



**Report to Safer and Stronger
Communities Scrutiny & Policy
Development Committee
26 March 2015**

Report of: Director of Policy, Performance and Communications

Subject: The impact of welfare reform on Sheffield's residents –
update March 2015

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Summary:

Since July 2013 the Safer and Stronger Communities Scrutiny & Policy Development Committee has been receiving regular reports regarding the impact of welfare reform and how the Council and others are responding. This report provides the update for March 2015.

Type of item:

Reviewing of existing policy	
Informing the development of new policy	
Statutory consultation	
Performance / budget monitoring report	
Cabinet request for scrutiny	
Full Council request for scrutiny	
Community Assembly request for scrutiny	
Call-in of Cabinet decision	
Briefing paper for the Scrutiny Committee	
Other	X

The Safer and Stronger Communities Scrutiny & Policy Development Committee is asked to:

- i. note the contents of the report and the progress made on understanding the impact of welfare reform on Sheffield's residents;
 - ii. provide views or comments on the Council's approach in responding to the welfare reform agenda; and
 - iii. give consideration to the future information the Committee wishes to receive on welfare reform. In light of the fact that changes implemented in 2013 have now become 'business as usual' for the Council, it is recommended that future reports focus on new developments, including the two benefits changes which are due to gather significant momentum in Sheffield over the next 12 months – Universal Credit and Personal Independence Payments.
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Background Papers:

- The impact of welfare reform on Sheffield's residents – update January 2014, Report to the Safer and Stronger Communities Scrutiny & Policy Development Committee, Nicola Rees, January 2014
- The impact of welfare reform on communities and households in Sheffield, Christina Beatty and Steve Fothergill, Centre for Regional Economic and Social Research, Sheffield Hallam University, November 2014
- The impact of welfare reform on Sheffield's residents – update July 2014, Report to the Safer and Stronger Communities Scrutiny & Policy Development Committee, Nicola Rees, July 2014
- Independent review of the operation of Jobseeker's Allowance sanctions validated by the Jobseekers Act 2013, Matthew Oakley, July 2014
- Touchbase, February 2015, Department for Work and Pensions
- Food for thought, an insight into why young people in England access foodbanks, YMCA, November 2014
- Below the breadline, the relentless rise of food poverty in Britain, Niall Cooper, Sarah Purcell and Ruth Jackson, June 2014
- Emergency use only: understanding and reducing the use of food banks in the UK, Jane Perry, Martin Williams, Tom Sefton, Moussa Haddad, November 2014

1 Introduction

- 1.1 At the present time the UK is seeing the biggest change to the benefits system in 60 years. Several of the most significant changes were introduced on 1 April 2013.
- 1.2 Since July 2013 the Safer and Stronger Communities Scrutiny & Policy Development Committee has been receiving regular reports regarding the impact of welfare reform and how the Council and others are responding. This report provides the update for March 2015.
- 1.3 As a reminder, the welfare reform report of 30 January 2014 provides a summary of the key changes to the benefits system and their timescales for implementation. That report can be found on the [Council's website](#)¹.
- 1.4 This report covers the following areas:
- Section 2 **Latest information**
Under-Occupancy ('Bedroom Tax')
Council Tax Support
Household Benefit Cap
Universal Credit
Personal Independent Payment
 - Section 3 **Understanding how people are being affected by welfare reform**
The experience of the advice sector
DWP response to research on benefit sanctions
The cumulative impact of welfare reform in Sheffield
The health and wellbeing consequences of welfare reform
Correlation between sanctions and food bank usage
 - Section 4 **Update on hardship schemes**
Council Tax Hardship Scheme
Discretionary Housing Payments
Local Assistance Scheme
Housing and Neighbourhood Service Hardship Fund
Business case for combining discretionary schemes
 - Section 5 **Conclusions**
 - Section 6 **Recommendations**

2 Latest Information

2.1.1 Under-occupancy ('Bedroom Tax')

In April 2013 the Government reduced the amount of Housing Benefit (HB) for working age Council or Housing Association tenants living in homes that are classed as too big for them. Tenants deemed to have one bedroom too many have lost 14% or more of their HB. Tenants deemed to have two or more bedrooms too many have lost 25% or more of their HB.

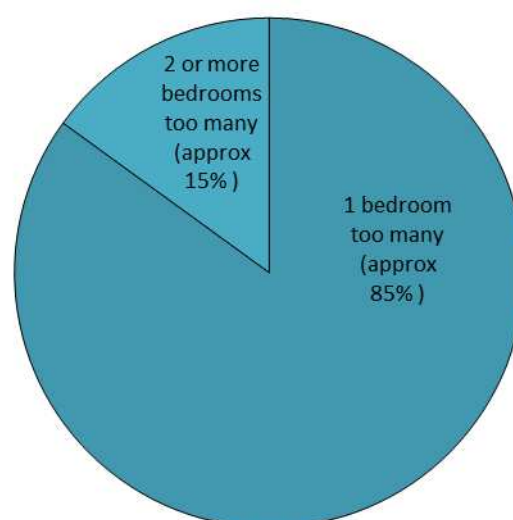
2.1.2 The number of people affected by Under-occupancy is continually fluctuating, due to tenants' ongoing changing circumstances. Therefore, while the information provided below offers some insight into the impact of Under-occupancy on Sheffield residents, it should be noted that this is a moving picture.

2.1.3 At the end of February 2015 there were 3878 council tenants affected by Under-occupancy. This compares to 5130 council tenants who were affected by Under-occupancy when it was first introduced in April 2013. A breakdown of Under-occupancy by ward is provided in Appendix A.

Of those:

- approximately 85% were assessed as having 1 bedroom 'too many', losing an average of £10.84 per week; and
- approximately 15% were assessed as having 2 or more bedrooms 'too many', losing an average of £21.02 per week.

Under-occupancy: Government assessment of number of bedrooms 'too many' (of 3878 council tenants)



2.1.4 Of the 3878 tenants affected by Under-occupancy, at the end of February 2015:

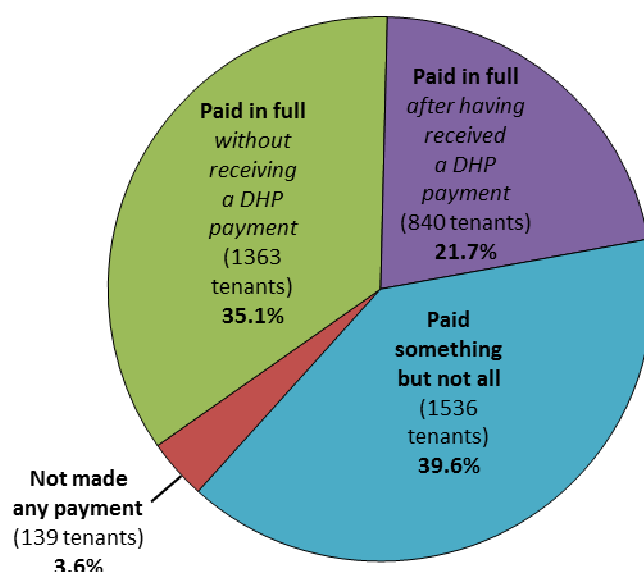
- 139 (3.6%) had not made any payment towards the Under-occupancy cut in their benefit;
- 2203 (56.8%) had paid in full; and
- 1536 (39.6%) had paid something but not all.

2.1.5 Of those tenants who had paid the full amount of the Under-occupancy cut in their benefit, 840 had received a Discretionary Housing Payment (DHP). Therefore, of the 3878 tenants affected by Under-occupancy, only 1363 (35.1%) had paid in full towards the Under-occupancy cut in their benefit *without receiving a DHP*.

2.1.6 The DHP scheme is in place to help with housing costs. In order to be eligible, applicants must already be in receipt of Housing Benefit. The amount of DHP awarded depends on individual circumstances and applicants must be able to demonstrate that they are suffering from severe financial hardship due to a shortfall in their benefits. When considering DHP applications support is prioritised for those who are least able to improve their financial situation.

2.1.7 In some cases the amount of DHP awarded to council tenants will have made up for the full amount of the Under-occupancy cut in their benefit; in other cases it will not. It should be noted that a DHP award is intended as a short-term measure to alleviate poverty or difficult circumstances and is not designed to be relied upon in the long term. Information on DHP spend is provided in section 4 of this report.

Payment towards under-occupancy cut in benefit



2.1.8 Since April 2014, 137 Sheffield council tenants have been awarded a rehousing priority to move to a smaller property. If tenants are not actively bidding the priority can be cancelled after 6 months but can be reinstated if the tenant then starts bidding.

2.1.9 Of the tenants awarded a priority:

- 108 tenants have stated this is due to the impact of welfare reform;
- 77 tenants have had agreement to move, despite them having rent arrears that would normally have stopped them from being rehoused;
- 84 tenants have been re-housed into smaller council properties; and
- 8 tenants have been re-housed into smaller Housing Association properties.

2.2.1 **Impact on rent arrears**

For council tenants in Sheffield, the potential impact on rent arrears caused by all the changes is currently estimated to be an increase from £10.4 million at the end of 13/14 to £29.2 million by 2019/20.

2.2.2 Recent information from the limited roll out of Universal Credit in the North West of England supports this analysis. This analysis will be tested on a regular basis as more information is released by the DWP and other information becomes available.

2.2.3 Rent arrears of Sheffield council tenants at the end of 2013/14 compared favorably with local benchmarking partners, ranking first amongst Northern benchmarking partners. Of the benchmarking organisations providing performance data for the end of 2013/14, Sheffield showed the highest percentage of current arrears rent collected.

2.2.4 Performance through 2014/15 has remained positive, as current arrears levels remain below projected targets. At the end of Quarter 3 current arrears were £5,223,268, against a profiled target of £5,534,290.

2.2.5 The impact on rent arrears from Under-occupation has remained high during 2014/15. However, the Housing and Neighbourhood Service has taken every opportunity to help tenants claim Discretionary Housing Payments. These payments have offset arrears and minimised the impact.

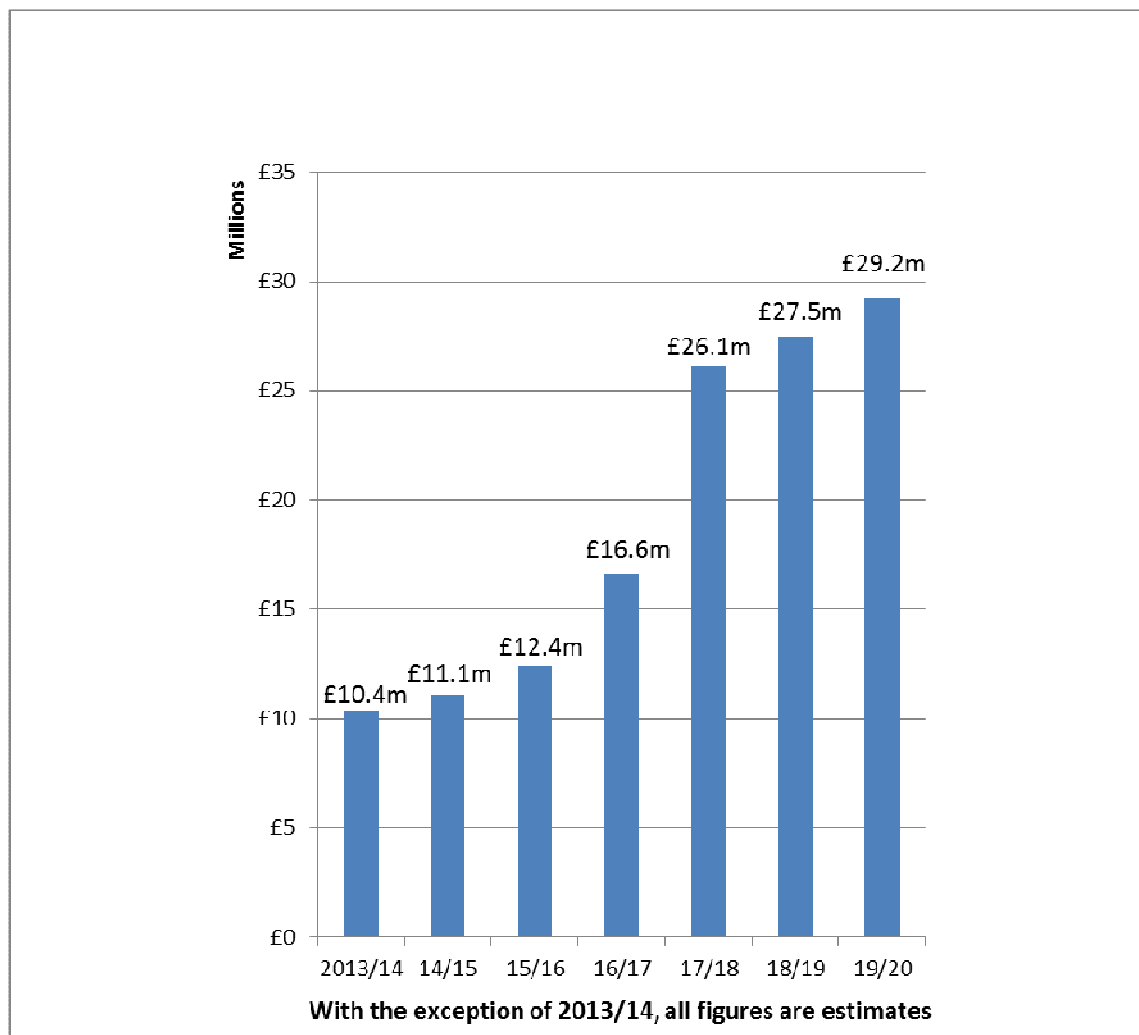
2.2.6 Housing and Neighbourhood Service has found tenants' ability to pay their rent has declined as the welfare reform agenda takes hold. In particular Housing and Neighbourhood Service staff who are dealing with rent arrears cases consider the following issues to present significant financial challenges for council tenants:

- changes to benefits, including the Under-occupancy charge and the Council Tax Support Scheme;
- the current economic climate, which for this customer group remains very difficult;

- the volume of tenants who are in work and are on zero-hours contracts; and
- sanctions being applied to tenants on benefits.

2.2.7 The need to provide greater advice to tenants who are currently claiming housing benefits and more support on all aspects of financial capability is contributing to an increased workload for Housing and Neighbourhood Service staff.

Estimated impact of welfare reform on rent arrears



2.3.1 Housing and Neighbourhood Service response to welfare reform

In response to the welfare reform agenda, the Housing and Neighbourhood Service has undertaken a great deal of activity.

2.3.2 In 2013 the Housing and Neighbourhood Service recruited additional staff to manage the impact of Under-occupation. This team was initially engaged in visiting tenants and it has carried out over 10,000 attempted visits to tenants affected by Under-occupancy or the Household Benefit Cap. The team has successfully gained contact with over 3800 tenants.

2.3.3 Those tenants who are familiar with Under-occupancy are now directed to surgeries which take place in local housing offices and local First Points. Tenants can make a prearranged appointment or just drop in to obtain advice and support on benefits changes. To date over 1300 tenants have accessed this service, and this is ensuring that the Housing and Neighbourhood Service works more effectively and sees more tenants.

2.3.4 Housing Officers are still carrying out home visits to vulnerable tenants and those who are unable to attend surgeries.

2.3.5 To date 45 tenants have been provided with Sheffield Credit Union Budgeting Accounts (SCUBAs). These are a tool to assist tenants who struggle to budget effectively and the accounts help tenants to pay their rent and other creditors on time. These 45 tenants would otherwise have had difficulty making regular rent payments and were at risk of falling into debt.

2.3.6 Work will continue to progress cases where tenants have requested to downsize. A £20,000 fund has been identified to provide a "man & van" service to help tenants physically move if they are downsizing and suffering hardship. This fund is being used in conjunction with the Supported Housing service to ensure efficiencies and value for money, as this service already operates a homemaker service.

2.3.7 The Housing and Neighbourhood Service has been working with the voluntary sector to support council tenants who need personal budgeting support and support with digital inclusion since 2013. These are both essential elements of support as part of the future roll out of Universal Credit.

2.3.8 The Housing and Neighbourhood Service was involved in a Big Lottery funded project which involved providing financial support to tenants. Through this project tenants who are in need of personal budgeting support can be referred to the 'Improving Financial Capability' service. This one-to-one service helps tenants to better manage their finances.

2.3.9 The Housing and Neighbourhood Service has also worked closely with Heeley Development Trust, referring tenants to the 'Sheffield Online Project'. This project delivers free, accessible IT sessions across Sheffield, teaching local people how to use IT and how to access the internet.

2.3.10 When the Benefit Cap was first introduced, officers from the Housing and Neighbourhood Service were involved in a programme of joint visits to affected households, with colleagues from Job Centre Plus. The Housing and Neighbourhood Service regularly receives updates about households who are affected by the Benefit Cap. Officers are then able to identify newly capped cases from the information provided, and visit or make contact with council tenants to offer help and advice. This proactive work has ensured that tenants who are subject to the Benefit Cap have been able to sustain their tenancies.

2.4.1 Tenants in other social housing

There are approximately a further 2,000 tenants in Sheffield affected by Under-occupancy who are living in other social housing.

2.4.2 Housing Associations (HAs) in the city have done a lot of work in terms of profiling their households to see who needs extra support. Support has included stepping up debts and benefits advice work, supporting tenants to make DHP applications, as well as various policy and practical measures put in place to facilitate transfers and moving.

2.4.3 The Council continues to engage with Housing Associations through the Social Landlords Relationship Team. There is a regular discussion between the Council and HAs about welfare reform, which includes sharing information about impacts on tenants.

2.5.1 Council Tax Support

From April 2013 the Government replaced Council Tax Benefit with a local scheme of Council Tax Support (CTS) run by individual local authorities. The fund available to local authorities to provide the new scheme included a significant cut, when compared to the money available to provide Council Tax Benefit. As pensioners have been protected from the changes to Council Tax Benefit, working age taxpayers have been forced to share the burden of the reduction in funds available.

2.5.2 Since April 2013 working age Council Tax Support (CTS) customers in Sheffield have had to pay at least 23% of their Council Tax. At the end of February 2015 there were around 31,500 people of working age in Sheffield receiving CTS. This compares to around 33,000 working age customers who were in receipt of CTS at the end of February 2014.

2.5.3 A review of the Council Tax Support Scheme was undertaken during 2013/14, which resulted in a decision to continue with the original scheme of 23% during 2014/15. Furthermore the decision has now been taken to continue with the same CTS scheme for 2015/16

2.6.1 Council Tax arrears

At the end of February 2015 16,767 summonses had been issued to CTS customers since April 2014. At the same point in the last financial year (between April 2013 and the end of February 2014), there had been 19,836 summonses issued to CTS customers.

2.6.2 At the end of February 2015, the value of summonsed debt for CTS customers during 14/15 was £4.9m. At the same point in the last financial year (at the end of February 2014) the summonsed debt during 13/14 was £5.3m.

2.6.3 The Council remains committed to doing everything in its power to recover arrears that are owed. In doing so the Council will continue to adopt a firm but fair approach to recovery, taking robust action against those who simply refuse to pay, whilst taking a more sympathetic approach to those who are genuinely struggling to pay. In practice this means that realistic repayment arrangements will be made with those who are struggling to pay and this may mean that the debt is not always cleared at the end of the financial year.

2.6.4 However, in doing this, the Council must follow the collection and recovery rules as set by Central Government, and the Council is unable to introduce alternative processes for collection or recovery outside of those established in law.

2.6.5 Following the issuing of a summons, the Council will seek a Liability Order from the Court. Once a Liability Order is obtained, the Council can then take further recovery action if non-payment persists. The actions the Council can take include:

- deducting money from benefits;
- deducting money from earnings;
- instructing an External Collection Agency (bailiff) to collect the debt;
- placing a Charging Order on property owned by the taxpayer;
- issuing Bankruptcy proceedings; and
- committal to prison.

2.6.6 The Council pursues all of these actions, to a greater or lesser extent, in order to recover sums owed. The action taken will depend on the individual circumstances of the debtor and actions such as committal to prison, issuing bankruptcy proceedings and obtaining charging orders are taken where the Council feels that there is no alternative.

2.7.1 **Household Benefit Cap**

From August 2013 a cap began to be introduced on the total amount of benefit a single person or family can receive. This benefit change affects the working age population only. The cap is £500 a week for a family, and £350 a week for a single person. The Household Benefit Cap does not apply where the claimant, their partner or any children receive some specific benefits, including disability benefits.

2.7.2 The Benefit Cap has initially been applied to a customer's Housing Benefit (HB). Once this has taken place, if the income of the household is still above the level of the cap (£500 per week for a family, £350 per week for a single person) the customer will continue to receive the "excess" income until they migrate to Universal Credit, at which point the income will reduce to the level of the cap.

2.7.3 There are currently 123 households in Sheffield who are affected by the Benefit Cap. This is a reduction from 170 households in January 2014.

2.7.4 The average reduction in Housing Benefit is £45.74 per week, with the highest reduction being £145.38 per week, and the lowest £0.35. The total annual loss in Housing Benefit in Sheffield is £292,544.71.

2.7.5 There are approximately 640 children currently living in households which are affected by the Benefit Cap.

2.8.1 **Universal Credit**

Universal Credit (UC) is a new benefit which will affect all people of working age who are currently receiving any of the following:

- Income Support
- Income-based JSA
- income-related ESA
- Housing Benefit
- Child Tax Credit
- Working Tax Credit

2.8.2 These benefits will be replaced by one single monthly payment which will be paid in arrears, to a single person in each household.

2.8.3 The Department for Work and Pensions (DWP) began the national expansion of Universal Credit to remaining areas across the UK in February 2015. This followed the roll out of some aspects of Universal Credit in the north-west of England during 2014.

2.8.4 DWP announced in February 2015 that Sheffield would be included in tranche four of the national roll out. This means that UC will begin to be introduced in Sheffield between December 2015 and April 2016. At this time UC will roll out only to new claims from single people, who would otherwise have been eligible for Jobseeker's Allowance, including those with existing Housing Benefit and Working Tax Credit claims.

- 2.8.5 An initial meeting has been set up between the Housing and Neighbourhood Service, Customer Services, the Revenues and Benefits Service and the Department for Work and Pensions to look at plans for the roll out. This will take place at the end of March 2015.
- 2.8.6 Moving to UC is designed to simplify the working age benefits system, and is not intended to reduce the overall amount of benefit paid (although cuts either have been or will be applied to many of the benefits that will make up UC).
- 2.8.7 However, UC is likely to cause difficulties for some residents, who will need to make arrangements to pay their own housing costs, where previously these payments would have been paid directly to their landlord. Universal Credit also includes moving towards online claiming of the benefit, which will have significant implications for many households who do not currently have access to the internet.
- 2.8.8 The Council has particular concerns about the ability of vulnerable people, for example those with learning disabilities and mental health issues, to transition successfully to UC.
- 2.8.9 The Council's Universal Credit Project Group is leading the Council's activity to enable the Council and its customers to prepare for the introduction of UC. This Group is now chaired by Maxine Stavrianakos, Head of Neighbourhood Intervention & Tenant Support.
- 2.8.10 Partnership working is taking place between the Department for Work and Pensions and Sheffield City Council's Housing and Neighbourhood Service, Customer Services and Revenues and Benefits Service to provide staff across both organisations with an increased awareness of the work of other teams in supporting customers who will receive Universal Credit.
- 2.8.11 Work is also taking place to scope the opportunities for a joined up service at local Job Centre Plus offices, which would provide advice on benefits, welfare reforms and looking for employment.
- 2.8.12 The Council is building relationships with other social landlords who are in earlier phases of UC roll out than Sheffield. This will enable Sheffield to learn from the experience of other authorities and develop action plans. Specifically, the Housing and Neighbourhood Service is meeting with other housing services across South Yorkshire and North East Derbyshire. Two local authorities within these geographical areas - Chesterfield Borough Council and Barnsley Metropolitan Borough Council - will be going live with UC in tranche one (February 2015 - April 2015).
- 2.8.13 The UC Project Group will also co-ordinate the Council's communications activity on Universal Credit. The Housing and Neighbourhood Service has already started to get messages out about UC to council tenants through a variety of media. This has focussed on encouraging tenants to find out how they can help themselves and access support. Recently

flyers have been sent to 40,000 council tenants (at low cost, enclosed with an existing mail out) offering information, advice and support on:

- digital inclusion/internet training via Heeley Development Trust;
- Sheffield Credit Union (SCU) and SCU budgeting accounts;
- welfare reform;
- the Illegal Money Lending Team; and
- downsizing open days.

2.8.14 The UC Project Group is seeking early learning opportunities from colleagues in other local authorities, in order to develop a communications plan which will raise awareness and understanding of Universal Credit amongst tenants across tenures, including private sector tenants.

2.9.1 **Personal Independence Payment**

A new benefit, Personal Independence Payment (PIP), was introduced in Sheffield in June 2013. All new claims from 16-64 year olds, which would previously have been for Disability Living Allowance (DLA) are now for PIP.

2.9.2 Replacement of DLA by PIP includes more stringent and more frequent medical tests. The budget has been cut nationally by just over £1bn per year (a 20% budget cut) and the focus of PIP is to be on people with the most severe disabilities. It will therefore be harder to qualify for PIP than it would have been to qualify for DLA.

2.9.3 In February 2015 DWP started inviting the following current DLA recipients in Sheffield to claim PIP:

- those with fixed period DLA awards;
- young people turning 16;
- those where there is a report of a change in the DLA claimant's health condition or disability; and
- existing DLA claimants aged 16-64 who wish to make a PIP claim.

2.9.4 From October 2015, all the remaining claimants in receipt of a DLA award will be invited to make a claim for PIP. DWP will randomly select DLA claimants in receipt of an indefinite award or a fixed term award, and notify them about what they need to do to claim PIP. DWP will invite claims as early as possible from recipients who have turned 65 after 8 April 2013. It is the Government's intention that by late 2017 all existing DLA claimants will have been invited to claim PIP.

2.9.5 It is estimated that 9000 households in Sheffield will be affected by these changes and it is estimated that the financial loss to Sheffield resulting from these changes will be £14m per yearⁱⁱ.

2.9.6 Work is continuing within the Council to prepare for the migration of existing DLA claimants to PIP, including trying to understand the potential impacts on the Council's own budgets. We anticipate that as people

move from DLA to PIP, the higher access thresholds for PIP may result in increased demand for social care services.

- 2.9.7 Sheffield Citizens Advice (SCA) reports that PIP has resulted in significant administrative delays for claimants in Sheffield. SCA reports that first time claimants of PIP in Sheffield have typically had to wait 7-13 months to have their claims determined (approximately 2-4 times longer than under the DLA system).
- 2.9.8 SCA reports that analysis of enquiries between October 2013 and October 2014 (from 1260 unique clients) shows administrative bottlenecks at several points in the system, including:
- delays in setting up medical assessments that have been outsourced to ATOS Healthcare in Sheffield, with these assessments taking 3-6 months, instead of 6 weeks;
 - poor availability of assessment venues – there are only two venues in Sheffield and some people have been required to travel outside the city or face further delays; and
 - further delays where people with deteriorating conditions need to request enhanced awards.

3 Understanding how people in Sheffield are being affected by welfare reform

3.1.1 The experience of the advice sector

The advice sector continues to be significantly affected by the welfare reform programme. Demand for services remains intense. In the first year of operation - October 2013 to September 2014 - Sheffield Citizens Advice (SCA) dealt with 20,000 unique clients. In the quarter October to December 2014 there was a 15% increase in clients on the same quarter in the previous year.

3.1.2 75% of issues dealt with by SCA are benefit or debt related; continuing themes are the disproportionate difficulties experienced by vulnerable people, including people with people with physical and learning disabilities and those with long term health problems, including mental illness.

3.1.3 The advice sector continues to make regular referrals to food banks to support clients' immediate needs, often as a result of sanctions or benefit delays.

3.1.4 SCA report continuing problems with JSA and ESA Sanctions, as outlined in the previous Scrutiny report. SCA will continue to monitor and contribute to further research on this issue.

3.1.5 SCA report that increased restrictions on benefits claims from EU Migrant workers is leading to hardship for some people; this is a new aspect of welfare reform. SCA states that it is now being contacted regularly by people who have settled in the country and have been in employment for several years, before a change of circumstances e.g. accident or illness

leaves them needing welfare support. SCA report that the new rules are complex to understand and inconsistently applied by the DWP, leaving some families in severe hardship.

3.2.1 **Department for Work and Pensions commissioned research on benefit sanctions – update on improvements since the review**

The previous report on welfare reform which was considered by the Safer and Stronger Communities Scrutiny and Policy Development Committee in July 2014 included informationⁱⁱⁱ about the [‘Independent review of the operation of Jobseeker’s Allowance sanctions validated by the Jobseekers Act 2013’](#)^{iv}, which was commissioned by the Department for Work and Pensions and published on 22 July 2014.

3.2.2 The independent review which was carried out by Matthew Oakley, considered benefit sanctions for claimants of Jobseeker’s Allowance (JSA) who had been sanctioned after being referred to a mandatory back to work scheme. The review was tasked with assessing and making recommendations around how the process of benefit sanctions functions in these circumstances, and how well claimants understand the system.

3.2.3 The report, which revealed serious flaws in how sanctions were imposed, made 17 recommendations for reform.

3.2.4 DWP accepted all the recommendations and reports that it [has made some improvements since the review](#)^v, including:

- Regularly speaking to claimants and stakeholders to understand their experiences of sanctions;
- Engaging with claimants from day one, through the claimant interview and the Claimant Commitment, which informs them about sanctions;
- Making sanctions information more accessible. DWP has worked with claimants and stakeholders to develop a clear English guide to JSA sanctions which is available at [GOV.UK](#)^{vi};
- Testing options to provide easily accessible, preventative messages for claimants, for example using online videos;
- Developing an ‘Easy Read’ communications guide to sanctions and the Claimant Commitment in partnership with Mencap;
- Exploring how to encourage more people to open important letters;
- Looking at the possibility of using other communications channels such as email;
- Improving the content and design of communications to claimants to make them more engaging and motivating. A number of Universal Credit letters have already been re-designed and JSA letters are now being reviewed.

3.3.1 **The cumulative impact of welfare reform in Sheffield**

A report documenting [The Impact of Welfare Reform on Communities and Households in Sheffield](#)^{vii} was commissioned by Sheffield City Council and was published by Sheffield Hallam University in November 2014.

3.3.2 The report documents the numbers of affected households and the financial losses down to the level of electoral wards. It also quantifies the financial impact on different types of household across the city, including at ward level.

3.3.3 The estimates by ward deploy established methods, however, the estimates by type of household are entirely new. This is the first time in the context of any UK city or district that reliable and comprehensive figures have been available on the impact of welfare reform on specific groups of local residents.

3.3.4 The research shows that in Sheffield:

- some communities will see five times the level of reductions from welfare reform than others;
- just under half of the financial loss from welfare reform - around £75m a year - will fall on working households;
- couples with children will lose an average of nearly £1,700 a year;
- lone parents will lose an average of over £2,000 a year; and
- adults with health problems or disabilities will be affected by welfare reform significantly more than the rest of the population.

3.3.5 Overall, it is estimated that the city will lose nearly £170m a year in benefits and tax credits when welfare reforms have come to full fruition^{viii}. This is equivalent to £460 a year for every adult of working age in the city.

3.3.6 The report shows that within Sheffield, some local communities will experience greater losses due to welfare reform than others. In the most affected ward – Firth Park – the average resident of working age can expect to lose five times as much as residents in the least affected ward in the city – Broomhill.

3.3.7 Households with dependent children, and especially lone parents, face some of the largest financial losses. They often lose out from reductions in tax credits, lower entitlement to housing benefit, changes to council tax benefit and below-inflation benefit increases, including child benefit.

3.3.8 Of the total of £169m a year that Sheffield is expected to lose when the reforms have come to full fruition, some £108m – approaching two-thirds – is a financial loss faced by households with dependent children.

3.3.9 Many adults with health problems or disabilities are likely to be significantly affected by more restrictive eligibility for Employment and Support Allowance (the new incapacity benefit) and Personal

Independence Payments (the replacement for Disability Living Allowance).

3.3.10 The financial loss in Sheffield arising from DLA and incapacity benefit reform is estimated to be £56m a year – a third of the total financial loss arising from welfare reform. A large part of these welfare cuts is still in the pipeline.

3.3.11 The research will be used to help inform the Council's understanding of how it should direct its services to support the people who are most negatively impacted by welfare reform. The report will inform the Council's key strategy documents. Key messages and learning from the research have already been used as the Corporate Plan 2015-18 and the Tackling Poverty Strategy have been developed.

3.3.12 The Council has shared the research widely with partners and organisations across Sheffield to help inform future city wide planning and work.

3.4.1 **The health and wellbeing consequences of welfare reform**

Information on the impact of welfare reform on community and individual health and wellbeing is being fed back through a number of services. Services working with families and individuals report concerns that changes in benefits, delays in payment of benefits and accompanying sanctions are having a detrimental impact on vulnerable families and exacerbating levels of poverty.

3.4.2 One pertinent indicator of this impact is the use of food banks in Sheffield. Although we don't have complete data on use of food banks across the city, it is possible to look at the use of individual food banks. One example is the increase in referrals to Mount Tabor food bank at Parson Cross. Demand for the food bank has risen and has seen numbers of households provided with food parcels increase by 70% from 2013. In 2014 the food bank helped 1186 people with food parcels, with 1 in 3 of those being children. Mount Tabor food bank reports that 66% of referrals are due to benefit sanctions, benefit delays and benefit changes.

3.4.3 Other workers such as Health Trainers and Advocacy Workers report that in the clients they see, there has been an increase mental illness, such as anxiety, stress and depression. This is due to worries about debt and finance and being able to cope with basic daily living expenses.

3.4.4 The Community Wellbeing Programme is trying to address the negative impact of welfare reform by building up individual and community resilience. This is being done in a number of ways, including through:

- practical skills - for example, courses on shopping and cooking on a budget;
- reducing social isolation through group activities and events; and
- building up skills and confidence in individuals so that they feel able to volunteer, go onto further education or look for employment.

3.5.1 Links between sanctions and food bank usage

In September 2014 Lord Freud, Minister for Welfare Reform wrote to the Chair of the Safer and Stronger Communities Scrutiny & Policy Development Committee. Within the letter he asserted that ‘there is no evidence of the correlation of sanctions to food banks’. The Scrutiny Chair has requested that this report includes an update on this.

3.5.2 Food banks, by their very nature, are not part of the official welfare system. They are usually run by voluntary organisations and they generally do not have extensive systems in place to record in detail data about volumes of use and clients etc. Additionally, for each client visiting a food bank, there may be a number of reasons why this visit is necessary. Therefore, accessing unequivocal statistics across all food banks to correlate the increasing use of sanctions to growing referrals to food banks is unlikely to be possible.

3.5.3 However, that being said, there are a number of well-respected organisations within the UK asserting that increasing reliance on food banks is firmly linked to the use of sanctions. These include, but are not limited to, Child Poverty Action Group, Church of England, Oxfam GB, The Trussell Trust, Church Action on Poverty and YMCA.

3.5.4 A research report produced by YMCA England, published in November 2014, [Food for Thought, An insight into why young people in England access foodbanks](#)^{ix}, states that:

Over three quarters (76%) of YMCAs referring young people to foodbanks indicated that there had been an increase in the past year in the number of individuals they had to refer, with 40% reporting that this increase had been significant... The new sanctions regime introduced in October 2012 was singled out as the main reason behind the growth in the numbers of young people living in food poverty.

3.5.5 To provide some context to the comments cited within the Food for Thought report, official DWP statistics^x show a disproportionate number of sanctions being given to young people, with young people accounting for 56% of those sanctioned from October 2012 to December 2013^{xi}.

3.5.6 The report [Below the headline, The Relentless Rise of Food Poverty in Britain](#)^{xii}, published by Church Action on Poverty, The Trussell Trust and Oxfam in June 2014 asserts that:

Of the Trussell Trust food banks surveyed in March and April 2014, 83 percent reported that sanctions to social security have caused more people to be referred to them for emergency food in the last year.

- 3.5.7 A report published by The Child Poverty Action Group, Church of England, Oxfam GB and The Trussell Trust, in November 2014, [Emergency Use Only: Understanding and reducing the use of food banks in the UK^{xiii}](#), states:

Difficulty in navigating the benefit system was a common feature of food bank users' experiences... of those food bank users for whom additional data were collected, 20-30% said that their household's benefits had recently been stopped or reduced because of a sanction. This varied between locations: 19% in Tower Hamlets, 23% in Epsom and Ewell, and 28% in County Durham.

4 Update on hardship schemes

- 4.1 The Council administers or runs three principal schemes to help people who are suffering from financial hardship. These are the Council Tax Hardship Scheme, Discretionary Housing Payments and the Local Assistance Scheme. The Housing and Neighbourhood Service also runs a small hardship scheme for council tenants.

4.2.1 Council Tax Hardship Scheme

In 2013/14 the Council set up a £500,000 hardship fund for those who are struggling to pay their Council Tax, known as the Council Tax Hardship Scheme (CTHS).

- 4.2.2 In 2014/15 the allocated budget for CTHS was £500,000. Additionally it was agreed to carry over a £90,000 underspend from the allocated amount of CTHS from 2013/14. This £90,000 has been used during 2014/15 to pay cases with debt accrued during 2013/14.

- 4.2.3 At the end of February 2015 approximately 4200 CTHS awards had been made during 2014/15. The value of those awards was £578,023. These figures include awards made for debt accrued during 2013/14, as referred to above. Therefore the CTHS scheme for 2014/15 remains within budget.

- 4.2.4 The allocated budget for CTHS in 2015/16 is £600,000. This is due to be reviewed within the first few months of 15/16 to assess the impact of the 1.99% council tax increase on demand for the hardship scheme.

4.3.1 Discretionary Housing Payments

The Council is responsible for administering Discretionary Housing Payments (DHP), which are used to support customers with housing costs. Many of these customers are those affected by a reduction in Housing Benefit as a result of the Under-occupancy rules.

- 4.3.2 At the end of February 2015 approximately 5400 DHP awards had been made during 2014/15. The value of those awards was £964,810.

4.3.3 The Government requires the Council to record the “impact” and “reason for” awarding a DHP and has set out monitoring criteria for both categories. In terms of the impact that has driven the need for a DHP, in 85% of cases this is due to Under-occupancy (the ‘Bedroom Tax’).

4.3.4 The Government has recently announced the amount of DHP grant that the Council will receive for 2015/16. This will be £958,791, which is £82,025 less than the Council received in 2014/15 and £267,011 less than the total amount the Council received in 2013/14 (in that year the Government made additional funding available during the year).

4.4.1 **Local Assistance Scheme**

Some discretionary elements of the Department for Work and Pensions (DWP) Social Fund were abolished from April 2013, with the DWP providing funding for the Council to establish local assistance for financially disadvantaged people. Sheffield’s fund is known as the Local Assistance Scheme.

4.4.2 The total funding the Council received for the LAS fund for 2014/15 was £2,472,241.

4.4.3 Up to 31st January 2015 14,490 phone calls were answered by the dedicated LAS team.

4.4.4 Between 1 April 2014 and 28 February 2015, the Council received 5416 applications for assistance:

- 1603 applications were for loans, of which 588 (37%) were awarded; and
- 3813 applications were for grants, of which 1341 (35%) were awarded.

4.4.5 At the end of February 2015 the total amount awarded for loans was £44,690.44. The average loan award was £76.00.

4.4.6 At the end of February 2015 the total amount awarded for grants was £797,782.01. The average grant award was £594.92.

4.4.7 The loan funds continue to be recycled through an excellent recovery rate by Sheffield Credit Union. Repayments received during 2014/2015 were £36,914.62 at the end of February 2015.

4.4.8 During 2014/2015 the numbers of applications for loans has continued to be lower than comparative months in 2013/2014, and the number of applications for grants has continued to be higher than comparative months in 2013/2014.

4.4.9 There continues to be over 50% rejection of applications for both grants and loans, due to customers either not meeting the eligibility criteria or by already exceeding the number of applications within the period.

- 4.4.10 A breakdown of LAS applications by ward and information on the customer profile of LAS applicants are available in appendix B.
- 4.5.1 Loan award analysis**
Local Assistance loans are to help people who do not have enough money to meet their short term needs because of an emergency or disaster.
- 4.5.2 Loans are generally awarded to cover day to day living expenses (food, groceries, nappies, money for pay as you go fuel meters), which replicates the items that would have been available through Social Fund Crisis Loans.
- 4.5.3 The largest loan expenditure in 2014/2015 is again for food provision, which is a continuing trend from 2013/2014.
- 4.6.1 Grant award analysis**
Local Assistance grants are to support independent living in the community. They are generally awarded to help buy household items - including white goods (for example fridges, ovens and washing machines), essential cooking equipment, seating, carpets, curtains, beds and bedding - which replicates the items that would have been available through Social Fund Community Care Grants.
- 4.6.2 The largest grant expenditure in 2014/2015 is again for white goods, which is a continuing trend from 2013/2014.
- 4.7.1 2015/16 and beyond**
The Welfare Support Grant ends at the end of the financial year 2014/15. This presents a significant challenge for funding for LAS for 2015/16 and beyond.
- 4.7.2 The decision has been made by members to continue funding the LAS for a further 12 months to March 2016, but with reduced funding of £1,500,000.
- 4.7.3 In 2016 a decision will need to be made on future provision for the needs that are met through the scheme. Work is being undertaken on the options, which include the scope to combine discretionary funds or work more effectively across the different funds and sources of support.
- 4.8.1 Housing and Neighbourhood Service Hardship Fund**
In 2013/14 a £50,000 Hardship Fund was set up from the Housing Revenue Account (HRA) to support tenants affected by welfare reforms and suffering hardship.
- 4.8.2 In 2013/14, 134 payments were made, totaling £49,942, which will save the HRA an estimated £121,814 in costs for legal action, including eviction. There will be additional savings for other Council services due to stopping eviction for at least 37 of the tenants.

- 4.8.3 A further budget of £1m was identified from the HRA to support tenants from 2014/15 up to the end of 2017/18. The majority of this is expected to be used in 2016/17 and 2017/18, when council tenants will start to be affected by Universal Credit.
- 4.8.4 Of this additional funding, £147,000 has been awarded to council tenants between March 2014 and Feb 2015, saving the HRA an estimated £453,000.
- 4.9.1 **Business case to combine discretionary schemes**
The Council is considering options around combining its discretionary schemes and has been looking in detail at the current delivery of each scheme.
- 4.9.2 As well as looking at the scope to combine funds, the Council is also considering how, if the business case to combine schemes is not strong enough, the schemes could work more effectively together in the future (for customers and the Council). This includes sharing information, referral routes, consistency in assessments and efficiencies in how support could be provided.
- 4.9.3 The business case is currently being drafted and findings will be reported to CMT in April 2015.

Conclusions

- 5.1 Although the changes to the benefits system over the past few years have been substantial, many of the changes which were implemented in April 2013 – now almost two years ago – have moved into ‘business as usual’ for the Council. That is not to understate the significant impact that welfare reform has had and continues to have on thousands of people in Sheffield.
- 5.2 It has now been confirmed by the Department for Work and Pensions that two benefits changes will gather significant momentum in Sheffield over the next 12 months – Universal Credit and Personal Independence Payments.
- 5.3 As this report demonstrates, work is ongoing within the Council, and with partners to understand the impact that welfare reform is having on Sheffield residents and to put measures in place to help local people to deal with the changes. The Council is committed to continuing this work.

6 Recommendations

6.1 The Safer and Stronger Communities Scrutiny & Policy Development Committee is asked to:

- i. note the contents of the report and the progress made on understanding the impact of welfare reform on Sheffield's residents;
- ii. provide views or comments on the Council's approach in responding to the welfare reform agenda; and
- iii. give consideration to the future information the Committee wishes to receive on welfare reform. In light of the fact that changes implemented in 2013 have now become 'business as usual' for the Council, it is recommended that future reports focus on new developments, including the two benefits changes which are due to gather significant momentum in Sheffield over the next 12 months – Universal Credit and Personal Independence Payments.

ⁱ <http://sheffielddemocracy.moderngov.co.uk/documents/s11959/Welfare%20Reform%20Report.pdf>

ⁱⁱ <http://www.shu.ac.uk/research/cresr/ourexpertise/impact-welfare-reform-sheffield>

ⁱⁱⁱ <http://sheffielddemocracy.moderngov.co.uk/documents/s14574/Welfare%20Reform%20Scrutiny%20Report.pdf>

^{iv} https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/335144/jsa-sanctions-independent-review.pdf

^v https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/405167/touchbase-feb-2015.pdf

^{vi} https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/379070/jobseekers-allowance-sanctions-dwpf15.pdf

^{vii} <http://www.shu.ac.uk/research/cresr/ourexpertise/impact-welfare-reform-sheffield>

^{viii} The figures presented show the impact *when the reforms have come into full effect*. This is important because some of the reforms, particularly those affecting incapacity and disability benefits, are being implemented in stages over a number of years. In most cases, the figures show the expected impact in the 2014-15 financial year. The exceptions are the DLA reforms, which will not impact fully until 2017-18, and the wider application of means testing to ESA and the 1 per cent up-rating, both of which do not impact fully until 2015-16.

^{ix} <http://www.ymca.org.uk/wp-content/uploads/2014/11/Food-for-thought-Report.pdf>

^x This refers to Jobseekers Allowance and Employment and Support Allowance sanctions decisions made from October 2012 to December 2013

^{xi} [Below the breadline, The Relentless Rise of Food Poverty in Britain](#), Church Action on Poverty, The Trussell Trust, Oxfam, June 2014

^{xii} http://www.trusselltrust.org/resources/documents/foodbank/6323_Below_the_Breadline_web.pdf

^{xiii} <http://policy-practice.oxfam.org.uk/publications/emergency-use-only-understanding-and-reducing-the-use-of-food-banks-in-the-uk-335731>

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