

Scrutiny Panel A Welfare Reforms Inquiry: Voluntary Sector Issues and Concerns

INTRUCTION

1. Scrutiny Panel A are nearing the end of the Welfare Reforms Inquiry, which commenced in September 2012. To date they have heard a significant amount of evidence on the changes that will take place over the next two years that will have an unprecedented impact on all residents, and those travelling to work in the city, who are claiming benefits.
2. Welfare Reforms to be implemented from April 2013 will limit and reduce income to benefit claimants, including Localisation of Council Tax, under-occupancy rates, and from October, the introduction of the Benefit Cap. These changes, coupled with Government's recent decision to limit the benefit rate rise at 1% (lower than inflation) for the next 2 years, will put claimants, already experiencing increased basic living costs for food, fuel and travel, under increasing financial pressure.

KEY ISSUES

3. The roll out of Universal Credit in the next two years will exacerbate this further and add personal challenges to individuals and households through a complete overhaul of the way benefits are administered. Payments will change from weekly to a single monthly transaction paid in full and direct to one nominated individual by household. Benefit claims will be digital by default, whilst payments will be encouraged to be made through a bank account.
4. The Welfare Reforms aim to get people who are fit to work, out of benefits and in to work. However, people who are currently looking for work are finding limited opportunities either because the jobs are not there or they do not have the skills or attributes required. Changes to the benefit criteria are likely to increase the number of people seeking work, especially long-term benefit claimants.
5. The Panel heard from voluntary sector organisations and the Job Centre Plus that claimants have a limited awareness of the significant and complex changes; whilst those who do know are showing a limited interest in seeking advice or support at this stage.
6. When the Welfare Reform changes are introduced from April 2013 they are likely to put claimants under sudden increased financial and personal pressure. Some people's incomes will be reduced by a few pounds and others significantly more; however, the Panel heard evidence that when you are living on the bread line every pound counts. Claimants will be at greater risk of falling into debt or using expensive or illegal credit to get by. These new burdens on claimant household budgets and the expectation to find employment or increase working hours within a limited job market, possibly for the first time or in a long time, are also likely to lead to stress and anxiety, impacting on an individual wellbeing, relationships and family life.
7. The Panel believe that the Welfare Reforms, coupled with the on-going current economic climate for the foreseeable future, will have a significant and disproportionate impact on benefit claimants' financial and personal circumstances.

VOLUNTARY SECTOR SOLUTIONS

8. Evidence to the Panel from voluntary sector advice services highlighted the significant support they currently offer to those in financial difficulty to manage their budgets and signpost to further help. Over the next two years, as the Welfare Reforms are introduced, these organisations gave evidence that they expect to see a dramatic increase in demand for this kind of free and independent financial advice, support and information.
9. The Panel also heard evidence from experts, services and voluntary organisations alongside responses to the Welfare Reforms 'Call for Evidence' on how crucial confidence building and support mechanisms are for helping people with long-term benefit dependency to increase their skills and opportunities on their journey back into work. There is no quick fix but voluntary organisations offer free and non-judgemental support to those who need extra help.
10. Research by Southampton University has shown the dramatic difference that the intensive support that voluntary organisations are currently offering can have on an individual's journey to improve their life chances.
11. The Panel also recognised the importance of the voluntary sector in offering in-kind support to people in an emergency such as food parcels and household items. The impact and capacity of the voluntary sector to deal with increasing demand for crisis support following the introduction of the Welfare Reforms is dealt with in a separate paper considering the abolition of Social Fund from April 2013.

CONCLUSION

12. The Panel heard significant evidence on the services provided by voluntary organisations that support the potential challenging impacts of the Welfare Reforms and turn around life chances for people to make work pay. When the changes are introduced from April 2013 these organisations expect to see a significant increase in demand for these services.
13. The Panel believe that the voluntary organisations offering financial advice, guidance and signposting to further help are essential to prevent the most vulnerable residents from falling into debt. Given the plethora and complexity of changes in the Welfare Reforms an increasing number of claimants will be at risk and will need to have access to free and independent financial advice and support over the next two years.
14. Supporting people to prepare for employment, especially for those who have been on long-term benefits, are essential if people are ever going to 'make work pay'. Voluntary organisations who are giving people the confidence, skills and support needed to find and stay in work, where it is available, are crucial to ensure individuals are ready when a more stable economic climate returns.

RECOMMENDATION

15. The Panel agreed the following recommendation:
That Cabinet, in considering the Council's budget for 2013/14 give priority, at least for the next two years whilst the Welfare Reform changes are implemented and to allow time for the economic climate to improve, to maximise awards for grants and contracts where voluntary organisations are offering either:
 - a) Financial advice, budgeting and support
 - b) Vulnerable residents, especially those on long-term benefits, opportunities to improve their employability