

The Highland Council
Finance, Housing and Resources Committee -
28 August 2013

Agenda Item	11
Report No	FHR/96 /13

Welfare Reform Update

Report by Director of Finance

Summary

This Report is one of a series providing Members with an update on the fast moving situation that is Welfare Reform.

It looks at the local impact of three measures – the Spare Room Subsidy (or Bedroom Tax), in respect of which Discretionary Housing Payments are providing limited short term mitigation for some households; the Benefit Cap; and Universal Credit, which will now start to be introduced for some clients in Highland from November 2013.

1. Background

- 1.1 The Welfare Reform Act contains significant reforms to the UK Benefits system with the main reforms having been introduced from April 2013 onwards.
- 1.2 The Spare Room Subsidy was implemented on 1 April 2013 and brought in rules restricting Housing Benefit for working age tenants renting in the social sector. Short term mitigation has included the use of Discretionary Housing Payments to reduce the shortfall in an individual's Housing Benefit.
- 1.3 The traditional approach to customer service is changing with public sector organisations increasingly moving to a digital platform in order to achieve reduced costs. The change is most significant in the context of Welfare Reform and Universal Credit in particular.
- 1.4 The Appendix to this report provides data that Members have agreed shall be provided to this Committee on a regular basis.

2. Discretionary Housing Payments

- 2.1 Discretionary Housing Payments are paid to tenants in the social and private rented sectors at the discretion of the Council, to provide short term financial support with housing costs. To be entitled to a DHP, the claimant must have entitlement to Housing Benefit.
- 2.2 The Department for Work and Pensions originally provided funding of

£216,106 to the Council for the 2013/14 financial year:

- During April £31,896 was paid and committed. 127 (77%) of the 164 awards were in respect of the impact of the spare room subsidy;
- During May £34,651 was paid and committed. 175 (84%) of the 208 awards were due to the spare room subsidy;
- During June £14,094 was paid and committed. 64 (77%) of the 83 awards were again in mitigation of the spare room subsidy.

2.3 During the first quarter the Council has received 855 DHP applications from which 455 awards were made with an average award length of 3 months. The Council has committed £80,641 of the initial £216,106 DWP funding made available for the year 2013/14.

2.4 On 30 July 2013 the Department for Work and Pensions then announced that an additional £35m in-year funding would be made available to help claimants affected by changes to housing benefit in the social sector who need extra support. The £35m funding consists of:

- £10m transitional payments distributed to all councils and which will be distributed to councils based on working age social sector caseload, rent levels and regional levels of under-occupation.

The Highland Council's allocation: £32,690

- £5m discretionary housing payment funding for the least densely populated areas in the country. This funding will be provided to the 21 most sparsely populated areas in the country. Additional guidance for local authorities will be developed to help direct support to claimants living in isolated rural communities.

The Highland Council's allocation: £738,319

- A new £20m discretionary housing payment fund. A further £20 million of new DHP funding will be made available by DWP and distributed to local authorities through a bidding scheme. DWP will be developing the scheme over the coming weeks and will invite bids in due course. To be successful, local authorities will need to demonstrate that a robust policy is in place for assessing and awarding DHPs and an active programme of local support is in place for affected claimants.

2.5 This announcement will see Highland Council receive £987,115 in funding for Discretionary Housing Payments for the financial year 2013/14 and represents an increase of £771,009 on the original funding allocation of £216,106.

2.6 This additional money in the current financial year, will help to ease the short term financial position for many tenants affected by the Spare Room Subsidy by extending the period of DHP entitlement in some cases (including a number of cases already in payment), and by the Council relaxing the guidance to Operations staff to ensure that more households qualify than was possible with less funding.

2.7 There remains uncertainty about DHP funding beyond 2013/14. Expectations will have been raised and demand for help will continue for as long as households are deemed to be under occupying.

- 2.8 On 30th July 2013, a High Court ruling found that DWP's spare room subsidy policy did not unlawfully discriminate against disabled adults. An urgent appeal to the Court of Appeal is being sought by representing law firms. The outcome of the appeal will be provided to Members in a future report.
- 2.9 Members may be interested to consider the content of the [Rural Communities report](#) by the Environment, Food and Rural Affairs Committee which was published on 24th July 2013. The report makes reference to the Spare Room Subsidy including recommending that 'Settlements of fewer than 3,000 people should be excluded from the under-occupancy policy.'

3. Benefit Cap

- 3.1 The Benefit Cap started to be implemented in the Highland area on Monday 15th July 2013. The cap rules set a maximum amount of benefit that working-age households can receive. There are 2 levels of the cap:
- £350 per week for single adults
 - £500 per week for couples (with or without children) and lone parents
- 3.2 In the period before introduction of Universal Credit, it is Housing Benefit administered by Councils that will be reduced to achieve this national objective. Where necessary a claimant's housing benefit payments will be removed, leaving only a statutory £0.50 per week.
- 3.3 DWP have identified 46 households, 21 of which are local authority tenants in the Highland area whose benefit levels exceed the cap and will potentially have the cap implemented. In addition new claims to benefit from 15 July 2013 will also have the cap applied when their benefit levels exceed the cap.
- 3.4 DWP are responsible for notifying the Council when to cap a household. By 31 July 2013, 15 of the 46 households have had their Benefit entitlement capped.
- 3.5 The Housing and Property Service are contacting the Council tenants affected as we are notified by the Department for Work and Pensions that the cap has to be applied in each case. During these contacts with tenants staff will offer to work with them to help them manage their rent payments. Households will be offered budgeting or money and debt advice. We will continue to report on the implications of the Benefit Cap to future meetings of the Committee.

4. Universal Credit

- 4.1 Universal Credit is one of the most fundamental reforms to the welfare system since 1943, and will roll 6 benefits (Income-based Jobseekers Allowance, Income-related Employment and Support Allowance, Income Support, Housing Benefit, Working Tax Credits and Child Tax Credits) into 1 with the aim of simplifying the system and ensuring people are better off in work.
- 4.2 On 10 July 2013 DWP announced Universal Credit will expand to 6 new Jobcentres starting from October 2013; Inverness Jobcentre being one of those selected and the only Jobcentre in Scotland. It has been indicated that

Inverness will go live towards the end of November 2013. The Council's Chief Executive was only advised of this announcement on the morning of 10 July 2013 and the local authority had received no prior indication of any area within the Highlands being included in the first tranche of Universal Credit roll out.

- 4.3 DWP's decision means some new claimants to income-based Jobseekers Allowance will now make a claim to Universal Credit from a date in November 2013 instead of Job Seeker's Allowance, although we still await final clarification from DWP. Nationally new claims to all other benefits mentioned in para 4.1 will begin at some point during 2014, with exact dates still to be confirmed by DWP.
- 4.4 Existing benefit claimants are likely to start to migrate across to Universal Credit during 2015-2016. DWP will invite existing claimants to make a claim to Universal Credit; they will not automatically be transferred onto the new benefit.
- 4.5 Inverness Jobcentre covers a large geographical area where claimants of all working age benefits are required to attend the Jobcentre for work focused interviews as and when required. The area includes all residents in the following postcodes: IV1-6, IV8-13, IV21-23, IV26, IV54, IV63, PH20-26, PH32. In addition they share IV6-7 and IV23 with Dingwall Jobcentre. As this is Muir of Ord and the west coast it is the claimant's choice where they register.
- 4.6 So far there is insufficient information from DWP about Universal Credit on-flows and other claimant details.
- 4.7 Based therefore on management information from a variety of sources we estimate the total potential number of Universal Credit claimants to migrate across from existing benefits by 2017 is 26,038. This is broken down as 11,600 in work and 14,438 out of work.
- 4.8 Meanwhile, the Highland Council is one of a small number of local authorities working with COSLA and independent consultants to establish the case for adequate funding of local authority involvement in supporting clients following the introduction of Universal Credit.
- 4.9 Members may be interested to consider the content of a speech given by Lord Freud, Minister for Welfare Reform on 16th July 2013 entitled [Implementing Universal Credit](#) which made reference to Inverness.
- 4.10 A letter dated 2 July 2013 to the Leader of the Council provided some feedback from Rt. Hon David Mundell MP on a series of visits to authorities (including Highland) that he had undertaken "to improve his understanding of the features of welfare reform that were of most immediate and longer-term concern."

David Mundell and Lord Freud, Minister for Welfare Reform would be meeting with COSLA at the end of July to discuss these matters.

Mr Mundell stated that:

“As a result of my feedback to DWP, having listened to those concerns, I am able to confirm that those tenants who are unable to manage with direct payments will be kept on managed payments direct to the landlord. The views of landlords about tenants’ ability to cope will be central to the decision when DWP assesses someone’s capabilities before they are moved onto Universal Credit. Where a tenant is on Universal Credit, once arrears reach the equivalent of two months’ rent, there will be a reversion to managed payments to the landlord. Even if only one month of arrears builds up, DWP will review its decision on direct payments and will intervene to ensure there is no continued accumulation of arrears.”

“A further concern for many Councils when I met them was the move to online delivery of benefits services under Universal Credit. The feedback I gathered from Councils has influenced and informed DWP Ministers’ understanding of the particular challenges for Scotland with digital connectivity and inclusion.....However it is not possible or appropriate for everyone to receive and manage benefits payments online and so it will not be mandatory in all circumstances.”

5. Digital Inclusion

- 5.1 In November 2012, the UK Government launched its Government Digital Strategy and set out how it will transform the way it delivers services to citizens, including moving services online – a change to “digital by default”.
- 5.2 Until recently DWP regularly used the term “digital by default” when speaking about welfare reform delivery, but this has since been softened to the terms “digital as appropriate” or “digital by design”. DWP is aiming for 80% of all new claims to be made and managed online by 2017.
- 5.3 Digital inclusion presents significant challenges within the Highland area, in addition to the geography and rurality factors:
 - Risk of exclusion deepens as a result of the very people most likely to need social security benefits will be those who are least likely to have access to the internet and/or the skills to use it;
 - Those on low incomes, the elderly and disabled, those with poor literacy/numeracy skills and those for whom English is a second language are among the least likely to use the internet.
- 5.4 The Highland Council recognises the challenges presented in making the Highlands digitally inclusive and has already committed £140,000 from the Council’s Preventative Spend Fund 2013/14 as a response to the increased demand arising for digital access at the Work Clubs supported by the Employability Service. These funds will be used to:
 - Improve free access to computers and the internet
 - Provide free and accessible training
 - Offer on-going support on computers and internet use.

- 5.5 It is recognised that significant further funding will be required especially in rural areas to support digital inclusion. DWP have still to clarify what funding will be made available through the Local Support Services Framework to support this (see 4.8 above).
- 5.6 In addition infrastructure investment is essential to ensure broadband roll out, removing as many barriers as possible for people who wish to access the internet.
- 5.7 Highlands and Island Enterprise is leading a multimillion pound investment project which will bring next generation broadband (NGB) across the region. The rugged geography and the dispersed population of the Highlands and Islands present significant technological and cost challenges for the commercial rollout of broadband.
- 5.8 Estimates indicate that without public sector support less than one in four properties will have NGB by 2016. Given the social and economic importance of good digital connectivity to the region, HIE has developed a £126.4 million public investment project to provide a fibre network capable of transforming the area's digital access. This first phase of this project, which is part of a larger plan to bring NGB to all by 2020, will increase coverage across the region to up to 84% of premises.
- 5.9 BT will undertake detailed survey work and rollout will begin this year on what is likely to be the UK's most complex and challenging broadband project to date.

6. Implications

6.1 The Council is required to comply with relevant Welfare Reform legislation but there are no Climate Change/Carbon Clever implications arising from this report.

6.2 Resource and Staffing Implications:

Although there has been a surprise announcement by DWP about Inverness Jobcentre becoming the first in Scotland to implement Universal Credit from November 2013, early indications are that only the most straightforward of cases will be dealt with initially, and volumes are likely to be low. Housing Benefit that is currently administered by the Council will continue for many clients and caseload will be subject to a managed migration programme over several years. It is only when migration details are available from the DWP that the Council will be able to assess implications for staff, although any reductions are likely to be offset (perhaps more than offset) by new work associated with Local Support Services and other mitigation activity.

6.3 Necessary consultations will take place with Exchequer and Revenues staff members and trade unions when more details are known.

6.4 Equalities Implications:

The Department for Work and Pensions has carried out an Equality Impact Assessment on Spare Room Subsidy, Benefit Cap, Digital Inclusion and Universal Credit. These Equality Impact Assessments show how the Department for Work and Pensions has demonstrated it has paid due regard when developing these services to the equalities aspects.

6.5 Risk Implications:

These Welfare Reform measures pose risks both to the Council and to residents in the Highlands:

- **Discretionary Housing Payments:** The increased budget of £987,115 is in-year funding for 2013/14 only. There is a risk that funding may be reduced in future years.
- **Digital Inclusion:** Residents within the Highlands may not have the facilities and online support to be able to apply for DWP benefits online and maintain their claims thereafter..
- **Universal Credit:** The direct payment of housing costs may exacerbate rent arrears and housing issues for many landlords within the Highland area.
- **The lack of adequate communication from DWP:** In the absence of clear information staff morale and performance may be affected.
- **Increased rent arrears and risk of eviction**

Impact on Housing Revenue Account income and the Council's other main income streams.

7. Recommendations:

Members are invited to -

1. consider the updated information contained in this Report and acknowledge the more realistic approach being taken to some of the practical aspects of Welfare Reform following representations by and on behalf of Scottish Councils.
2. note the relevant statistics shown in the attached Appendix, and
3. make further representations to the UK Minister for Welfare Reform:
“that consideration be given - either to exempting from the Spare Room Subsidy provisions rural authorities without appropriate housing stock available to accommodate tenants who wish to move to a smaller house; or to confirming during this calendar year the amounts of Discretionary Housing Payment funding allocations to Councils for future years.”

Having funding information now, will enable local authorities, landlords and others, including the advice sector, to undertake more effective planning and to better support those local residents affected by the Spare Room Subsidy and the wider Welfare Reforms.

Designation: Director of Finance

Date: 19 August 2013

Authors: Dawson Lamont and Gavin Munro

Spare Room Subsidy:

Summary – 25% reduction		Summary – 14% reduction		Summary – combined	
	No of Properties		No of Properties		No of Properties
Council tenants	351 (77%)	Council tenants	1,408 (65%)	Council tenants	1,759 (67%)
HA tenants	103 (23%)	HA tenants	764 (35%)	HA tenants	867 (33%)
Total	454	Total	2,172	Total	2,626

Number of tenants in arrears, value of arrears and movement in quarterly periods – for Highland Council tenants affected by Spare Room Subsidy only:

Qtr. 1 Total number of arrears	Value £	+/- % Movement since Qtr. 4 12/13	Number +/-	Value £ +/-
1175	£269,687	+55%	+451	+£96,196

Number of transfer applicants affected and movement in quarterly periods – for Highland Housing Register:

Number of applicants	+/- % Movement since Qtr. 4 12/13	Number +/-
344	n/a	n/a

Benefit Cap: (Households capped 15th July 13 – 31st July 13)

Landlord type where cap has been implemented	HB reduction per week				
	£0 - £19.99	£20 – £39.99	£40 - £59.99	£60 - £79.99	£80 - £99.99
Local Authority			2	1	1
Housing Association	4				2
Private rent*	2	1	1		

*1 private household has had change of circumstances – currently awaiting confirmation if cap still applicable.

Housing Benefit Appeals:

Number of appeals received with a comparison to the previous financial year (April, May, June)			
Quarter 1 2012 Appeals/Reconsiderations	5 / 78	Quarter 1 2013 Appeals/Reconsiderations	1 / 99

Discretionary Housing Payments:

(Total DHP applications in Qtr. 1: 855)	April 13	May 13	June 13	Qtr. 1 total
Number of awards made in month	164	208	83	455
Total amount paid and committed in month	£31,896	£34,651	£14,094	£80,641
Award Reasons	First Quarter		Spare Room	366
			Benefit Cap	2
			Disabled Applic'n	28
			Others	59

Scottish Welfare Fund:

	April 13	May 13	June 13	Qtr. 1 total
Crisis Grant				
Application Approved	59	49	55	163
In month award total	£2,103	£3,364	£2,141	£7,608
Average CG award	£36	£69	£39	£48
Community Care Grant				
Application Approved	27	9	20	56
In month award	£6,071	£11,062	£14,206	£31,339
Average CCG award	£225	£1229	£710	£721

Highland Foodbank:

Vouchers issued	Vouchers fulfilled	Adults fed	Children fed	Total fed
1469	1036	1293	503	1796
Top 3 reasons why voucher issued: 1. Benefit delay 2. Benefit changes 3. Low income				

Data taken from Distributors report 1st January 2013 - 21st June 2013