individuals, both young and old and 40% of those attending courses were under 44 years old (based on 2011-12 data).

8.12 The ESF funded Bridges into Work Programme had enabled 32 to find employment and 443 to gain qualifications during 2012/13. The service recognised that some families had difficulties with literacy and numeracy and community based projects were being developed to suit the needs of this particular client group. The service worked closely with Coleg Morgannwg (now part of the new Coleg y Cymoedd) and other training providers to ensure that there is no duplication in curriculum. The service now needed to shift its focus to meet the requirements of a large number of individuals with more complex needs. The changes to ESF and potential reductions in government grants will require new funding streams to be identified in the future.

8.13 It was the opinion of the Head of Community Learning that there was a need for everyone to acknowledge the value of learning, not necessarily in terms of exam success but to realise that a thriving economy was dependent on people learning new skills and how to apply those skills.. Those owning and managing businesses did not

always have the necessary skills to develop their businesses so this was an area that would also need to be supported.

(iii) Tourism

- 8.14 The Working Group learnt that the Council has given added focus to Tourism as indicated by the fact that it now sits within the Corporate & Chief Executive arm of the Council with Marketing and Tourism coming together as one package.
- 8.15 The Council has a 'Destination Management Plan' in place which brings together Council services and partners across Rhondda Cynon Taf and covers all aspects of tourism including parks, history & heritage and town centres. The service provides on-going support to the local tourism industry and whilst there are relatively few indigenous businesses they are quite substantial. These businesses do not require significant support but the Council does assist in areas such as providing brown signage and developing opportunities to link with heritage products. The service organises quite a number of 'family day out' events which have proved successful. The Council is part of the promotion for walking holidays in Wales and the Working Group was informed that the County Borough provides one of the best areas for this outside of the Brecon Beacons. The Royal Mint at Llantrisant has recently opened a museum which should provide a strong tourist attraction and provide a boost for the local tourist industry. The Working Group also learnt that the Welsh Government was currently putting a great deal of effort into attracting the cruise market to Cardiff and it was hoped that the County Borough could benefit from this as it was known that the Bwlch Mountain was a favourite tour destination for international visitors. In looking for new ways to promote the County Borough the Council now has advertising signage on Edwards Coaches which travel across Europe.

(iv) Jobcentre Plus

- 8.16 The Working Group learnt that Jobcentre Plus acted as a supply organisation reacting to claimants needs to make sure that they could compete as much as possible in a competitive market. The organisation provides an extensive range of Employment Support Programmes and Services many of which are delivered by partner or community organisations, see Appendix 2 Jobcentre Plus report that there has been a significant improvement in their ability to provide work experience for 16 – 24 year olds and they now provide 8 weeks of meaningful activity which has resulted in 40% of participants going on to employment fairly soon afterwards. They have a strong relationship with the DVLA in Swansea and the success rate in finding subsequent employment for those placed there is even higher at 53%. Whilst they can provide assistance for job seekers what they are unable to do is bring employment into the County Borough. In this respect the County Borough is reliant on Cardiff to generate employment. There are

opportunities in retail, care and hospitality whilst manufacturing has declined.

- 8.17 They try to encourage clients to consider working in Cardiff through jobs fairs and at times arrange for small groups to visit employers. The service does have some discretion to help in a small way with transport barriers.
- 8.18 Over the last year Jobcentre Plus has placed a great deal of emphasis in supporting Communities First areas, some of the opportunities being on a mandatory basis whilst others are voluntary. Support for those wishing to be self employed and work clubs have also been introduced as well as additional support for those with health problems.
- 8.19 Whilst Jobcentre Plus has a comprehensive programme of services they tend to be short term in nature. The challenge is dealing with those who have been unemployed for a lengthy period, many of whom will now be affected by welfare reform. This group of people have until now, been largely unaffected as the country has gone through recent periods of both growth and recession. The reassessment of incapacity benefits will result in a number of claimants being found fit for some type of work but they will find it difficult competing for jobs.
- 8.20 Added to this is the way in which most employers now recruit staff, many will only recruit on-line and those seeking employment need to be computer literate and able to deal with a new style of application process. People not only need the skills to undertake work they also need the skills to find work. JCP have found that young people who have spent a year out of work are hugely disadvantaged and when they eventually do find employment their earning capacity is affected. The Working Group learnt that JCP have been able to influence Sainsburys who have a national agreement to undertake all their recruiting on-line and have managed to persuade them to recruit some disabled clients through a more informal process. They now hope that this type of arrangement can be built on.
- 8.21 JCP reported that the biggest complaint that they have from employers is the attitude of some prospective employees. Another concern relates to the need for improved collaboration between different organisations. Employers are finding that they have too many people asking them the same questions mainly due to the fact that there is a plethora of organisations drawing down funding for employment and training projects and each have their own target demands. This continual request for information has become a burden for employers.
- 8.22 The Working Group learnt that the Welsh Government is considering the introduction of a One Stop Shop model for business and employment but quite how this will operate across Wales is unknown as yet. For the moment JCP is trying to encourage collaboration across departments, examples of local collaboration being 'One

Carmarthen' which is a partnership that includes Jobcentre Plus, Careers Wales and Carmarthen Council which aims to improve the accessibility of pathways to employment and training. However, there was a need to be mindful that not all forms of partnership are attractive to employers.

(v) Council Overview

- 8.23 The Working Group was informed that Rhondda Cynon Taf's Single Integrated Plan had identified the need for better coordination to bring people into employment and transport had been identified as a key area along with procurement and the development of social contracts which looked to employ local people, such as the new school being built in Aberdare.
- 8.24 The Working Group was informed that the Council was performing well in terms of its work with apprenticeships and that Careers Wales funding is now better targeted there is better co-ordination in relation to school work placements. A high proportion of those receiving Job Seekers' Allowance are NEETS. The introduction of the Job Clubs in the Communities First areas has proved to be a successful initiative and in the last year had supported over 200 people into work.
- 8.25 The Working Group was advised that whilst the Council's Vision Products Services is proactive in supporting and seeking employment opportunities for some vulnerable people, including operating its own apprenticeship scheme, there are still gaps in the employment support provision for people with learning disabilities and mental health problems and this is a key area in which the Council needs to provide support.
- 8.26 Members were informed that whilst there were a number of positive initiatives being undertaken there were still areas that needed to be addressed and the challenge for the future would be how to co-ordinate services more productively.

(vi) Conclusion

- 8.27 It was suggested that the current economic position posed an opportunity to challenge services and map current provision as there were too many overlaps. The challenge would be how to do things differently.
- It will be important for people to receive accurate information and that any advice services are properly informed. People need to be made aware of the new digital processes and provided with support.

- The importance of education needed to be re-enforced and also the appreciation of the growing complex needs of many of those now taking part in training schemes.
- Transport will be key to enabling people to take up employment and training opportunities.
- Additional capital funding would assist in the regeneration of the County Borough and enable the Authority to continue its good track record of ensuring that contractors used local labour.

8.28 The Working Group questioned the role of the Authority's Single Integrated Plan 'Delivering Change' and learnt that the document is a planning document for improvement and designed to fit the Welsh Government's Anti Poverty Strategy. One of the three key themes of the document is Prosperity and within this lies the pathways for employment which include issues such as training and transport.

8.29 The current risk is that much of the support currently in place to support the communities of Rhondda Cynon Taf is dependent on grant funding and the challenge will be to move toward a more sustainable way of operating. However, it also provides an opportunity to better plan for the future rather than continue with the uncertainty of waiting for yearly grant funding.

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9. CONCLUSION

- 9.1 The issue of Welfare Reform has the potential to impact on the whole of the County Borough in some form or other and increase the pressures on a wide range of public services. However, many of the anticipated effects are yet to be seen. The only clear impact to date has been as a result of the removal of the spare room subsidy 'Bedroom Tax'. The national picture with regard to the introduction of Universal Credit has been constantly changing throughout the course of this review and many of the key stakeholders are yet to learn what the eventual full impact will be. To date, the situation is not as bad as many first predicted but there is still uncertainty and therefore this report can only reflect a position in time.
- 9.2 Due to the comparative low housing costs across the County Borough, particularly across the northern areas, relatively few households have been affected by the Benefit Cap introduced in July 2013. However, the initial effects of the Spare Room Subsidy (or the 'Bedroom Tax') are being seen. Evidence submitted to the Working Group has identified that social housing providers have insufficient stock to meet demand should all those affected by the under occupancy rules wish to downsize. Social Housing providers report seeing an increase in their rent arrears.
- 9.3 Housing Associations fear that a loss of income will impact on their ability to invest in the development of new homes and services and in some cases could impact on their longer term financial viability. The Working Group appreciates the difficult position in which social landlords find themselves and would commend those social housing providers who are currently working with tenants to avoid eviction.
- 9.4 The situation is equally bad in the private sector where there is very little available to those eligible for Local Housing Allowance, especially in the southern areas of the County Borough. However, there is a need to explore the use of the private sector and the Council has recently created a new Private Sector Development post at the Housing Advice Centre to work with the Private Sector Landlords with a view to developing enhanced accommodation opportunities.
- 9.5 The Housing Advice Centre has seen a rise in those presenting as homeless and there is the potential that this could increase the financial burden on the Council. However, to date the situation is being managed.
- 9.6 It needs to be acknowledged that the work undertaken by the Authority, in particular the work led by the Head of the Revenues, Benefits and Awards in identifying and working with those residents affected, as well as similar work undertaken by the registered social landlords has minimised the impact and averted potential difficulties for many families. Recent updates report the following:

- Hafod Housing report that the number affected by under occupancy has risen since meeting with the Working Group from 55 to 74. However, they report that whilst the position is numerically worse in terms of affected households and arrears have risen (as was expected) this is not resulting in increased evictions/punitive measures etc. Their relationship with staff in the Authority continues to be positive both at operational and strategic levels. However, they acknowledge that Universal Credit will continue to be a big issue for the future.
- Newydd Housing Association report that overall the impact of the bedroom tax has been as expected. They have seen an increase in arrears, increases in the number of voids and abandonments and there has been an increase in the number of evictions. The costs of providing the service have increased and Newydd has had to reorganise staff teams and provide more resources to keep these areas under control. The rent arrears have been controlled and therefore have not been as high as once feared which they believe this has been due to the preparatory work carried out before the bedroom tax came in, and due to reorganising their housing team structure to dedicate three full time staff to rent collection. However, Newydd report that the number of voids has increased considerably more than forecast. This has not been due to tenants resizing in their stock, but ending their tenancies, possibly to move to the private rented sector. Re-letting the empty properties has then been much harder as choice is now restricted for applicants due to the bedroom tax. Newydd report that they are still very concerned about the effects of Universal Credit, and are still very keen to work with the Council to prepare tenants.

9.7. Whilst both the social housing providers and the voluntary sector would like to see the Council contributing additional funds towards DHP's, senior managers in the Financial Services Division believe the operation of the DHP policy and payments made should be carefully monitored during 2013/14 to ensure the funds allocated by DWP are effectively utilised. Only if there is evidence that demand is above resource levels should the Council look to provide additional funds from its own resources. The Working Group agrees with this approach as the new criteria adopted should ensure that funds are distributed fairly across the year and to date the monitoring of this fund has not highlighted any concerns.

9.8 There is concern amongst the voluntary sector that there will an increased demand for their services at a time when their grant funding is being cut. The Citizens Advice Bureau (CAB) reported that their overall number of benefit enquiries for 2012/13 increased 32% on the previous year. The Working Group is conscious of the valued work being undertaken by the 3rd sector and there is a need to ensure that

the signposting is in place to direct residents to the right service. The recent recommendations of the Payday Loans Scrutiny working group should assist in improving the profile of organisations such as the local credit union, Dragonsavers as well as other reputable advice services such as CAB. In addition many of the social housing providers have introduced their own debt advice services to assist tenants, which is to be welcomed. However, the Working Group would caution that at a time of limited resources it is essential that services are properly targeted and not duplicated. There is also some concern that Dragonsavers Credit Union appears to be shifting toward more business lending and whilst appreciating their need to develop a sound business model it is hoped that they do not move too far away from the original aims and objectives which set them apart from other financial institutions.

9.9 Despite a difficult economic climate, during the course of the review, the employment figures for Rhondda Cynon Taf have continued to fall:

- As of November 2013 the JSA figure for Rhondda Cynon Taf was 5626. Compare this with the figure for November 2012 which was 7372 and there has been a reduction of 23.6 %.
- Within the November 2012 figure of 7372, there were 2475 in the 18-24 age group. In the November 2013 figure of 5626 there were 1880 in the 18-24 age group. This is a reduction of 24%. However, the proportion of young people in the overall figure still remains high at 33.5% therefore youth unemployment is still an area of great concern.
- Between June 2013 and November 2013, 3810 left the JSA register for work.

9.10 Whilst this is good news, officers report that there appears to be growth in 'in-work' poverty which has been evidenced by recent research carried out by the New Policy Institute.⁹ The Authority is limited in what it can do to attract and retain employment within the boundaries of the County Borough. However, it can play an important role in assisting the development of a skilled workforce able to compete for those jobs which it is hoped will be created through the regeneration of the South East Wales region. There is a need to ensure that support for businesses is well signposted and well co-ordinated to ensure the best use of limited resources. As well as providing a skills base and better qualifications for those seeking employment, there is also a need to ensure that those managing small businesses have the opportunity to develop the skills which will give their organisations the best chance of success and enable them to take on more employees.

⁹ ⁹ Monitoring Poverty and Social Exclusion in Wales 2013, New Policy Institute, Joseph Rowntree Foundation

- 9.11 The Working Group acknowledges that Rhondda Cynon Taf's Single Integrated Plan 'Delivering Change' picks up on many of the issues identified under its Prosperity theme and its key priorities of Education & Employability; Supporting People in Financial Need; Homes & Communities and the Economy; and these link to the Welsh Government's aim of:
- Improving the skills of young people & families
 - Improving health and educational outcomes for children & young people
 - More inclusive and cohesive communities
 - Creating sustainable places for people.
- 9.12 'Regeneration of Our Communities' is also included as one of the Council's key Wales Programme for Improvement priority areas with its own action plan.
- 9.13 Whilst not an area explored by the Working Group, the Council is also part of the wider South East Wales Regional Partnership which has developed a regional strategic framework "Delivering a Future with Prosperity" which will ensure a partnership approach in delivering the new European Programmes as well as set out the agreed priorities to complement and support the key Welsh Government policies which include tackling poverty and supporting economic growth.
- 9.14 The Working Group would conclude that to date the Council has worked well to mitigate the effects of Welfare Reform. However, the reduction in local government funding as a result of the Westminster Government's Comprehensive Spending Review and the resultant cuts to Council services will add the challenges ahead. The greater demands being placed on public services through the changes in the welfare reform are therefore of great concern to the Working Group. Tackling the deprivation within our communities is a complex task and whilst the welfare reforms may not help the situation it is not the root cause. A major challenge for the future will be supporting those who are experiencing in-work poverty. How effectively services combine to support our families and most vulnerable being impacted in our communities is something that the Council, working partner agencies needs to continue to plan through our strategic partnerships in order to provide an effective response.

APPENDIX 1

Under-Occupancy Rules (the Bedroom Tax)

One bedroom is allowed for each of the following:

- a couple
- a person who is not a child (aged 16 and over)
- two children of the same sex
- two children who are under 10
- any other child, (other than a foster child or child whose main home is elsewhere).
- a carer (or group of carers) providing overnight care

Exemptions

- 1) Pensioners - the new rules will only apply to working age claimants. People over the qualifying age for state pension credit or with a partner over that age will be exempt.
- 2) Temporary Accommodation – homeless people living in certain types of temporary accommodation made available under specified legislation are not affected
- 3) Supported accommodation - People who receive care, support or supervision from their landlord in supported exempt accommodation will not be affected.
- 4) Parents of students - If a student's main residency is their parents' home, then their bedroom will not be considered as spare.
- 5) Bereaved families - Where under-occupancy arises due a death we allow a year's grace so that bereaved families have some time to come to terms with their loss and are able to make the right decisions about their finances and size of accommodation.
- 6) Foster Carers - Approved foster carers whether or not they have a child placed with them or are between placements will be allowed an extra room, as long as they have fostered a child within the last 12 months or become a registered foster carer within the last 12 months.
- 7) Armed forces personnel - Wives or husbands of those serving in the armed forces will be unaffected by these changes. Parents with adult children in the Armed Forces who continue to live with their parents will continue to be considered as living at home when applying the size criteria whilst away on operational duty.
- 8) Disabled People - £25m of the £150m in Discretionary Housing Payments will be specifically targeted at disabled people who live in significantly adapted properties. Councils have discretion over whether disabled children are eligible for their own bedrooms
- 9) Rooms for carers - Bedrooms for live-in carers are not affected. A bedroom is also allowed for an overnight carer.

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Appendix 2

Employment Support: Programmes and Services

Claimant Group	Programme/ Support	Delivered by	
16-24	Work Programme	Working Links Jobfit	
	Work Experience	JCP	
	Wage Incentive	JCP	
	Work Trials	JCP	
	Specialist Advisers	JCP	
	Support Contract	Capital Training	
	New Enterprise Allowance	A4E	
	Volunteering	Interlink, etc.	
	Workclubs	Externals Communities 1 st TABS	
	Enterprise Clubs	TABS Business In Focus	
	Want 2 Work	JCP	
	25+	Work Programme	Working Links Jobfit
		Work Trials	JCP
Support Contract		Capital Training	
New Enterprise Allowance		A4E	
Volunteering		Interlink, etc	
Workclubs		Externals Communities 1 st TABS	
Enterprise Clubs		TABS BIF	
50+	Work Programme	W Links Jobfit	
	Work Trials	JCP	
	Workclubs	Externals Communities 1 st TABS	
	Work Experience	JCP	
	Support Contract	Capital Training	
	New Enterprise Allowance	A4E	
	Volunteering	Interlink, etc	
	Enterprise Clubs	TABS Business in Focus	
	Want 2 Work	JCP	
	Health Problems	As above plus	
Access To Work		JCP	
Disability Employment Advisers		Local JCP	
Workchoice		Remploy Shaw Trust	
Work Psychologist		JCP	

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House of Commons
Welsh Affairs Committee

The impact of changes to housing benefit in Wales: Government Response to the Committee's Second Report of Session 2013–14

Fourth Special Report of Session
2013–14

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The Welsh Affairs Committee

The Welsh Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Secretary of State for Wales (including relations with the National Assembly for Wales).

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David T.C. Davies MP (*Conservative, Monmouth*) (*Chair*)
Guto Bebb MP (*Conservative, Aberconwy*)
Geraint Davies MP (*Labour, Swansea West*)
Glyn Davies MP (*Conservative, Montgomeryshire*)
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The following Members were also members of the Committee during this Parliament

Stuart Andrews MP (*Conservative, Pudsey*)
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Jonathan Edwards MP (*Plaid Cymru, Carmarthen East and Dinefwr*)
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The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in printed volumes.

Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee is Marek Kubala (Clerk), Anwen Rees (Committee Specialist), Alison Mara (Senior Committee Assistant), Baris Tufekci (Committee Assistant), and Jessica Bridges-Palmer (Media Officer).

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Fourth Special Report

The Committee published its Second Report of Session 2013-2014 *The impact of changes to housing benefit in Wales* on 17 October 2013. The government response was received by the Committee on 6 January 2014 and is published as an Appendix to this Special Report.

Appendix: Government Response

The Government welcomes this report by the House of Commons Welsh Affairs Committee (Second Report of Session 2013-14) into the impact in Wales of housing benefit changes.

The Government believes strongly that it was necessary to reform housing benefit. The cost to tax payers increased by nearly fifty per cent in real terms under the previous Government, reaching £24 billion a year by 2012-13. Left unreformed, it would have cost over £26 billion a year by 2014-15. Currently, over 250,000 people living in Wales receive housing benefit at a cost of £1.1 billion per annum (2011-12 figures).

The Committee's report focuses on two main areas of reform: the removal of the spare room subsidy for social sector tenants; and the direct payment of housing costs to recipients of Universal Credit.

Removal of the spare room subsidy

The removal of the spare room subsidy is expected to reduce overall expenditure on housing benefit by almost £500 million a year. Expenditure in Wales will be reduced by around £30 million a year.

The Government is aware that historically Wales has had a high rate of housing benefit dependency, and we agree it is vital that mitigating support is used effectively.

The average reduction in benefit for each claimant in Wales will be lower, at £12 a week, than the national average of £14 a week. A high proportion of working age recipients of housing benefit who live in the social rented sector in Wales are under-occupying: 46% as against 31% for Great Britain as a whole. In light of this, the Government has provided Welsh local authorities an extra £2.6 million this year in discretionary housing payments specifically to support claimants affected by the policy. This means that Wales will receive a greater share of the total funding than its share of affected claimants. In addition, should Welsh local authorities need more funding, they can apply for funds from the £20 million reserve fund the Government has set up.

Discretionary Housing Payments provide only one means of mitigating the impact of welfare reform. There is a range of other options including: moving to a smaller property; moving to the private sector; taking up employment; and taking in a lodger. The Government recognises that not all of these options will be available to all tenants and that addressing the shortage in the supply of smaller social sector properties by the Welsh

Government will take time. Nonetheless, if all options are explored and utilised effectively, they have the potential to ameliorate any negative impacts of the policy significantly.

Direct payment of housing costs

Universal Credit will amalgamate six existing benefits, including housing benefit, into one monthly payment. Claimants will be expected to manage their own finances, including payment of their rent. This will result in improvements in financial capability which will make the transition to work easier and reduce the risk of failure and subsequent re-cycling back to benefits.

While the Government expects that the large majority of Universal Credit recipients will be capable of managing their rent payments, we recognise that some will experience difficulties. Those judged at the beginning of their claim to be at risk of mismanagement will have their rent paid direct to their landlord from the outset. Those who run up arrears equivalent to more than two months rent will also be switched to payment to the landlord if this is requested. In this way we will protect both tenants and social landlords.

Universal Credit will be rolled out in a controlled manner which will allow specific aspects of scheme to be observed and, where necessary, adapted. The Direct Payment Demonstration Project in Torfaen forms part of the national pilots; findings from this project are being used to help inform the future roll-out of national policy.

Recommendations

Under-occupancy

The Department for Work and Pensions must closely monitor whether local authorities are struggling to find alternative smaller accommodation for tenants who wish to downsize. If this is so, we urge the Government to undertake a speedy review of this policy.

The Government accepts the need to monitor the ability of tenants to downsize. However, local authorities have a clear responsibility to address the current imbalance in the social housing stock. Most social landlords have a mixture of different sized properties within their stock. They will inevitably have overcrowded households living in smaller properties, people in temporary accommodation and families on the housing waiting list. All of this creates pressure on the housing stock that can be ameliorated through more under-occupied households moving.

The evaluation and monitoring of the policy will include the impact of this measure on housing supply, subject to receiving the relevant information from the Welsh Government and Welsh local authorities, and we will consider any findings very carefully.

The Department for Work and Pensions must closely monitor whether the movement of tenants to smaller accommodation in the private rented sector leads to long-term savings in housing benefit expenditure. (Paragraph 34)

The Government accepts this recommendation.

However, it should be noted that where a claimant moves into a private rented sector property which is more expensive this does not lead necessarily to a net increase in public expenditure. The accommodation freed up by the move may well go to a larger family currently living in the private rented sector or in expensive temporary accommodation. Therefore what may initially appear to be an increase in expenditure may save money as the effects ripple outwards.

Of course, this would not be the result in every case but there is no evidence at present to suggest an overall cost to the taxpayer.

In addition, the policy may encourage more claimants to move into work or to let out spare rooms. This too would help to reduce expenditure on Housing Benefit.

We recommend that local authorities consider the use of a system of cash incentives for people over 60, who have not been affected by the under-occupancy policy, to encourage voluntary downsizing. (Paragraph 35)

The Government would support any such initiative by local authorities that provides incentives for tenants to move to more suitable accommodation. Indeed, some social landlords are already offering such schemes.

The Department for Work and Pensions should work with the Department for Communities and Local Government and local authorities to collect information on and monitor rental costs in the private rental market in Wales following the introduction of the policy. (Paragraph 37)

The Government accepts this recommendation. We will continue to work closely with local authorities, the Devolved Administrations and the Department for Communities and Local Government to collect information on and monitor rental costs in the private rental market.

We encourage housing associations and social landlords in Wales to undertake a comprehensive survey of their estates in order to ascertain whether there are a significant number of very small rooms currently classified as bedrooms. (Paragraph 41)

The Government does not take a view on this recommendation as it is directed at landlords in Wales. It is the responsibility of landlords to determine whether a room is to be designated as a bedroom and that determination forms part of the contractual agreement with the tenant.

We recommend that the Government issue discretionary guidance on the appropriate size of bedrooms in social rented sector accommodation. (Paragraph 42)

The Department issued guidance to local authorities in September 2013. We do not define the appropriate size of a bedroom in Housing Benefit legislation. It remains the responsibility of landlords to decide what constitutes a bedroom and charge rent accordingly.

The Courts recently found in favour of the Department in a number of Judicial Reviews related to the removal of the spare room subsidy, one of which was a shared care case. These decisions have been appealed and will be heard in January 2014.

We recommend that the Government assess the impact of the policy on separated families, and closely look at the impact on children affected by such arrangements. (Paragraph 44)

As part of the independent monitoring and evaluation, the Department will examine the effects of the policy on family life. However, it is a standard feature of the social security system that we do not make double provision.

Despite a significant increase in the level of Discretionary Housing Payment support available to local authorities across Wales, we recommend that the Department for Work and Pensions monitors the impact of the policy on local authority costs and on disabled tenants with adapted properties very closely to determine whether there is a case for exempting them from the policy. (Paragraph 48)

Reporting measures were introduced this year to monitor how Discretionary Housing Payments are supporting people affected by the welfare reforms. One of the areas that local authorities have been asked to report on is the number of awards that have been made to help with on-going rental costs for disabled people in adapted accommodation.

We understand the arguments that have been made for exempting certain categories of claimants from the reforms. However, we do not believe that a blanket exemption, which would take no account of the extent or costs of any adaptations, is the most effective or affordable approach.

We recommend that the Department for Work and Pensions carries out robust monitoring of the demand for DHP funding by social housing tenants affected by the under-occupancy policy, and monitors how local authorities are choosing to use this fund. This will help identify any particular shortfalls. (Paragraph 56)

The new reporting measures introduced this year will monitor how Discretionary Housing Payments are supporting people affected by the welfare reforms.

In light of the impact of our reforms on people living in Wales we have increased Discretionary Housing Payments contribution to Welsh local authorities from £2.8 million in 2012/13 to over £7 million this year. We are monitoring demand for Discretionary Housing Payments closely and have set aside a £20 million reserve fund to help where demand is particularly high. Local authorities have until February 2014 to apply for this additional funding.

We call on the Government to clarify at the earliest opportunity the support that will be available to tenants through the Discretionary Housing Payments scheme after 2014–2015. (Paragraph 57)

The Government has increased the Discretionary Housing Payment funding, which until April 2011 was £20 million per year, to £180 million this year. At the Autumn Statement we announced an additional £40 million funding in both 2014/15 and 2015/16 to ensure that the support available to people affected by the removal of the spare room subsidy will

not be reduced for the next two years. We will announce further details of the local authority allocations early in the new year. Discretionary Housing Payments are primarily intended to provide short-term assistance whilst people consider their options, but the additional funding will allow local authorities to provide longer term awards where appropriate, such as where a property has been significantly adapted to meet a disabled person's needs.

Managed payment of rent in Universal Credit

Prior to the nationwide introduction of Universal Credit in October 2013, we recommend that the Government provide for housing benefit to be paid direct to the landlords in certain circumstances, for example after a specified period of non payment. (Paragraph 72)

It is standard practice for local authorities to pay the housing benefit of claimants living in the social rented sector direct to landlords. For those in the private rented sector, benefit may be paid direct to the landlord if the tenant accumulates eight weeks' rent arrears.

We recommend that DWP work with the Welsh Government to monitor the impact of the move to direct payments on housing associations. (Paragraph 73)

DWP is testing direct payments of housing benefit to social sector tenants in six demonstration projects in the UK, with an emphasis on continued learning and feedback into Universal Credit design.

Torfaen Council with Charter Housing and Bron Afon Housing Association form the Welsh Demonstration Project. The Centre for Regional and Economic Social Research (CRESR) is providing the independent evaluation of the projects.

The Welsh Government is a member of DWP's Direct Payment Advisory Group and the Landlords' Learning Network, with whom the learning and evaluation are shared.

Monitoring the effects of welfare reform

We recommend that the Department for Work and Pensions continue to assess the cumulative costs borne by local authorities and social landlords as a result of the changes to housing benefit, including the under-occupancy policy and the introduction of direct payments under Universal Credit. (Paragraph 74)

The Department will continue to monitor any financial implications of the reforms on local authorities in accordance with its commitments under the New Burdens Doctrine, subject to receiving the relevant information from the Welsh Government and Welsh local authorities.¹

Direct payment of Universal Credit

We recommend that the Government provide a definition of "vulnerable" tenants for the purpose of direct payment of housing benefit under Universal Credit. (Paragraph 79)

¹ <https://www.gov.uk/government/publications/new-burdens-doctrine-guidance-for-government-departments>

We do not intend to provide a definition of ‘vulnerable’ as decisions about alternative payment arrangements should be based on individual circumstances. Any attempt to put a rigid definition in place may run the risk of being discriminatory. The decision to offer a claimant an alternative payment arrangement will be made by a DWP decision maker.

We will take into account a range of factors to help us identify a claimant’s needs, including:

- Drug, alcohol or other addiction problems
- Learning difficulties or mental health conditions
- Temporary or Supported accommodation
- Homelessness
- Severe debt problems
- Domestic violence

This list is not exhaustive.

Monitoring the effects of welfare reform

The Government should conduct an on-going assessment of the impact of changes to housing benefit on vulnerable tenants, with particular regard to mental health impacts. (Paragraph 80)

The Government will monitor and evaluate carefully the effect of the changes on vulnerable tenants subject to receiving the relevant information from the Welsh Government and local authorities. This will include an assessment of the impact on those with mental health problems.

Universal Credit and digital inclusion

In its response to this Report, we ask the Government to set out how it will support tenants with little or no IT skills when they apply for Universal Credit. (Paragraph 85)

Universal Credit provides a real opportunity to tackle digital exclusion, and give claimants greater control over managing their claim. Unlike the current benefits system, UC can be claimed from anywhere that has internet access. This opens up a range of possibilities for how services can support users in making and managing a claim. However, DWP recognises that some claimants will need extra support in order to access UC, and for some claimants, making an online claim and digital access will be a challenge.

The UC Local Support Services Framework, published in February 2013, provides a structure for the delivery of local support services to individuals needing additional help with the new demands of UC. This includes sign-posting claimants who are unable to access, and/or who may need help using IT, to locally available access and support provision.²

² See ‘Local Authority Led Pilots: A summary of early learning from the pilots,’ July 2013
<https://www.gov.uk/government/publications/local-authority-led-pilots-a-summary-of-early-learning-from-the-pilots>

As part of the roll-out of UC from October 2013, DWP will provide improved access to digital services across Jobcentre Plus, with 6000 new computers installed across the country, embedding digital technology and ensuring that jobseekers become used to online transactions.

Claimants who need support to transact online will be able to receive this over the telephone or through local support provision. The Department will continue to provide a service through telephone and face to face where a need exists.

The Department for Work and Pensions, the Department for Communities and Local Government, the Scottish government and the Welsh government are jointly supporting the 'Digital Deal' initiative. Digital Deal trials and shares ways of encouraging social housing tenants to get online. Registered social landlords were invited to submit match-funded bids for pilot projects.

The Department for Work and Pensions is contributing £300,000 alongside other public partners, with a total fund size of £400,000. This funding is for a one-off round. We are funding around 12 pilot projects from the challenge fund. The successful bids include a diverse range of projects such as community volunteer support and expert mentors, along with technological solutions such as mobile internet wi-fi clouds, converting TVs into internet devices and recycled IT equipment.³

The UK Government has also provided almost £57 million to the Welsh Government in order to ensure that broadband access is available to homes in the hardest to reach parts of Wales, thereby improving access for customers to claim online.

³ <https://www.gov.uk/government/news/digital-deal-12-projects-to-help-social-tenants-get-online>

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