



# The Impact of Welfare Reform in the North East

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A research report for the Association of North East Councils by the Universities of Durham (Institute for Local Governance), Northumbria and Teesside and the North East region of Citizens Advice

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As well as participating in the research, the ILG has organised the commissioning and management of the project.

## **The Report**

The work for this report was carried out in the early months of this year, with the latest interviews taking place in April. The authors recognise that, given the rapid changes that are taking place in this field, some of the information contained in the report may already need updating and policies in various agencies will have moved on. The report attempts as comprehensive a coverage as possible at the time the research was carried out.

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*References*

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## Acronyms

ALMO	Arms' Length Management Organisation
ANEC:	Association of North East Councils
ASB:	Anti-Social Behaviour
BRMA:	Broad Rental Market Area
CAB:	Citizens' Advice Bureaux
CB:	Child Benefit
CPI:	Consumer Price Index
CTB:	Council Tax Benefit
CTC:	Child Tax Credit
DCLG:	Department of Communities and Local Government
DHP:	Discretionary Housing Payment
DLA:	Disability Living Allowance
DWP:	Department of Work and Pensions
EHS:	English Housing Survey
EMA:	Education Maintenance Allowance
ESA:	Employment and Support Allowance
ERV:	Estimated Rental Value
GVA:	Gross Value Added
HB:	Housing Benefit
IA:	Impact Assessment
IB:	Incapacity Benefit
ILG:	Institute for Local Governance
IMD:	Index of Multiple Deprivation
JRF:	Joseph Rowntree Foundation
JSA:	Job Seekers Allowance
LHA:	Local Housing Allowance
LSOA:	Lower Super Output Areas
NDD:	Non-Dependent Deduction
NE:	North East
NHC:	Northern Housing Consortium
NHF:	National Housing Federation
NOMIS:	Derives from historic title: National On-line Manpower Information System
ONS:	Office for National Statistics
PIP:	Personal Independence Payment
PRS:	Private Rented Sector
SDA:	Severe Disablement Allowance
SF:	Social Fund
SIC:	Standard Industrial Classification
UC:	Universal Credit
VOA:	Valuation Office Agency
WCA:	Work Capability Assessment
WRAG:	Work Related Activity Group
WTC:	Working Tax Credit

## Executive Summary

- Analysis arising from this study suggests that around £380m will be lost to the North East as a result of the introduction of the benefit cap and the combined changes to disabled people’s benefits, council tax benefit, and housing benefit in the social sector. Research undertaken on a national basis<sup>1</sup> suggests that if other changes are also taken into account (such as those affecting Child Benefit and Child Tax Credits), the cumulative loss to the North East region in 2014/15 could be as high as £940m.
- The most significant proportion of the loss is attributable to changes to the benefits of disabled people. It is estimated that over 70,000 people in the North East will be affected by the time-limiting of contribution-based Employment and Support Allowance (ESA) and the stricter eligibility criteria being applied to it. This will represent a cost to the regional economy of more than £175m. The estimated loss to the region for the transition from Disabled Living Allowance to Personal Independence Payments is over £128m, affecting nearly 33,000 people.
- The impact this will have has a clear spatial dimension. In some Lower Super Output Areas (LSOAs), more than 35% of the working age population are in receipt of (at least) one of the three main disability benefits. The table below shows the ward location of the most affected LSOAs in each local authority area; each of which have more than 19% of their working age population affected:

Local Authority	Ward	Local Authority	Ward
County Durham	Deneside	North Tyneside	Riverside
Darlington	Central	Northumberland	College
Gateshead	Dunston and Teams	Redcar and Cleveland	Kirkleatham
Hartlepool	Stranton	South Tyneside	Simonside and Rekendyke
Middlesbrough	Gresham	Stockton	Stainsby Hill
Newcastle	Byker	Sunderland	St Chads

- The North East’s economy and society is already experiencing the impacts of austerity measures and the on-going recession. Measures of economic resilience paint a bleak picture. In November 2012, there were 7.5 Job Seeker Allowance claims for every unfilled job centre vacancy across the region. All authorities within the North East had higher ratios (ranging from 5: 1 to nearly 14:1) than the national average of 4:1.
- Charity dependency amongst citizens is becoming more prominent, with the growing numbers of food banks a particularly notable feature. Advice services are experiencing increasing pressures and an already strained voluntary and community sector anticipates that welfare reform will exacerbate the growing

<sup>1</sup> C Beatty and S Fothergill, *Hitting the poorest places hardest: the local and regional impact of welfare reform*, CRESR, 2013

demands on their services. There are early reports of increased activity in relation to 'pay-day loans' and, of greater concern, increased incidences of illegal money-lending – some linked to organised crime.

- Part of the welfare reform agenda is intended to incentivise behavioural change, particularly to encourage people back into work. In the North East (unless it is envisaged that working age people will behave differently by leaving the region) the prospect of such change is severely constrained by the nature and relative weakness of labour and housing markets. The region faces the prospect of substantial financial loss to its local economies in the lead-up to the introduction of Universal Credit.
- The cumulative impact on households and neighbourhoods could be profound. Social housing tenants, and social housing estates, will be particularly hard hit (and disabled people are disproportionately represented within social housing). DWP anticipates an annual saving to the Housing Benefit bill of £34m, based on the 50,000 households in the North East who it estimates will be affected by applying the size criteria (also known as bedroom tax). The North East has the highest rate of people affected by this measure. Most householders, including those in social housing, will also have to contribute towards their Council Tax bill.
- In the North East, it is hard to see how applying the size criteria to social housing can be justified on housing need grounds. There are no major overcrowding problems and most demand is for the limited number of smaller properties that under-occupying households are being incentivised to move into. The estimated number of under-occupying households requiring properties with one bedroom in the North East (27,300) is more than 4 times greater than the total regional number of social tenancies of this size becoming available within a year (6,435).
- The pattern of those affected by the size criteria can be seen from the map in Section 4 (Figure 4.16). Areas already experiencing multiple deprivation have the greatest concentration of affected tenants. In some areas, like Durham, historical patterns of settlement mean that numbers are dispersed over larger areas. In others, large numbers are concentrated in smaller neighbourhoods.
- This picture has another dimension, concerning the properties that would be 'left behind'. If just 25% of households relocated, the ratio of applicants to available social rented properties with 3 bedrooms or more would be 1.5 to 1. This is a low level of demand which may leave houses in unpopular areas standing empty.
- Analysis suggests that within the regional context, the policy will not only be disproportionately felt, it also risks breaking down networks of resilience (sources of practical and emotional support) and undermining the sustainability of communities. Early reports indicate higher voids levels and more lettings to people with low levels of housing need; in one authority, increasing numbers of



tenants were coming from outside the area. These trends could indicate a perverse effect of the changes in the context of local conditions.

- In contrast, the North East is less affected than other areas – notably London – by the overall Household Benefit Cap. Estimates range from 1,230 households (the lower end of local authorities’ own assessments) to 3,560 (based on DWP figures). This compares to an anticipated 27,000 households affected across London Council areas<sup>2</sup>. This is largely because of higher rents; it is possible that benefit recipients in high cost housing markets will be incentivised to move north.
- Financial impacts to individual households directly affected will be substantial, but a wider group of citizens may also feel the impact. There is particular concern about the prospects for young people as more competition is introduced into labour and single-person housing markets. Also, the combined impacts of welfare reform in the most affected geographical communities may increase the likelihood of localised crime and anti-social behaviour. As noted above, there are already indications of more money lending activities in these neighbourhoods.
- While the social impacts of the welfare reform agenda are less clear, extreme financial stress is known to be associated with a number of social ills including higher rates of relationship breakdown, emotional distress, substance misuse, and self-harm. Follow-up interviews in one authority reported increased referrals to a mental health service, confirming anticipated developments. Such early indications will be of concern to all agencies delivering services to the most vulnerable groups in the North East.
- In the first few weeks of operating the localised social fund, local authorities are being conservative in the amounts and number of awards, many reporting a projected under-spend if current patterns continue. No authorities reported using cash payments; most providing vouchers and other forms of direct payments to utility companies and stores, one providing food parcels in lieu of vouchers. Overall, there seems to be less resource available to claimants than under the previous system with implications for future funding of the scheme. Concern that money may be withdrawn from central government has led to discussions about whether local schemes should operate more generously. It is too early, therefore, to assume that current patterns will continue and there is evidence that some authorities are already considering revising their criteria.
- One reported concern is the Department of Work and Pensions’ variable practice in referring claimants for Social Fund or Discretionary Housing Payments (DHP) rather than administering Short Term Benefit Advances. Delays resolving such issues are causing apprehension about the introduction of Universal Credit. There has been a big increase in numbers applying for a DHP, partly because of these

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<sup>2</sup> Ben Dixon, *Tracking Welfare Reform: the changing role of local authorities*, London Councils, 2013

administrative issues, one authority reporting that applications totalling 80% of last year's awards had been received within the first month of the financial year.

- This report highlights the issues that arise from applying a national policy across diverse areas of the country. The particular conditions that pertain in the North East, particularly in regard to underlying economic conditions and the structure of the housing stock leave residents vulnerable to a range of pressures with little flexibility in local governance to mitigate them.

## Recommendations

The following issues stand out from the analysis undertaken in this research, and the conclusions it has drawn:

### Regional Structures

ANEC may wish to consider appropriate arrangements for providing overview to the welfare reform agenda as it unfolds across the region and thereby direction and support in the light of its longer term impacts. The 'real-life' results of welfare reform will not end with the introduction of Universal Credit, nor even at the stage of its final roll-out. There is a role to play that extends beyond 2017.

By providing a strategic lead, ANEC could negotiate ways forward for issues that cross local authority boundaries. Prospects for North East economic regeneration and possibilities of population migration are good examples. If informal sources of support to vulnerable people leave the region (for work) and more vulnerable households move in (to avoid benefit penalties), this has clear implications for local authority services. The same patterns could potentially happen *within* the region.

### Monitoring Frameworks

A lot of activity is already taking place to collect and monitor data in order to identify trends. This is being done at the level of individual local authorities, housing organisations and increasingly within health. There is a danger that the various data-sets will not talk to each other in a way that allows a clear regional picture to emerge. Some degree of regional co-ordination is crucial.

There are some well-established indicators for economic resilience and impact; measures for the social dimensions are less well-developed. Monitoring the impact of welfare reform needs to encompass both. If a regional-level framework is developed as recommended, it will be necessary to select variables carefully, and not to preclude more qualitative data sources.

Some key issues for a monitoring framework, drawn from looking at the combined messages from the analysis presented, can be found in the final section of the report.

### Action Frameworks

There is always a danger that monitoring trend data becomes a self-servicing function rather than leading to a wider goal. Whilst the collection of data is necessary, it is the outcomes achieved as a result of the actions it informs that matter most. Whilst many of these actions will be at a local authority level, there is arguably a role for ANEC in pulling together this source of information as well.

## **Learning Networks**

Linked to the above, there is real potential for local authorities and their partners to combine their experiences and understandings, and to learn from the successes and failures of different approaches. This could be facilitated in a number of different ways (sharing best practice on-line; coming together physically; social media; etc.) and at a number of different levels (from front-line to top-tier).

Again ANEC could play an important role in expediting such activity, possibly through its existing infrastructure arrangements.

## **Partnership**

Above all, and as is being recognised by a number of local authorities, there is a need to come together to work in partnership. Where this is happening, it appears to be working well; housing providers and advice services being notable allies in mitigating adverse effects and working towards positive solutions. However, there may well be other bodies – notably Health and Wellbeing Boards and Criminal Justice Agencies – that could and should be brought on board, providing a clear lead can be given to drive the agenda.

Strong and innovative local partnerships, concerned with the welfare of citizens in their area, are likely to be central to the future of local governance.

# 1. Introduction and Background

## 1.1 Aims and objectives

Building upon the findings of a previous study commissioned by Stockton-on-Tees UA (Edwards, 2013), the intentions of this study were to:

- provide an impact assessment of combined welfare changes on the North East;
- assess economic resilience in the region;
- identify groups most likely to be affected by changes;
- map affected groups to LSOA level where possible;
- consider the prospects and implications of behaviour change;
- assess organisational capacity and preparedness within NE local authorities; and
- use findings to inform the development of a regional framework to support local authorities to monitor the impacts of reform going forward.

The primary intention of this report is to estimate the overall impact of Welfare Reforms in the North East. As such it has not been possible to systematically describe and analyse the work that has and is being done by local authorities and other agencies to mitigate the impact of the reforms. Subsequent monitoring of the impact should provide an evidence base for such analysis.

## 1.2 Approach

The approach adopted combined the following elements:

Desk-based analysis of:

- Available statistics from NOMIS, DWP, CLG and other national/local data sets<sup>3</sup>
- DWP impact assessments for separate elements of welfare reform
- Published material on resilience, local impacts, affected groups and anticipated behaviour change<sup>4</sup>.

Data collection and analysis from:

- National and regional CAB trends and case examples;
- North East local authorities' assumptions and plans;
- Social housing organisations' assumptions, responses and administrative data.

Attendance at<sup>5</sup>:

- Regional tenant seminar (19 housing organisations represented);
- NHF regional welfare reform working group (14 organisations represented);
- NHF regional Board Member seminar (21 organisations represented);
- ANEC regional seminar (12 local authorities represented).

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<sup>3</sup> Methodological analysis drawn in part from Bounds, 2012; Edwards 2013

<sup>4</sup> In practice, actual evidence about behaviour change was scarce, most material related to its 'anticipation'

<sup>5</sup> Replaced envisaged focus groups

Interviews and discussion with:

- Key contacts in the regional voluntary and community sector, and local authorities.

Drafting of:

- Final report and future proposals for monitoring framework.

### 1.3 Welfare Reform timetable

Welfare reform in Britain did not start with the Welfare Reform Act 2012.

Not all reforms required the passing of primary legislation and some had their origins before the election of the Coalition Government. However, the more recent measures do include a fundamental change in approach, reflecting the government's intention to simplify the welfare system across the board rather than to add to the complexity of decades of piecemeal changes. Also, and perhaps most significantly in terms of impact, some new changes are *retrospective* in their application i.e. they affect existing claimants.

Some of the most salient reforms and their timing can be found in Figure 1:1

### 1.4 Policy objectives of Welfare Reform

*"The [Welfare Reform] Act legislates for the biggest change to the welfare system for over 60 years. It introduces a wide range of reforms ...to make the benefits and tax credits systems fairer and simpler by:*

- *creating the right incentives to get more people into work*
- *protecting the most vulnerable in our society*
- *delivering fairness to those claiming benefit and to the taxpayer"*

(DWP (2013) web-site <http://www.dwp.gov.uk/policy/welfare-reform>)

In delivering these objectives, and in the context of austerity, combined measures aim to save around £18 billion from the annual welfare bill. The changes ushered in through welfare reform are underpinned by a number of government assumptions, some dating back to previous administrations. Some of the major intentions and expectation are presented below.

The changes to disability benefits have been varied and wide ranging in scope and implementation. The changes – notably, the introduction of ESA - are underpinned by the assumption that,

*“...the overwhelming majority of customers are capable of some work, given the right support. This will lead to better employment outcomes for disabled people. Treating people in line with their capabilities, instead of making assumptions based on their condition, will have a positive impact on the attitudes of others to disabled people”.*  
(DWP, 2008, pp. 7-8)

**Figure 1.1: Welfare Reform Timeline**

Date	Measure
April 2008	Introduction of LHA as basis for HB in PRS, based on median rent in the BRMA for size of property needed by claimant's household. Single people under 25 restricted to rent levels in shared accommodation.
Oct 2008	Introduction of ESA as replacement for IB, and introduction of the more stringent 'work capability assessment' administered by ATOS.
April 2011	LHA rates reduced to 30 <sup>th</sup> percentile of local rent levels; 5-bedroomed rate abolished.
	Up-rating of benefits restricted to CPI level.
	Child benefit frozen.
	Changes to tapers and eligibility for WTC and CTC.
April 2011- April 2014	Migration of existing IB and SDA claimants to ESA.
	'Unfreezing' of NDDs for HB and up-rating over 3 years to bring them up to where they would have been had they not been frozen in 2001
Sept 2011	EMA abolished in England
Jan 2012	LHA age for self-contained accommodation rate moves from 25 to 35.
April 2012	New lone parent rate IS claims limited to those with children under 5.
	Further changes to WTC and CTC.
	Contributory ESA time-limited to 52 weeks.
Jan 2013	Child benefit withdrawn from individuals earning more than £50000.
April 2013	CTB replaced by locally determined council tax support schemes, delivered within a 10% budget cut.
	Social Fund replaced by locally determined schemes for crisis loans and community care grants.
	HB to social tenants limited to less than actual rent if claimant has one spare bedroom (14% reduction) or more (25% reduction)
	DLA replaced by Personal Independence Payments for new claimants.
	Up-rating of working-age benefits not related to disability restricted to 1%
April 2013- Oct 2017	Migration of all existing working-age DLA claimants onto PIP.
April 2013- Sept 2013	Benefit cap whereby total welfare payments made to working-age households limited (via HB) to approximate average net wage levels.
Oct 2013	Start of Universal Credit, merging all existing means-tested benefits.
Oct 2017	Full implementation of Universal Credit



The time-limiting of contributory ESA to one year for those in the Work Related Activity Group is intended to ensure ESA is paid for a short period of time to, *“...create a culture that does not allow people to stay permanently in the WRAG, that they are expected to move towards work...”* The change also aligns the contributory rules of ESA closer to those of JSA, and will reduce welfare spending (DWP, 2012f).

The move from DLA to PIPs is premised on the belief that DLA is unsustainable in the long term given the increase in claimant numbers (approximately 700,000 extra claims between 2003 and 2012). The existing assessment process is seen to be complex and subjective with infrequent reviews and awards not reflecting changes in the impact of disabilities on claimants' everyday lives (DWP, 2012c). The shift to PIPs is intended to ensure that support is focused on those with greatest need, that expenditure is financially sustainable, and that assessment accurately and objectively identifies those who will benefit most from additional support (DWP, 2012c).

The rationale for the localisation of Social Fund is based on a similar combination of financial and better targeting grounds. Devolving responsibility for Crisis Loans is expected to reduce application levels to those seen prior to the remote decision-making process adopted by DWP; transferring Community Care Grant funding to local authorities is intended to allow decision makers to be able to take into account *“...local knowledge and target the most vulnerable individuals”* (DWP, 2011).

The introduction of the Household Benefit Cap is intended to address the perceived injustice of benefit claimants and their families having access to resources greater than that of the median wage earner in the UK, and to reduce public expenditure in a time of budget constraint: *“The state can no longer afford to pay people disproportionate amounts in benefit each week, sometimes in excess of what someone in work may take home in wages”* (DWP, 2012a). Intended effects are to improve work incentives for those on benefits and to deliver savings (DWP, 2012a).

The limitations being applied to social housing tenants claiming HB for homes bigger than their families' needs is intended to level the playing field with the PRS, where these limitations have applied for some time (DWP, 2012d) The measure is also intended to constrain HB expenditure, encourage mobility within the social housing sector, improve work incentives and make more effective use of social housing stock; *“Whether claimants in the social rented sector choose to move to smaller, and more inexpensive accommodation or remain and meet the shortfall, the measure will also create improved work incentives for working age claimants”* (DWP, 2012d).

Other measures, not covered in detail in this report, include the uprating of LHA rates annually and in line with CPI (thus bringing it into line with other benefits);

changing conditionality requirements for JSA (e.g. requiring single parents to take up paid work when their youngest child is 5 rather 7); and paying benefits monthly (to symbolise how most people receive their wages). Again, consistency, work incentives and budget savings are cited as the explanation (DWP, 2012b).

Finally, the introduction of Universal Credit is intended to address what government sees as a significant problem of welfare dependency which has *“huge social and economic cost”* (DWP, 2012g). The policy objectives of the introduction of UC are to, *“...create one single income-replacement benefit for working-age adults which unifies the current system of means-tested out of work benefits, tax credits and support for housing”*. Intentions are to smooth the transition into work for claimants and to reduce the number of agencies they must deal with, while also ensuring a more robust system against error and fraud: *“The effects of the policy will be to reduce the number of workless households by always ensuring that work pays”* (DWP, 2012g).

### **1.5 Place Considerations in the Welfare Reform Agenda**

As shown by Figure 1.1, and consistent with the desire to improve work incentives, the vast majority of cost-saving reforms focus exclusively on people of working-age.

In contrast to this clear targeting, but consistent with many national policy agendas, the measures are ‘place blind’. Although it is recognised that labour markets, housing markets and claimant patterns vary widely across geographical areas (thereby affecting the operation of the welfare system in different places), the reforms do not take into account conditions in particular localities.

The overarching purpose of this report is to assess impact in the North East, putting some of the reforms into their ‘real-life’ spatial and community context.

## 2. Economic Resilience and Welfare Reform Impact

This section begins by outlining the anticipated financial consequences of welfare reform in terms of income lost to the North East economy, before moving on to consider what this might mean in the context of assessing the region's economic resilience. Sub-regional data collected in the course of this study is presented, usually at local authority level but sometimes at a lower spatial scale.

The section includes an assessment of the impacts of welfare reform specifically in relation to disabled people; a group significantly impacted by the changes in the NE. It should be noted that two other groups are also likely to be particularly adversely affected in income terms; families with children and social housing tenants. Families with children face the prospect of a wide-ranging and complex set of changes, putting them outside the scope of this study in terms of detailed measurement. Social housing tenants are considered in a subsequent section. In reality, of course, all groups have degrees of overlap, and all are encompassed within Section 3.

### 2.1 The Overall Financial Impact of Welfare Reform

Recently published research by economists from Sheffield Hallam University (Beatty and Fothergill, 2013) predicted the cumulative impact of welfare reform in 2014/15, based on official statistics and assumptions. Results for local authorities in the North East are presented in Figure 2.1, with the **total annual financial loss** to the regional economy **by 2014/5** estimated to be **over £940m**.

<b>Figure 2.1: Estimated Impacts of Welfare Reform by Local Authority in 2014/15</b>		
<b>Local Authority</b>	<b>TOTAL IMPACT<sup>1</sup></b>	
	<b>Estimated loss £m per year</b>	<b>loss per working age adult £ per year</b>
County Durham UA	188	565
Darlington UA	37	546
Hartlepool UA	42	712
Middlesbrough UA	64	717
Northumberland UA	90	454
Redcar and Cleveland UA	52	618
Stockton-on-Tees UA	67	538
Gateshead	70	543
Newcastle upon Tyne	95	490
North Tyneside	66	508
South Tyneside	59	621
Sunderland	112	618
<b>Total for North East Region</b>	<b>£942m pa</b>	<b>-</b>
<sup>1</sup> Encompasses: HB changes to LHA; HB changes re under-occupation; HB changes re non-dependent deductions; introduction of Household Benefit Cap, budget reduction for Council Tax Benefit; changes to IB/ESA; move from DLA to PIP; Child Benefit Changes; Tax Credit Changes; restricting benefits to 1% increase. <b>Source:</b> Beatty and Fothergill, 2013		

Whilst considering a wider range of changes than the present study, the Sheffield team's calculations for specific changes are broadly in line (marginally higher) than the data that follows. Neither study considers costs associated with the introduction of Universal Credit, which will essentially represent a 'wrapping up' of the existing benefits system at the time of implementation. Nor does either study attempt to calculate a multiplier effect, although this has been done in one study (Government of Wales, 2012/13), which estimates a negative effect of between £1 and £1.50 for every £1 of income lost.

The following changes are encompassed within calculations from the present study:

- Council Tax Benefit (CTB) changes
- The overall Household Benefits Cap
- The move from Incapacity Benefit (IB) to Employment Support Allowance (ESA)
- Disabled Living Allowance (DLA) becoming Personal Independence Payments (PIP)
- Introducing size criteria for Housing Benefit (HB) in social rented sector

Estimates of losses resulting from each change by individual local authority and the North East as a whole are shown in Figure 2.2.

<b>Local Authority &gt;</b>	<b>County Durham</b>	<b>Darlington</b>	<b>Gateshead</b>	<b>Hartlepool</b>	<b>Middlesbrough</b>	<b>Newcastle-upon-Tyne</b>	<b>North Tyneside</b>	<b>Northumberland</b>	<b>Redcar and Cleveland</b>	<b>South Tyneside</b>	<b>Stockton-on-Tees</b>	<b>Sunderland</b>	<b>NE total (£m)</b>
<b>WR change</b>													
Localisation of CTB	5.4	0.9	2.3	1.3	1.8	2.8	1.8	2.4	1.5	1.7	1.7	2.7	<b>26.3</b>
Benefits cap	3.0	0.7	0.9	1.3	1.8	2.0	0.9	1.3	1.0	0.7	1.5	2.2	<b>17.2<sup>2</sup></b>
IB to ESA	38.0	6.8	13.0	9.3	11.8	17.0	10.0	15.0	11.2	10.0	12.1	21.0	<b>175.2</b>
DLA to PIP	18.6	4.0	12.3	5.0	7.6	15.1	10.9	9.6	7.3	10.1	8.4	19.7	<b>128.6</b>
HB size criteria	6.0	1.4	2.4	2.4	2.2	5.1	2.4	2.5	1.8	2.4	1.9	3.4	<b>33.9</b>
<b>Total</b>	<b>71.0</b>	<b>13.8</b>	<b>30.9</b>	<b>19.3</b>	<b>25.2</b>	<b>42.0</b>	<b>26.0</b>	<b>30.8</b>	<b>22.8</b>	<b>24.9</b>	<b>25.6</b>	<b>49.0</b>	<b>381.22</b>
<sup>1</sup> The methodology of calculations is described in the Technical Appendix													
<sup>2</sup> Where available, local authorities' own assessments are considerably lower than this figure													
Source: DWP Impact Assessments and local authority assumptions													

In terms of the impact on households and individuals, some of these reforms focus on *all* working-age claimants. For example, all working-age households could be obliged to contribute towards their council tax bill regardless of their income (although in practice, some North East authorities are not making this a requirement in 2013/14). Working-age households are also potentially subject to the weekly 'Household Benefit Cap' of £500 for couples and families, and £350 for single people. In practice, relatively few households fall foul of this limit in the NE region although it is estimated that between 1,230 (local authority figures) and 3,560 (DWP figures) *will* be affected; however, this compares to 27,000 affected across London (Dixon, 2013).

The remaining changes will impact on specific groups within the North East population. We know from previous research that the household types most likely to be experiencing poverty are single adults and childless couples of working age (most recently, Padley and Hirsch, 2013) but we also know that the NE has the highest rate of child poverty in the country (before housing costs), coming second only to London once housing costs are accounted for. Moreover, this can be heavily spatially concentrated; *'Some neighbourhoods in the NE have more than two-thirds of children living in families on out of work benefits'* (Bradshaw, 2009). However, in the context of welfare reform, it is the scale of impact caused by changes to benefits for disabled people which stands out as a particularly notable feature of the North East picture.

## **2.2 Financial Impact on Disabled people**

Disabled people are twice as likely as non-disabled people to live in poverty (Shaw et al, 2008). Much of this difference can be attributed to absence from paid work (Palmer et al, 2006) meaning that incomes of disabled people are disproportionately affected by benefit rates. Since 2008, government policy has focussed on moving disabled people living on benefits into the labour market. ESA replaced the previous system of Incapacity Benefit (IB), which to date has continued for a residual group of claimants. The Coalition Government has continued with this approach, and has introduced a significant new dimension by time-limiting contribution-based ESA to 52 weeks. Previously, contribution-based IB was not means-tested, and could run indefinitely so long as associated health conditions persisted.

Disabled people are also vulnerable to poverty because of additional costs incurred as a result of their impairment. DLA was intended to offset some of these, is payable whether or not people are in work, and has two components; care and mobility. There are three rates for the care component (high, middle and low) and two for the mobility component (high and low). DWP hopes to cut expenditure by 20% through focussing on those with the 'greatest needs'. The changes proposed are introducing regular and rigorous face-to-face assessment, and removing the 'lower' care component. The benefit will be renamed Personal Independence Payment (PIP). The DWP impact assessment envisages national PIP claimant numbers falling by 23%,

compared to current DLA claimants, though there will be differential impacts depending on the severity of impairment.

An Inquiry by Baroness Tanni Grey-Thompson into the impact of welfare reform on disabled people led to a joint report (Citizens Advice, The Children’s Society and Disability Rights UK, 2012). This identified some key groups amongst the 0.5 million disabled people likely to lose out by the totality of reforms (some not considered by the present study), once all were fully implemented. Results estimated that:

- 230,000 severely disabled people living alone, or with only a young carer (usually lone parents with a child/children) will lose between £28 and £58 every week.
- 100,000 disabled children stood to lose up to £28 a week.
- Up to 116,000 disabled people who work risk losing around £40 a week.

A longstanding geographical variation in the proportion of the working population claiming IB/SDA sees the highest rates in England found in the de-industrialised places of the North and Midlands (Shaw et al, 2008). In work for DWP, researchers found similar patterns when mapping DLA claims: *‘Like IB claimants, DLA claimants tend to be very poorly qualified and previously worked in mainly lower-grade manual occupations... [and] are concentrated in exactly the same places as other IB claimants, in particular in the older industrial areas of the North, Scotland and Wales’* (Beatty et al, 2009b). It follows that the NE population is likely to be disproportionately affected by changes to welfare benefits for disabled people.

**Figure 2.3: Estimated number of claimants affected by changes to disability benefits<sup>1</sup>**

Local Authority	DLA to PIP: estimate of claimants affected	IB to ESA: estimate of claimants affected
County Durham	4830	15388
Darlington	1200	1990
Gateshead	3190	6212
Hartlepool	1300	2770
Middlesbrough	1403	3420
Newcastle-upon-Tyne	3928	8168
North Tyneside	2831	5046
Northumberland	2504	6758
Redcar and Cleveland	1800	3310
South Tyneside	2610	4806
Stockton on Tees	2100	3530
Sunderland	5108	9266
<b>North East</b>	<b>32804</b>	<b>70644</b>

<sup>1</sup> The source for the assumptions behind these figures are contained in the Technical Appendix  
**Sources:** DWP Benefits, Work and Pensions Longitudinal Study (February 2012); DWP Statistics: Benefit Caseload National Statistics (WPLS) Tabulation Tool for Incapacity Benefit Feb 2008 and Incapacity and Employment Support Allowance Feb 2012; DWP Statistics: Benefit Caseload National Statistics (WPLS) Tabulation Tool for Incapacity Benefit Feb 2012 DWP (2012) Impact Assessments for Disability Living Allowance Reform (Personal Independence Plan); DWP (2012) Time Limiting Contributory Element of Employment and Support Allowance.

Figure 2.3 gives the breakdown to local authority level, and shows that changes to disability benefits account for over £300m of the £381m anticipated financial loss to the NE region. Assuming that the degree of overlap between DLA claimants (32,804) and IB/ESA recipients (70,644) is 70% or less, it can be estimated that more than 80,000 claimants in the North East will be affected.

Within local authority areas, the number of claimants affected (and resulting financial loss) has a significant geographical dimension. This is shown in a series of maps (Figures 2.4 – 2.6), representing the proportion of the working age population in each LSOA who are in receipt of various disability benefits (IB/SDA; ESA and DLA). The striking (if unsurprising) feature is the degree to which maps overlay with each other, and also overlay with the mapping of multiple deprivation (Figure 2.7). The ward locations of some of the LSOAs most affected are shown in Figure 2.8. This shows how the top 10 LSOAs ranked in order of the proportion of the working-age population claiming DLA overlap with the rankings for other disability benefits.

Figure 2.4:

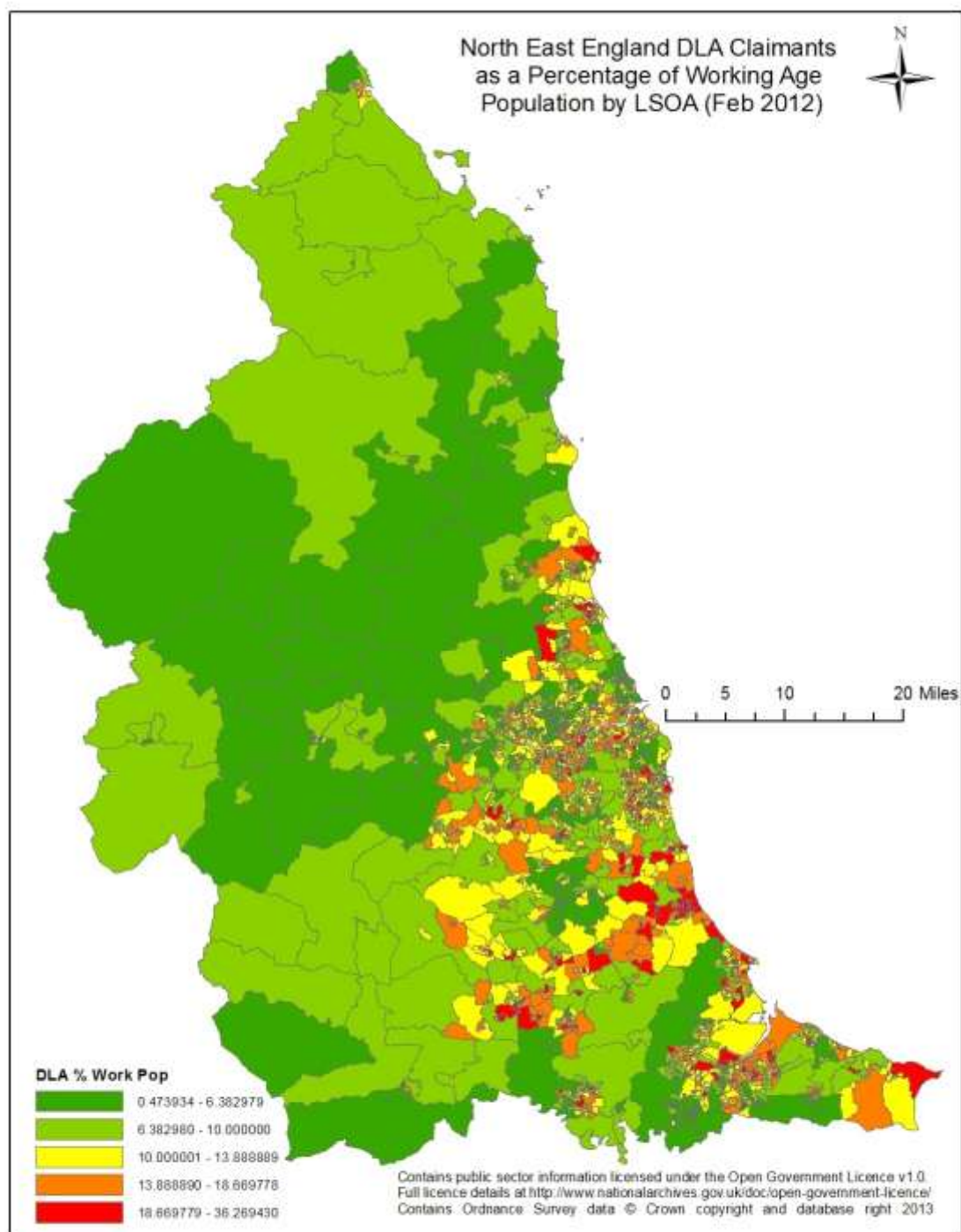




Figure 2.5:

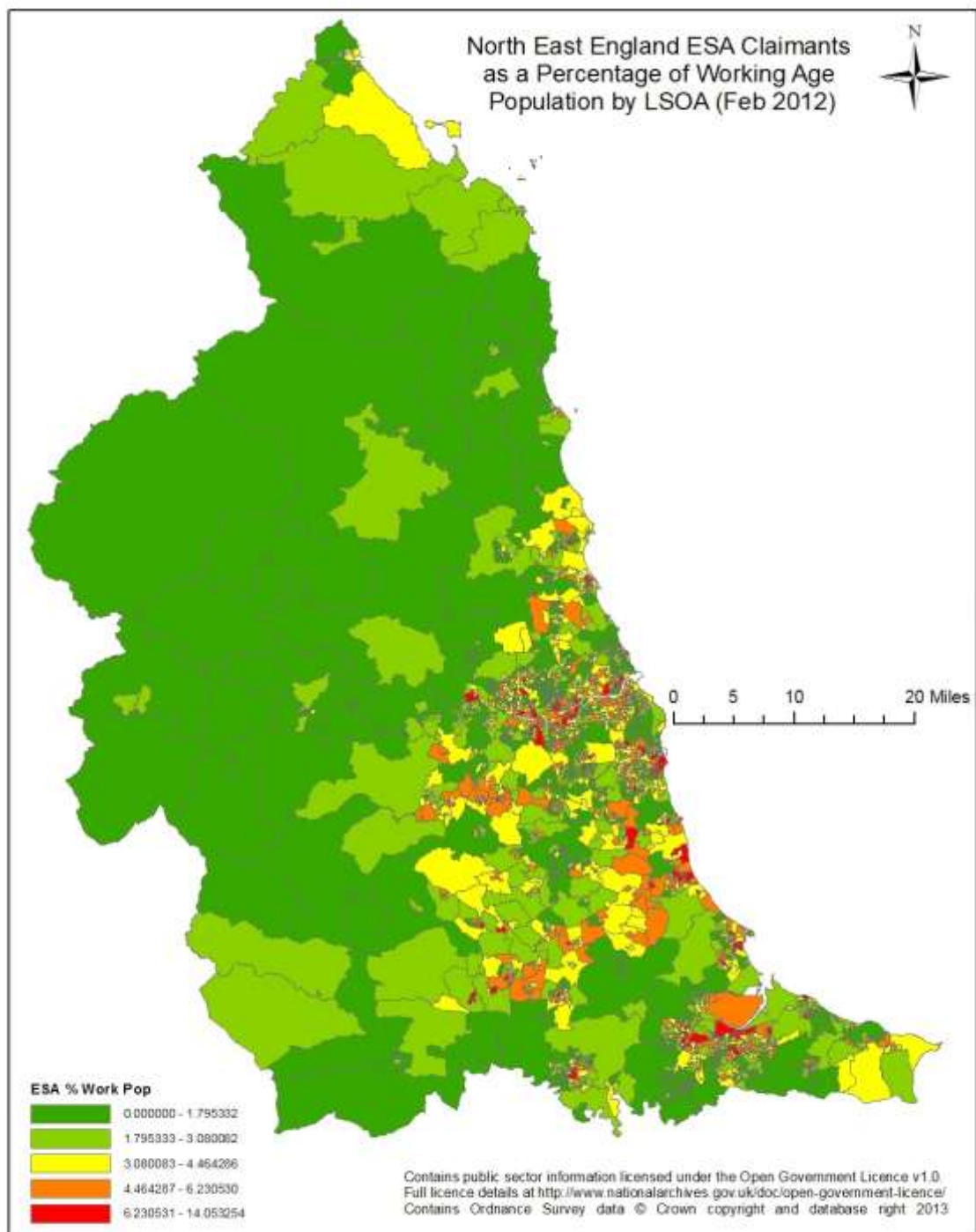


Figure 2.6:

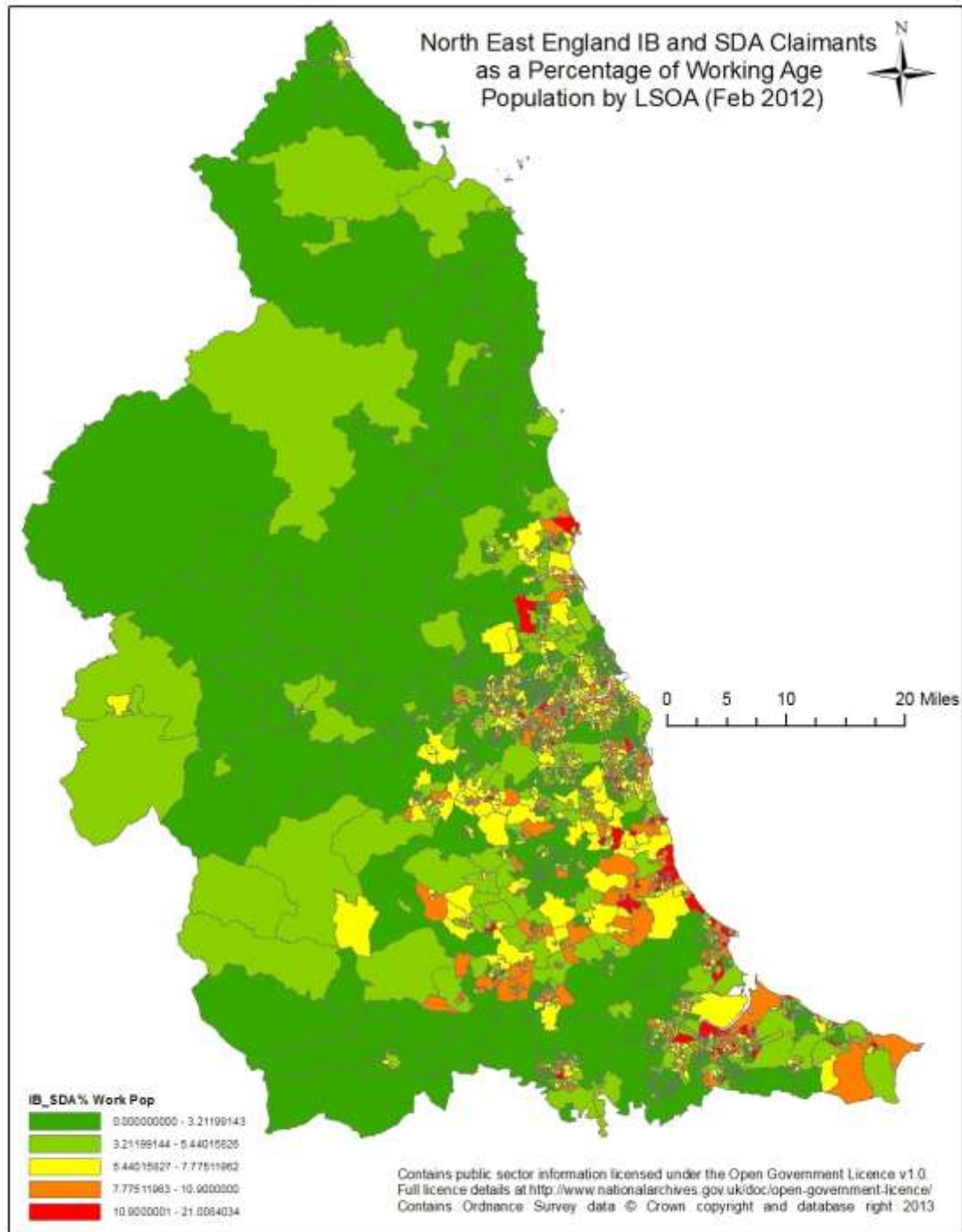
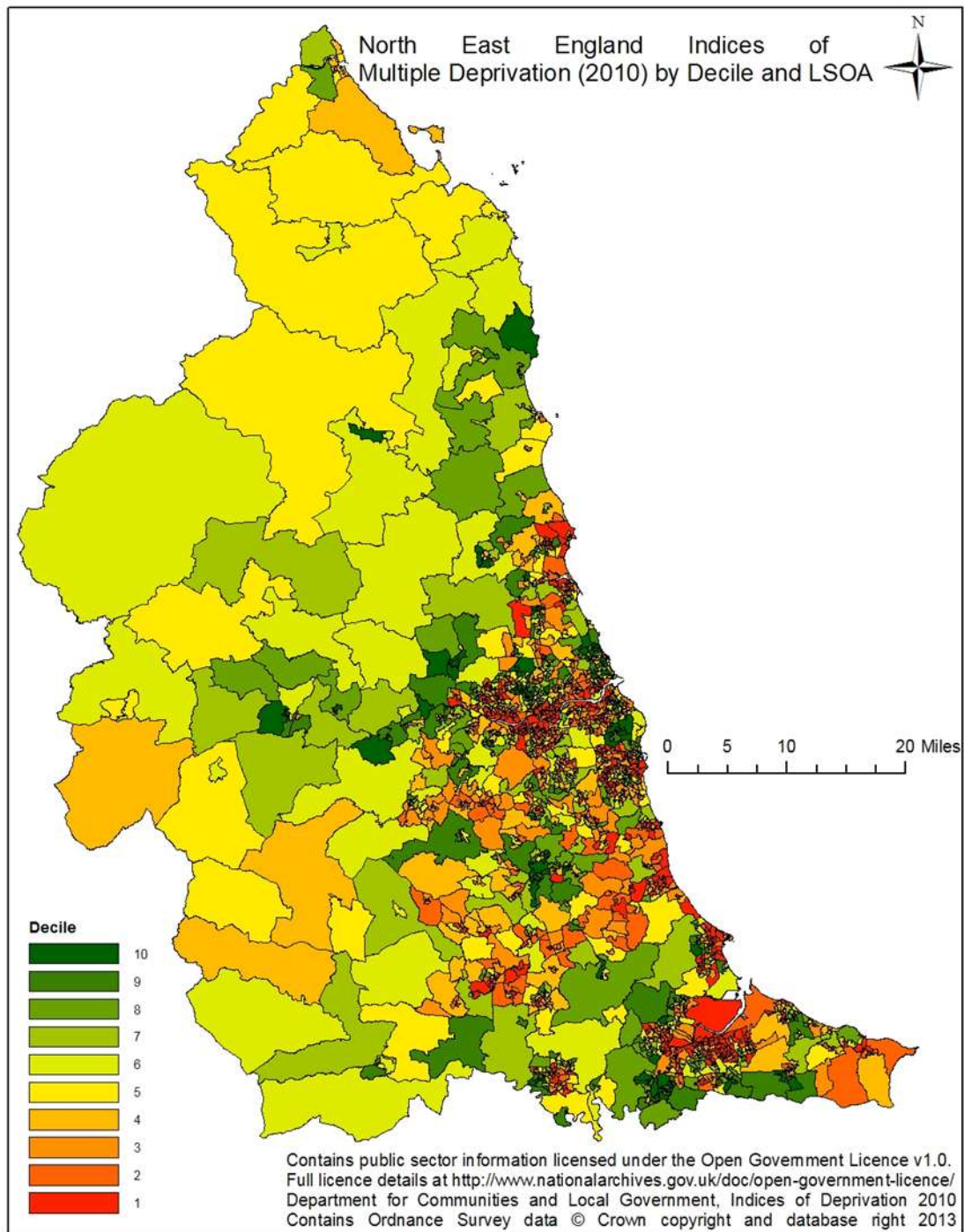


Figure 2.7:



**Figure 2.8: Disability benefit claimants as a % of working age population by LSOA**

Local Authority	Location of LSOA	% on DLA	% on ESA		% on IB/SDA	
County Durham	Deneside	36			18	(3rd highest)
Sunderland	St Chads	33			16	(5th highest)
County Durham	Woodhouse Close	32	11	(2nd highest)		
County Durham	Ferryhill	29	8	(13th highest)		
County Durham	Willington	29			15	(8th highest)
Middlesbrough	Gresham	29			21	(1st highest)
Middlesbrough	Middlehaven	28	9	(5th highest)	20	(2nd highest)
County Durham	Shotton	27	9	(8th highest)		
County Durham	Horden	27	9	(9th highest)	14	(11th highest)
Stockton-on-Tees	Stainsby Hill	26				

*Source: NOMIS Small Area Statistics Feb 2012*

Other wards with LSOAs within the top 1% for these benefits are:

Peterlee East (County Durham); Central Ward (Darlington); Dunston and Teams (Gateshead); Stranton and St Hilda (Hartlepool); Coulby Newham (Middlesbrough); Byker and Elswick (Newcastle-upon-Tyne); Riverside (North Tyneside); Kirkleatham and Grangetown (Redcar and Cleveland); Newtown (Stockton-on-Tees); Simonside and Rekendyke (South Tyneside); and Riverside, Hetton and Hendon (Sunderland).

In Northumberland, the most affected LSOAs are within the College and Croft wards.

As well as the cumulative impact on individual households, therefore, there will be geographical pockets of concentrated impact within particular localities.

### 2.3 Welfare Reform and Economic Resilience

One approach to assessing the impact of welfare reform is to locate the discussion within the wider debate on resilience; a concept now increasingly used to describe the ability of places and people to withstand and respond to shocks in the external environment. This focus has been particularly utilised in the economic context, where economic resilience has been defined as:

*‘the ability of an economy to withstand an economic shock and to provide the range of jobs (directly or indirectly) to sustain high levels of employment. As demonstrated by the most recent recession, all areas will experience employment losses in a downturn, although the more robust and balanced the economy, the fewer the job losses and the quicker the recovery’ (Ecosgen, 2010).*

One example of this approach is provided by Experian’s study for the BBC in 2010, which specifically highlighted the vulnerability (or lack of resilience) to planned public

spending cuts. The approach was based on four dimensions of resilience: *Business*; *Community*; *People*; and *Place*, under which sit 33 variables, used to create an overall resilience index (Figure 2.9). Variables and themes were weighted to reflect their relative importance (with 'Business' weighted at 50% to reflect its overall importance to short term resilience) and also according to the results of in-house correlation analysis and detailed consultation (BBC, 2010). On the basis of this procedure, 324 local authority areas were ranked in terms of resilience.

<b>Figure 2.9: Measuring Economic Resilience (The Experian Framework)</b>			
<b>Themes</b>	<b>Measures</b>		<b>Weightings</b>
Business	% vulnerable sectors	8%	50%
	% resilient sectors	8%	
	% high growth (knowledge) sectors	15%	
	Business start-up	5%	
	Insolvency rates	10%	
	% workforce self-employed	5%	
	Adaptive companies	5%	
	Days-beyond terms	5%	
	Foreign-owned businesses	5%	
	Exporters	3%	
	Highly exporting SICs	3%	
	% employment in vulnerable sectors	8%	
	% employment in resilient sectors	8%	
	Business density	15%	
People	Working age population growth	17%	17%
	NVQ 4+	17%	
	No qualifications	17%	
	% employed as professionals	16%	
	% employed in elementary occupations	16%	
	Earnings	17%	
Community	% vulnerable to declines in disposable income	20%	17%
	% vulnerable to long-term unemployment	10%	
	CC rate of unemployment	10%	
	Social cohesion/neighbours looking out for each other	20%	
	Life expectancy at birth females	10%	
	Life expectancy at birth males	10%	
	% wards amongst 10% most deprived (WIMD)	20%	
Place	Crime rates	25%	17%
	House prices	15%	
	ERV commercial office space	25%	
	5 of more GCSEs A*-C or vocational equivalent	35%	

**Source:** Experian study for BBC, 2010

The ranking exercise found that the ten most resilient areas were all in London, the South and East, while the North East was judged the least resilient region, with only one local authority area in the third quartile (Northumberland) and all others in the bottom quartile. Middlesbrough was judged to be the least resilient local authority area in England.

<b>Figure 2.10: North East rankings amongst resilient local authority areas</b>	
<ul style="list-style-type: none"> <li>• <b>206</b> Northumberland</li> <li>• <b>252</b> Stockton-on-Tees</li> <li>• <b>259</b> Newcastle-upon-Tyne</li> <li>• <b>260</b> Darlington</li> <li>• <b>271</b> North Tyneside</li> <li>• <b>276</b> Durham</li> </ul>	<ul style="list-style-type: none"> <li>• <b>280</b> Gateshead</li> <li>• <b>308</b> Sunderland</li> <li>• <b>313</b> South Tyneside</li> <li>• <b>316</b> Hartlepool</li> <li>• <b>319</b> Redcar and Cleveland</li> <li>• <b>324</b> Middlesbrough</li> </ul>
<i>Source: Experian study for BBC, 2010</i>	<i>Note: Numbers from 1 (highest resilience) to 324 (lowest resilience)</i>

While the specific mix of factors underpinning vulnerabilities varied between local areas, six appeared across many profiles. These included:

- higher levels of unemployment and long-term unemployment;
- high levels of business insolvency;
- relatively small proportion of population in self-employment;
- high levels of public sector employees;
- low average household earnings; and
- low house prices.

Other approaches to defining and measuring resilience have also been developed, also involving dimensions, variables and weightings. Two of these are outlined in the Technical Appendix (Ecosgen, 2010; Advantage West Midlands, 2010).

## **2.4 Welfare Reform and Economic Resilience in the North East**

The scale of the estimated losses to local authorities and working age adults following the introduction of welfare reform, will have a further adverse impact upon the economic resilience of local areas in the North East, given that many of the key factors contributing to such resilience will be affected by a ‘negative multiplier’ effect of reductions in local spending.

There is little in recent evidence since the original Experian survey that indicates the likelihood of the region moving up any economic resilience rankings or being better prepared to deal with welfare reform changes. Indeed, the region - and most of its local authority areas - now present as more vulnerable to external shocks.

Figures 2.11 and 2.12 present some headline indicators and key measures; fuller details can be found in the Technical Appendix.

**Figure 2.11: Economic Resilience- Headline Indicators for the North East**

- 24.6% of employed people in the region worked in the public sector in 2011, the highest amongst English regions (though down from 26.9 % in 2009)
- At local authority level in 2010, the highest shares of public sector jobs were to be found in Newcastle-upon-Tyne and Middlesbrough (both over 33 % of all employee jobs).
- Long-term unemployment has fallen but the number of 16 to 24-year-olds job-seekers has increased with unemployment running at 15.8% in the NE, 12.3% (4.7m) nationally.
- Productivity in 2010 (measured by GVA per hour worked) was one of the lowest English regions, at 88%. Within the region, Northumberland's was the third lowest in England, 75 % of the UK rate.
- In 2009, the region's employment rate was the lowest in England at 66.2 %.
- The NE has among the highest proportions of one person households (30 % in 2010) and lone parent households with dependent children (7.7%) in the UK.
- More than a fifth of children in the North East lived in workless households in 2011 (22.4 per cent), the highest proportion in the UK.
- In year ending March 2011, almost 15 % adults aged 16 to 64 had disabilities that limited their daily activities or work in the NE, the highest regional proportion in England.
- There was a 1.9 % decrease in house prices in the region in 2011. The median house price in 2009 was £120,000, the lowest of all English regions.
- In 2010, 23% of homes in the NE were rented from local authorities and social landlords, above the England average of 18 %, and the second highest region (after London)
- In the NE, 56.8 % of pupils achieved 5 or more grades A\*–C at GCSE level or equivalent including English and Maths in 2010/11, compared with 58.4 % for England as a whole.

**Figure 2.12: Selected Measures of Economic Resilience in the North East**

Local Authority	Unemployed (Nov 2012- Jan 2013)		Working-age population with no qualifications 2011		Earnings by residence 2012 (Full-time Gross Weekly Pay)
	Number	%	number	%	
Darlington	5200	10.7	6,900	12.6	£436.5
Durham	26,800	10.0	44,400	13.5	£458.0
Gateshead	11,400	11.8	12,500	10.1	£465.2
Hartlepool	6,000	14.0	9,800	16.7	£506.1
Middlesbrough	9,900	15.4	15,500	16.6	£409.9
Newcastle-upon-Tyne	16,200	10.4	24,000	11.5	£484.5
North Tyneside	10,600	9.9	11,500	9.0	£454.4
Northumberland	9,300	7.8	16,400	8.6	£465.2
Redcar & Cleveland	7,700	12.2	11,000	13.0	£439.2
South Tyneside	9,500	12.9	11,100	11.2	£450.1
Stockton-on-Tees	10,800	11.0	11,000	8.9	£484.6
Sunderland	14,800	9.7	24,600	13.1	£424.0
<b>North East</b>	<b>138,200</b>	<b>10.1</b>	<b>199,800</b>	<b>11.8</b>	<b>£455.3</b>
<b>UK</b>	<b>2,516,000</b>	<b>7.9</b>	<b>3,764,700</b>	<b>9.7</b>	<b>£505.9</b>

*Source: NOMIS data; (ONS Claimant Count; ONS Annual Population Survey; ONS Annual Survey of Hours and Earnings)*

## 2.5 Impact of Welfare Reform on Financial Resilience

One recent study (Keohane and Shorthouse, 2012) moves on from a focus on local economies (places) to another dimension of resilience; the *financial* resilience of individuals and households. Characterising this as *'low levels of debt and high levels of savings, alongside the capability to sustain this position, the latter which may include skills as well as wider resources, such as support from family and ability to access credit'*, the research concludes that UK households, *especially those on low incomes*, have very low financial resilience. For example:

- 10 m people in low-income households are in unsecured debt, and lower-income households have higher debt-to-income ratios than higher income households.
- In the decade leading up to the financial crisis, households in the lowest income decile increased their spending by 43% on the basis of a 17% increase in income.
- Three quarters of those in the lowest income quintile have no cash savings.
- The saving ratio among households in the lowest income decile has declined dramatically in the past 25 years.

The North East already has the highest level of average household debt (34p per £ of gross income compared to 12p per £ in the South West); 26% of the region's working residents say they no longer have enough money to survive until next pay day; and 1 in 60 go to Wonga (a pay day loan company which, as is common practice in the sector, charges annual interest rates in excess of 1,000 per cent). This suggests that many people in the NE will not have a money resource to draw on if facing welfare reform changes that adversely affect their incomes. The study confirms *'the consequences of fluctuating incomes or expenditure are much more severe when a household has no financial cushion to fall back on'*.

However, an important finding from the research (confirmed by other studies) is that individuals and households vary in how they respond to adversity: *'...many of our [sic] households possessed particular – and at times very advanced – methods for managing on a low income... Many demonstrated significant agency and capability'* (Keohane and Shorthouse, 2012).

The research found that households adopted very different approaches to managing their money, identifying three dimensions: the length of budgeting cycles; the level of formalised household budgeting methods; and the length of planning horizons. Depending on their situation across these dimensions, the analysis categorised households into three broad types: *'Planners'*, *'Tacticians'* and *'Ad hoc budgeters'* (Figure 2.13).



<b>Figure 2.13: Characteristics of Household Savers</b>	
<b>Ad hoc budgeters</b>	<ul style="list-style-type: none"> <li>• No saving</li> <li>• Reactive</li> <li>• Short-term horizons</li> <li>• Lack of engagement</li> </ul>
<b>Tacticians</b>	<ul style="list-style-type: none"> <li>• Use of benefit system for apportioning and rationing</li> <li>• Payment in cash to avoid bank charges and for extra flexibility</li> <li>• Budgeting through cash to restrain spending</li> <li>• Deliberate testing tolerance of providers for arrears</li> <li>• In-month consumption- smoothing</li> <li>• On-line oversight of budget</li> </ul>
<b>Planners</b>	<ul style="list-style-type: none"> <li>• Often monthly, but also fortnightly or weekly budgeting</li> <li>• Financially engaged</li> <li>• Budget calendars</li> <li>• More considered use of credit</li> <li>• ‘Jam jarring’</li> <li>• In-month and inter-month saving for anticipated expenses</li> <li>• Direct Debits</li> <li>• Precautionary saving</li> <li>• Online</li> </ul>
<i>Source: Keohone and Shorthouse, Sinking or Swimming, SMF 2012</i>	

Three key factors shaping resilience at this level can therefore be identified as: the capacity to plan for the future; budget management skills; and access to affordable credit. This opens up further debates on the wider social implications of the reforms and the hoped-for ‘behaviour change’. Certainly, the policy agenda presents a clear impetus to increase the number of households in the region who could be categorised as ‘planners’.

### 3. Social Resilience and Welfare Reform Impact

*‘[The bedroom tax] pays no attention to people’s support networks, their family relationships, the people they know who help them out...neighbours, family members. That will be lost. For lots of people, that kind of emotional support is incredibly important. In some ways, those families who are new into the area are more resilient as they don’t have that support anyway’.*

Key Interviewee, March 2013

The radical changes to the benefits system have a very clear human dimension and any study of impact needs to have a wider social focus to encompass communities, individuals, and behaviours. As noted in the previous section, approaches to economic reliance recognise a social dimension, and the framework proposed by Experian (and by Ecosgen and Advantage West Midlands in the technical appendix) enable some of these to be captured in statistical form. For example:

**Figure 3.1: Statistical Indicators on Social Resilience in the North East**

- In the 3 years between 2008 and 2010, life expectancy at birth in the NE was one of the lowest in the UK at 77.2 years for males and 81.2 years for females (national figures were 78.2 and 82.3); in 2009, the NE had one of the highest percentages in Britain of people smoking 20 or more cigarettes per day (10% for both genders).
- Between 2007/8 to 2009/10, 24% of people in the NE were in households with incomes below the poverty threshold, and median disposable weekly household income – after housing costs – was the lowest of all English regions.
- The NE has the highest level of average household debt at 34p per £ of gross income (compared to 17p per £ in the South East and 12p per £ in the South West); 26% of NE residents in work say they no longer have enough money to survive until next pay day; and 1 in 60 go to Wonga for pay day loans.
- The Index of Multiple Deprivation (IMD) attempts to capture several different domains of disadvantage. In 2010, this revealed the following position English regions:

Regional breakdown of LSOAs at various levels of deprivation				
Level of deprivation >	1% most deprived	5% most deprived	10% most deprived	20% most deprived
Region				
North East	12%	10%	9%	8%
North West	52%	35%	28%	22%
Yorkshire/Humber	17%	18%	17%	14%
East Midlands	5%	5%	6%	7%
West Midlands	9%	17%	17%	15%
East of England	2%	2%	3%	4%
London	0%	7%	12%	19%
South East	3%	4%	4%	6%
South West	2%	3%	4%	4%

Source: DCLG (2010) Indices of Multiple Deprivation

However, the concept of ‘social resilience’ goes further than this. In the context of welfare reform, it means capturing how equipped individuals and households are to manage and negotiate the challenges they will face. One study characterises social resilience as *‘flourishing despite extraordinarily tough experiences and environments’* (Buchardt and Huerta, 2009). Another describes it as *‘positive forms of response made by individuals over time in the face of financial, social or emotional adversity. It is an agency-centred and dynamic term, in that it covers the ability that some people might have to withstand pressures that might defeat others over a period of time, or their capacity to keep overcoming potential setbacks’* (Batty and Cole, 2010).

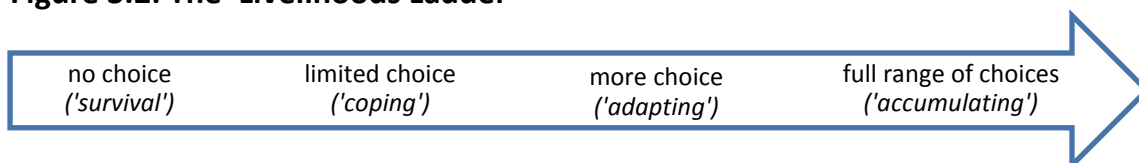
In this context, individuals are viewed as resourceful, potentially able to withstand repeated setbacks or use difficulties as an impetus to take positive steps forward. This allows for a more nuanced approach which recognises how measures of welfare reforms will vary in their bearing, reflecting not only the differential structural characteristics of the local economy, but also the differential capacities and attributes of individuals and households that improve their chances of coping with associated economic and social challenges. In short, such an emphasis recognises that welfare reform will have an uneven impact across different local areas, even where economic effects look similar.

### 3.1 Approaches to Social Resilience

Recent research projects capture a more detailed portrait of household resilience:

A study of 24 low income households applied the ‘livelihoods approach’ (Orr et al, 2006) focussed on households’ access to different assets, placing them on a spectrum:

**Figure 3.2: The ‘Livelihoods Ladder’**



Only one household in the researchers’ sample placed themselves in a position of ‘accumulating’. The majority (14) described themselves as ‘coping’, while three said they were just ‘surviving’, and six classed themselves as ‘adapting’. The research was conducted in Thornaby-on-Tees, suggesting that in some parts of the region at least, the capacity to absorb the shocks of welfare reform will be relatively low.

Another North Eastern study, *Exploring Household Resilience on Teesside*, has a potentially more optimistic prognosis. The researchers found that individuals can be resourceful even in the face of economic hardship, often relying on their social and psychological supports (family and friends) for important necessities and for building

resilience (Vale, 2009). The study identified six factors behind an individual's ability to be resilient:

- Constructive attitudes about themselves and others;
- Habits and routines of communal behaviour;
- Stable family roles;
- Communication with family members;
- Strong support networks;
- Clear goals for the household.

The make-up of the household was found to be a particularly important variant, with couples tending to cope better with difficulty than single people. The research concluded that the more assets (physical, financial and psychological) households have, the more likely they will be resilient to shocks that may overcome others. This has implications for welfare reform if changes impact heavily upon those who live alone; the application of size criteria (in both rental sectors) is an obvious example.

Research supported by JRF (Batty and Cole, 2010; Batty, Cole and Green, 2011) used qualitative methods (a biographical/life-story approach) to promote understanding of the changing dynamics in low income neighbourhoods based on the accounts of – and dynamic lives of – residents themselves. The study was part of a programme concerned to understand how people 'get by' in low income areas, and found that there could be significant differences between different places, *even where statistical data sets suggested similarity* (Batty, Cole and Green, 2011).

Individuals' capacity or resilience was assessed in relation to:

- *Building networks and self-confidence* (e.g. volunteering; strong family networks);
- *Developing self-esteem through training and employment* (e.g. access to training opportunities and engagement with the world of work);
- *Juggling the budget* (e.g. access to credit; dealing with emergency spending);
- *Risk of burn-out* (e.g. pressures are too great to handle; mental health problems).

These factors are likely to be highly relevant to the impact of welfare reform.

### **3.2 Stakeholder Perspectives on Social Resilience**

It should be acknowledged that those interviewed for the current study were not stakeholders in a general sense. Drawn from the constituency of the voluntary and community sector, they represented agencies engaging with people who are more likely to be experiencing problems. As such, it is important to note that their perspectives will not necessarily reflect the circumstances of benefit claimants *per se*. Rather, they mainly give an insight into the impact on people in the region who are *more* likely to have *less* capacity for social resilience in the face of welfare reform.

This caveat was reflected in mixed levels of optimism among interviewees about the skills and capability of households affected in the North East, which tended to be proportionate to the ‘vulnerability’ of their client group. A stakeholder undertaking prevention work with low income families said that such households are often *‘incredibly good at managing their money because they need to be’*. The interviewee believed that while some could fall temporarily into debt because of welfare reform, they were likely to engage in a careful process of debt management, explaining: *‘Years ago, people wouldn’t pay the rent one week in order to buy essentials and the next week they would pay some of the rent. That’s where the real skills of money management come in and I think that’s what people will do’*.

Other interviewees were less optimistic. One, working in the area of financial inclusion, reported *‘many of the clients accessing credit unions cannot make money last a fortnight’*; another working with chronically excluded people suggested that individuals’ primary needs typically prevent them from being able to manage their finances effectively. Their prognosis for the envisaged monthly payments was highly pessimistic: *‘If people have never had money in their hands for years, their first thought isn’t going to be to pay the rent so I think early on, you are going to get a massive surge in arrears and evictions’*.

The interviews also revealed concerns about the impacts of welfare reform on community and social resilience, with some households becoming excluded from public life, some no longer having access to informal sources of support, and others struggling to access formal support services. Explanations for the concerns drew on a range of factors including: on-line systems, monthly payments, moving home, living in temporary or unstable accommodation, and travel costs.

*‘You have Maslow’s hierarchy of needs but exclusion is about being excluded from public life – culture, sociability. By not going to job clubs and applying online, they become further excluded. There is a risk that those who are socially excluded now are going to be more and more excluded’*.

### **3.3 The Wider Social Impact of Welfare Reform**

*“Demand has changed for us in that we are working with something like 40% more families now that we were two years ago. In terms of the complexity of those families, we are now far more likely to have children subject to the CAF [Common Assessment Framework] and child protection plans. We are far more likely to be the lead professional in the case so the complexity of things is all going up and that’s against the complexity of increased stress in families and all the things that come with that.”*

Key Interviewee, March 2013

Recent studies have tried to foresee the potential wider impact of welfare reform. One, in Hampshire, considered four main areas of change: *'Inactive Benefits'* (Incapacity Benefits, Severe Disablement Allowance, Employment and Support Allowance); *Job-Seekers Allowance*; *Lone Parents on Income Support*; and *Housing Benefit* (Beatty, Gore and Powell, 2011).

The research found that Hampshire as a whole had proved to be fairly resilient in the face of economic recession, but suggested that severely deprived neighbourhoods - and multiply-disadvantaged individuals on benefits or needing support living elsewhere - could face major challenges, concluding that:

- Changes will affect those who work in the public sector, working families on low incomes, those on out-of work benefits including the unemployed, lone parents and the long term sick and disabled.
- For some, welfare reform poses a real possibility of increased poverty and hardship. For example, 7,820 people (15% of incapacity benefits claimants in Hampshire) may eventually lose their entitlement to benefits, and some families are likely to have to relocate away from social networks of informal support.
- Impacts will be felt by residents in all housing tenures. For example, nearly 3,000 HB claimants within the county's PRS are likely to be affected by changes to the calculation of LHA. Increases in homelessness and in demand for social housing and support services are not unrealistic future scenarios to plan for.
- Combined effects seem likely to have potentially severe consequences for vulnerable people and those who cannot re-integrate into the workforce easily or increase currently low incomes; those at the 'back of the queue'.
- The entirety of welfare reform changes will take several years to work through the system. It is possible to estimate household numbers affected financially by individual measures but anticipating people's potential response is much harder.
- There will be a need for extensive local and sub-regional monitoring, including evaluating displacement and migration effects.

Research by the Government of Wales (2012/13) also identifies several possible implications of welfare reform for their devolved public services:

- Cuts to benefits - and more stringent entitlement rules - may push people out of unemployment statistics and into **crime** activities. There is also some evidence that the timing and frequency of welfare payments can impact on crime levels.
- **Health** could be affected negatively by increased poverty levels; new, uncertain and stricter medical assessments; budgeting problems associated with direct, monthly benefit payments; and the migration of claimants into cheaper, poorer-quality and possibly overcrowded housing.

- Increased pressure on **social care services**, especially over the longer term. For example, informal carers may be further relied on as claimants lose some or all financial support. If people migrate to cheaper areas, this may mean a loss of informal support networks and/or a disruption to formal care delivery.
- Impacts on **housing services** will relate to housing affordability, rent arrears, evictions and homelessness as a result of reductions to benefit, direct and monthly payments, and sanctions, which may create budgeting problems.
- **Educational outcomes** may also be affected by the potentially negative effects of reduced income and increased poverty, and higher rates of migration leading to pressures on school performance and places and disrupted educational continuity.

### 3.4 The Wider Social Impact of Welfare Reform in the North East

These findings from similar research were strongly reflected by the key interviewee discussions for this study, with the social impacts of welfare reform in the North East predicted to be wide-ranging and far-reaching. One stakeholder suggested *‘a lot of people are already struggling and yet, what we all know is that the real impact of welfare reform is yet to hit...we haven’t got universal credit yet, the bedroom tax hasn’t come in yet, the changes in council tax haven’t come in, changes in social fund haven’t started yet so there’s a lot on the horizon’*.

Across the region, there was already evidence of increased demands for advice and support services prior to most of the implementation taking place.

#### Figure 3.3: The Growth in Food Banks

A large regional homeless provider reported that the number of projects served by their NE FareShare scheme has increased from 40 to 63 over a 12 month period. Approximately half of this growth is represented by new food banks accessing the services, remaining growth made up of breakfast clubs for schools, homeless shelters or day centres. In the same period, the number of clients accessing support from FareShare grew from 1500 to 2400.

In the Newcastle-based report (NCVS, 2012), a local food bank coordinator reported: *‘Demand has been steadily increasing and the most common reason we have noticed at our food bank is either debt or benefit changes’*. The report concluded that food banks are becoming part of the support system for households, rather than a supplementary service to assist longer-term solutions.

Similarly, Citizens Advice Briefing on the 2012 Autumn Statement reported, *‘already, advisers in our local bureaux are telling us that more clients are facing financial hardship and they are, for example, seeing more people needing food parcels’*.

**Source:** Key interviews and review of documentation

### Figure 3.4: Increasing Homelessness

A survey of 20 NE homelessness organisations in 2012 indicated increased demand for services over a 12 month period, averaging at 10-15% across providers (Irving, 2012). Young people appear to have been particularly affected by this trend; in a study of youth homelessness in the region, 6 out of 10 local authorities reported that the number of young people presenting as homeless or seeking housing advice had increased compared to the situation 12 months previously. There were also reported increases in the number of young people who had experienced rough sleeping; almost half of contacted providers believed there had been an increase on the previous year (YHNE, 2012).

(Whilst not specifically investigated, these trends may partly reflect earlier stages of welfare reform: abolishing EMA, increasing non-dependent deductions, and reducing LHA levels).

**Source:** Review of documentation

In terms of more general trends, Citizens Advice is a valuable source of comparative information; partly because of the scale of its operations and the scope of its focus; partly because all bureaux routinely collect standardised statistical data about the nature of the issues they give advice on. These are collated and published on a quarterly basis (thus allowing for seasonal adjustment) and some collations are available at a regional level (individual enquiry records go down to ward level). An indication of how the North East compares to the national picture is shown in Figure 3.5 - the 11% increase for benefit advice was the highest of any region.

**Figure 3.5: CAB Advice Issues - percentage change mid-2011 to mid-2012**

Category of Advice Issue	England and Wales			North East region		
	Total number	As % of total	Annual change	Total number	As % of total	Annual change
Benefits & Tax Credits	2,341,514	34%	8%	162,528	32%	11%
Consumer Goods & Services	121,812	2%	-1%	5,823	1%	-15%
Debt (incls rent/mortgage arrears)	2,076,89	30%	-4%	236,778	47%	-1%
Education	24,242	0%	-14%	883	0%	-23%
Employment	508,956	7%	-6%	21,798	4%	-12%
Financial Products & Services	126,287	2%	-1%	7,668	2%	-8%
Health & Community Care	75,698	1%	1%	5,434	1%	10%
Housing (excluding arrears)	480,577	7%	-2%	23,983	5%	-4%
Immigration, Asylum, Nationality	80,704	1%	-8%	2,682	1%	-11%
Legal	254,391	4%	-9%	10,328	2%	-13%
Other	99,445	2%	6%	3,121	1%	-15%
Relationships & Family	320,161	5%	-1%	11,353	2%	-8%
Signposting & Referral	130,445	2%	-13%	2,135	0%	4%
Tax	58,234	1%	-11%	2,925	1%	-14%
Travel, Transport & Holidays	44,427	1%	-8%	2,269	0%	-7%
Utilities & Communications	81,665	1%	0%	4,446	1%	-12%
	<b>6,844,994</b>	<b>100%</b>	<b>0%</b>	<b>506,165</b>	<b>100%</b>	<b>1%</b>

**Source:** Citizens Advice Bureaux advice issues quarterly statistical summary



A recent quarterly bulletin (Citizens Advice 2013), comparing national level advice issues between the second quarters of 2011-12 and 2012-13, noted *'Benefit continues to outstrip debt as the biggest category of advice, showing a growth of 9% from the same period last year, as it did last quarter... consumer credit debts made up 49% of the total debt problems that clients brought to bureaux – the first time they have accounted for under half... In contrast, household bills reached 29%... Rent, mortgage, fuel, council tax and water arrears now comprise more than 1 in 3 of all of our clients' debts.'*

Some North Eastern examples of individual case records from Citizens Advice are outlined in Figure 3.6.

<b>Figure 3.6: North East case studies relating to the HB size criteria and ESA time limits</b>	
<p>A CAB client in her fifties had spondylosis, generalised arthritis, and experienced panic attacks. She lived in a 3 bedroom social housing property. This had been adapted to meet the needs relating to her physical impairment.</p> <p>The client faced a Housing Benefit reduction of 25% because of the size criteria. She feared being forced to move out of the area in which she had lived her whole life. Although a Discretionary Housing Payment from the local authority was likely, this would only be a temporary solution to the issue.</p> <p>The client believed her mental health problems had been made worse by the situation she was facing.</p> <p>As well as her present difficulties, she was very concerned about the uncertainty around migration to Universal Credit and from Disabled Living Allowance to the new Personal Independence Payment.</p>	<p>A former mineworker in his late fifties approached the CAB because he could not understand why his benefit had reduced.</p> <p>He had been out of work since the 1990s on grounds of ill health, attributable to the demands of his highly physical job. He had limited mobility (problems with his hips).</p> <p>The client received a pension of £150 per month and received DLA (mobility and care components). He had paid national insurance whilst in work, and had qualified for Employment Support Allowance (in the 'Work Related Activity Group').</p> <p>The client had been affected by the 365 day limit on contribution-based ESA. Although he had qualified for income-related ESA, his benefit had reduced from £91.40 to £60.25.</p> <p>The client had not been properly informed of the impending changes so had been unable to plan for the £30 reduction in weekly income.</p>
<p><b>Source:</b> Citizens' Advice Case Study Data Bank</p>	

The data collected through this study suggests that the combined impacts of welfare reform changes are likely to result in significant financial hardships for claimants, increased levels of household debt and more households experiencing poverty. This may lead to a number of adverse impacts:

**Physical health** may be adversely affected if rent shortfalls are compensated for by cutbacks in other areas of essential spending, such as expenditure on food and

heating. As noted above, a significant proportion of households in the North East may be living in a situation of food poverty, with school meals, for example, described by interviewees as a *'cliff edge'* for family finances. Stakeholders further suggested that welfare reform will increase health inequalities. One stated: *'You have to look at the upstream causes and they are all the things that are going to be affected by welfare reform. Inequalities continue to widen and under this, will widen more'*.

Reforms are also likely to affect **emotional wellbeing and mental health**. Research suggests that the impacts of problem debt on the individual can be severe. One study found that most clients of debt advice services worried about their problems most or all of the time, with 60% reporting they had received treatment, medication or counselling as a result. The research also found that a year after receiving advice, 90% of clients reported improvements in their mental health (Citizens Advice 2013).

During the course of this research, one regional children's charity reported a 40% rise in demand for services over a 2-year period, and growing numbers of young people seeking support for emotional needs linked to financial stress and uncertainty: *'We have noticed more people coming to us with self-harming issues... It's to do with young people generally feeling under stress. For everyone, the reasons for that will be different, but it's in the context of looking ahead: "What's my future going to be? I can't afford to go university, the unemployment situation is dreadful. How am I ever going to get a job? How am I ever going to get my own home?" ...and that's for the people with some form of aspirations. We see the consequences in terms of what happens in people's personal lives when there is stress going on in society'*.

Linked to this, it is anticipated that welfare reform will result in increased levels of **domestic abuse** and **relationship breakdown** as levels of stress and tensions within families increase. One key interviewee explained *'what we have noticed over the last two years or so and sadly expect to see more of, is general stress on families, more pressure on family life which then comes out in other ways...domestic violence, substance misuse, marital disharmony and break-up of relationships and everything that comes with that'*.

Where households cannot make up rent shortfalls, there will be an increase in **rent arrears, evictions** and possibly **homelessness**, as well as possible greater use of **unlicensed money-lenders**. Stakeholders pointed out that the true impacts of welfare reform may not be seen for several years: *'The compound impacts may not occur for 2 or 3 years...a lot of the research that we have done has found that you don't see the increases in homelessness until 18 months or so later'*.

Households losing their homes may be forced to move into **substandard or overcrowded accommodation** or to live within the shrinking set of neighbourhoods that remain affordable to them. Such neighbourhoods are likely to have relatively

high rates of deprivation and unemployment (Fenton, 2010). It is also possible that increased levels of indebtedness (including rent arrears) may result in increased levels of **anti-social behaviour** and **criminal activity** as households resort to unorthodox methods of securing additional income and levels of social unrest increase. One key interviewee predicted, *'I think we are going to see an increase in the black economy, theft, prostitution, abuse, violence'*.

Welfare reform is also likely to result in **increased demand for statutory and voluntary services**. Stakeholders highlighted the possibility of 'new' client groups who have never accessed services before, requiring support for the first time. One homelessness service provider, for example, said: *'Support needs will change from the service users who are the core, traditional service users to the level up,'* while a credit union representative said: *'we are going to see clientele for the first time... double income, childless couples who lose their jobs [and] do not have access to a lot of the benefits and safeguards that are in place for other client groups. If this group are made redundant, there will be overnight loss of financial capability'*. And from another stakeholder, *'I think none of us are quite clear as to where the axe is going to fall on the social scale... people who have been in work until recently, people with well-established homes...is it going to affect them?'*

Finally, the interviews revealed concerns about the social impacts arising from the separation and stigmatisation of working-age benefit claimants. The 'fairness' of welfare reform was challenged, with criticism levelled at the protections offered to specific groups, notably older people<sup>6</sup>. Linked to this was a view that the current phase of welfare reforms is hitting easy targets: *'Welfare reform is coming out of the pockets of those who are most vulnerable'*.

Echoing the findings of Batty, Cole and Green (2011), interviewees stressed that discussing the relationship between work and benefits requires taking into account the gains to society of people engaging in unpaid, often informal, support and care activities: *'it's about getting rid of the assumption that if you aren't working, you aren't doing anything, which isn't true. The key thing that we would like to point out is that work isn't just about paid work...I think that's really important.'* There was also concern that the focus on working-age claimants will further stigmatise households already affected by negative public perceptions: *'My main concern is the way in which it's being presented...that everyone on benefits is some kind of scrounger or skiver... the way it's being presented as punishing people...'*

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<sup>6</sup> It should be noted that – because the focus of welfare reform is on pre-retirement benefits – no organisations specifically representing older people were interviewed for this study.

## 4. Housing Market Resilience and Welfare Reform Impact

*“Where’s the stability of the family home coming from especially if you move them [children] from one area to another? It’s the young people who will be our clients tomorrow.”*

Key Interview, March 2013

DWP identifies a key non-monetised benefit for reforms as the capacity for social housing providers to: *‘make better use of their available housing stock, better matching the size of accommodation to the needs of tenants in the social sector’*.

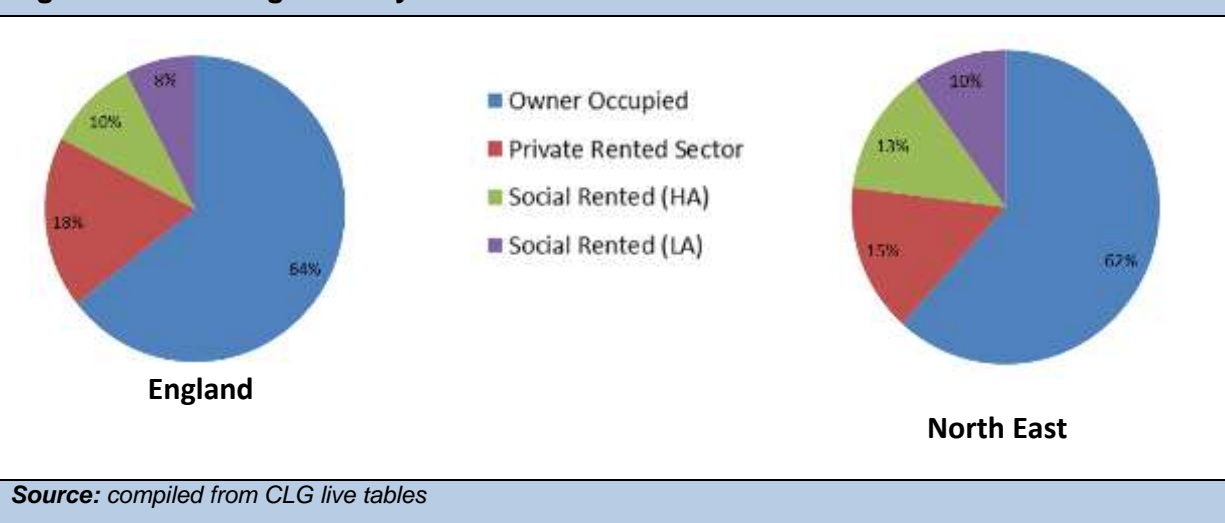
Will this apply in the North East? Housing markets in both private and social sectors operate on a sub-national scale, shaped by their own socio-economic and cultural histories, the strength or otherwise of their corresponding labour markets, and their demographic profiles of past, present and future. Important features and pressures in the North East do not necessarily conform to national trends; our analysis suggests that this means DWP’s anticipated non-financial benefits will not be realised.

This section outlines some salient features of housing patterns in the region before considering the potential impact on housing markets and neighbourhoods.

### 4.1 The North East Housing Context

Firstly, tenure breakdown varies by region. The growth of home ownership has been less pronounced in the North East than elsewhere, past building (and present retention) of council-owned housing stock has been more pronounced, and there has been less revival in the private rental market. This combined pattern means social renting continues to account for a greater proportion of dwelling stock than is the case in other regions; this is relevant to welfare reform because it makes the NE more susceptible to changes that affect social renting specifically.

**Figure 4.1: Housing stock by tenure 2012**



The Government suggests that applying size criteria that reduces the benefit payable to working-age social tenants with more bedrooms than their family circumstances demand brings social renting into line with private renting. However, the basis on which the size limits operate in the two tenures differs:

**Figure 4.2: Size criteria: differences between private and social rented sectors**

In the Private Rented Sector (PRS), Local Housing Allowance (LHA) limits Housing Benefit (HB) on the basis of defined local ‘Broad Rental Market Areas’ (BRMAs) as independently assessed by the Valuation Office Agency (VOA). The basis for the calculation is thus *notional*. HB restrictions in the social rented sector on the other hand operate on an *actual* basis. Tenants cannot ‘shop around’ for better value.

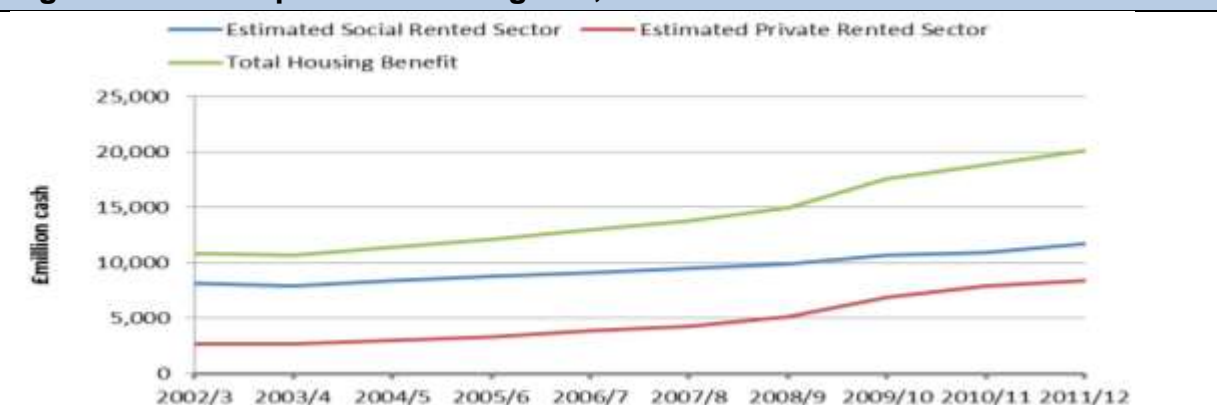
Also, when limits were first introduced for the PRS, they applied on a *prospective* basis, limiting HB payable to *new* but not *existing* claimants. This changed in 2011 but the high ‘throughput’ and generally time-limited tenancies in the sector means this is mitigated to some extent. For social renting, where households are more likely to have established a long-term home, limits are being applied from the start on a *retrospective* basis.

*Source: official papers and dialogue with social housing providers*

The scale of HB spending is one of the drivers of welfare reform and this too relates to tenure. The HB bill has risen significantly (£11 billion in 2000/01; about £21 billion in 2010/11) prompted by increasingly restricted access to social housing and the growth of the private rented sector (especially in high cost areas like London), and compounded by the economic downturn and reduced credit availability.

DWP highlights that around 3.3 million claims (68%) come from tenants in the social rented sector. However, whilst accounting for only 32% of *claimants*, it is the *private* rented sector that accounts for 62% of the *increase in HB spending* (Figure 4.3). For welfare reform, this means that areas like the NE, with relatively low levels of private renting and relatively low private rents, will have contributed *less* than other regions to the growing HB bill yet are *particularly vulnerable* to changes coming into force.

**Figure 4.3: HB Expenditure in England, 2002/3 – 2011/12**



*Source: compiled from DWP HB and CTB time series data*

Importantly, the ‘size criteria’ being introduced for HB purposes differ from the measures of over-crowding and under-occupation historically used by government, in a number of official housing data sets, including the English House Survey (EHS). Based on a ‘bedroom standard’, this only considers a home to be under-occupied if it has *more than one* spare bedroom.

**Figure 4.4: Overcrowding and under-occupation in England by tenure (3-year average 2008-09 to 2010-11)**

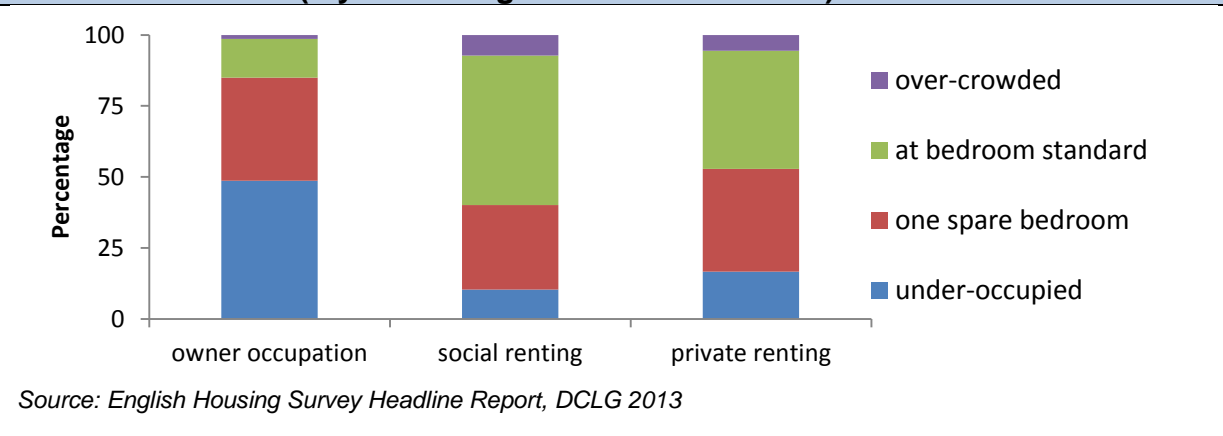
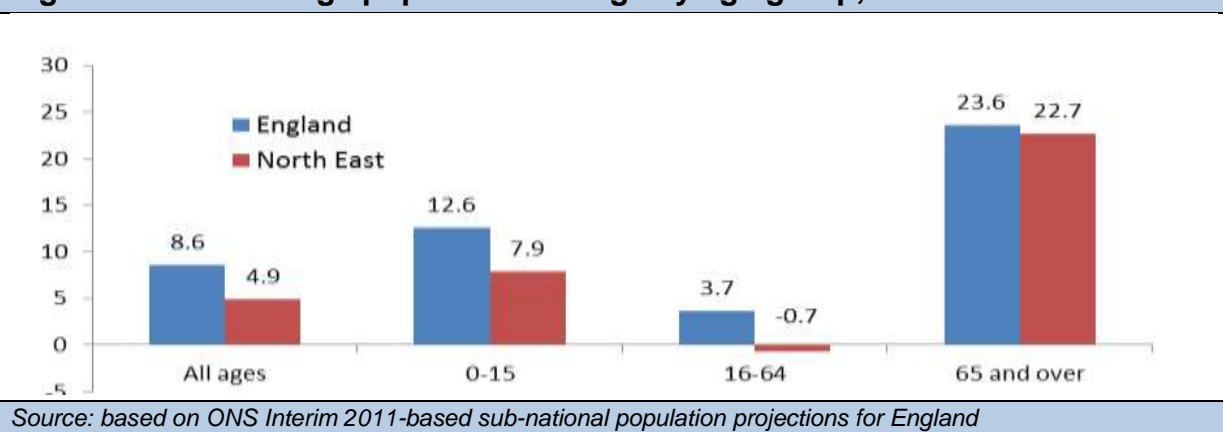


Figure 4.4 shows that nationally, under-occupation is most prevalent in the owner-occupied sector, over-crowding most prevalent in the social rented sector. The NE has a broadly similar pattern for surplus bedrooms amongst home owners (both around 85%) although residents are more likely to have 1 spare bedroom at their disposal (41% rather than 36%), and less likely to have 2 or more (45% rather than 49%). For all tenures in the NE, the sample size for over-crowded households is *too small* to allow for a reliable estimate. This suggests the region is not well-placed to gain from measures to alleviate over-crowding, a key ambition for HB reforms.

Moreover, deindustrialisation in regions like the North East has been accompanied by a degree of depopulation – particularly of adults below pensionable age. The latest ONS population projections confirm this as a continuing trend:

**Figure 4.5: Percentage population change by age group, 2011-2021**



Importantly, these underlying economic and demographic patterns mean that the housing challenges in the NE have played out differently than in many other regions. Acute housing shortage has been less of an issue and indeed, much policy in the last decade has focused on interventions to promote housing market renewal in order to sustain demand across all tenures and maintain viable communities for the future.

Concern grew in the 1990s about 'low demand' in the housing markets of de-industrialised areas, a problem estimated to affect 30% of the population in the North East (Leather et al, 2000). Symptoms of low demand were identified as '*...empty properties, low or falling house prices, and (for the social rented sector) high rates of turnover and refused offers to let*' (Ferrari, 2007).

More recently, the NE has shared in the resurgence of supply and affordability as the major concerns of housing policy. However, constant 'resident churn' and competition with the PRS to attract tenants are still relatively recent memories for some communities. Studies suggest neighbourhoods can enter into a spiral of decline if properties stand empty, and can lose their sense of 'togetherness' if turnover is too pronounced (Ferrari, 2007). Other research has identified the *stability* of social renting as key in helping neighbourhoods 'get by' in the context of other pressures (Cole et al, 2011).

#### **4.2 Assessing Impact on the Housing Market**

These features of the regional housing market make the NE particularly vulnerable to the changes proposed for social housing tenants. In summary, it:

- has a disproportionate share of the (social rented) households affected;
- is not well-placed to benefit from measures to alleviate over-crowding;
- has less housing-related impetus to significantly reduce under-occupation; and
- faces issues of housing sustainability as well as those of affordability and supply.

DWP's Impact Assessment (IA) acknowledges that [predicted] patterns of HB savings will be altered [reduced] if significant [undefined] numbers of tenants wished to move; and that there will be a mismatch with available accommodation if all [sic] existing tenants wished to down-size. Suggesting this might be a particular problem in 'rural areas' and 'areas with lower concentrations of social housing', DWP points out that in such cases the tenant could consider: '*moving further distances [undefined]; moving into the private rented sector; moving into work; increasing working hours or renting out a room.*' (DWP 2012d)

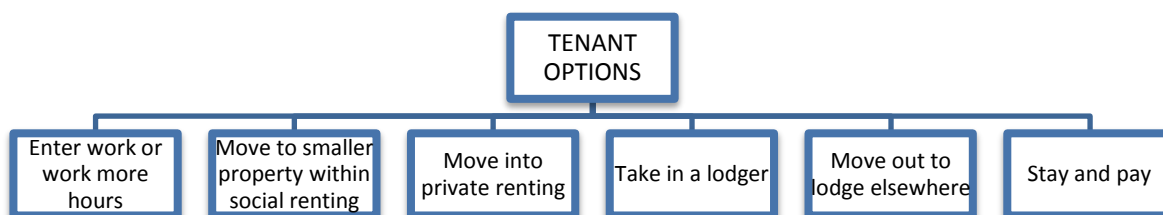
A survey of tenants quoted in the IA (Housing Futures Network, 2011) found that:

- around 25% affected tenants report a likelihood of downsizing to smaller homes;
- around 30% report a likelihood of moving into work or increasing working hours;
- 10-15% state they are likely to offer spare rooms to lodgers or family members;
- 35% tenants expected to fall behind with their rent payments.

A national survey undertaken for the National Housing Federation (NHF) found that 41% of housing associations in the North East region reporting an increase in transfer requests; 100% envisaged increased arrears (IPSOS Mori, 2013).

### 4.3 Tenant options in the North East

The options available to tenants affected by the size criteria present an opportunity to explore some implications of different aspects of ‘behaviour change’, one of the desired outcomes of the welfare reform agenda. This section sets out the various options and their potential impacts.



#### 4.3.1 Enter work or work more hours

This would clearly be a ‘win-win’ scenario but the likelihood of it being a realistic option is intimated by the earlier section on economic resilience. To give an example, broken down by local authority area:

**Figure 4.6: Job Centre Vacancies/Job Seeker Allowance Claims per vacancy (Nov 2012)**

Local Authority area	Job Centre Plus vacancies	JSA claims per unfilled vacancy
County Durham	2175	7.4
Darlington	717	5.3
Gateshead	1054	6.6
Hartlepool	430	11.1
Middlesbrough	557	13.9
Newcastle-upon-Tyne	1835	5.4
North Tyneside	795	8.0
Northumberland	1160	7.8
Redcar and Cleveland	656	9.0
South Tyneside	736	10.1
Stockton on Tees	949	7.6
Sunderland	1754	6.0
<b>North East</b>	<b>12,818</b>	<b>7.5</b>
<b>UK</b>	<b>389,889</b>	<b>4.0</b>

*Source: NOMIS data (Jobcentre Plus Vacancies – Summary Analysis, ONS Jobs Density)*



### 4.3.2 Moving to smaller property within social renting

Tables in the Technical Appendices use national data sets to give a district by district breakdown of the degree of the *existing* mismatch between housing provision, availability and need in the region. Headline findings from these are as follows:

- Social housing stock in the NE is skewed towards family-sized units (75%+); the proportion of 1-bedroomed homes averages out at 22% (46,700 properties);
- Under-representation of 1-bedroomed properties is less pronounced when it comes to dwellings that become available to let, as might be expected given greater patterns of movement and household formation amongst single people;
- The actual number of 1-bedroomed properties that become available across the region within a year stands at less than 6,500; this compares to over 45,000 people registered on waiting lists<sup>7</sup> for this property size;
- This ratio of 7 applicants per 1 vacancy for one-bedroomed properties (7:1) compares to 4:1 for two-bedroomed homes and 3:1 for three bedrooms or more.

For this study, social landlords in the region (representing nearly 65% of total stock) provided more detailed information about under-occupying households. This included the size of properties that would be needed (and vacated) if *all* affected tenants were to move to 'suitably sized' homes. (Most anticipated that 22 - 25% would *seek* to move, broadly in line with figures quoted by DWP (2012d)).

<b>Figure 4.7: Properties needed across region for relocation due to under-occupation</b>		
<b>Size of property needed</b>	<b>If 100% affected tenants relocated</b>	<b>If 25% affected tenants relocated</b>
1 bedroom	27300	6825
2 bedrooms	15900	3975
3 or more	900	225

**Source:** Information from 16 social landlords, weighted to regional stock totals and rounded to nearest 100

The estimates in Figure 4.7 suggest that most under-occupiers (over 60%) need only one bedroom, meaning that it will be **single working-age adults and couples** who are **most affected by this measure** in the North East.

<b>Figure 4.8: Properties vacated across region due to relocation for under-occupation</b>		
<b>Size of property vacated</b>	<b>If 100% affected tenants relocated</b>	<b>If 25% affected tenants relocated</b>
2 bedroom	18200	4550
3 bedrooms	24100	6025
4 or more	1900	475

**Source:** Information from 16 social landlords, weighted to regional stock totals and rounded to nearest 100

<sup>7</sup> it should be noted that waiting list figures encompass applicants with little chance of qualifying under lettings' policies and also include an element of duplication i.e. people registered on more than one list.

Numbers from these tables can be used to revise ratios of available properties to households waiting for social housing (Figure 4.9).

<b>Figure 4.9: Ratios of demand to supply if 25% moves take place</b>				
<b>Property size</b>	<b>No. properties available to let within a year</b>	<b>Waiting list figures</b>	<b>Properties needed/ vacated to satisfy 25% of under-occupiers</b>	<b>Ratio</b>
1 bedroom	6435	45214	0 homes vacated; 6825 extra needed	8 to1 (from 7:1)
2 bedrooms	7234	28116	4550 homes vacated; 3975 extra needed	3 to1 (from 4:1)
3+ bedrooms	4912	16289	6025 homes vacated; 250 extra needed	1.5 to1 (from 3:1)

Figure 4.9 raises two issues of concern. Firstly, people needing 1 bedroom will face even more constraint. Secondly – and more alarmingly in housing market terms – there is near balance (1 vacancy to 1.5 applicants) for homes of 3 bedrooms or more. Balance might appear desirable to a lay person but because some areas are more popular than others, it raises concern for social landlords. Vacancies are more likely to come up and less likely to be let in ‘difficult’ neighbourhoods meaning that in some areas at least, there is a risk of the number of available properties overtaking the number of applicants. The ratio therefore means that at best, there will be increased void levels and resource issues for social landlords and at worst, there will be a resurgence of the ‘low demand’ difficulties of the recent past, whereby the sustainability of neighbourhoods is threatened and ‘undesirable areas’ enter into a spiral of economic decline (Viitanen, 2012).

Anecdotally, some social landlords are already reporting difficulties letting bigger properties in some neighbourhoods, and this issue – including the possible spillover effects to other residents of having houses standing empty in their streets - was a major concern amongst tenants attending a regional seminar on welfare reform.

### **4.3.3 Moving to property in the private rented sector**

The IA acknowledges: *‘Despite downsizing into smaller accommodation in the private rented sector, in many cases Housing Benefit entitlement will be higher than that previously paid whilst they were living in the social rented sector. Some claimants may decide to relinquish their tenancy in the social rented sector and move into the private rented sector. However, the numbers are likely to be small, given that most tenants attach considerable value to their social sector tenancy’* (DWP, 2012d).

Again, the recent experience of struggling housing market conditions in some NE neighbourhoods is relevant to this assumption. In places where social housing is *not* in high demand, the option of moving into the private rented sector does not pose so

many risks – especially where the financial costs of *not* doing so are substantial. The differential basis for size criteria in the two tenures is relevant to this (Figure 4.10).

**Figure 4.10: Fictional Housing Benefit scenarios**

**Example 1:** An unemployed man, in his 50s, lives alone in the 3-bedroomed council house he previously shared with his former wife and children. His rent is £82.10 per week, and his HB reduction means he is required to use £20.52 of his weekly JSA towards it. This reduces his money available for other bills and living expenses to £52.50 per week (a 29% reduction in income). He moves to a privately rented one-bedroom flat that falls within LHA rates of £91.15. His weekly rent is £88.00, covered in full; the extra cost to HB is £5.90 per week.

**Example 2:** A couple and two children (boy aged 5, girl aged 7) live in a 3-bedroomed house rented from a housing association. Their rent is £84.33 per week. By size criteria, they are one bedroom above their needs meaning a 14% reduction to HB. The family therefore face losing £11.80 of their weekly disposable income. Instead, they move to a 3-bedroomed house in the private rented sector. Their rent is £101.00 per week, slightly more than the LHA for a 2-bedroomed home, £96.71. They qualify for Housing Benefit up to this level, so lose less, £4.29 of their disposable income. The additional cost to HB is £14.61 per week.

*Source: hypothetical case studies; sums and figures accurate*

As the IA intimates, if people *do* move into the private rented sector, this could present a cost rather than a saving to the housing benefit bill. Figure 4.11 compares the average rents of the largest social housing provider in each local authority with the LHA (which limits HB to the 30<sup>th</sup> percentile point of the surrounding private rental market). This shows a significant disparity between the two tenures, particularly in the case of councils who have retained ownership of their housing stock.

**Figure 4.11: Comparison of rents in NE social and private rental sectors**

Property size >	Ave weekly rent of largest social landlord <sup>2</sup>			LHA weekly rates for private rented sector			
	2 bed	3 bed	4 bed	1 bed	2 bed	3 bed	4 bed
Durham	60.83	66.44	71.31	75.00	87.69	98.08	138.46
Darlington	62.05	68.24	72.40	76.15	91.15	105.00	150.00
Gateshead	63.00	68.37	72.60	91.15	102.12	114.23	150.00
Hartlepool	76.63	84.53	92.28	80.55	96.71	114.23	150.00
Middlesbrough	72.09	79.90	84.88	80.55	96.71	114.23	150.00
Newcastle-upon-Tyne	61.64	70.06	76.57	91.15	102.12	114.23	150.00
North Tyneside	66.59	74.19	78.74	91.15	102.12	114.23	150.00
Northumberland	66.60	72.37	78.61	72.69	86.54	103.85	138.46
Redcar & Cleveland	74.70	81.76	87.51	80.55	96.71	114.23	150.00
South Tyneside <sup>1</sup>	60.31	67.50	74.31	91.15	102.12	114.23	150.00
Stockton-on-Tees	78.51	85.77	90.31	80.55	96.71	114.23	150.00
Sunderland	70.77	77.51	83.39	87.69	100.00	109.62	144.23

*Source: CLG live data tables; HCA statistical return*

*Notes: <sup>1</sup> CLG gives these figures a 'health warning'*

*<sup>2</sup> based on 2012 figures plus 3.1% (2.6% RPI in previous Sept plus 0.5%)*

From this data, it is possible to construct hypothetical scenarios if social housing tenants were to choose to avoid their spare room subsidy by moving to the PRS. Figure 4.12 gives results for the most frequent under-occupying situations. Of 36 configurations included, only 3 (moving from 3 bedrooms to 1 bedroom in three Tees Valley authorities) would result in a definite saving to HB. For the others, savings (if any) would depend upon the income circumstances of those *moving in* to the social housing that had been vacated. Figure 4.13 takes things a step further.

**Figure 4.12: HB implications of tenants moving to PRS homes of 'correct' size**

cost to HB/saving to HB	From 2 bed social housing to 1 bed PRS within LHA limits		From 3 bed social housing to 1 bed PRS within LHA limits		From 3 bed social housing to 2 bed PRS within LHA limits	
	weekly	annually	weekly	annually	weekly	annually
Durham	-14.17	-737	-8.56	-445	-21.25	-1,105
Darlington	-14.10	-733	-7.91	-411	-22.91	-1,191
Gateshead	-28.15	-1,464	-22.78	-1,185	-33.75	-1,755
Hartlepool	-3.92	-204	3.98	207	-12.18	-633
Middlesbrough	-8.46	-440	-0.65	-34	-16.81	-874
Newcastle-upon-Tyne	-29.51	-1,535	-21.09	-1,097	-32.06	-1,667
North Tyneside	-24.56	-1,277	-16.96	-882	-27.93	-1,452
Northumberland	-6.09	-317	-0.32	-17	-14.17	-737
Redcar & Cleveland	-5.85	-304	1.21	63	-14.95	-777
South Tyneside <sup>1</sup>	-30.84	-1,604	-23.65	-1,230	-34.62	-1,800
Stockton-on-Tees	-2.04	-106	5.22	271	-10.94	-569
Sunderland	-16.92	-880	-10.18	-529	-22.49	-1,169

**Figure 4.13: Implications of tenants moving to under-occupy PRS homes**

(cost/saving)	1 bed rate eligibility; move from 3 bed social housing to 2 bed PRS		2 bed rate eligibility; move from 4 bed social housing to 3 bed PRS	
	to HB	to tenant	to HB	to tenant
Durham	-8.56	3.92	-16.38	7.44
Darlington	-7.91	2.06	-18.75	4.25
Gateshead	-22.78	6.12	-29.52	6.04
Hartlepool	3.98	4.97	-4.43	5.55
Middlesbrough	-0.65	3.82	-11.83	3.70
Newcastle-upon-Tyne	-21.09	6.55	-25.55	7.03
North Tyneside	-16.96	7.58	-23.38	7.58
Northumberland	-0.32	4.24	-7.93	2.34
Redcar & Cleveland	1.21	4.28	-9.20	4.36
South Tyneside <sup>1</sup>	-23.65	5.91	-27.81	6.47
Stockton-on-Tees	5.22	5.28	-6.40	5.06
Sunderland	-10.18	7.07	-16.61	11.23

In all instances outlined in Figure 4.12, tenants ‘gain’ in the sense that they would no longer be required to contribute towards their rent on the basis of under-occupancy. Figure 4.13 shows that, in addition, the basis on which the size criteria is applied (14% for one extra bedroom; 25% for two or more) means most tenants with more than one spare bedroom would also ‘gain’ if they were to move and ‘under-occupy less’ in the PRS.

Of course, these scenarios assume that there are PRS properties to move into, and that private landlords will accept benefit recipients into their stock. (Social landlords in this study were concerned that the tenants for whom this could be achievable are likely to be tenants whom they are keen to retain). Nonetheless the option is one that could alleviate the pressures felt by some households – although it does nothing to address potential issues of the properties and neighbourhoods left behind.

#### **4.3.4 Taking in a lodger or moving out to lodge**

Lodging is an option that is unpopular with tenants and social landlords alike. Tenants were vocal in their opposition to ‘bringing strangers into their home’ at their regional welfare reform seminar; social landlords are reluctant to encourage what they think might end up being a fraught and problematic relationship. No social landlords reported actively pursuing this route in the data collected for this research; nor were any actively considering similar alternatives such as shared tenancies<sup>8</sup>.

However, there are reasons not to reject the idea out of hand. *If* it could be made to work, it is an option with the potential to alleviate financial difficulties caused by the size criteria; to meet some currently unmet housing need (given the number of single people on housing waiting lists); and to achieve these ends without destabilising housing markets. JRF research modelling the (difficult) housing situation that will be faced by young people by the year 2020 suggests that social landlords have a role to play in helping tackle the challenges faced by ‘*offering more shared tenancy options at LHA rent levels as part of a varied housing offer*’ (Clapham et al, 2012). Given that the North East ‘is where it is’ in the face of benefit reform, it is arguably worth at least exploring lodging and/or sharing on a pro-active, planned, risk-managed basis.

#### **4.3.5 Staying and paying**

Staying, of course, is the most likely behaviour of all, and indeed staying and paying is what the anticipated public expenditure savings of welfare reform are premised on. The financial impacts anticipated in individual local authority areas are reiterated in Figure 4.14.

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<sup>8</sup> Although one NE housing association is known to be piloting shared tenancies for tenants moving on from their supported housing schemes

**Figure 4.14: Estimated financial impact of size criteria by local authority area**

County Durham	Darlington	Gateshead	Hartlepool	Middlesbrough	Newcastle-upon-Tyne	North Tyneside	Northumberland	Redcar and Cleveland	South Tyneside	Stockton-on-Tees	Sunderland	NE total (£m)
6	1.4	2.4	2.4	2.2	5.1	2.4	2.5	1.8	2.4	1.9	3.4	<b>33.9</b>

*Source: DWP (2012d) averaged financial based on local authority returns of expected number of affected resident properties*

However, the ‘paying’ of the rent being charged as a result of the benefit being lost is a different question. A recent online survey suggested that amongst housing associations operating exclusively in the NE, a 50% increase in rent arrears was anticipated (IPSOS Mori, 2013). In this research, all 22 social landlords contacted were predicting a significant increase in arrears levels, exacerbated by charging a month’s rent in advance and paying monthly benefits retrospectively. Most (if not all) had significantly increased provision for bad debt; some had reluctantly changed their policies to include automatic grounds for possession (that is, the Court has no discretion); permitted for some time but hitherto not used as a matter of principle.

A major concern is the size of the Discretionary Housing Payments (DHP) ‘pot’ as compared to the number of tenants affected. Alongside those groups subsequently assured exemption by central government direction (e.g. foster parents, Forces’ families) there are particular categories (such as disabled people whose homes have been substantially adapted) who are likely to have first call on any available monies. This could mean that little (if any) discretionary resource will be available for ‘run of the mill’ under-occupiers.

Housing providers identified the following groups as being particularly vulnerable to the ‘size criteria’ limit, and with little hope of accessing DHP:

- Those whose children have grown up and left home;
- ‘Split families’: separated parents who have been offered homes of a size that will facilitate shared parenting and residency.
- ‘Targeted under-occupiers’: tenants deliberately offered homes larger than necessary to address landlord concerns e.g. filling a ‘hard to let’ house’; reducing child densities in response to ASB problems, etc.

This latter concern is particularly relevant when considering the spatial dimension of impact. As noted in a previous study (Edwards, 2013) and confirmed by this research, it has been common practice in areas that have been regenerated, or where demand is low, for social landlords to use under-occupation as a deliberate

measure to stabilise a neighbourhood and prevent it entering a spiral of decline. One housing officer expressed concern that, as a result neighbourhoods would be reverting to a situation that: *'everyone worked so hard to get out of'* and that subsequent cost would mean there be little overall saving.

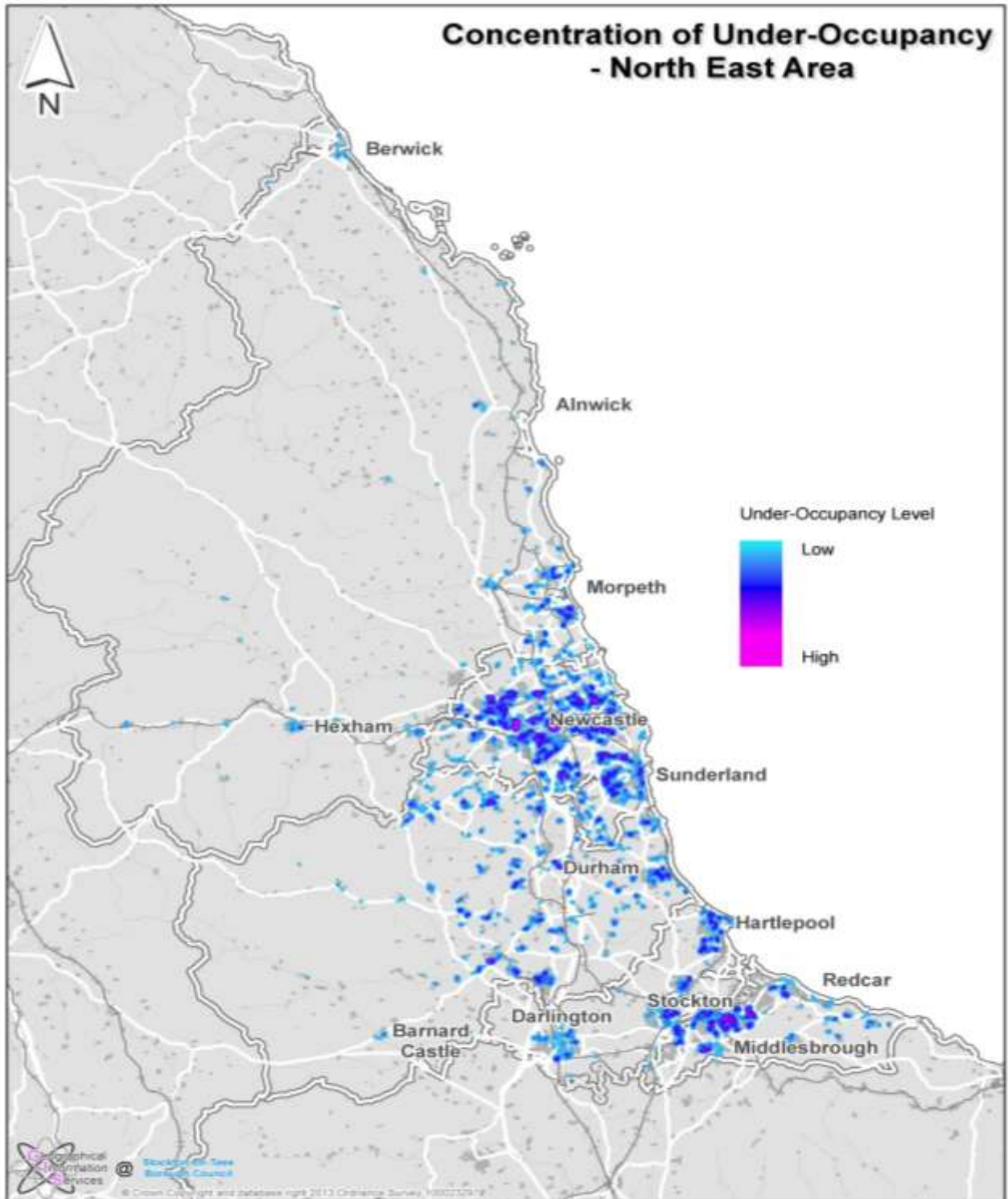
An extensive body of literature exists evidencing the adverse effects of spatial concentrations of poverty on life chances (for example: Glennerster et al, 1999; Kearns and Parks, 2003; Rae, 2012). Whether living in or out of these spatial concentrations, the financial hit on some households – estimated by DWP to *average out* at £13 for the introduction of the size criteria alone - will be substantial. Commonly expressed as a proportion of *rent*, the reduction in benefit may well represent a higher percentage of some households' actual *income*.

Many households will be absorbing other welfare reform changes simultaneously. Those claiming disability benefits face losing all or some of this source of income; those *not* claiming disability benefits face annual uprating well below the level of inflation. A number face changes whose detailed measurement is outside the scope of this report, such as families affected by the freezing of Child Benefit, by new restrictions on free school meals, by the abolition of EMA and the changes to Child Tax Credits. Effects could be profound if such cumulative impacts are experienced by many households in a relatively small area, if people begin to leave, and if others do not take their place.

Figure 4.15 lists the 12 wards with over 400 households subject to losing HB through having an extra bedroom; Walker ward in Newcastle has the highest number in the region with over 850. Figure 4.16 presents the regional picture and comparison with Figure 2.7 gives an indication of the high degree of overlap with areas already experiencing multiple deprivation.

Newcastle upon Tyne	Walker	860
Newcastle upon Tyne	Elswick	480
North Tyneside	Chirton	460
Newcastle upon Tyne	Kenton	440
Newcastle upon Tyne	Woolsington	430
Redcar and Cleveland	Grangetown	425
Sunderland	Redhill	420
Newcastle upon Tyne	Westgate	415
North Tyneside	Longbenton	415
North Tyneside	Riverside	415
North Tyneside	Howdon	415
Middlesbrough	Thorntree	410

Figure 4.16



Maps showing the spatial concentration of the size criteria's impact in each local authority area, derived from HB data, are included in Annex. A

As the maps indicate, patterns differ across the region with major conurbations having areas of greater density of concentration. In Middlesbrough and North



Tyneside, four wards contain over half of the people affected; in Newcastle, five. In other areas distribution has a wider spread. In Durham, with a different pattern of settlement, only 2 wards have more than 300 claimants but 40 wards have over 100.

At an even smaller scale, postcode data indicates high concentrations of those affected *within* wards. A full postcode contains an average of 15 houses, although many have much larger numbers, particularly on estates. Analysis of the post code data from all authorities revealed that a number of single postcodes contained high numbers of households subject to the size criteria. One in Middlesbrough, had nearly 40 people affected; another 5 (3 in Newcastle; 2 in Stockton) had 30 or more.

The previous section discussed what might be expected socially in such a scenario at the level of the individual household; this section has sought to give these social impacts a specific spatial dimension. In summary, alongside the concentrations of economic impact outlined in Section 2, there could also be deeply negative social consequences for *particular communities* as well as for individual households.

This density of people affected by a loss of benefit is a characteristic of many localities in the urban areas of the north east. It is these areas where the issues raised elsewhere in this report relating to community resilience, health issues, and crime and disorder will be of particular concern to those delivering and maintaining services.

## 5. Organisational Implications and Responses

### 5.1 Administrative Challenges

Some of the practical implementation issues arising from welfare reform, including those relating to staffing, funding, administrative and IT systems were considered by CLG’s Select Committee (House of Commons, 2013). The Committee expressed concern about a number of dimensions including: continued uncertainty about local authority involvement in (and funding for) administering the housing element of UC; future insecurity risking the premature loss of experienced HB staff, especially during the period of transition; the capacity of the new IT system, still in development; and the apparent lack of attention given to compatibility with local authority’s own systems. The previous study of welfare reform’s impact in Stockton-on-Tees (Edwards, 2013) highlighted similar issues in detailing the challenges being faced at the level of an individual local authority.

A number of administrative changes that will have a direct effect on claimants have been referred to implicitly throughout this report, but are worth recapping here:

**Figure 5.1: Administrative Changes and their Implications for Claimants**

Issue	Explanation	Challenges
Monthly payments	Most benefits are currently paid fortnightly (in arrears); UC shifts this ‘in order to better parallel work’).	People on low incomes may be unused to budgeting over this time-frame, and are less likely to have suitable bank accounts
Direct payments	Many tenants currently have their HB paid to their landlord; in future, this will only be possible exceptionally.	As above. Landlords anticipate higher arrears levels, and greater indebtedness amongst tenants.
One payment per household	Currently, some benefits go to specific individuals; in future, all will be combined into a single payment.	Distribution <i>within</i> a household will rely on the motivation of claimants, a possible concern to women whose partners claim.
On-line systems	Currently, many benefit claims are made on paper or by phone; in future digital claims will be encouraged.	Low-income households have less access to types of on-line resource that facilitate this <sup>1</sup> ; older people particularly affected.
<sup>1</sup> many people access the internet via mobile phone; this is unlikely to be suitable for benefit claims		

It is worth noting that local organisations – councils, social landlords, and the voluntary and community sector – will probably have a role in helping citizens to meet these challenges, in addition to facing their own.

### 5.2 Local Authorities

In response to an information request from ANEC, local authorities in the region outlined the issues providing them with the greatest degree of concern. The following key themes emerged:

- Concerns over the **sustainability of services** in light of funding cuts, increased demand for services (particularly in respect of homelessness, adult and children’s social care) and increased responsibilities as a result of localism.
- Concerns over the **implementation of welfare reform**, in light of the pace of change, limited guidance from DWP on the details of particular reforms, a lack of reliable data from DWP regarding affected households, DWP backlogs for processing benefit claims and how effective the local support framework will be in reducing the administrative burdens caused by welfare reform.
- Concerns over the **compounded financial impacts of welfare reform on households**, which for some will result in a significant loss of income.
- In terms of **specific welfare reforms**, three local authorities are particularly concerned about the impacts of *under-occupancy penalties* (including how this relates to adapted properties); other individual authorities highlighted concerns about *Direct Payments to tenants*; the *localisation of Council Tax and Social Fund*; and engaging with hard-to-reach households.

Reflecting this, a Welfare Rights Manager interviewed as part of the study identified ‘administrative gate-keeping’ as a worry, stating: *“One of the challenges that has come to us is new or different definitions of ‘vulnerability’ because the people hit are unlikely to be just those that the council currently defines as ‘vulnerable’.... We are pushing for a common definition of ‘vulnerability’...the services that are left will focus more on the new ‘vulnerable’, [but] there are more ‘vulnerable’ than there are services”*. They also expressed concerns about the limited labour market in the local authority and possible behavioural responses of claimants unable to find work: *“For us, it’s that link to work and lack of work. People will fit themselves into the categories where there is money...there will be perverse incentives for people to align themselves to be homeless, or having chronic drug use or...as they have more chance of getting money or support if they are tied to those worlds and they can’t get jobs”*.

In light of the forebodings, local authorities stressed the importance of:

- Maximising joint-working opportunities to ensure that residents have access to high-quality information, advice and support;
- Ensuring a clear understanding of the potential impacts of welfare reform on households and planning services accordingly; and
- Maximising Credit Unions’ role in supporting affected households (see later).

In fact, much of the detail provided to ANEC was essentially concerned with the sheer scale of the administrative tasks of welfare reform. To take one example, not mentioned so far in this report, the administration of the Social Fund passed to councils in April 2013. Local authorities reported going through a process of revising eligibility criteria (although most also indicated that these continue to broadly reflect current DWP criteria for Crisis Loans and Community Care Grants). Indeed, a key

interviewee stated: ‘So much time has gone in to implementing administration of the changes, i.e. social fund. So much has gone into just setting up the systems to administer these processes.’

Figure 5.2 summarises budgetary provision and approaches to the Social Fund:

<b>Figure 5.2: North East Councils’ Social Fund Schemes 2013/4</b>		
<b>Local Authority</b>	<b>Budget<sup>1</sup> (000s)</b>	<b>Summary of Approach</b>
County Durham	£1,944	Mixed delivery model by ‘Help and Advice Network Durham’ (HAND), made up of the local authority, Civica, Five Lamps and the Family Fund.
Darlington	£407	In-house delivery administered by Revenue and Benefits
Gateshead	£830	In-house delivery administered by Revenue and Benefits
Hartlepool	£846	In-house delivery administered by HB/Council Tax Support
Middlesbrough	<i>not available</i>	In-house delivery administered by Revenue and Benefits
Newcastle-upon-Tyne	£,1542	Mixed delivery model of delivery: <i>Crisis Support</i> administered by Revenues & Benefits contracting with external providers for food, clothing, travel, utilities’ vouchers; <i>Supporting Independence Scheme</i> administered by the Active Inclusion Unit in Wellbeing, Care and Learning.
North Tyneside	<i>not available</i>	In-house delivery administered by Adult Social Care
Northumberland	£1,053	Administered through 3-way partnership; details not yet known.
Redcar & Cleveland	£631	In-house delivery administered by Corporate Resources
South Tyneside	£646	In-house delivery administered by Welfare Rights
Stockton-on-Tees	£875	Administration contracted out for 15 months to Five Lamps, a voluntary and community sector provider, as a pilot to inform any future commissioning model.
Sunderland	£1,200	Mixed delivery model of delivery: <i>Crisis Support</i> delivered by Customer Service Network in partnership with voluntary sector organisation; <i>Community Care Support</i> delivered by Revenue & Benefits with support from voluntary sector organisation.
<b>Source:</b> Review of information submitted to ANEC		
<b>Notes:</b> <sup>1</sup> Budget figure includes set-up, administration and actual programme costs.		

Some local authorities have purchased or are purchasing new online systems, and have recruited or are recruiting extra staff. Others are intending to integrate the administration of the Social Fund into existing staffing teams, management structures, systems and processes. Several were (or are) taking steps to mitigate the resource implications of administering the Social Fund by limiting face-to-face customer contact. Steps to achieve this include: setting up dedicated telephone services for any enquiries, encouraging online applications and posting vouchers to customers. Local authorities envisage monitoring the demand and resource implications for Social Fund support, and making adjustments if necessary.

Similar exercises are also being undertaken in relation to Discretionary Housing Payments (DHP), with few local authorities anticipating that their budgetary allocation would come anywhere near to meeting demand. Councils are also expecting housing providers to play a role in reviewing individual circumstances and to provide assistance where possible to reduce the pressures placed on the fund. One example is for DHPs to be restricted to tenants who have been through a referral process which housing providers will manage alongside a council's own team; awards will only be made where the council considers that additional support will help tenants to find a longer term solution to their housing and financial problems. Processes such as these will seek to ensure that tenants are doing everything they can to address the issues affecting them, such as engaging with a variety of landlords to secure cheaper, alternative accommodation, receiving debt advice, or accessing support to help them get (or get back) into work.

The sheer weight of these new administrative set-ups places a burden upon local councils but they are also making time to deliver on their intentions (see above) to work in partnership and to provide timely and accurate information. For example, all twelve local authorities in the North East have made efforts to inform households of forthcoming housing benefit changes and some were/are in the process of 'door-knocking' or visiting those affected. Work is also currently on-going to assess the feasibility of displaying messages and awareness-raising materials in community venues, and councils have developed a suite of web-based materials to inform and support people, available on their websites, and shared with partner organisations.

One of the least well known changes amongst the public relates to council tax. Central government previously reimbursed expenditure incurred by local authorities on Council Tax Benefit (CTB) but its localisation has been accompanied by a cash-limit, a 10% reduction on the 2011/12 bill, and a requirement to maintain 100% support to pensioners. Government has made a one-off Council Tax Transitional Grant scheme (totalling £100m) available to local authorities whose support schemes meet the following criteria:

- No sharp reduction in support for those entering work;
- Payments of between zero and 8.5% of council tax liability for those people who would have received 100% support under previous arrangements;
- A taper rate (coming into effect when a person enters work) of below 25%;
- Avoiding "*large additional increases*" in non-dependent deductions.

NE local authorities are more likely to be affected by the localisation of support than other regions because of high level of deprivation. In 2013, ANEC estimated the grant cut per head of population for each local authority area (Figure 5.3). Hartlepool,

where 28% of households were in receipt of council tax support, faced the largest cut to its grant per head of population (Hartlepool Borough Council, 2012).

**Figure 5.3: Estimated grant cut per head of population**

Local Authority	Cut per head of population (£ per person)
Hartlepool	14.58
Middlesbrough	12.85
Gateshead	12.04
South Tyneside	11.77
Redcar & Cleveland	11.31
Durham	10.75
Newcastle	9.95
Sunderland	9.76
North Tyneside	9.33
Stockton	8.87
Darlington	8.80
Northumberland	7.78

*Source: Association of North East Councils, cited in Hartlepool Borough Council cabinet report, September 2012*

Local authorities are required to make up the central government grant shortfall by developing new criteria for council tax support. One local authority in the North East has fully adopted the government’s default scheme; the other 11 have adopted the scheme with some modifications. Schemes typically reflect a number of principles:

- Protecting the ‘most vulnerable’: Most local authorities have applied protections to disabled people (including those with a severe mental impairment) and carers.
- Supporting people entering employment: Most local schemes aim to incentivise work entry by increasing the amount people can earn before income is taken into account. The most frequent disregard is £5 per week but authorities vary (Newcastle disregards £2.50 per week; North Tyneside applies an additional wage disregard of £17.10 per week for the first four weeks in certain circumstances);
- Excluding war pensions and child benefit from income in calculations;
- Requiring all working-age households to make a contribution: This varies considerably with tenant households in North Tyneside subject to just 7% council tax liability, and households in South Tyneside liable for up to 30% of their total bill;
- Requiring everyone in a household to contribute: Most local authorities have abolished the Alternative Maximum Reduction/Second Adult Rebate (although this continues in some local authorities) and new weekly deductions will be introduced for non-dependants on income-related benefits;
- Not paying benefit to people with relatively large capital or savings: The determination of this capital cut-off point ranges from £6,000 to £16,000.

In addition, a number of local authorities intend to make up the shortfall by removing or reducing council tax exemptions for Class A and C empty properties and second homes, and in some local authorities, a discretionary fund has been developed to allow additional support to be provided in exceptional circumstances.

On the whole, it is thought that the localisation of council tax support represents a significant financial risk to local authorities.

### 5.3 Local Partnerships

Most NE councils reported to be working closely with others, especially with social housing organisations about HB changes. Some have informed providers of households likely to be affected by the changes and sent letters to tenants on providers' behalf, while some housing providers are providing local authorities with information on their tenants likely to be affected and are pro-actively referring claimants for assessment for DHPs. Housing providers sit on the Welfare Reform Boards and where they have occurred, regular joint-working meetings between local authorities and housing providers were reported as constructive.

Asked to identify case study examples, authorities revealed a long list of activities:

**Middlesbrough Partnership** (the local authority, CAB and Tandem, the financial inclusion arm of a major local social landlord) has set up a pilot project operating under the banner of the Middlesbrough Advice Service. Twice weekly, advisors from the partner organisations come together in a 'community hub' to provide a range of advisory services covering debt, benefits, health, housing and other relevant issues. The Library Service also provides training and support for claimants to access services online. The hub operates as a drop-in service and through pre-booked appointments made through a helpline or through 'Nellbooker' (an electronic system that allows agencies to book appointments on behalf of clients with partner agencies).

**North Tyneside Council** has similarly delivered a series of multi-agency advice drop-in sessions for claimants. **South Tyneside Council** highlighted its Family Resilience Programme; a 6-week training programme which covers the range of skills needed to help people cope with welfare reform including budgeting, basic literacy and numeracy skills, IT skills and how to be resilient to changing family circumstances. The local authority also drew attention to financial advice surgeries held in the nine most affected wards, attended by social landlords, CAB and Welfare Rights.

**Sunderland City Council** is working collaboratively with partners to develop a city-wide mechanism to support local resilience, and stresses the importance of developing local solutions. By combining its own capacity and resources with that of partners, the council hopes to encourage shared ownership of new service

development, maximise delivery capability, and ensure that existing services are enhanced and complemented rather than duplicated.

**Durham County Council** pointed to its recruitment of a 'Temporary Housing Solutions Private Sector Liaison Officer'. The post holder will work closely with private landlords to prevent an escalation of homelessness due to rent arrears which may arise from the implementation of welfare reform. They will support landlords and tenants to improve relationships, and encourage good practice in tenancy management and tenancy sustainment.

**Hartlepool Borough Council** have commissioned additional advice services from the Third Sector at a community level, covering financial health checks/benefits maximisation support, money management advice and debt advice.

**Redcar and Cleveland Borough Council** highlighted the Moneywise Initiative developed by its Financial Inclusion Partnership (made up of Welfare Rights, CAB, Warm and Well, Coast and Country, Moneytree and GLEN Credit Unions). This offers free advice and support around financial inclusion, encompassing welfare benefits, debt, home energy and savings. Almost 20 road-shows have been held throughout the area, with more planned for the coming months in accordance with various maps being produced by the local authority about claimants likely to be affected by different types of benefit change. A range of leaflets have also been produced for claimants and a quarterly newsletter for professionals.

**Stockton Borough Council** is also undertaking a series of public road-shows/drop-ins in conjunction with key partners including social housing providers and CAB. The events aim to raise awareness of potential impacts, facilitate discussion with the local community, and signpost claimants to sources of advice and support. They also enable the gathering of further intelligence from claimants about their circumstances to aid understanding. The local authority is also currently mapping access to free IT across the borough (and sources of support to utilise it), linked to findings from a residents survey about access to IT in relation to making on-line claims in the future.

In a number of authorities, welfare reform groups are also in the process of developing frameworks to monitor impacts, an issue picked up on in Section 6.

#### **5.4 Social Landlords**

For social landlords, their very business depends upon collecting rent payments that, through the introduction of size criteria and direct payment of HB, will need to be sought from a much wider group of tenants. NHF's on-line survey of housing associations gave a baseline picture for the North East in late 2012 (IPSOS Mori, 2013). In terms of anticipated impact on themselves:



- 90% of associations said they would be affected either a great deal or a fair amount by introduction of direct payments to tenants (compared to 81% for England overall);
- 100% said rising levels of arrears were likely and expected a fall in total rental income due to introduction of the size criteria (90% and 82% respectively for England overall).
- As noted in Section 4, all survey respondents with stock in the region anticipated growing rent arrears as a result of welfare reforms; amongst those operating exclusively in the NE, the level of increase was expected to be 50% on average;
- 21% thought it likely that increased debt arising from the welfare reforms would make it harder for them to meet loan covenants (compared to 22% for England overall).

Whilst not quantified in the current study, these headline expectations were reflected in the papers shared by social housing providers (including ALMOs and local authorities). All had made provision for increased bad debt, and most had reviewed their existing arrears policy (some to facilitate easier eviction; some to facilitate a degree of 'arrears tolerance' when needed; some to do both).

In terms of actions being anticipated at the time of the NHF survey:

- 79% associations were anticipating changing their allocations policy relating to working age households on HB (61% for those not on HB);
- 100% of associations operating in the North East thought they would have to provide more resources for things like money advice and arrears management;
- NE associations estimated that on average 34% of their tenants were on HB with no access to a bank account and direct debit facility (30% for England overall).

Again, these findings are reflected by the data collected for the current study. Most housing providers have considered revisions to their allocations policy, with most changes focussing on: ensuring properties are not let to applicants vulnerable to size criteria limits; removing restrictions on under-occupying tenants transferring with rent arrears if a move is judged necessary; and, in the case of housing associations, renegotiating nomination arrangements with local authorities in order to retain more capacity to rehouse their own directly affected tenants.

Other frequently reported activities were similar to those outlined by local authorities: general awareness-raising; targeted 'door-knocking'; access to money and benefit advice services (including newly-established in-house teams or individual members of staff); participation in collaborative road-shows and drop-ins, and formal involvement in partnership groups. Initiatives to support people into employment were less well-developed, as seemed to be the case for councils.

Amongst the less common initiatives being pursued by social landlords were:

- Supporting tenants to come together across the region and achieve a ‘collective voice’ vis-à-vis benefit changes;
- Utilising mainstream media – trade and national press – to raise awareness of perceived injustices in the reform agenda;
- Making use of social media to match up potential parties for mutual exchange (the term used when tenants legally and literally ‘swap’ their tenancies);
- Providing a route (in partnership with NHC, see below) for tenants to access household goods at affordable rates of finance, linked to a credit union.

The sector has also contributed to various lobbying activities (sometimes via the NHF) and to the All Party Parliamentary Group for Housing in the North. The Northern Housing Consortium provides the Secretariat for this group which has recently extended its Inquiry into Welfare Reform (NHC, 2013).

### **5.5 The Voluntary and Community Sector**

A major concern of the VCS in the region is its current (lack of) capacity to support service users, local authorities and the North East economy in relation to welfare reform. Some of the factors inhibiting its potential are external to the sector (funding mechanisms and macroeconomic pressures), while others are internal (sector skills and capacity).

Two hundred organisations, of all types, and sizes and locations across the region, responded to a survey of the sector early this year (VONNE, 2013). Between them, they support nearly 360,000 people in the NE and run over 12,000 organisations. Over the past 12 months, 59% of respondents have seen a decrease in funding; 33% have lost staff; 62% have experienced an increase in demand for their service; and 56% are using reserves to continue to operate. Looking to the coming 12 months, 39% expect to, or are considering closing a service and 28% will be, or are considering reducing the number of beneficiaries they support. The survey also found there to be a continued heavy reliance on public sector funds, with 79% of respondents sourcing some, or all, of their income comes from public sector grants. Commenting on the capacity of the VCS to support the welfare reform agenda, one key interviewee stated, *‘The VCS is going to struggle...It’s going to get really tough, there’s going to a bigger demand on services’*.

Recent research looking at how well the regional VCS was equipped to meet the needs of homeless people found a number of organisations reporting increasing levels of volunteer support in a bid to meet growing demand. One respondent said, *‘The message is more for less...the only way to achieve that is a long term policy of volunteer support and peer mentor development and that is what we are doing’*.

While some organisations saw this as a positive development, others expressed concern – highlighting the extensive training and skill-sets required to work with vulnerable client groups, particularly those with complex needs (Irving, 2012).

One factor impacting upon the capacity of the VCS to support people affected by benefit changes is organisations' understanding the welfare reform agenda. A review for VONNE identified limited understanding amongst some organisations, particularly smaller ones, about key policy agendas. Even larger organisations with a good understanding of directly relevant changes could lack a holistic perspective, limiting their ability to anticipate indirect impacts on service users. It is envisaged that many organisations only understand certain elements of welfare reform; one stakeholder feared this would mean that, *'people are going to end up on their doorstep that they aren't anticipating'* (Irving, 2013).

A final statement comes from CAB's briefing paper on the 2012 Autumn Statement, *'If the introduction of PIP causes additional demand for help in line with that caused by ESA, it will be very difficult for bureaux to meet this need. At the same time most bureaux will lose funding for their specialist benefit advisers from next April, due to the withdrawal of Legal Aid funding for most benefit advice'* (Citizens Advice, 2012).

One crucial area for the sector is that of partnership with other sectors and agencies. Credit Unions are one example, cited by central and local government as a potential solution for some of the issues raised by welfare reform. However, they are not without their challenges (Figure 5.4).

#### **Figure 5.4: Financial Exclusion and the Role of Credit Unions**

Recent research (DWP 2012h) suggested that the expansion of Credit Unions to serve increased numbers of lower-income households potentially offered:

- A bank account to some of the 1.4m households who do not have a transactional bank account (1.3m of whom are estimated to be DWP customers);
- Affordable credit to some of the 7m households typically accessing high cost sources;
- Personalised financial advice and support to those who do not receive support from other sources.

Detailed discussion with a leading financial inclusion expert for the current study confirmed that Credit Unions could make an important contribution in the context of welfare reform through the provision of bank accounts, 'jam jar' accounts, secured housing allowance schemes, and personalised financial advice and support.

However, this discussion and available research also highlight challenges faced by the Credit Union sector. Their potential to support households affected by welfare reform is hampered to varying degrees by limited resources, high transaction costs, ineffective IT systems, increased financial risk in offering services to a greater proportion of low-income households, and the (basic) requirement that customers can afford to make loan repayments.

Jones (2012) found that in 2011, there were just 31 credit unions in the North East, ranging in size from 50 to 4,300 members. Whilst some were becoming modern and professional financial co-operative institutions, some remained as small traditional, entirely volunteer-led organisations. There were wide variations in their financial stability, and sustainability was a critical issue for many.

The results of a final study (Moneywise, 2013) calls for a greater presence of credit unions in the NE, more awareness of the services offered and financial outcomes achieved, and closer relationships between credit unions and VCS organisations in the region.

**Sources:** *evidence review and key interviewee*

## 6. Emerging Issues and Advice Services

Much of this report has been taken up with the predicted impact of the range of welfare reforms acting on the region, based on fieldwork carried out in February and March 2013. This section picks up on emerging issues arising in interviews with officers from some of the local authorities and other stakeholders. This list includes revenues and benefits managers in relation to Council Tax, Social fund and Discretionary Housing Payments, welfare rights officers, housing managers and policy officers. Much of the material refers to developments in the initial few weeks of some reforms so caution must be exercised in making assumptions about the future; however, it does serve to indicate some critical areas for monitoring and further study.

### 6.1 Council Tax

As can be seen from Section 5, councils have taken a number of approaches to the introduction of a localised Council Tax. Although figures were not available at the time of writing for all authorities it appears that except in the case of two, a large number of people will be required to pay Council Tax who had been exempt in 2012/13; over 15,000 in some of the larger authorities. There was considerable concern over increased levels of defaulting and it was reported that, because people were contributing for the first time, people were less aware of their liabilities. One interviewee remarked that *“people knew more about the bedroom tax”* because of the recent press and media coverage. As a result, councils are anticipating a considerable amount of work in recovery. One authority has sent out approximately 7,500 reminders for payment, another nearly 11,000. For comparison, in this authority the equivalent number for the same month in 2012 was just over 5,000.

Although some authorities have been encouraged by the number of people settling the account or setting up direct debits - *“more than expected”* according to two - there is going to be an increased amount of activity around recovery. A number of authorities have set up special courts to deal with the large numbers of claimants, which will bring recovery costs down to £10 or £20 (normal costs vary but can be

around £84). This course of action has been determined by the efforts some have made to keep down the amounts of tax people have to pay for the first time. One authority was originally going to take the full 20% cut, meaning a bill of £120 for a single person in a Band A property. Having taken up the 8.5% cut, this bill then came down to £64. With recovery costs of over £80 this would not have gone to court.

For many claimants, of course, this is another priority debt putting pressure on their remaining resources. With the lack of knowledge of this change and facing a demand for the first time it is perhaps unsurprising that one authority reported that around a third of its callers in relation to Council Tax were “*abusive and aggressive*”. There is an expectation that, with their new responsibilities, council officers are going to be more exposed to this kind of behaviour.

## **6.2 Discretionary Housing Payments**

A number of authorities appear to be adopting a conservative approach to paying DHPs, for a number of reasons. First and foremost, the large number of people affected by under-occupation has created a demand for exceptional payments through DHPs that cannot be met by the budgets at local authorities’ disposal. A large number of applications have been received in the first month of the reforms, with councils reporting being ‘inundated’, and one authority receiving in one month over 80% of the total applications in the previous year. The tests for DHPs applied by some of the local authorities are being applied rigorously and use a further examination of a person’s financial position to determine ‘extreme hardship’.

Some authorities are waiting to see the result of a test case currently underway about the number of bedrooms a person with more than one carer could have. Some are awarding and hoping to be able to claim back, others are taking a more conservative approach. Generally, authorities seem to be aiming to prioritise those cases which have a clear financial logic. If families with children will soon be entitled to a bedroom each, moving them would incur greater costs, as would moving a disabled person to another property and having to repeat costly adaptations. Many authorities are prioritising disabled people with adaptations but this is not consistent across the region. There are also reports that in some areas single people who are in extreme hardship are being prioritised. As might be expected with the transfer of responsibilities to separate awarding authorities, there is a lack of consistency in how and to whom awards are made. It can be expected that policies will be adapted in the future - at least one authority, North Tyneside, has already allocated an additional £500k to DHP funding in order to assist more residents

## **6.3 Social Fund**

As with DHPs, it was reported that a cautious approach was being taken in allocating the grant available. One Revenue and Benefits manager stated that most authorities were paying out less than expected and he was expecting managers to review payments to see if they could afford to be more generous in the near future. At least one authority had 'nowhere near' spent its monthly allocation on crisis support; the projected 1,000 awards for 2013/14 compared to 4,500 DWP awards in 2012/13.

The reasons for this approach include:

- As with DHPs, an initial conservatism in managing a small budget;
- The use of vouchers, food parcels and other methods of direct provision rather than cash payments;
- The application of local knowledge which, with stricter eligibility criteria, makes the system 'more stringent' than that applied by DWP;
- A lack of knowledge amongst claimants of how to apply for support

One manager described their packages as "*pretty basic*". Vouchers clearly limit the amount of choice available to claimants; one authority has limited this further by not offering vouchers but a food package based on NHS healthy eating guidelines.

In the early weeks of operation it would appear that far less money is being distributed to claimants than previously. This has implications for the level of funding in the future if monthly amounts spent on the various forms of crisis payments do not increase. The funding is not ring-fenced and could be used in other parts of authorities' budgets – potentially an attractive proposition. However, there is also a fear that overall funding from the centre could be reduced.

The situation of many claimants in the NE has been exacerbated by administrative procedures at the time of the transfer of responsibilities for social fund payments. Managers reported that DWP referred some claimants to local authorities for Crisis awards when they should have paid a Short Term Advance, payable by DWP when someone makes a new claim to benefit and have a period of financial need before receiving their first payment. It appears that this had not been made clear to some DWP officers and, in the first weeks of operation, a number of authorities were affected by this practice. This was not uniform across the region but one of the worst affected areas reported that of the 133 requests for a payment on the first day of operation, 120 were refused as they were eligible for a Short Term Advance.

The manager in this authority was also concerned with the length of time it took to resolve the situation. Eight weeks after the start of the new systems, 41% of awards were still being refused due to eligibility for Short Term Advances. Although this was not a problem that was felt severely in all authorities, there was concern at the misinterpretation of guidance by DWP officers and the length of time it has taken to deal with the issue. This was felt to be relatively simple transfer of responsibilities

and prompted apprehension about how the more complex changes and transfer arrangements involved in the introduction of Universal Credit would be dealt with.

#### **6.4 Housing**

Interviews with advice workers revealed that a number of social landlords have established their own schemes to support tenants to make up their rent shortfall. As reported earlier in the Stockton report (Edwards, 2013), discussions about re-designating stock continue to take place but the same arguments prevail: re-designation of a 3 bedroom house to a 2 bedroom would reduce the landlords' rental income stream, reduce the value of their stock, and potentially lose them their preferential interest rates from banks making them unable to afford new development (especially one-bedroom properties). It is also clear that 'blanket' redesignations would be looked at closely by central government departments; the Minister for Welfare Reform has stated that Councils which 'inappropriately' reclassify properties for bedroom tax purposes may face a withdrawal or restriction of housing benefit subsidy.

It has been pointed out from a number of sources, however, that it may well be difficult for social landlords to evict tenants who fall into rent arrears as a result of under-occupation if a Court judges there are no suitable alternatives available. Nonetheless, housing and related services feared that rent arrears are likely to result in evictions and homelessness, with homelessness particularly likely to affect single men who would not be considered to be in priority need. One respondent predicted that for the first time, rent arrears are likely to become among the most common causes of homelessness, overtaking issues such as family breakdown and addiction. Many officers are expecting an increase in homelessness and the homeless service in Stockton reported that its caseload has "never been so high". There are no current reports of a drastic increase in evictions but, of course, the eviction process takes some time to play out.

One of the issues explored earlier in the report (Section 4) is the possibility of larger properties becoming less desirable. Follow-up interviews in Stockton suggest this is becoming a reality. There has been a considerable increase in the number of tenancy terminations, with the result that the number of larger properties coming available in this one authority has grown 4-fold in recent weeks. This appears to have led to a number of perverse housing practices; 3 and 4 bedroom homes are now being let to people with little housing need (Band 4) and there is an increasing likelihood that people from outside the area can be housed there. This was a particular concern amongst Councillors when the Tees-wide choice based lettings policy was introduced but was not, under the conditions then prevailing, ever likely to be an issue. Now that there is a surplus of this kind of property, it appears to be becoming a reality.

This has also led to the development of innovative practices with looking at the use of these properties for sharing schemes (the potential of which was again noted in Section 4), particularly for people with special needs or learning disabilities, or for people on the B&B list. However, it was acknowledged that this would need considerable negotiation with social landlords. One area that seems to be developing is the use of the private rented sector. In a follow up interview in Stockton, it was reported that this sector was a growing business with a number of small landlords developing an expanding portfolio and starting to “take up the slack” by, for example, bringing rent levels down to LHA rates. This is clearly a development that needs to be monitored in the future to see how much flexibility can be introduced into the housing market and in what time scale.

Unsurprisingly, there has been an increase in bids for one bedroom properties and a large increase in terminations. Monitoring and performance reports, however, need to establish the reason for these moves. There is clearly a need for many people to move into cheaper accommodation but one interviewee reported that there were a substantial number of cases of single people with resources moving in to share family accommodation so that the host family avoids being under occupied. It is not clear whether current performance and monitoring arrangements cover this kind of information but it is essential for understanding motivation and future housing and community needs.

## **6.5 Advice Services**

Researchers carried out a series of interviews with welfare rights workers to establish early developments after the introduction of some of the welfare reforms. There is a mixed provision of welfare rights and advice services across the region and although it is too early to fully understand the impact on advice services and their clientele there were a number of issues identified that were causing concern and a number of initiatives being pursued to address some of them.

**Financial constraints:** In response to funding cuts, welfare rights services have experienced staff redundancies and the rationalisation of offices. Some have been forced to develop new (stricter) eligibility criteria for access to support. In Newcastle, for example, the welfare rights service reported that they will prioritise clients referred to the service from adult social care, mental health services and children’s services, and self-referrers from a range of priority groups. Where clients do not meet the criteria for support their enquiries will be filtered via a ‘triage’ system. In Darlington, the service has capacity to prioritise support for council tenants only. Revised criteria for support have been accompanied by services reducing the amount of client-facing work which they engage in by setting up telephone advice lines, producing self-help resources which clients can be referred to, reserving face-to-face appointments for those deemed particularly vulnerable, reducing the number of



outreach sessions held in communities and reducing the provision of specialist support, such as that for tribunals.

It was reported that the introduction of new ways of working has had a positive effect on the efficacy of support offered to clients, with Newcastle finding, for example, that up to 50% of enquiries are successfully dealt with at the point of triage. Nevertheless, the changes have led to some tensions, with some of those seeking advice turning up for face-to-face interviews. There were also concerns about limiting the specialist advice available. One senior officer highlighted the importance of not de-skilling workers by limiting the amount of specialist support that they are able to offer.

**Responses to welfare reform:** A number of welfare rights services are responding pro-actively to welfare reform, in order to minimise its impacts on households, to ensure that partner organisations fully understand the welfare reform agenda, and to develop effective, co-ordinated responses to welfare reform within local authority areas. Some have been delivering training and briefings on welfare reform to various teams within their respective local authorities and partner VCS organisations in order to maximise understanding of the details and inter-dependence of the agenda. As noted in Section 5, a number of services are involved in advice days or ‘advice hubs’ involving a range of different agencies within communities. Several services also reported that ward councillors have provided additional resources to welfare rights services for the delivery of outreach sessions within their constituencies. Finally, a number of services are performing benefits checks (data-matching) on those engaged with adult social care or children’s services in order to ensure that household incomes are maximised.

**Collaboration:** In several local authority areas, VCS organisations, supported by local authorities (including welfare rights services) have been successful in securing Big Lottery transition funding to help advice agencies to respond effectively to welfare reform and to the loss of legal aid. Up to 25% of awards can be used to support the delivery of frontline advice services, while the remaining 75% must be invested in the development of sustainable infrastructure. In one local authority area, the funding will be used to develop a multi-agency database to facilitate co-ordinated responses to advice requests and monitor the nature and outcomes of enquiries.

**Vulnerable groups:** Across the board, the most significant issue being dealt with by welfare rights services is the transition of claimants from IB to ESA and, in broader terms, services expressed high levels of concern about claimants with mild to moderate learning difficulties. There is concern that this group are likely to lose income in the transition from IB to ESA and DLA to PIP, that they will not be able to cope with the demands of work, that they will not qualify for statutory services and that, because of the stricter eligibility criteria of some welfare rights services, they

will not be eligible for this support either. It is feared that many individuals in this group will 'disappear' from the system in the future as they are unable to negotiate relevant processes and meet conditionality requirements (resulting in sanctioning). This concern appears to be well founded as a senior housing officer reported that a service for people with common mental health problems were reporting increasing levels of anxiety about changes to benefits. It was expected that there would be such an increase but officers "*didn't expect it so early*".

There is particular concern about the financial impacts of the reduction of disability and housing benefits to local authorities' adult social care revenue. The reduced income of disabled claimants will have implications for their personal care charges. Local authorities may also be required to pick up the additional costs of care of claimants who can no longer afford to pay for aids or transport costs to healthcare appointments, for example.

One further development reported from a number of sources is the rise in the number of short term money lending businesses, with particular concern over illegal operations. This increase has been noted by most agencies and all are particularly concerned with how some of the illegal lenders operate. There is already close cooperation between the police and the authorities but one interviewee describing the difficulties when some of the victims are "absolutely petrified" of reporting activities to the police or local authority. Durham constabulary has also confirmed that there are links between some of the illegal operations and organised crime in the region. This is a particularly worrying aspect that perhaps has not been emphasised sufficiently in previous analyses and should be monitored closely in the future as it potentially has such a detrimental impact on the quality of life in certain neighbourhoods.

A recent comprehensive study of Advice Services in Middlesbrough (Wistow and Smith, 2013) encountered many of these issues and made a series of recommendations on how an authority may best organise its services in a period of austerity. Summarised, these were:

- Maintaining and enhancing the LA role as a commissioner, provider and strategic lead, including
  - Training function (coordinate and quality standards both within Hubs and to the frontline to channel people into services and build up the network)
  - Needs assessment and early indicators of changing needs
  - Referral framework
  - Central and standardised data collection form
- Developing closer links between the LA and the CCG, not least because health centres are a good entry point into advice services

- Future directions: Hubs providing pathways to target advice and providing it more quickly. Characteristics of advice hubs should include:
  - an effective assessment system
  - access to different levels of staff expertise, from general to specialist,
  - accessible in terms of different settings the service is provided
  - links into frontline services
  - training to the frontline and within more specialised services
- Where agencies have limited funds available they should be encouraged to co-fund specialist advisers.

The evidence in this section largely confirms the findings from elsewhere in this report and highlights further insights into emerging developments.

## 7. Conclusions

*'Whilst some of the changes are imminent, the entirety of the changes will take several years to work through the system. While it is possible to estimate the number of households affected financially with regard to some individual measures, it is a lot more difficult to anticipate the potential response of households and tenants to these reforms. The Government impact assessments all acknowledge that at the moment they cannot account for behavioural responses to these measures from claimants...'*

Beatty et al, 2011

### 7.1 Changed Landscapes

The analysis presented in this report suggests some specific short-term actions that could be (and in many cases, are being) pursued. For example:

- Direct resources towards welfare rights support, the service most likely to see an immediate increase in demand in the lead-up and following the implementation of welfare reform;
- Target specialist advice services on those groups most at risk of losing income (e.g. disabled people receiving benefits; social housing tenants);
- Continue to develop relationships with, and facilitate low-income households' access to, credit unions, although recognising the limited capacity reported on earlier in this report;
- Ensure that resources and activity are aimed at maximising opportunities to promote digital inclusion amongst those on low incomes;
- Build and strengthen effective partnerships with employment support providers;
- Consider offering 'new' housing options (e.g. shared tenancies for single people).

These activities are essentially specific to welfare reform. However, local and regional responses arguably need to go further than this, not least because the raft of changes for welfare reform recipients will be bedding down alongside the effects of several years of austerity. Whilst detail of overall effects is hard to predict, it is certain that the safety net provided by the state will look very different in a few years' time. Unknown prospects lie ahead for people facing most impact with least resilience, especially with a backdrop of continuing economic uncertainty.

Recent research has explored Scottish councils' decision-making in the face of austerity (Asenova et al, 2013). The study advocates encompassing a broader range of disadvantaged groups than the commonly-applied Equality Impact Assessments (EIAs) in order to help local authorities consider and mitigate adverse social impacts, rather than having their decision-making dominated by risk relating to statutory obligations. In a similar vein, a knowledge exchange partnership between local authorities and academics (Hambleton and Howard, 2012) warns against pursuing an agenda of 'cutback management' on issues of social inclusion. The partners suggest

that positive outcomes may become more likely if councils adopt a transformational approach, grounded in a *process* of greater innovation and collaboration. Swindon, for example, introduced radical changes to its children in need services, prompted by the intervention of a social entrepreneurship agency (Hambleton and Howard, 2012).

In the current context of welfare reform, the messages from these studies may be particularly pertinent. Authorities will arguably be better placed to deal with the challenges ahead if they adopt a corporate, holistic and far-reaching approach to the changes, integrating the 'new reality' into the breadth of their activity. A key part of this would imply some form of on-going monitoring and analysis.

## 7.2 Key Lessons

Analysis in preceding sections gives some useful pointers in considering future activity in relation to any future monitoring and measurement. For economic resilience and impact these include:

- While there are a number of factors contributing to economic vulnerability across *all* areas (such as high dependency on public sector jobs or high levels of long-term unemployment), the level of resilience varies considerably *between* local areas. This suggests the need for a multi-level approach that encompasses both regional *and* local-specific impact assessment and measurement.
- Existing approaches tend to combine *structural* indicators (for example, depicting the state of the local economy), alongside more *individual* ('agency') indicators that capture the skills, aptitudes, values and behaviours associated with individuals or households. This suggests that any assessment/monitoring of welfare reform impact will need to draw upon *qualitative* data.
- Most approaches to assessing economic resilience also contain more *social* interpretations relating to levels of deprivation and inequalities of income and wealth (for example, those captured in Experian's 'Community' and 'People' categories). This emphasis needs to be captured in monitoring frameworks and reflected in 'base-line' data.

Lessons from/for measuring social resilience include:

- Individuals and households vary in how they respond to adversity and although this can be understood, and classified, in different ways, it suggests some degree of qualitative assessment will be needed;
- Some of the key factors shaping resilience at this level can be identified as: strong family networks; levels of self-esteem and confidence; skills to manage the budget; and access to credit.

In relation to wider social impacts, the following messages stand out:

- The behavioural response to changes (from claimants, landlords and other bodies) will have a crucial impact on how welfare reform works out ‘on the ground’. These need to be captured, but will occur over a lengthy period.
- The wider social impact of welfare reform will be felt in areas such as: levels of homelessness; health; education; and crime.
- The changes are likely to have an important impact on the levels of demand for a range of support and advice services provided by local authorities, social housing organisations, and a range of voluntary sector bodies.
- The changes are likely to have a wide impact on local economies in relation to lost income; these could be quantified through a multiplier calculation such as that used in Wales.

And finally, analysis relating to the possible impact on housing markets suggests that:

- It would be useful to collect data specific to social housing (void rates; lettings; arrears) as well as data that about housing markets in all tenures (like population migration). The former is available and timely (via CORE); the latter less so.

### **7.3 Developing a Monitoring Framework**

Combined, this suggests the need for a monitoring framework that can:

- provide a comprehensive approach capturing different dimensions of resilience (economic and social) and their manifestation in structures, individuals, and communities;
- draw upon (as much as possible) existing data already available;
- capture areas where new indicators and data may be needed e.g. in-work poverty; use of food-banks; housing data; migration measures;
- offer a multi-level approach at regional, local, ward and LSOA levels;
- include both quantitative and qualitative data;
- capture the extent of the behavioural changes brought about by welfare reform;
- secure the support and participation of relevant agencies.

This could possibly be delivered via a staged approach.

#### **Stage 1** would be to agree a **[Welfare Reform] Resilience Monitoring Framework**.

This could draw upon a variety of existing data sources, including: NOMIS; IMD; Census 2011; Local Authority Residents Surveys; Public Health Data; ONS Business Register and Employment Surveys; and Experian’s Public Sector Mosaic data, and would allow for data to capture impact at local authority, ward, or sub-ward levels. The matrix would encompass a suite of indicators from which a customised monitoring framework could be devised.

Figure 7.1 presents suggestions from existing resilience measurements; Figure 7.2 derives from the four NE authorities providing details of possible indicators in response to ANEC’s information request. Given the limited response, these are presented in cumulative list form:

<b>Figure 7.1: Key indicators of resilience</b>	
<ul style="list-style-type: none"> <li>• Impact on local economy (using multiplier)</li> <li>• Business insolvency</li> <li>• Work-based gross weekly pay</li> <li>• Residency-based gross weekly pay</li> <li>• % employees employed in public sector</li> <li>• House prices</li> <li>• Unemployment</li> <li>• Rates of unemployment 18-24 year olds</li> <li>• Ave number of weeks claiming JSA</li> <li>• % economically active adults with qualifications at NVQ level 4 or above</li> <li>• Nos. living in 10% most deprived areas nationally</li> <li>• Number of people in low income households</li> <li>• Children and working-age adults in low-income households by work status</li> <li>• % of people in work feeling they lack enough money to last until next pay at end of month</li> <li>• Local child poverty measures</li> <li>• % children getting free school meals</li> </ul>	<ul style="list-style-type: none"> <li>• Newly recognised homeless households</li> <li>• Number of homeless households in temporary accommodation</li> <li>• Households in fuel poverty</li> <li>• Polarisation by tenure</li> <li>• % low income households dissatisfied with the area where they live</li> <li>• % disabled adults living in low-income households</li> <li>• Levels of average household debt</li> <li>• % people accessing pay-day loans</li> <li>• % people accessing illegal loan sharks</li> <li>• Number of burglaries/thefts</li> <li>• Number of violent crimes</li> <li>• Mental health wellbeing score</li> <li>• Levels of demand on council services</li> <li>• % people using food banks</li> <li>• % participating in regular volunteering</li> <li>• % giving unpaid care at least monthly</li> </ul>
<b>Figure 7.2: Cumulative listing of indicators under consideration by NE authorities</b>	

1. Total amount of social housing rent arrears	24. Homelessness rates (for mortgage/rent arrears, domestic violence, young people asked to go)
2. Average amount of arrears	25. Unemployment claimant rate
3. Gross number of rent arrears cases	26. Council Tax in-year collection (actual/target)
4. Notices of Seeking Possession issued	27. Council tax arrears
5. Court orders obtained	28. Council tax discretionary scheme (nos./spend)
6. Evictions carried out	29. Recovery action taken (bailiffs)
7. No. of mortgage repossession court claims	30. Interviews conducted by LA advice service
8. No. of above claims leading to a court order	31. No. of insolvencies per 10,000 population
9. Number of rent arrears eviction court claims	32. Level of reported acquisitive crime (burglary, theft, shop-lifting, vehicle theft)
10. Number of above leading to a court order	33. Incidents of domestic violence resulting in a recorded crime
11. Nos./types/households of Social Fund payments	34. Annual Population Survey working age employment rate
12. Nos./types/households of Discretionary Housing Payments	35. Working age population self-employed
13. CAB enquiries: debt, benefits, housing	36. Family Welfare Support contacts/caseloads
14. No. of families in unsuitable accommodation	37. No. children taken into care (existing cases)
15. Benefits take up and appeals	38. No. child protection plans (existing cases)
16. No. households affected by under-occupancy	39. Percentage of children living in poverty
17. Ave reduction of HB through under-occupancy	40. No. and % safeguarding cases including a financial abuse element
18. Evictions from PRS	41. Home Care charges client debt
19. Total outstanding debt of advice service clients	42. Number of vouchers used for food parcels
20. No clients assisted by Welfare Rights advice line	43. Number of food bank service users
21. Waiting list for advice line/appointments at the Welfare Rights Unit	44. Reasons for crisis: Benefit changes or delays; Debt; Domestic Violence; Homeless; Low income; Sickness; Unemployment
22. Approaches for housing advice: debt, rent arrears, mortgage arrears, domestic violence, HB/CTB issues, YP asked/forced to leave home	
23. New debt clients per month (LA service / CAB)	

However, the ultimate effects of the welfare reforms will depend not only on the strength of the wider economy, but also the extent to which people change their behaviour in response to benefit reductions/changes. This suggests a second stage will be needed:

**Stage 2: Welfare Reform: A Life Story Approach.** The importance of collecting qualitative data to underpin the quantitative indicators in mapping the impact of welfare reform has already been noted, and is justified in relation to the importance of individuals' behavioural responses to external challenges. Capturing the views and opinions of individuals and families directly and indirectly affected by welfare reform will be necessary, and could potentially be achieved via local authority resident surveys, via housing providers, and via voluntary and community organisations.

For this to be effective, collaboration and partnership will be crucial. A key learning point from Lewisham Council's Universal Credit pilot is that the most effective response to welfare reform will be achieved by a 'whole city' partnership approach. A wide range of local authority and VCS-led advice and support operate in each locality in the North East. Local authorities should maximise available resources by adopting a greater co-ordination role. Localism is premised on the more fine-grain



knowledge available at the sub-national level. Dealing with welfare reform demands that this be the reality.

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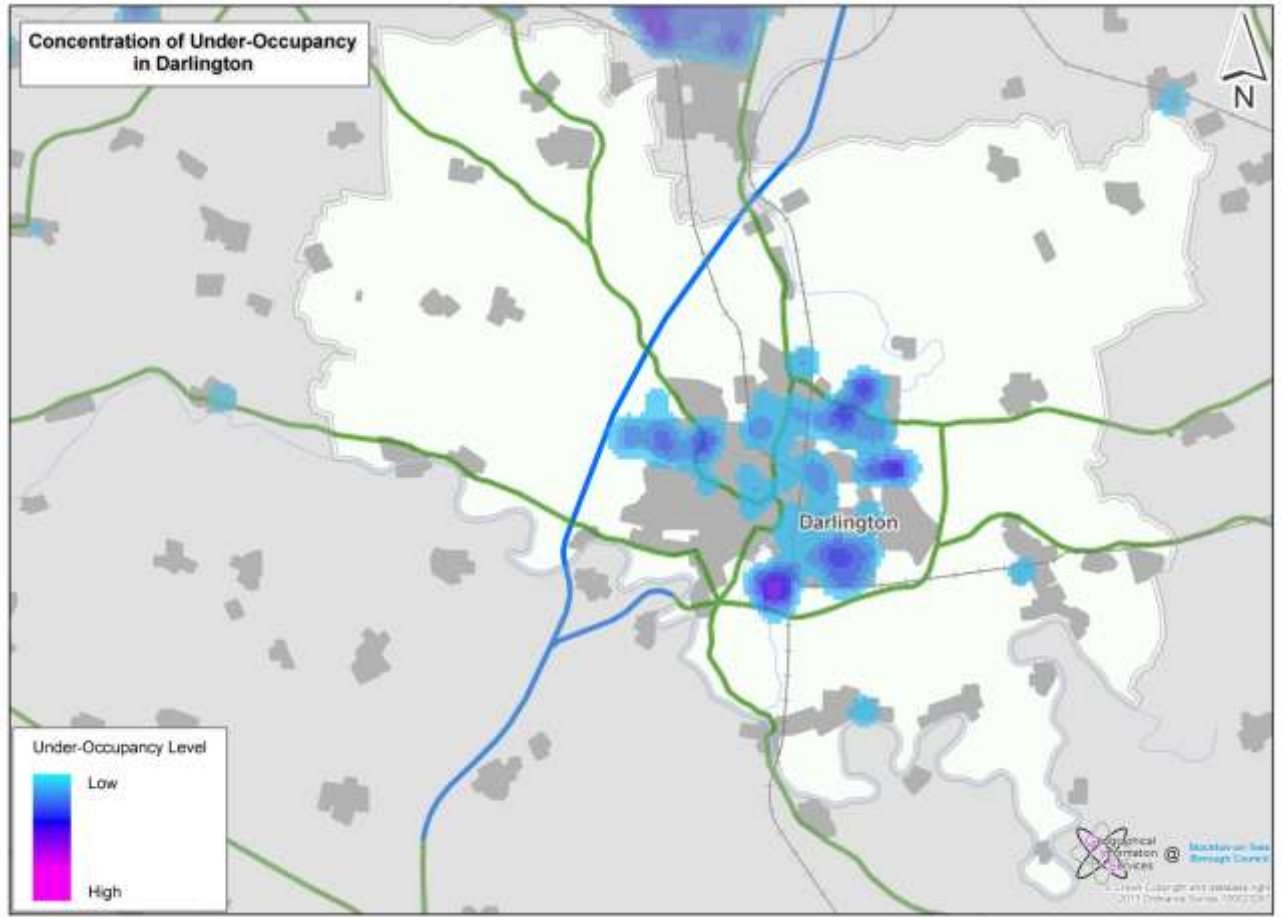
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## **Annex A – Social Size Criteria**

This annex contains density maps for under occupation in all local authorities in the North East of England.

The tables show which wards in each local authority contain over 50% of all those subject to under occupation charges.

# Darlington

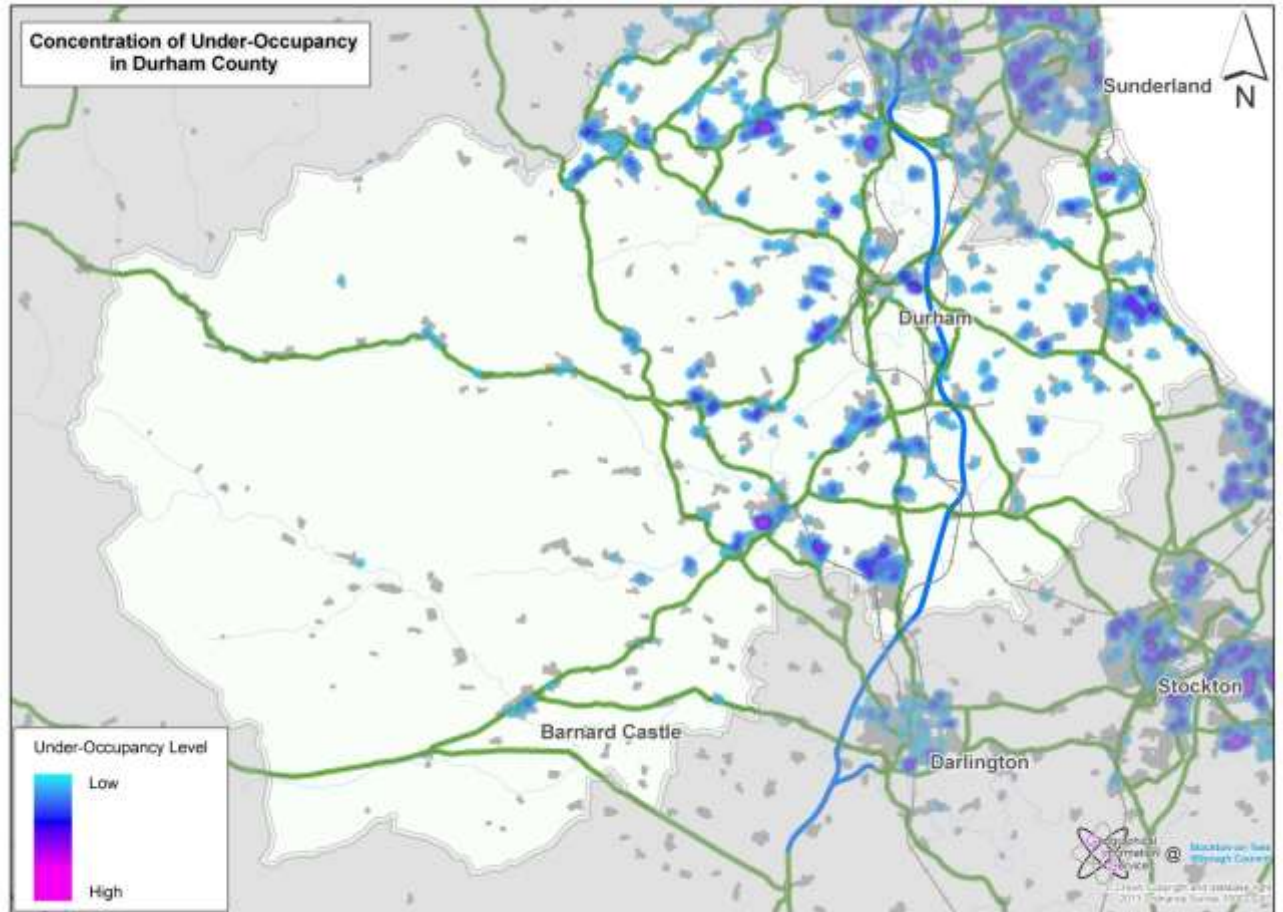


## Darlington

Park East	131
Haughton East	114
Eastbourne	73
Haughton West	72



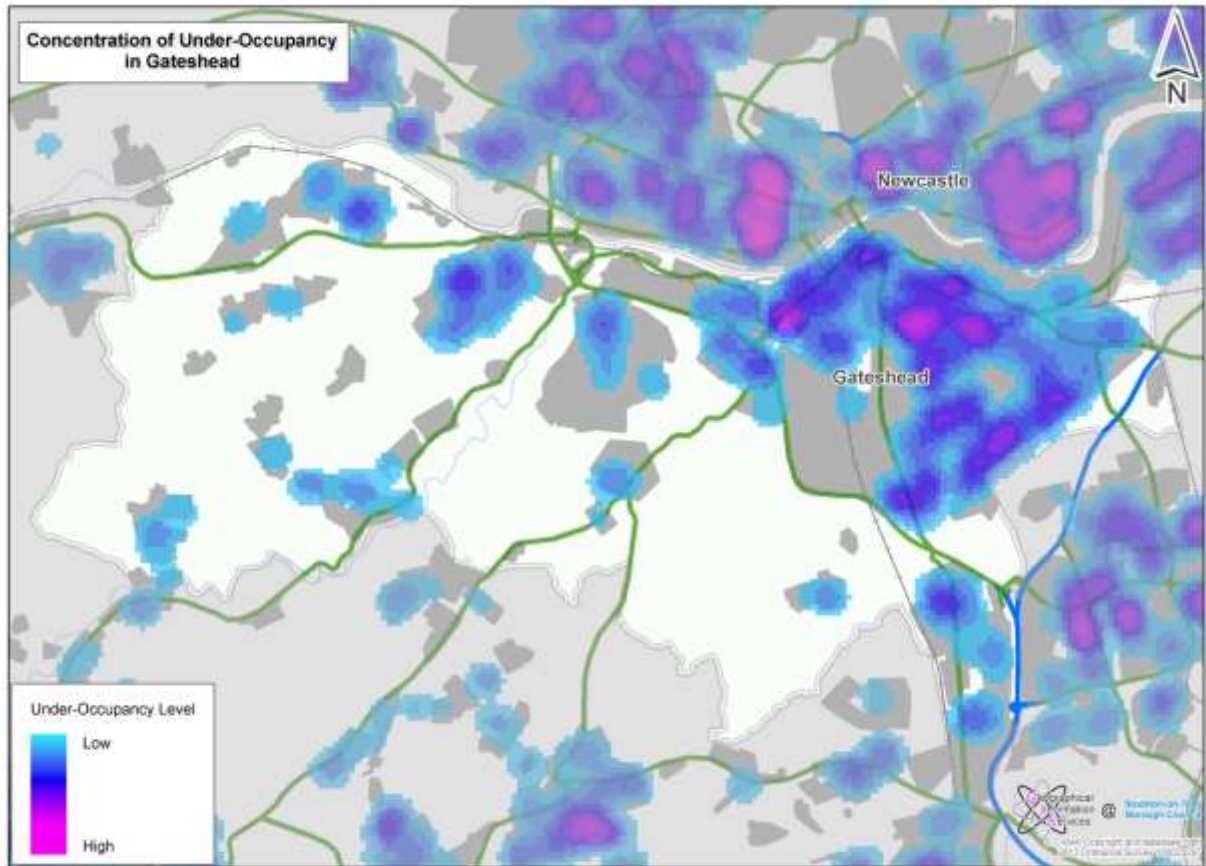
# Durham



## Durham

Woodhouse Close	322
Stanley	304
Peterlee East	284
Sildon East	275
Gilesgate	248
Brandon	245
Chester-le-Street West	
Central	226
Horden	219
Delves Lane and Consett	
South	216
Aycliffe West	212
Tudhoe	210
Murton	200
Deerness Valley	200
Crook South	186
Ferryhill	173
Deneside	172
Annfield Plain	166
Leadgate and Medomsley	165

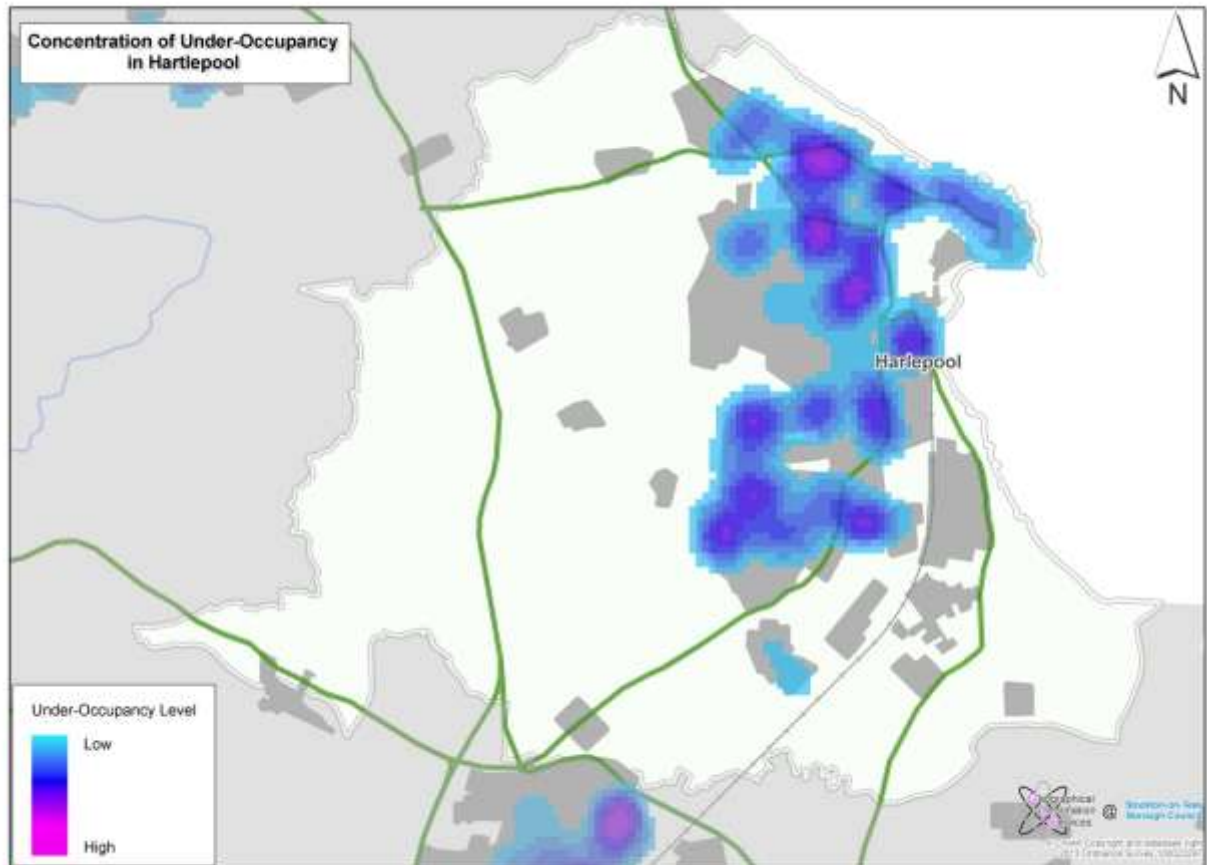
# Gateshead



## Gateshead

Felling	388
High Fell	382
Deckham	313
Dunston and Teams	289
Windy Nook and Whitehills	228
Lobley Hill and Bensham	215

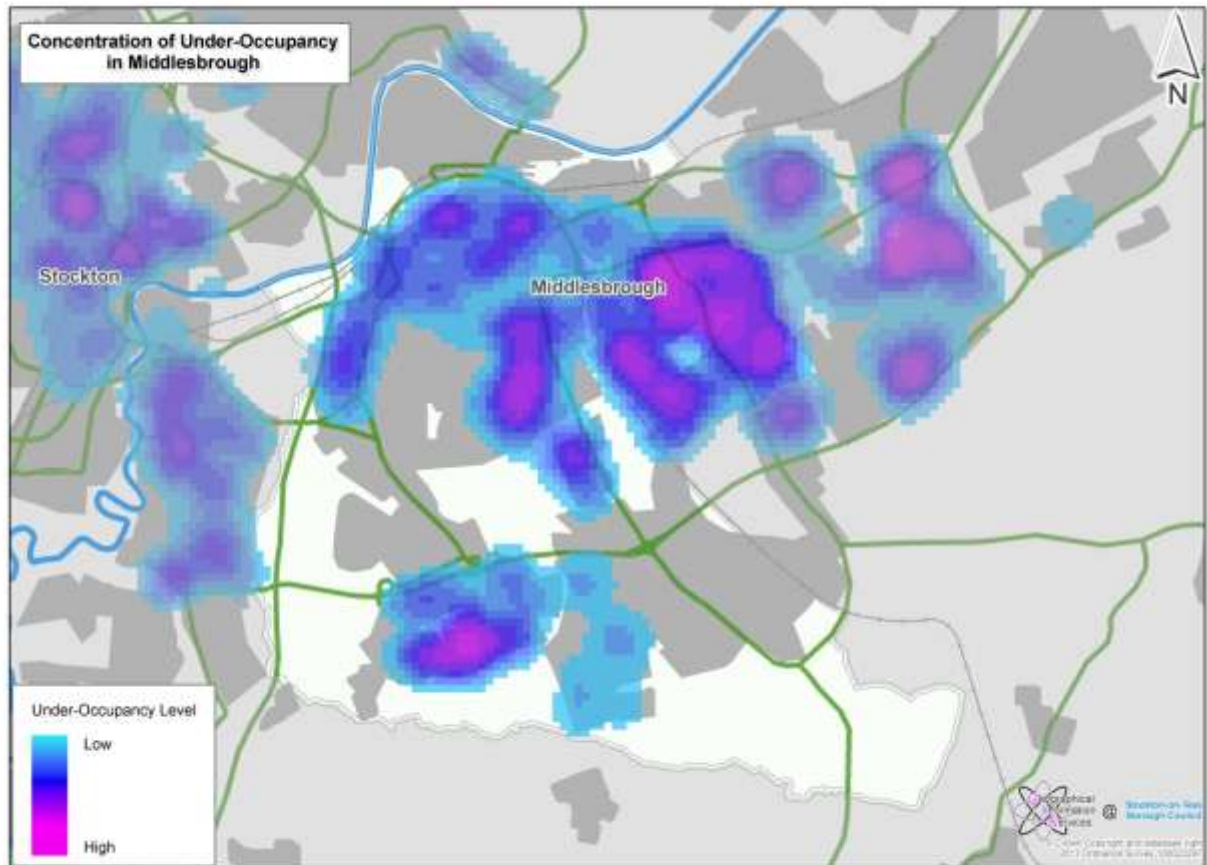
# Hartlepool



## Hartlepool

Brus	266
Owton	212
Dyke House	180
Stranton	172

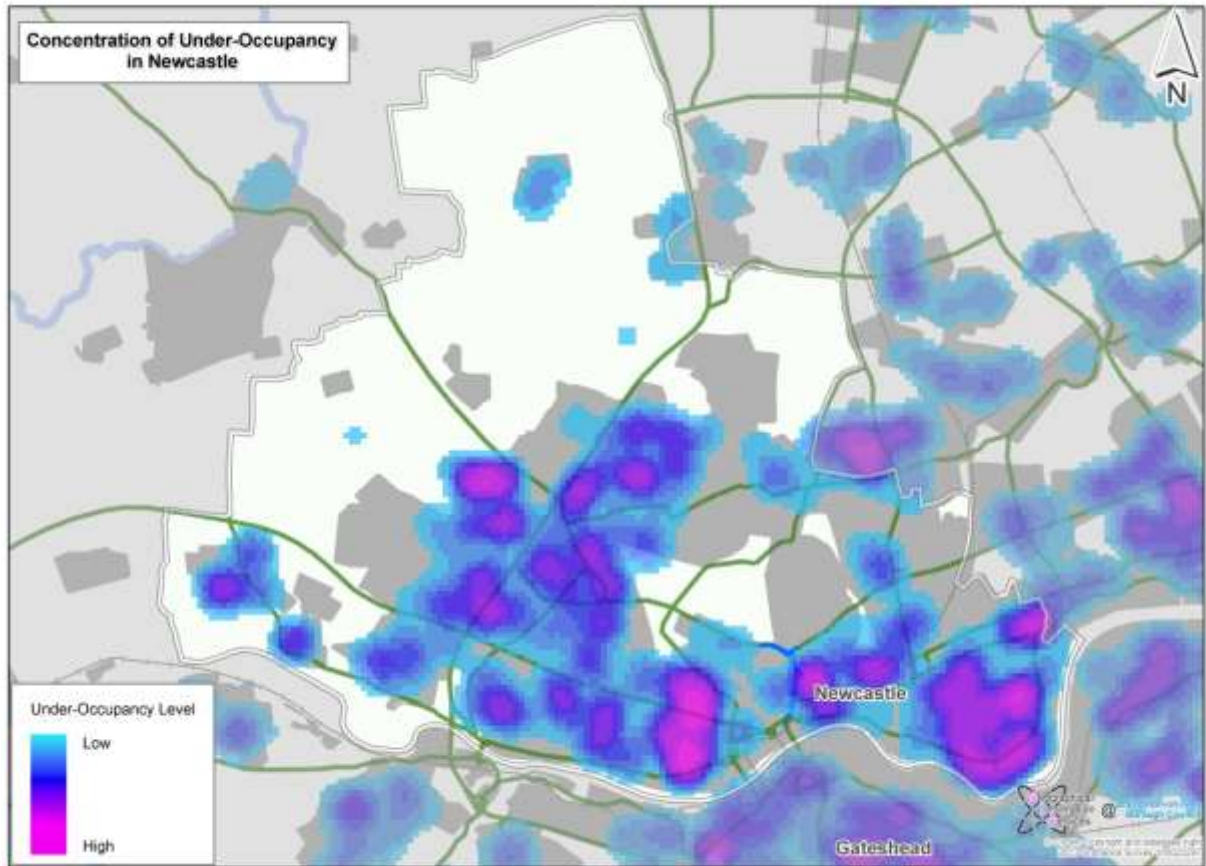
# Middlesbrough



## Middlesbrough

Thorntree	409
Hemlington	318
Park End	301
Pallister	288
North Ormesby and Brambles Farm	225

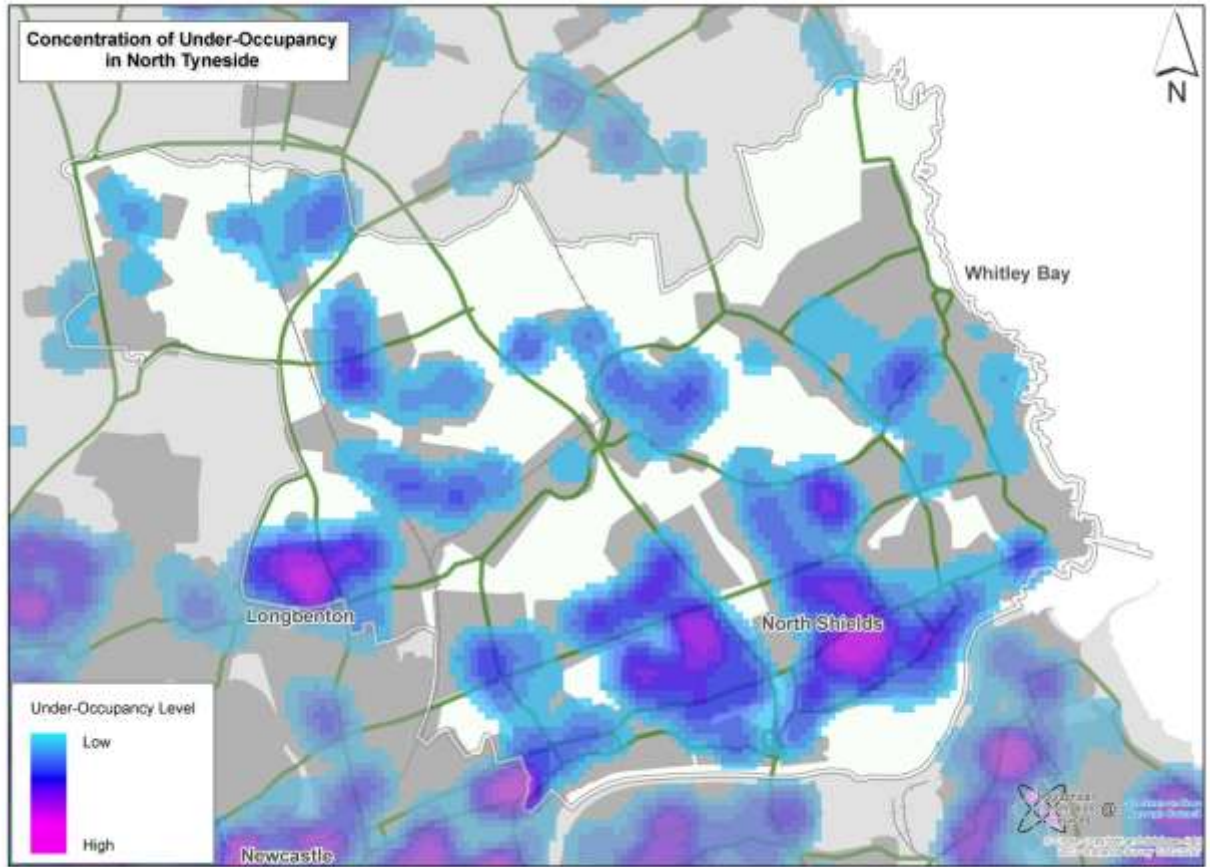
# Newcastle



## Newcastle

Walker	864
Elswick	484
Kenton	437
Woolsington	426
Westgate	416
Benwell and Scotswood	361
Fawdon	333
Blakelaw	321
Ouseburn	301

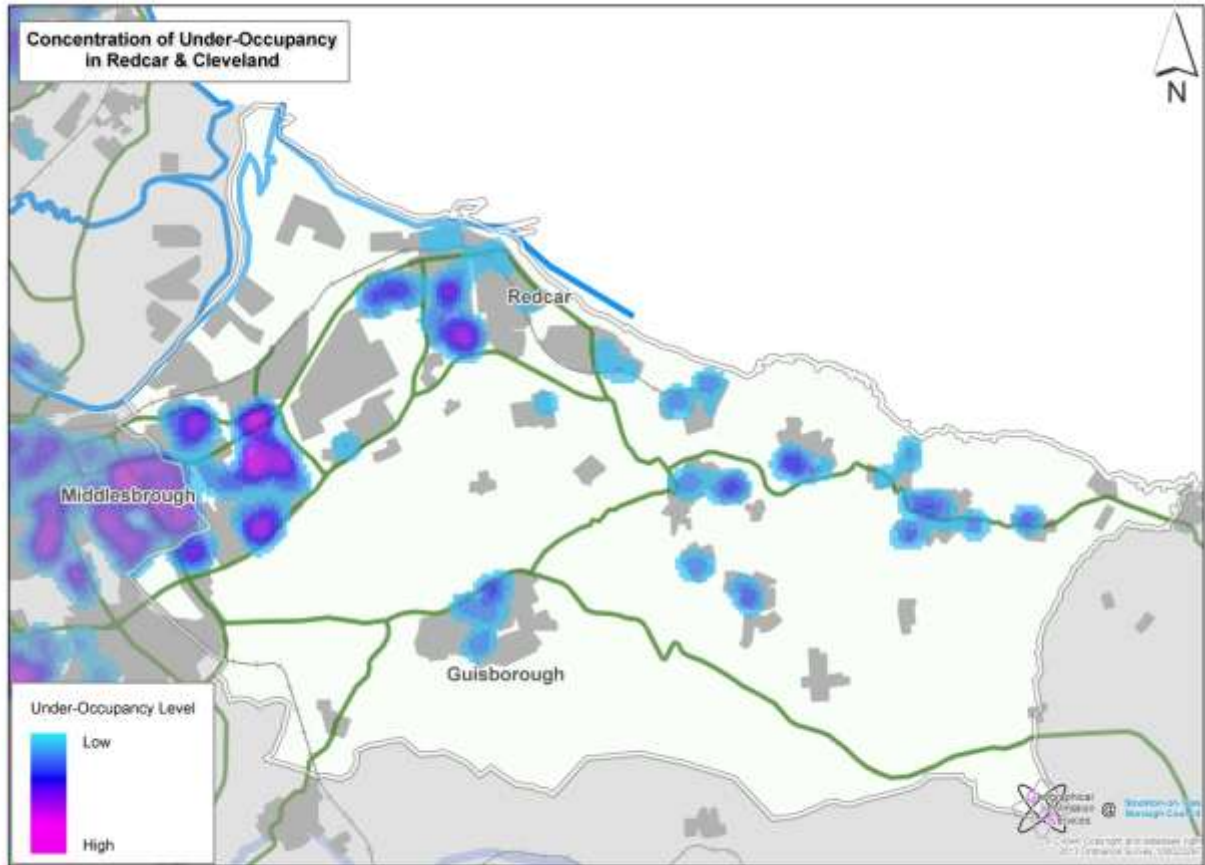
# North Tyneside



## North Tyneside

Chirton	459
Riverside	414
Longbenton	414
Howdon	413

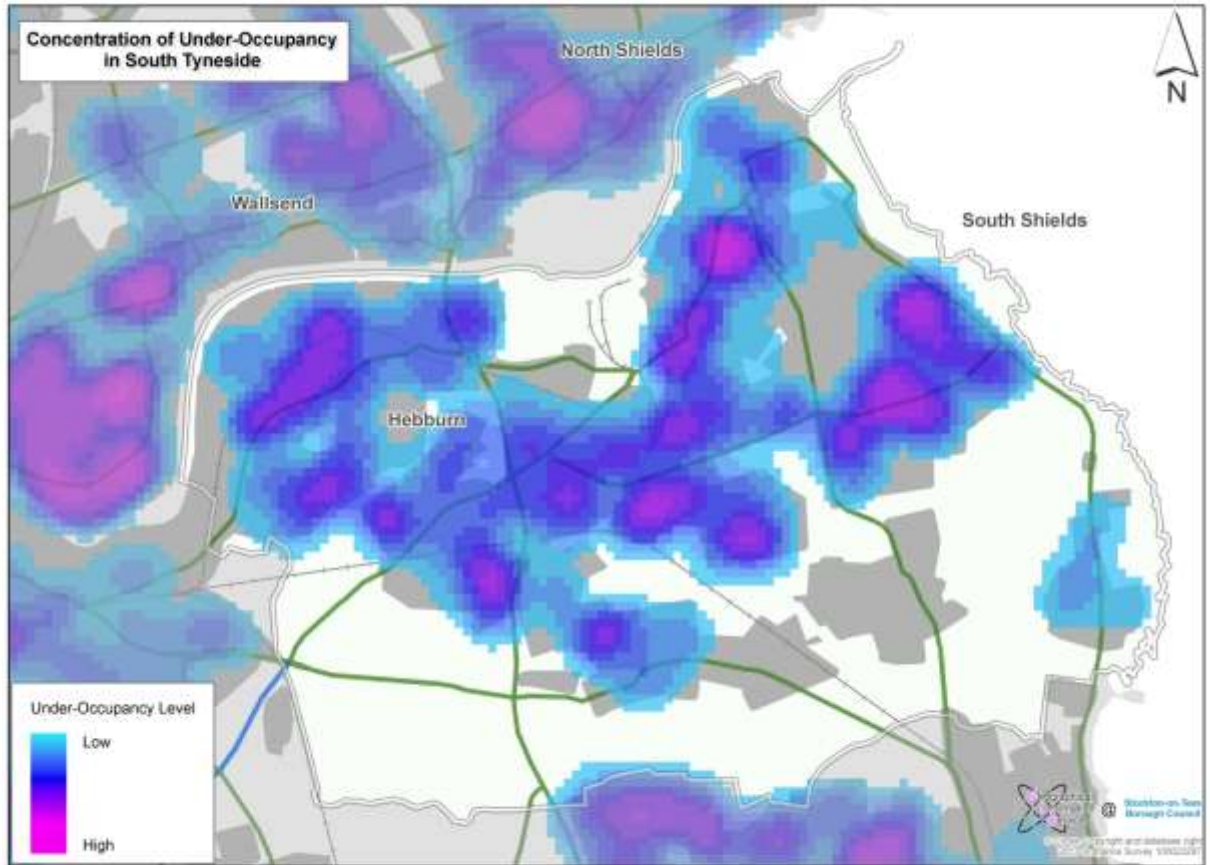
# Redcar and Cleveland



## Redcar and Cleveland

Grangetown	425
South Bank	265
Eston	224
Kirkleatham	212
Loftus	156

# South Tyneside

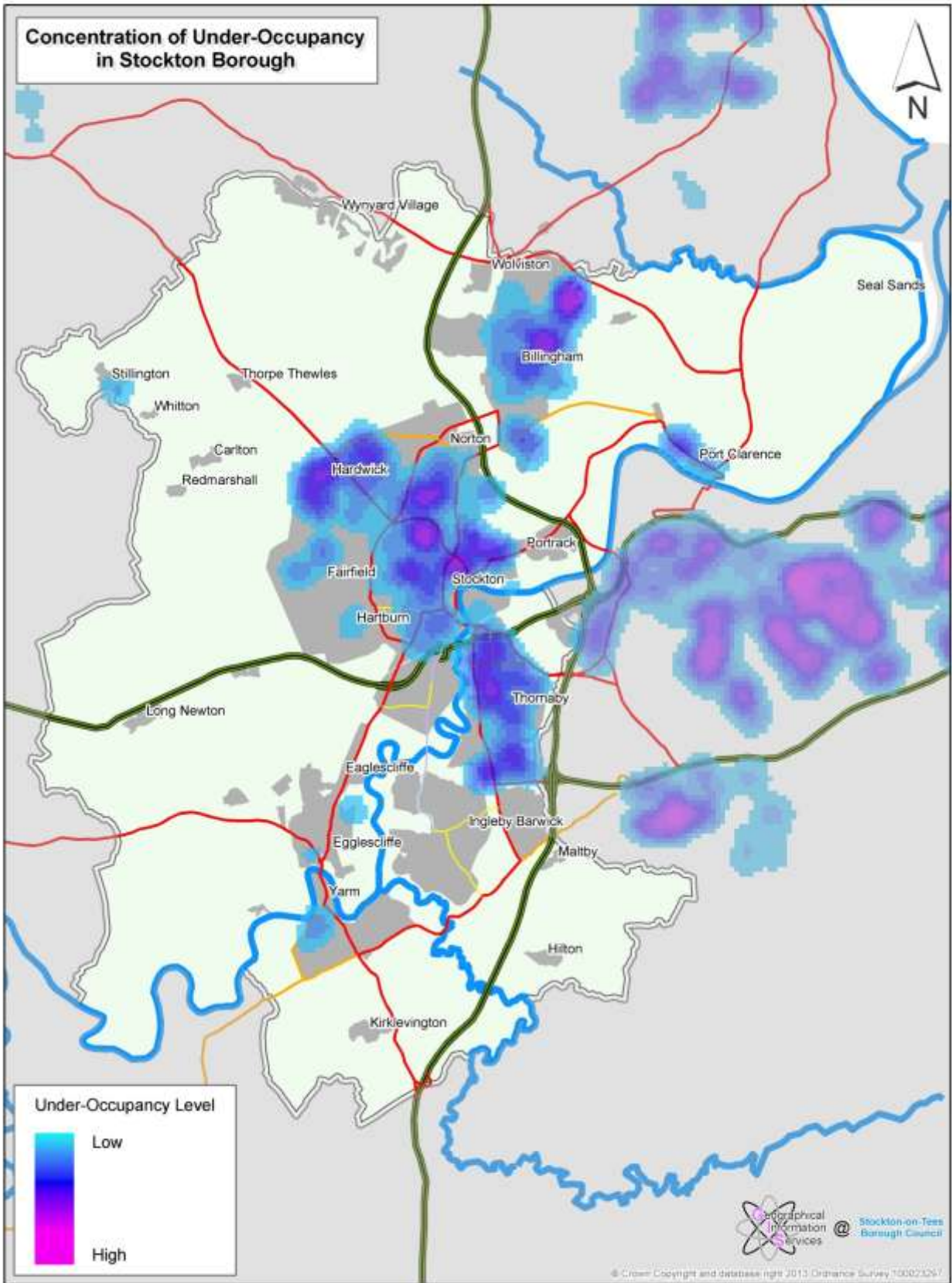


## South Tyneside

Simonside and Rekendyke	356
Biddick and All Saints	341
Hebburn North	334
Cleadon Park	280
Bede	279
Primrose	274



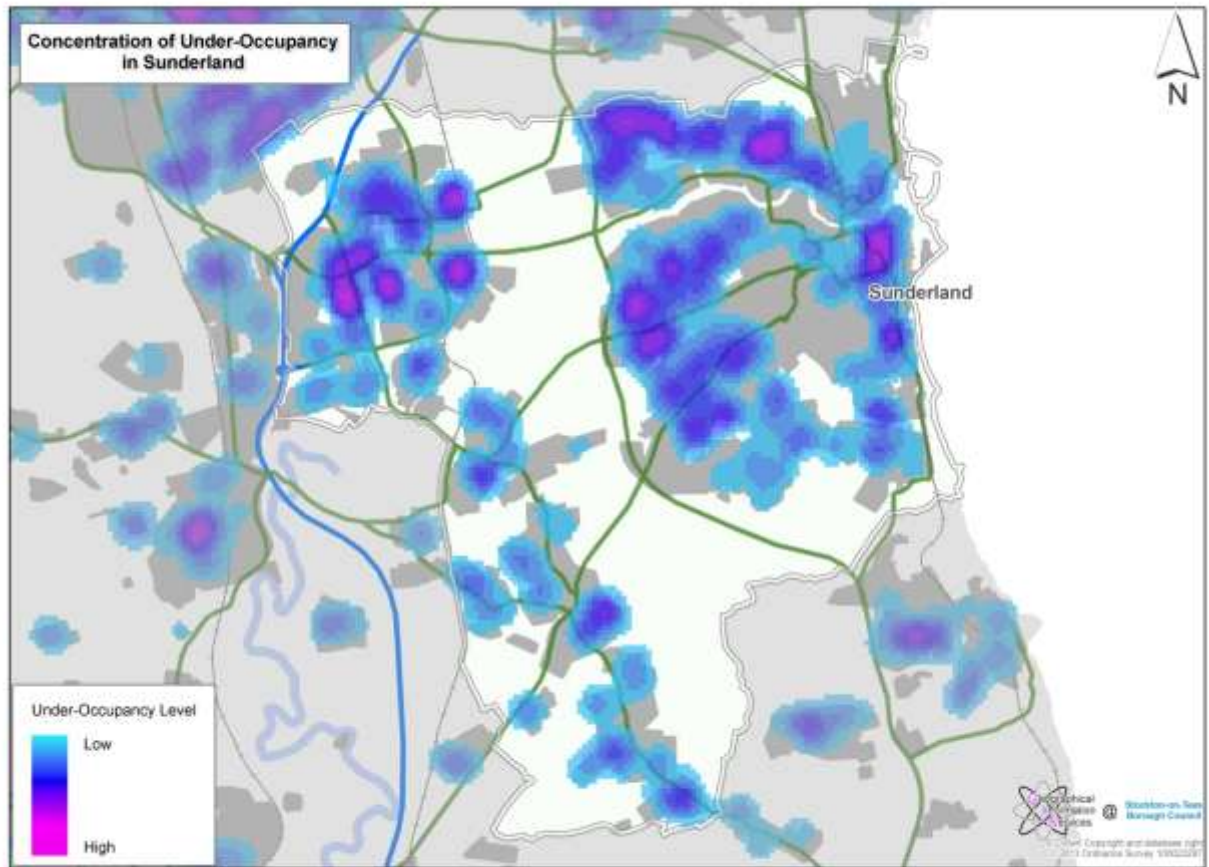
# Stockton



**Stockton**

Stockton Town Centre	324
Billingham East	272
Mandale and Victoria	265
Newtown	260
Hardwick	229

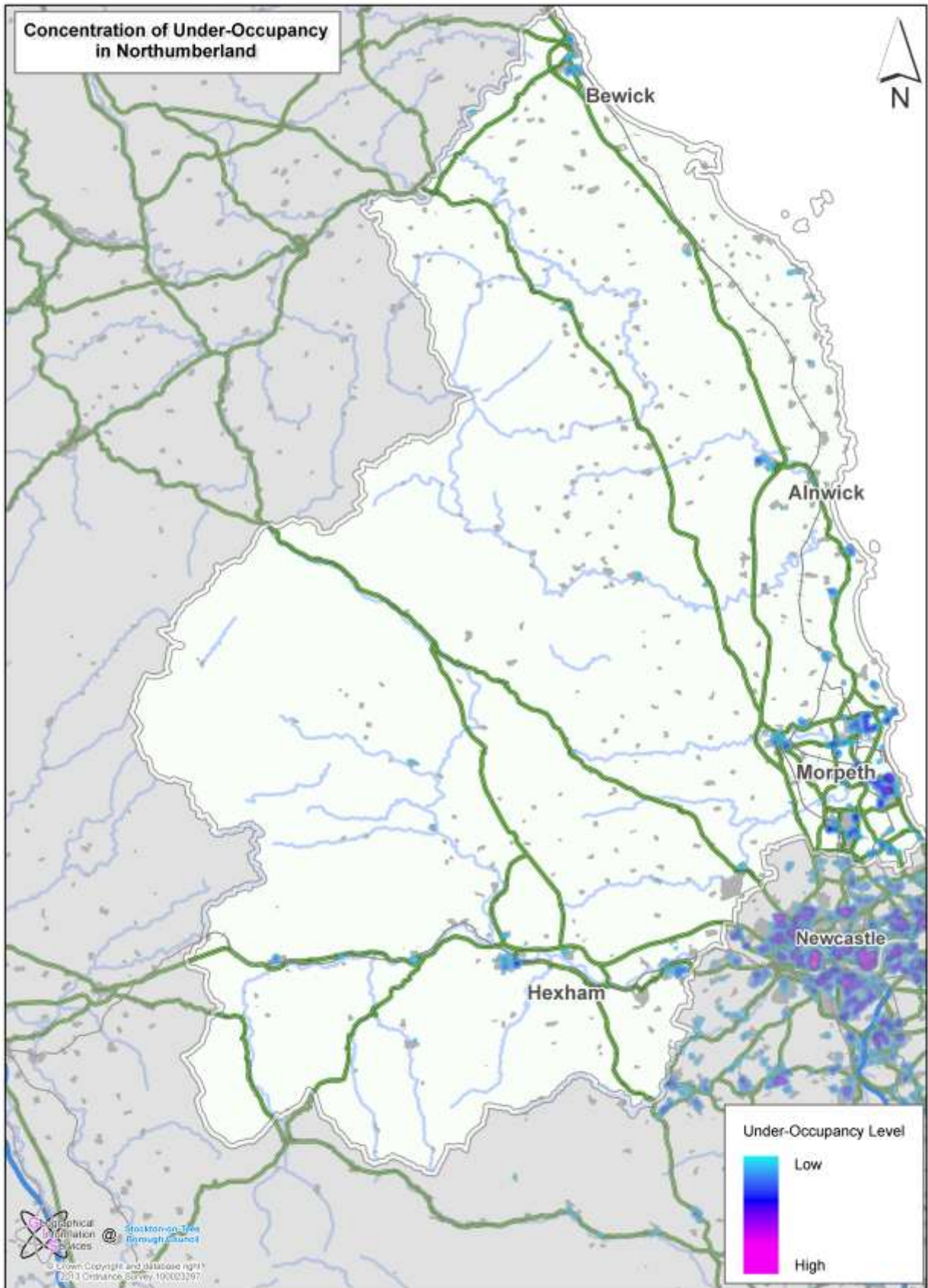
# Sunderland



## Sunderland

Redhill	421
Hendon	382
Sandhill	362
Washington North	346
Southwick	337
St. Anne's	327
Castle	265
Pallion	243

# Northumberland



**Northumberland**

Isabella	178
Croft	154
Cramlington West	137
Choppington	117
Cowpen	115
Hirst	115
Sleekburn	115
Bedlington East	111
Newsham	102
Kitty Brewster	98
Seaton with Newbiggin West	98
Cramlington East	95
College	94
Prudhoe East	91
Cramlington Eastfield	87



## TECHNICAL APPENDIX

### Economic Resilience and Welfare Reform Impact: clarification/supplementary detail

Section 2.1 of the main report summarises the predictions for the total loss to each local authority in the NE region based on DWP assumptions (Beatty and Fothergill, 2013). The table below shows how these totals break down for each individual benefit change

Change	Impact	County Durham	Darlington	Gateshead	Hartlepool	Middlesbro'	Newcastle upon Tyne	North Tyneside	Northumberland	Redcar and Cleveland	South Tyneside	Stockton-on-Tees	Sunderland
LHA limits	No. households affected	12600	3500	3200	5100	6300	3600	5100	4100	5800	4200	3200	6700
	Estimated loss £m pa	13	3	4	6	5	4	5	4	6	4	3	8
	Households per 10,000	560	750	800	900	460	610	640	460	490	460	470	560
	£pa loss per adult <65	39	50	72	71	27	50	43	30	31	34	33	44
HB size limits	No. households affected	8700	1400	2000	3100	4300	2400	2800	4500	6700	3700	4200	6100
	Estimated loss £m pa	5.9	1.0	1.4	2.1	2.9	1.6	1.9	3.0	4.5	2.5	2.8	4.1
	Households per 10,000	390	310	500	540	310	400	350	510	570	400	620	510
	£pa loss per adult <65	18	15	23	23	15	19	15	24	24	19	30	23
non-dependents	No. households affected	3100	600	700	1100	1500	900	1100	1300	1800	1100	1100	1900
	Estimated loss £m pa	3	0	0	0	2	0	0	0	2	0	0	2
	Households per 10,000	140	130	180	190	110	140	130	150	150	130	170	160
	£pa loss per adult <65	10	10	14	13	8	11	10	11	11	10	14	12
Benefit cap	No. households affected	250	60	100	150	110	80	130	80	180	80	60	180
	Estimated loss £m pa	1.2	0.3	0.5	0.7	0.5	0.4	0.6	0.4	0.9	0.4	0.3	0.9
	Households per 10,000	11	12	25	27	8	14	16	9	15	8	9	15
	£pa loss per adult <65	4	4	8	8	3	5	5	3	4	3	3	5
CTB	No. households affected	-	6900	8900	14300	-	10200	13000	14500	21800	12300	12700	19900
	Estimated loss £m pa	0	1	1	3	0	2	2	1	2	2	3	1
	Households per 10,000	-	1480	2200	2500	-	1710	1640	1630	1860	1350	1890	1660
	£pa loss per adult <65	0	17	12	28	0	22	18	9	8	16	32	7
DLA	No. households affected	5700	1000	1000	1600	2700	1500	1800	2100	2700	1800	1600	3100
	Estimated loss £m pa	17	3	3	5	8	4	5	6	8	6	5	9
	Households per 10,000	170	150	170	180	130	170	140	160	140	140	170	170
	£pa loss per adult <65	52	44	51	55	40	52	42	48	42	42	51	51
ICB	No. households affected	16500	2400	3500	4800	6700	4000	4400	5700	7300	4600	4500	9400
	Estimated loss £m pa	57	8	12	17	23	14	16	20	26	16	16	33
	Households per 10,000	500	360	590	540	340	480	360	440	380	350	470	520
	£pa loss per adult <65	172	126	202	186	117	164	125	154	133	124	165	180
child benefit	No. households affected	63400	13600	12500	18700	37100	17700	25300	24200	30800	25500	18800	35500
	Estimated loss £m pa	22	5	4	6	13	6	9	8	10	9	6	12
	Households per 10,000	2830	2920	3100	3260	2680	2960	3200	2710	2630	2800	2800	2960
	£pa loss per adult <65	68	70	76	67	65	68	72	65	54	68	67	68
tax credits	No. households affected	4200	8900	9000	14500	23200	11900	16400	16100	22300	15800	13400	25800
	Estimated loss £m pa	34	7	7	12	19	10	13	13	18	13	11	21
	Households per 10,000	1880	1910	2230	2530	1670	2000	2070	1810	1900	1730	2000	2150
	£pa loss per adult <65	102	108	125	131	95	114	107	101	94	99	114	116
1% totals rise	Estimated loss £m pa	33	7	8	12	17	10	13	13	18	12	11	20
	£pa loss per adult <65	99	103	129	134	84	113	101	98	91	92	112	112
1% totals	Estimated loss £m pa	188	37	42	64	90	52	67	70	95	66	59	112
	£pa loss per adult <65	565	546	712	717	454	618	538	543	490	508	621	618

Figure 2.2 of the main report illustrates the losses resulting from each of the Welfare Reform measures by Local Authority.

In order to calculate the impacts of changes to disability benefits with the movement from IB to ESA and DLA to PIP the methodology adopted was based on the work of Bounds (2012) cited in Edwards (2013).

#### Housing Benefit Bedroom Numbers Size Criteria

This measure was introduced to address the under-occupation of social housing in some areas and to address over-crowding and extensive waiting lists. The policy is that if a Housing Benefit Claimant is deemed to have more bedrooms than they require in their home then Housing Benefit will be reduced by £14/ week for the first bedroom under-utilised and by £25/ week for two or more bedrooms under-used. Given data on the numbers affected supplied by local authorities (and where stated the numbers of one or two bedrooms underutilised by claimants the total loss per year to claimants regionally in terms of Housing Benefit is £33.9 million based on a total of 45,622 affected claimants.

#### Localisation of Council Tax Benefits

This data was obtained from local authorities where available and compared to Department for Communities and Local Government data. The estimated regional impact was derived from the totalling of this figure.

#### Numbers of Claimants Affected by Changes to Disability Benefits (IB to ESA, DLA to PIP)

Figure 2.3 gives the estimated number of claimants affected by changes to the disability benefits discussed above. The procedures described for IB to ESA and DLA to PIP financial impact assessments were used to determine the numbers of claimants in each authority affected by the changes to the disability benefits.

#### Disability Benefit Claimants as a Percentage of the Working Age Population of Lower Layer Super Output Areas in the North East

Figures 2.4 to Figure 2.6 show disability benefit claimants as a percentage of the working age population of LSOAs in the North East.

The initial map structure is based on the Office for National Statistics (ONS) released 2004 LSOA framework. This reflects the referencing system of LSOAs currently used in the production of small area data for a range of ONS/ Department for Work and Pensions (DWP) datasets.

The geographies in which the data for the various welfare benefits under consideration are available are based on the former dual layer local authority structure in North East England which required compilation to the current existing local authority administrative structures (This applied to County Durham and Northumberland only).

The ONS Mid-Year Population Estimates for 2010 is the latest available dataset detailing population to LSOA using the ONS 2004 LSOA framework. It was necessary to sum age ranges in order to obtain an overall 'working age population' figure for each LSOA.



To ensure continuity with other data used in the research welfare benefit data was utilised for February 2012. Give the changes that will impact on claimants as a result of Welfare Reform, the following welfare benefits were chosen for mapping:

- Disability Living Allowance (DLA)
- Incapacity Benefit (including Severe Disablement Allowance)
- Employment and Support Allowance

Data was combined to calculate the percentage of benefit claimants as a percentage of the working age population in each LSOA. A limitation of this approach is that claimant data for February 2012 is compared to mid-year population data for 2010. The reason for this action is given above and it is anticipated there will have been no major changes in the LSOA population profiles over the intervening 18 months.

Given that there were, prior to the Census 2011 re-classification of LSOAs, 1656 LSOAs in the North East region, the maps presented illustrate the percentage range of welfare benefit claimants in bandings of 20 per centiles of all LSOAs.

Taking the mapping of DLA claimants as an example, there are 331 LSOA's in which total DLA claimant numbers are between 0.47 per cent and 6.38 per cent of the working age population. There are also 331 LSOAs in which the total DLA claimant numbers are between 18.7 per cent and 36.3 per cent of the working age population in that LSOA. Taken as a whole the spread of percentages of DLA claimants as a proportion of the working age population is a skew towards the lower percentages as indicated by the range of values in each quintile banding.

Section 2.3 of the main report introduces the concept of resilience, increasingly used to describe the ability of places and people to withstand and respond to shocks in the external environment. One approach – the Experian framework was outlined in Figure 2.9. The major features of 2 other approaches are outlined below.

<b>Advantage West Midlands: The Community Economic Resilience Framework (AWM, 2010)</b>		
<b>Economic</b> <i>Assessing dependence on vulnerable economies and its scale relative to its resident population</i>	<b>Labour Market</b> <i>Assessing degree to which local labour supply does or can participate in current &amp; future economy</i>	<b>Social:</b> <i>Assessing local residents' degree of exclusion from the economy and the availability of local employment opportunities</i>
GVA per head proxy	ILO unemployment rate	Residence-based gross weekly pay
New business registration rate	Working age employment rate	Difference between local residents' and workplace-based gross weekly pay
% of workplace-based employment in public administration	% of JSA claimants claiming for more than 12 months	% of working age population claiming DWP benefits
% of workplace-based employment in private sector, knowledge-intensive sectors	% of working age population with no qualifications	% of residents who also work in the district
% of workplace-based employment in manufacturing	% of working age population with NVQ Level 4+ qualifications	Job density
Workplace-based gross weekly pay	% of residents employed in knowledge occupations	% of working age population who are economically inactive but want a job

## **Ecosgen: Defining Resilient Cities (Ecosgen, 2011)**

### **Economic Structure Indicators (30% weighting)**

- % of employment in 3 digit SIC codes with employment location quotients above 1.4
- Proportion of employment in knowledge intensive industries
- Proportion of employment in sectors forecast to grow by > 5% nationally over next five years.
- Employment growth (%) between 1999-2009 in the sectors above.
- Proportion of employment in sectors forecast to decline by > 5% nationally over next five years.

### **Enterprise Indicators (10% weighting)**

- Number of VAT and PAYE businesses relative to the resident population
- Proportion of businesses in key sectors which reflect a quality business base i.e. those which generate wealth and are not typically dependent upon local demand.
- Number of business births as a % of the total business stocks.
- Proportion of the adult workforce classed as self-employed.
- Proportion of businesses surviving after 1 year of trading (averaged over 5 years).
- Proportion of businesses surviving after 3 years of trading (averaged over 3 years).

### **Workforce Indicators (25% weighting)**

- % of economically active adults with qualifications at NVQ Level 4 or above
- % of economically active adults with qualifications at NVQ Level
- Average point score per entry as a % of the national average.
- % of pupils achieving 5 or more A\*-C Grade GCSEs including Maths and English.

### **Economic Inclusion Indicators (15% weighting)**

- % of working population who are JSA claimants registered for more than 12 months
- % of the adult population on Incapacity Benefit/ESA, compared to the national average
- ILO unemployment rate for 16-24 year olds.
- % of the adult population with qualification levels at or below Level 1
- Average number of weeks spent claiming JSA compared to national average

### **Place and Population Indicators (15% weighting)**

- % of residents that travel to work outside the local authority
- % change in employment between 1999 and 2009
- % change in working age population between 1999 and 2009
- Projected % change in working age population between 2010 and 2020
- % of the adult population with qualification levels at or below Level 1.
- Average number of weeks spent claiming JSA compared to national average

### **Infrastructure and Connectivity (10% weighting)**

- Number of HEI student places per annum
- Average travel time to closest Level 1 and Level 2 international airports
- Morning rail frequency and journey time to London
- Number of minutes taken to access main employment centre by public transport or walking relative to the Index average
- Digital Connectivity based on scores generated by the Point Topic Digital Connectivity
- Number of FTSE 350 companies with head offices based in each

## Housing Market Resilience and Welfare Reform Impact: clarification/supplementary detail

Section 4.3.2 of the main report presents the results of analysis comparing pre-welfare-reform levels of housing stock, need and availability (Figures 4.7, 4.8 and 4.9). How these regional totals break down on a local authority basis is shown below.

<b>General Needs Social Housing Stock by District and Property Size April 2012</b>					
	<b>1 bedroom</b>	<b>2 bedrooms</b>	<b>3+ bedrooms</b>	<b>Total</b>	<b>1 beds as %</b>
County Durham <sup>1</sup>	6939	18731	14568	40238	17%
Darlington <sup>1</sup>	2326	1967	2163	6456	21%
Gateshead <sup>1</sup>	5185	11051	8045	24281	21%
Hartlepool	1463	2681	3299	7443	20%
Middlesbrough	2504	3607	6365	12476	20%
Newcastle-upon-Tyne <sup>1,2</sup>	1252	1693	1176	4121+28579	30%
North Tyneside <sup>1</sup>	4659	6187	7317	18793	25%
Northumberland	4664	8753	8716	22133	21%
Redcar & Cleveland	2813	4312	4434	11559	24%
South Tyneside <sup>1</sup>	5017	7634	8746	21397	23%
Stockton-on-Tees	3334	4211	4952	12497	27%
Sunderland	6545	13152	11894	31591	21%
<b>TOTAL</b>	<b>46701</b>	<b>84609</b>	<b>81675</b>	<b>212985+28579</b>	<b>22%</b>
<b>General Needs Social Housing Lettings by District and Property Size 2011-2012</b>					
	<b>1 bedroom</b>	<b>2 bedrooms</b>	<b>3+ bedrooms</b>	<b>Total</b>	<b>1 beds as %</b>
County Durham <sup>1</sup>	885	950	1015	2850	31%
Darlington <sup>1</sup>	246	239	166	651	38%
Gateshead <sup>1</sup>	789	931	380	2100	38%
Hartlepool	236	301	267	804	29%
Middlesbrough	340	348	455	1143	30%
Newcastle-upon-Tyne <sup>1</sup>	533	544	293	1370	39%
North Tyneside <sup>1</sup>	432	499	279	1210	33%
Northumberland	641	780	530	1951	36%
Redcar & Cleveland	364	488	340	1192	31%
South Tyneside <sup>1</sup>	596	528	352	1476	40%
Stockton-on-Tees	503	488	289	1280	39%
Sunderland	870	1138	546	2554	34%
<b>TOTAL</b>	<b>6435</b>	<b>7234</b>	<b>4912</b>	<b>18581</b>	<b>35%</b>
<b>General Needs Social Housing Waiting Lists<sup>3</sup> by District and Property Size 2012</b>					
	<b>1 bedroom</b>	<b>2 bedrooms</b>	<b>3+ bedrooms</b>	<b>Total</b>	<b>1 beds as %</b>
County Durham	10571	4811	1970	17352	61%
Darlington	1233	596	239	2068	60%
Gateshead	8967	1553	1334	11854	76%
Hartlepool	1144	658	378	2180	53%
Middlesbrough	1421	1989	1077	4487	32%
Newcastle-upon-Tyne	5362	2605	1367	9334	57%
North Tyneside	1540	2262	925	4727	33%
Northumberland	4231	5125	1556	10912	39%
Redcar & Cleveland	1512	634	634	2780	54%
South Tyneside	2554	5112	5435	13101	20%
Stockton-on-Tees	2473	1254	448	4175	59%
Sunderland	1506	1517	926	3949	38%
<b>TOTAL</b>	<b>42514</b>	<b>28116</b>	<b>16289</b>	<b>86919</b>	<b>49%</b>
<i>Source: CLG live tables data; HCA CORE statistics; Notes: <sup>1</sup>Council owned stock numbers are likely to include sheltered housing within the general needs categorisation; this probably overestimates 1-bedroomed properties. <sup>2</sup>Property size breakdown of Your Homes Newcastle not available via statistical return. <sup>3</sup>Whilst waiting list figures are a blunt proxy for measuring housing need (as they encompass applicants with little chance of qualifying and include some duplication); they nevertheless are able to give an indication of relative demand for different property sizes.</i>					

More detailed analysis of the lettings data identifies how many people moved into a social housing let because of overcrowding or under-occupation in their previous property:

SOCIAL HOUSING LETS FOR REASONS OF OVERCROWDING OR UNDER-OCCUPATION 2009-2012																	
yr	Size of new property	Reason for leaving last settled home	County Durham	Darlington	Gateshead	Hartlepool	Middlesbro'	Newcastle upon Tyne	North Tyneside	Northumberland	Redcar and Cleveland	South Tyneside	Stockton-on-Tees	Sunderland	TOTAL		
2009/10	1 Bed	Overcrowding	27	2	14	23	13	7	4	71	12	21	9	17	220		
		as % total lets	5.8	1.4	2	8.2	4	3.7	1.8	7.8	3.4	4.5	8.6	2.1	4.4		
		Under-occupation	3	5	7	3	6	2	3	37	15	5	3	14	103		
		as % total lets	0.6	3.5	1	1.1	1.9	1	1.3	4.1	4.2	1.1	2.9	1.8	2.1		
	2 Bed	Overcrowding	138	12	60	52	60	18	9	210	45	63	19	59	745		
		as % total lets	9.3	10.6	6.4	19	16	16.4	3.5	21.6	9	17	14.6	5.7	11.4		
		Under-occupation	11	1	5	5	16	0	6	18	7	2	0	19	90		
		as % total lets	0.7	0.9	0.5	1.8	4.3	0	2.3	1.8	1.4	0.5	0	1.8	1.4		
	3+ Bed	Overcrowding	156	21	89	72	95	16	21	216	81	60	10	105	942		
		as % total lets	20.3	19.6	24.3	34.3	28.2	30.8	15.3	36.2	24.8	20.2	14.1	19.5	24.7		
		Under-occupation	4	0	1	0	2	2	0	1	2	0	0	2	14		
		as % total lets	0.5	0	0.3	0	0.6	3.8	0	0.2	0.6	0	0	0.4	0.4		
1 Bed	all lets of this size	466	141	710	282	324	191	224	912	358	465	105	793	4971			
2 bed	all lets of this size	1478	113	932	274	376	110	260	974	500	370	130	1031	6548			
3+ Bed	all lets of this size	768	107	367	210	337	52	137	597	327	297	71	538	3808			
<b>TOTAL LETS</b>			<b>2712</b>	<b>361</b>	<b>2009</b>	<b>766</b>	<b>1037</b>	<b>353</b>	<b>621</b>	<b>2483</b>	<b>1185</b>	<b>1132</b>	<b>306</b>	<b>2362</b>	<b>15327</b>		
2010/11	1 Bed	Overcrowding	33	4	19	21	21	9	18	34	14	22	21	9	225		
		as % total lets	4.1	1.4	3.1	7.7	6	4.3	3.5	4.8	4	3.7	6.5	1.1	3.9		
		Under-occupation	18	3	13	5	4	7	14	25	12	17	11	23	152		
		as % total lets	2.2	1.1	2.1	1.8	1.1	3.4	2.7	3.5	3.4	2.9	3.4	2.9	2.6		
	2 Bed	Overcrowding	197	14	73	40	56	21	59	153	40	72	40	62	827		
		as % total lets	10.4	7	10.3	15.6	14.8	12.4	10.6	19.8	8.1	16	10.1	6	11.3		
		Under-occupation	25	3	6	5	10	0	2	15	5	5	3	19	98		
		as % total lets	1.3	1.5	0.8	1.9	2.6	0	0.4	1.9	1	1.1	0.8	1.8	1.3		
	3+ Bed	Overcrowding	311	15	77	59	99	52	77	167	50	85	54	84	1130		
		as % total lets	29.3	12.3	24.8	25.3	23.6	39.4	23.1	31.5	16.6	26.6	20.9	17	25		
		Under-occupation	3	0	0	2	2	2	2	3	2	4	0	4	24		
		as % total lets	0.3	0	0	0.9	0.5	1.5	0.6	0.6	0.7	1.3	0	0.8	0.5		
1 Bed	all lets of this size	808	279	612	271	350	207	516	707	351	589	322	802	5814			
2 Bed	all lets of this size	1886	201	706	257	378	169	555	772	496	450	396	1031	7297			
3+ Bed	all lets of this size	1062	122	310	233	420	132	334	530	302	320	258	494	4517			
<b>TOTAL LETS</b>			<b>3756</b>	<b>602</b>	<b>1628</b>	<b>761</b>	<b>1148</b>	<b>508</b>	<b>1405</b>	<b>2009</b>	<b>1149</b>	<b>1359</b>	<b>976</b>	<b>2327</b>	<b>17628</b>		
2011/12	1 Bed	Overcrowding	48	6	44	29	16	19	12	33	16	28	32	11	294		
		as % total lets	5.4	2.4	5.6	12.3	4.7	3.6	2.8	5.1	4.4	4.7	6.4	1.3	4.6		
		Under-occupation	34	5	18	7	16	5	20	17	10	18	18	31	199		
		as % total lets	3.8	2	2.3	3	4.7	0.9	4.6	2.7	2.7	3	3.6	3.6	3.1		
	2 Bed	Overcrowding	260	26	96	62	60	37	64	123	38	93	59	84	1002		
		as % total lets	27.4	10.9	10.3	20.6	17.2	6.8	12.8	15.8	7.8	17.6	12.1	7.4	13.9		
		Under-occupation	39	1	7	3	8	3	4	19	19	9	5	60	177		
		as % total lets	4.1	0.4	0.8	1	2.3	0.6	0.8	2.4	3.9	1.7	1	5.3	2.4		
	3+ Bed	Overcrowding	308	43	89	63	122	53	64	164	67	108	84	109	1274		
		as % total lets	30.3	25.9	23.4	23.6	26.8	18.1	22.9	30.9	19.7	30.7	29.1	20	25.9		
		Under-occupation	3	0	0	0	0	0	0	3	3	0	1	4	14		
		as % total lets	0.3	0	0	0	0	0	0	0.6	0.9	0	0.3	0.7	0.3		
1 Bed	all lets of this size	885	246	789	236	340	533	432	641	364	596	503	870	6435			
2 Bed	all lets of this size	950	239	931	301	348	544	499	780	488	528	488	1138	7234			
3+ Bed	all lets of this size	1015	166	380	267	455	293	279	530	340	352	289	546	4912			
<b>TOTAL LETS</b>			<b>2850</b>	<b>651</b>	<b>2100</b>	<b>804</b>	<b>1143</b>	<b>1370</b>	<b>1210</b>	<b>1951</b>	<b>1192</b>	<b>1476</b>	<b>1280</b>	<b>2554</b>	<b>18581</b>		

Source: HCA CORE statistics

Figures 4.7 and 4.8 in the main report show properties needed/vacated if tenants relocated. This was based on detail from housing providers as outlined below:

Provider 1						Provider 9								
bedrooms now	bedrooms needed					total	bedrooms now	bedrooms needed					total	
		1	2	3	4				1	2	3	4		
	2	511						511	2	935				935
	3	164	310					474	3	542	820			1362
	4		6	18				24	4	19	44	71		134
5					0	5	0	0	0	0				
<b>total</b>	<b>675</b>	<b>316</b>	<b>18</b>	<b>0</b>	<b>1009</b>	<b>total</b>	<b>1496</b>	<b>864</b>	<b>71</b>	<b>0</b>	<b>2431</b>			
Provider 2						Provider 10								
bedrooms now	bedrooms needed					total	bedrooms now	bedrooms needed					total	
		1	2	3	4				1	2	3	4		
	2	746						746	2	545				545
	3	233	420					653	3	177	419			596
	4	0	6	13				19	4	0	26	30		56
5	0	0	0	0	0	5	0	0	0	0				
<b>total</b>	<b>979</b>	<b>426</b>	<b>13</b>	<b>0</b>	<b>1418</b>	<b>total</b>	<b>722</b>	<b>445</b>	<b>30</b>	<b>0</b>	<b>1197</b>			
Provider 3						Provider 11								
bedrooms now	bedrooms needed					total	bedrooms now	bedrooms needed					total	
		1	2	3	4				1	2	3	4		
	2	788						788	2	464				464
	3	240	369					609	3	317	541			858
	4	14	28	33				75	4	0	16	15		31
5	0	0	1	1	2	5	0	0	0	0				
<b>total</b>	<b>1042</b>	<b>397</b>	<b>34</b>	<b>1</b>	<b>1474</b>	<b>total</b>	<b>781</b>	<b>557</b>	<b>15</b>	<b>0</b>	<b>1363</b>			
Provider 4						Provider 12								
bedrooms now	bedrooms needed					total	bedrooms now	bedrooms needed					total	
		1	2	3	4				1	2	3	4		
	2	748						748	2	504				504
	3	218	382					600	3	607	724			1331
	4	7	16	17				40	4	6	7	14		27
5	0	0	0	2	2	5	3	0	4	3				
<b>total</b>	<b>973</b>	<b>398</b>	<b>17</b>	<b>2</b>	<b>1390</b>	<b>total</b>	<b>1120</b>	<b>731</b>	<b>18</b>	<b>3</b>	<b>1872</b>			
Provider 5						Provider 13								
bedrooms now	bedrooms needed					total	bedrooms now	bedrooms needed					total	
		1	2	3	4				1	2	3	4		
	2	115						115	2	811				811
	3	21	0					21	3	458	626			1084
	4	0	0	0				0	4	0	41	13		0
5	0	0	0	0	0	5	0	0	5	0				
<b>total</b>	<b>136</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>136</b>	<b>total</b>	<b>1269</b>	<b>667</b>	<b>18</b>	<b>0</b>	<b>1954</b>			
Provider 6						Provider 14								
bedrooms now	bedrooms needed					total	bedrooms now	bedrooms needed					total	
		1	2	3	4				1	2	3	4		
	2	324						324	2	1664				1664
	3	267	405					672	3	803	1399			2203
	4	13	12	28				53	4	50	83	111		244
5	0	0	0	3	3	5	3	4	10	17				
<b>total</b>	<b>604</b>	<b>417</b>	<b>28</b>	<b>3</b>	<b>1052</b>	<b>total</b>	<b>2520</b>	<b>1486</b>	<b>121</b>	<b>17</b>	<b>4144</b>			
Provider 7						Provider 15								
bedrooms now	bedrooms needed					total	bedrooms now	bedrooms needed					total	
		1	2	3	4				1	2	3	4		
	2	473						473	2	260				260
	3	460	839					1299	3	57	0			57
	4	17	21	41				79	4	0	0	0		0
5	0	0	2	8	10	5	0	0	0	0				
<b>total</b>	<b>950</b>	<b>860</b>	<b>43</b>	<b>8</b>	<b>1861</b>	<b>total</b>	<b>317</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>317</b>			
Provider 8						Provider 16								
bedrooms now	bedrooms needed					total	bedrooms now	bedrooms needed					total	
		1	2	3	4				1	2	3	4		
	2	2379						2379	2	330				330
	3	953	2336					3289	3	117	133			250
	4	26	66	114				206	4	11	14	10		35
5	4	8	16	15	5917	5	3	0	2	1				
<b>total</b>	<b>5917</b>	<b>10121</b>	<b>568</b>	<b>48</b>	<b>28144</b>	<b>total</b>	<b>461</b>	<b>147</b>	<b>12</b>	<b>1</b>	<b>621</b>			
<b>Totals (based on 64% stock) bedrooms needed</b>						<b>Totals (weighted to 100%) bedrooms needed</b>								
bedrooms now		1	2	3	4	total	bedrooms now		1	2	3	4	total	
	2	11597				11597		2	18173					18173
	3	5634	9723			15357		3	8829	15236				24065
	4	163	386	528		1077		4	255	605	827			1688
	5	13	12	40	48	113		5	20	19	63	75		177
<b>total</b>	<b>17407</b>	<b>10121</b>	<b>568</b>	<b>48</b>	<b>28144</b>	<b>total</b>	<b>27278</b>	<b>15860</b>	<b>890</b>	<b>75</b>	<b>44103</b>			