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To: Policy & Resources Cabinet Committee 20 June 2013

Subject: Welfare Reform and Potential Impacts in Kent

Classification: Unrestricted

Past Pathway of Paper: This is a new report

Future Pathway of Paper: It will be shared with partner organisations

Electoral Division: All Kent divisions

Summary: The attached report on Welfare Reform presents the range of reforms taking place, analysis about the scale and scope of these changes, and what the potential impacts may be in Kent, including suggested responses to mitigate impacts and manage risk. A framework to monitor and assess impacts going forward, including population shifts into Kent, has been developed and is presented in this covering report.

Recommendation

The Cabinet Committee is asked to:

- Note the evidence, potential impacts and implications presented
- Comment on the research questions so that the framework to monitor and assess impacts addresses KCC's information needs

1. Introduction

1 (1) The Welfare Reform Act 2012 contains measures for the most comprehensive reform of the welfare state in a generation. Underlying the reforms is the Coalition Government's aim to make significant savings to the welfare budget, reduce dependency on the state, make work pay for the majority of claimants, whilst at the same time supporting those who cannot work. At the last meeting of the Policy & Resources Cabinet Committee, there was a discussion (during the Business Strategy update item) about the implications of welfare reform, and this report provides Committee Members with detailed information about the likely impact of the changes and the possible implications for the people of Kent and KCC services.

1 (2) In addition to the measures contained in the Act, there are other important changes either started under the previous Government or introduced outside the Welfare Reform Act itself. In summary these generally involve a reduction in support for benefit claimants of working age, increased conditionality with regard to

job seeking and an increase in the power to sanction benefit claimants who do not comply with these conditions.

1 (3) Business Strategy (Business Intelligence and Policy) are engaged in an ongoing exercise to analyse the potential impacts for Kent of the welfare reforms and to develop mechanisms to capture evidence about impacts. This knowledge is vital in order to inform:

- a) Relevant service response(s) to these impacts
- b) Decisions on whether any mitigating measures need to be taken, particularly when failure to act could lead to extra pressure on KCC services
- c) Any lobbying of government on specific policy areas
- d) Discussions with government on New Burdens Funding.

1 (4) The attached 'Welfare Reform' comprehensive report sets out the details of the most significant current welfare reform measures, analysis about the scale and scope of anticipated changes, and what the potential impacts may be on Kent's people, place and services. It also identifies responses to mitigate actions and manage risks.

1 (5) It needs to be stated at the outset that long-term impacts of the reforms are very difficult to predict. It will depend on factors such as the state of the economy, measures to address skills gaps and ultimately on behavioural responses to the various measures. This report and attached analysis provides the thinking to date on the potential impact and service response. Further reports will be provided at regular intervals and as requested.

1 (6) Much of the work has been done in collaboration with the Welfare Reform Task & Finish Group of Kent Joint Chief Executives. KCC officers are also connecting with Southeast Councils, as well as with Essex, Suffolk and East Sussex.

2. Financial Implications

2 (1) Welfare reform has potential financial implications, bringing particular risks to achieving budget savings. While in the longer term Government aims to reduce dependency on the state and make work pay, in the short to medium term there is potential for increased vulnerability of some people in Kent and in-migration of households that are more likely than average to be vulnerable from London – with ensuing implications for demand management.

3. Bold Steps for Kent and Policy Framework

3 (1) The implications of welfare reform cut across all three ambitions in Vision for Kent and Bold Steps for Kent:

- a) *Growing the Economy* (there need to be jobs for people to move into work)
- b) *Tackling Disadvantage* (the poorest people and places will potentially be 'hit the hardest')

- c) *Citizens in Control* (actions of local people and communities will be key to finding solutions to the challenges the welfare reform changes could bring).

3 (2) There is also a direct impact on the themes of prevention and managing demand, which are at the heart of Bold Steps for Kent. The council must ensure it is alert to changes in population needs so that it can ensure that its resources are used to greatest effect in terms of preventing future demand.

4. Key Findings from the Research

4 (1) The attached report “Welfare Reform Research” provides a comprehensive snapshot of the current picture, as far as we can ascertain from a combination of local and national data and information about the reforms. The key findings are summarised on pages 3-5 of the report; with the potential impact on KCC services set out on pages 42-46, and KCC’s planned responses to the challenges on 46-48. In essence:

- The welfare reforms are extensive and complex, and being implemented over a number of years. Whilst a number of reputable organisations have attempted to set out the likely impact (and the report draws on all that research), this is inevitably still hypothetical and no one can yet know how the reforms will pan out in practice. Much will depend on what happens to the economy generally.
- The reforms will increase incentives for work for many people, but there is no guarantee that employment will increase as this is also dependent on economic factors and job seekers’ skills.
- A large number of people will experience relatively small changes (eg around 70,000 Kent households have experienced loss of Council Tax benefit), but some of those families who were only just coping could still be tipped into crisis.
- A small number of households in Kent will experience significant reductions in income (eg around 7,000 households affected by the size-related restrictions on social housing; around 1,000 by the total benefits cap, although if they succeed in finding employment they will not be impacted).
- An estimated 11-12,000 Kent residents of working age who are currently receiving Disability Living Allowance could lose their entitlement to the new Personal Independence Payment, and others will see a reduction in the amount of disability benefit they receive.
- The housing benefit changes are likely to lead to people moving into areas where rented accommodation is relatively cheap, whether such moves are within Kent or from London (or elsewhere) to Kent, although it is too early to see much evidence of this happening as yet.
- Cumulatively, those parts of Kent which are most deprived, and hence have most people on benefits, will lose the most local spending power. People on low incomes tend to spend all of their money in the local economy, so the loss in total expenditure on benefits within an area will directly impact on that local economy.
- Both relative and absolute poverty is projected to increase for children and working age people. The potentially poverty-reducing effect of Universal Credit is expected to be outweighed by the impact of other benefit reforms.

4(2) The County Council has a duty to promote or improve the social, economic or environmental wellbeing of the area of Kent, but it is down to the Council to determine how best to do this, particularly in the light of the considerable constraints on resources at this time. In some cases, there will be direct service impact (section 6 of the attached report includes, for example, more demand for advice and support, 'back to work' skills development, support for children in need, assessments for adult social care, etc) so it is vital to assess and track the impacts of welfare reform in order to ensure that KCC develops timely and sustainable responses to the changes. The next section of this report sets out how we intend to achieve that.

5. Assessing and tracking the impacts of welfare reform

5(1) A proposed methodology to monitor and assess impacts moving forward has been developed. This will cover three primary objectives.

- a) *Identify which local populations and places are most affected by welfare reform, through loss of benefits as well as in-migration*
- b) *Evidence and understand these impacts, to inform appropriate service response and use in regional and national networks or lobbying*
- c) *Inform risk management, and understand effects on finances and delivering outcomes on existing strategies*

5(2) To address these objectives, the following research questions (and sub-questions) are proposed.

a) Are we seeing significant in-migration?

- If so, how much is from London? How much is 'incentivised' or by homelessness placements?
- Are certain areas in Kent affected more than others?

b) What are the impacts on *people* in Kent?

- What population groups are most affected?
- Is there increasing homelessness?
- Is there evidence that extreme poverty is rising?
- Can we evidence the kinds of impacts this has on individuals / families in their day to day lives, and how they are coping?

c) Is there more demand for KCC & District services?

- Children's services?
- Services for disabled people?
- More pressure on our 'front desk' (all channels)?
- Are there 'new burdens'? What are they and what are cost estimates?
- Are these demands likely to be short, medium, or longer term?

d) What are the impacts on *places*?

- Is deprivation becoming more concentrated / are 'poorer communities getting poorer' / is housing in communities becoming less mixed and diverse?
- Are there changes in community safety/crime?

5(3) The following table outlines what source of evidence will be used to respond to each question. Wherever possible, evidence will be triangulated and not rely on a single source as this can be partial or misleading. This will be coordinated by Business Intelligence.

Method or Source	Quantitative or qualitative Quarterly Monthly 2x year	Are we seeing significant in-migration?	What are the impacts on people in Kent?	Is there more demand for services ?	What are the impacts on places?	Method / Source lead
Benefits analysis	Quantitative Q	X			X	BI
Service feedback & local intelligence*	Qualitative 2x	X	X	X	X	BI
National datasets (eg DWP)	Quantitative Q		X		X	BI
Service Management Info/Performance **	Quantitative M		X	X	X	Service MI
KCC/District Finance (e.g. debt/collections)	Quantitative Q			X		Fin
Protocols- (London homeless placements; CP transfers)	Quantitative (tbc)	X		X	X	tbc
Case studies	Qualitative 2x		X	X	X	BI (tbc)
Citizens Advice Bureaux	Quantitative Q		X	X	X	BI

* including Gateways, Children's Social Services Area Directors, Early Intervention Delivery Managers, Children's Centres, Libraries, Adult Social Care Area Managers, Area Education Officers, Family Liaison Officers District Housing & Benefits Officers, Troubled Families Coordinators, and Community Engagement Officers (and VCS, such as food banks)

** including indicator reporting *with interpretation* from Housing, Specialist Children's Services, Adult Social Care, Kent Support & Assistance Service (KSAS), ELS, and Community Safety.

5(6) Research to assess and understand trends and impacts - Analysis, interpretation and reporting by research question (twice-yearly). Business Intelligence will complete a research report drawing together the range of evidence to address each question, twice a year. The purpose of completing this kind of report, in addition to any monitoring, is to provide the additional intelligence and explanation to aid our understanding of these complex issues. Triangulation will also ensure our understanding of risks is more robust, as well as enabling more coherent responses.

- a) This research approach will be managed as project by Business Intelligence, drawing on the service expertise of a project reference group.
- b) Bulletins summarising emerging trends will be issued.

5(7) Indicators to monitor trends in population and service demand – reporting of trends in existing reports (Directorates and Business Intelligence). Measures to indicate the impacts of welfare reform do not readily exist; however there are indicators which may be impacted by reforms (such as service demand

metrics). Specifically, such indicators should be considered in the regular performance reporting of Services, and be routinely shared through KCC's Performance Management Network (PMN) to inform the research analysis outlined above. These indicators should help aid understanding of each research question, and will be finalised by PMN. There is a very long potential list of indicators, but key ones will include:

- Number and percent change of benefits recipients moving into Kent (NB this will be included in the Quarterly Performance Report)
- Homelessness – number and percent: accepted homeless and in priority need; eligible but found not to be homeless; eligible homeless but not in priority need; eligible and in priority need but found to be intentionally homeless
- Number of percent change in temporary accommodation; and, the percent in temporary accommodation longer than six weeks
- Number and amount for Section 17 payments for Children in Need
- Number and rate of Children in Need
- Number and percent change of adult social care assessments for working age adults
- Kent Support and Assistance Service (KSAS) applications
- Proportion of children living in poverty

5(8) It is important to appreciate that indicators will often be monitoring the effects of the whole economy, not only the impacts of welfare reform. Therefore, the overall twice-yearly research report assessing the trends and impacts will be key.

5(9) Early indicative analysis of benefits data¹ suggests there may be an increasing trend of people in receipt of some benefits moving into Kent from London and other parts of the country (2010-2012). To form a sound baseline, this indicative analysis will be explored further and verified.

6. Strategic Policy Implications

6 (1) The intention of the welfare reform programme is to increase employment and reduce dependency on the state. But the research suggests that, at least in the short-term whilst the reforms bed down, there could well be an increase in demand on a number of KCC services. The Government has not made any additional resources available to local authorities to support the transition, and it is not our responsibility to mitigate any unintended consequences of the welfare reform programme. The Local Support Services Framework (LSSF), which will set out how vulnerable people are supported to make Universal Credit claims, is still being revised and the government has not yet indicated how much money will be available to local government to deliver this.

6 (2) Policy and Finance staff will lead on identifying the “New Burdens” on the council as a result of the welfare reform changes more generally, and also marshalling the evidence that can be used specifically to influence the development of the LSSF and its resourcing. Officers are already working closely

¹ Note: In agreement with Kent's Districts and Medway, Business Intelligence completes further analysis of this data for reporting.

with officers in District Councils and Job Centre Plus to pool knowledge, monitor trends and assess impacts. Messages we want to convey to central government will be more powerful if delivered from all the authorities in Kent. Partnership working is also critical for the effective implementation of the welfare reform changes.

7. Conclusions

6(1) The research report attempts to set out the possible implications of the welfare reforms for Kent people, communities and for KCC services. Whilst the Council supports the overall aims of reducing dependency on the state and increasing employment, it does not have the responsibility nor the resources to mitigate any short-term unintended consequences such as those set out in the research report. However, it is vital that the impact of the changes are tracked as far as possible in order to:

- (a) manage demand for KCC services – which could include investing in preventative activity where there is a clear business case to do so, as well as developing strategic responses if there is evidence of more families in crisis
- (b) quantify the additional resources needed, both for financial planning purposes but also to make the case for “new burdens” funding
- (c) provide evidence that can inform how we, with our partners, influence central government on the implementation of the next phases of welfare reform, most immediately Universal Credit.

7 (2) As actions are identified and put into place, it will be possible to identify more specific indicators to monitor as part of existing frameworks.

Recommendation

The Cabinet Committee is asked to:

- Note the evidence, potential impacts and implications presented
- Comment on the research questions so that the framework to monitor and assess impacts addresses KCC’s information needs

12. Background Documents

None over and above those referenced in the attached report.

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