

The Highland Council
Resources Committee - 28 May 2014

Agenda Item	3
Report no	RES/ 01/14

Welfare Reform Update

Joint report by Director of Finance and Director of Community Services

Summary

This Report provides information relating to the current status of Universal Credit, Discretionary Housing Benefit and other Welfare matters.

1. UK Government cuts to welfare expenditure in Scotland

- 1.1 Since June 2010 DWP have announced a number of reductions to the welfare budget, beginning with the June 2010 Emergency Budget and culminating most recently in the 2014 UK Budget. The cuts are spread across different areas of the benefit system with only pensioners being exempt from the changes.
- 1.2 The Scottish Government estimate the 2015-16 welfare bill will be reduced by around £2.5 billion in Scotland and by £28 billion in the UK as a result of these reforms since 2010.
- 1.3 In their analysis the Scottish Government highlight that taking the cumulative impact over the six years from 2010-11 to 2015-16, the UK Government will have reduced the Scottish welfare bill by around £6 billion and by around £74 billion in the UK. The largest reduction in expenditure (around 40%) is from the changes to how benefits are uprated and the majority of the total reduction in welfare expenditure in Scotland, nearly 70%, is expected to be in 2014-15 and 2015-16.
- 1.4 Of the expected £6 billion reduction, it is estimated that over £1 billion relates to changes such as tax credits specifically relating to children, abolishing the health in pregnancy grant, the abolition of the child trust fund, changes to income support and Child Benefit.

2. Discretionary Housing Payments

- 2.1 The Highland Council's total Discretionary Housing Payment (DHP) funding made available by both UK and Scottish Governments for 2013/14 was £2,542,892.
- 2.2 DWP have confirmed that the Highland Council has been awarded £1,178,903 for DHPs in 2014/15, which is an increase of £191,788 on the 2013/14 DWP award.

- 2.3 Although this increase is welcome, the Highland Council had paid and committed £1,027,020 of its available funding for the year 2013/14 by the end of October 2013 and as a result had exhausted central government funding. It is therefore anticipated that this increase of £191,788 to 2014/15 funding is insufficient without the Scottish Government providing additional monies to meet the expected demand.
- 2.4 The Scottish Government has made a further £20 million available in 2014/15 to local authorities to support mitigation of Welfare Reforms. The Highland Council has been allocated £1,080,000. When added to the DWP funding, The Highland Council has a total DHP budget of £2,258,903 for 2014/15.
- 2.5 The Scottish Government also announced on Monday 3rd February 2014 that they were proposing to make an additional £15m available on top of the £20m already announced to support the mitigation of the under occupancy rules in Scotland. The financial implications are covered in more detail in the next report on today's agenda.
- 2.6 On 2nd May 2014 the UK Government offered to transfer power to the Scottish Government to set the cap on Discretionary Housing Payments (DHPs) in Scotland. If the Scottish Government chooses to accept this offer, it will have the flexibility to pass on more funding from its existing block grant to local authorities.
- 2.7 The Scotland Office Minister David Mundell said *"I have completed a programme of visits to all Scottish local authorities and believe that transferring this power to the Scottish Government is the correct thing to do. The UK Government believes in taking a pragmatic approach to devolution and we believe in a United Kingdom that gives Scotland the best of both worlds. I hope that officials from both governments will now be able to take this forward."*
- 2.8 Deputy First Minister Nicola Sturgeon confirmed on the 7th May 2014 that she would meet with Scotland Office Minister David Mundell that week to discuss the transfer of powers and to ensure that the current cap is removed 'as quickly as possible'.

3. Universal Credit

- 3.1 Inverness Jobcentre has taken over 400 new claims to Universal Credit since it began in November 2013. DWP has not yet made data available with regard to the number of claimants that continue to have a live Universal Credit claim and has confirmed that nationally 8-10% of new claims have associated housing costs. DWP is however unable to confirm what the figure is locally.
- 3.2 Universal Credit will be extended to couples from June 2014. It is anticipated that conditionality will apply to both members of the couple which will mean that if one partner is working, the other will be required to claim Job Seeker's Allowance rather than Universal Credit.
- 3.3 Of 9 Universal Credit claimants with housing costs known to the Council, 7 are

currently in arrears with their rent. One request has been made to DWP for a “switchback payment”, for a tenant who has accrued more than two months of rent arrears. Requests are currently being considered for a further 5 tenants.

- 3.4 The length of time being taken by the DWP to make a decision on “switchback payments” continues to be a concern at the present time. However we are reassured by the ongoing engagement between DWP, social landlords and the Scottish Federation of Housing Associations regarding a number of landlord-related matters including arrangements for “switchback payments”.
- 3.5 As the planned national rollout of Universal Credit continues, action is being taken to prepare the Council’s tenants for these changes. During May 2014, tenants that are currently in receipt of Housing Benefit and live within the Inverness Jobcentre area will be surveyed. The aim of the survey is to notify tenants of the forthcoming changes to the welfare benefit system and collect data on:
- Digital inclusion
 - Financial inclusion
 - Vulnerability and support needs

Once collated, the data will be used to feed into the Community Service Welfare Reform Communication Plan and the Multi-Agency Welfare Reform Delivery Group ahead of preparations for the Local Support Services Framework.

- 3.6 Nationally, take-up of personal budgeting support so far has been low across the live Universal Credit sites, including Inverness. DWP continues to engage with these sites, social landlords and other stakeholders to seek opportunities for streamlining the current process. Money-related questions will soon be undertaken as part of the Work Services interview rather than the stage before. This demonstrates that there is some flexibility in the design of the Universal Credit system and the effectiveness of engagement with national and local stakeholders.
- 3.7 Engagement both nationally and locally between DWP District Management in Inverness (as the first live site in Scotland) and the Highland Council, has been excellent. Council views have been sought on various strands of the UC roll-out, some of which are being progressed or being implemented.
- 3.8 Employment Minister Esther McVey has confirmed that universal credit claimants can be mandated to apply for zero hours contracts.

In a letter to Sheila Gilmore MP dated 1 March 2014, Ms McVey said that - whilst the government does not consider zero hours contracts to be, by default, unsuitable jobs - jobseeker's allowance (JSA) claimants are not currently mandated to apply for them because *'The structure of JSA and supporting processes could make the interaction of zero hours contracts and the benefit system difficult to manage - short periods of work could end a JSA claim, requiring new claims to be made in periods where earnings fall.'*

- 3.9 However, Ms McVey went on to say *'Universal credit, of course, is payable when people are in work as well as out of work so the need to reclaim when earnings fluctuate is removed. In addition, universal credit is designed to be responsive to variations in earnings so that each monthly payment will reflect the amount actually earned, even if this includes some weeks when no work was done. So in universal credit our coaches can mandate to zero hours contracts.'*
- 3.10 In Spending Round 2013 on 26 June, the Chancellor announced that new UC claimants subject to work-related conditionality who have not had a UC claim in the previous six months will have to wait seven days before becoming eligible for support. The measure is expected to be introduced from April 2015, and ultimately yield savings of around £260 million a year.
- 3.11 The waiting period will apply to the whole Universal Credit award, including any housing element. It is expected that the measure will affect 1.6 million new claims for Universal Credit in Great Britain in the first year (2015-16), implying an average loss per claimant of around £153.
- 3.12 The Government argues that a seven day waiting period for UC reinforces its “work first” approach by sending the message that from the outset of the claim “rights to benefits are conditional on the requirement to search for work.”

4. Under Occupancy Rules

- 4.1 The under occupancy rules continue to be the single biggest concern for many Council house and housing association tenants in the Highland Council area. At 25th April 2014, 2,554 tenants were affected by the under occupancy rules of which 2,153 households had a 14% reduction and 401 households had a 25% reduction in their eligible housing benefit.
- 4.2 The Highland Council's experience to date proves that many rural tenants in the uniquely widespread area that is Highland have little or no opportunity to move to alternative smaller accommodation. The under occupancy rules impact upon already very limited family budgets and there is no realistic solution for many who are constrained in this way.
- 4.3 Uncertainty of DHP funding in future years; the lack of suitable housing stock; and the continued challenges in remote communities, mean the under occupancy rules remain one of the most significant welfare reform measures impacting residents in the Highland Council area.
- 4.4 As shown in the Appendix, however, the availability of DHPs has had a beneficial effect upon the level of Rent Arrears.

5. Sanctions

- 5.1 There is limited published information relating to sanctions applied to those claiming Job Seeker's Allowance and Universal Credit. Universal Credit is

promoted as “not being a sanctions-led scheme”.

- 5.2 Recent experiences from working with customers who are accessing Council Services and those of our local Citizens’ Advice Bureaux have demonstrated some Job Seeker’s Allowance claimants are entering into agreements that are unrealistic and unachievable. These inevitably result in sanctions.
- 5.3 In addition it is becoming apparent that some claimants do not understand how to properly record their job search activities and as a consequence are being found by the DWP not to be satisfying the terms of their Commitment.
- 5.4 The sanction regime in itself can be perceived to be a barrier to finding work. Jobseekers that have never experienced making a benefit claim are very worried about losing their benefit through a sanction. It can be argued the current ‘sanction culture’ distracts benefit claimants from being able to undertake a comprehensive job search through the fear of being sanctioned.
- 5.5 On 28 April 2014 DWP announced the introduction of new intensive measures to help the long-term unemployed returning back to work after 2 years on the Work Programme initiative. The new scheme is called Help to Work and gives Jobcentre staff a new range of options to support those furthest from the employment.
- 5.6 The new measures include:

- **Attending the Jobcentre every day**

A claimant will have a daily meeting with their adviser and this would include discussing the progress made in looking for work e.g. the number of job searches or applications made, or new activity to improve their skills base.

DWP have said this is designed for claimants who would benefit from regular support with looking for jobs, including those who need to build motivation, momentum and engagement. Currently, a claimant only needs to attend the Jobcentre once every 2 weeks.

- **Community work placements**

Claimants that lack work experience - and where this is felt to be holding them back from finding a job – may be asked to undertake a placement, which will also benefit their local community. This will include a range of roles in the voluntary and community sector that will give the claimant skills and experience within the work place. This could include gardening projects, running community cafes or even restoring historical sites and war memorials.

DWP say the placements will be for up to 6 months for 30 hours a week and will be backed up by at least 4 hours of supported job searching each week to help turn the experience into full time employment.

- **Intensive Jobcentre support**

For jobseekers with multiple or complex barriers to work the Jobcentre Plus advisers will spend more time with the claimant looking at how to tailor back-to-work support, with more flexibility to engage them with intensive training schemes, ad hoc funding to overcome issues blocking a return to work such as initial travel costs or suitable clothes for a job interview, and referrals to work experience opportunities with local organisations.

5.7 Those that fail to participate in the scheme will face potential sanctions that may result in the loss of their benefits for a period of time.

5.8 A presentation by the Department for Work and Pensions precedes Committee, and the opportunity may be taken to raise points of concern. The presentation follows on from a recent visit to the Council by the Under Secretary of State, David Mundell MP, when the topic of Sanctions was discussed.

6. Personal Independence Payments

6.1 The UK Government has announced it will be seeking a new company to replace Atos who have undertaken ESA Work Capability Assessments, or 'fitness to work' tests on behalf of the Department for Work and Pensions since 2010.

6.2 Atos also conduct the Personal Independence Payment assessments on behalf of the Department for Work and Pensions (DWP). It should be noted there are still significant delays with assessing and notifying decisions for new claims.

6.3 The Government announced that the re-assessment of existing DLA claimants, which was due to begin on Monday 28 October 2013, would be delayed for many people across the UK.

6.4 Nationally the re-assessment process was set to roll out in the beginning of October 2013, before this deadline was moved to 28 October 2013, but the Government will now continue the process at its own discretion and has begun a phased introduction.

6.5 DWP have not yet announced when the re-assessment phase will begin for Highland residents. There are approximately 12,840 residents living in the Highlands who currently claim DLA that will eventually be affected by the re-assessment process.

6.6 The Highland Council continues to have concerns around the cumulative financial impact on the local economy. A revised assessment of the impact of proposed changes to the UK Benefits System in March 2013 by the Scottish Local Government Against Poverty estimated that the total number of DLA claimants will be cut by 20% leading to annual losses of **£6,759,511** from April 13, **£6,702,363** from April 14, and **£11,216,337** from April 15 (based on 12,510 claimants) in the Highland area.

6.7 The DLA claimant reduction is based upon the Government's estimation of 20% of existing claimants not qualifying for Personal Independence Payment through the introduction of the medical assessment.

7. Foodbanks

7.1 The latest statistics from the Trussell Trust, which oversees a network of more than 400 foodbanks in the UK, show 614,000 adults and children, received food parcels from its foodbanks in the first nine months of 2013-14, compared with 350,000 for the whole of 2012-13.

7.2 Benefit changes and delays – including instances where claimants had their benefits sanctioned or stopped for breaches of conditionality – accounted for 49% of referrals to trust food banks to the end of December 2013. In 2012-13 these categories accounted for 43% of referrals.

7.3 Highland Foodbank is part of the Trussell Trust's UK-wide foodbank network. Over the last eight years, Highland Foodbank has served the Highland region, distributing food through their foodbank centre in Inverness or by supplying partners with Emergency Food Boxes.

7.4 Due to the growing need of people across the Highlands new foodbank centres have been opened. In 2013 Blythwood opened four new foodbank projects based in Aviemore, Kyle, Fort William and Thurso.

7.5 Blythwood are opening a new Foodbank Centre in Nairn on Tuesday 13th May 2014. During the course of 2014 they hope to launch several more foodbank projects in Highland towns including Alness, Dingwall and Tain.

7.6 In the Highlands 4,025 adults, including 1,094 children, were supported by foodbanks during 2013. This compares with 3,458 adults including 1,035 children being fed by foodbanks during 2012, an increase of 14%.

8. Scottish Legal Aid Board (SLAB) assisted projects

8.1 Making Advice Work:

During the period December 2013 to February 2014, 97 clients sought advice from the Highland Social Housing – Under Occupancy Assistance Scheme.

8.2 During this period 39 clients received advice in relation to their benefit entitlements, whilst 58 received help and assistance in relation to debt matters. 22 clients were referred for advice relating to their future housing options to help them mitigate the under occupancy regulations in the long term.

8.3 Reaching the Unreached:

Since the inception of the Highland Council's Scottish Legal Aid Board funded project 'Reaching the Unreached' which commenced in October 2013, 57 clients have engaged with this project to date.

- 8.4 In addition to assisting clients with debt and budgeting, the SLAB advisers also assist clients to apply for Housing Benefit , ‘good cause backdates’ and other benefits. Access to Discretionary Housing Payments and Scottish Welfare Fund have been invaluable components in assisting the SLAB advisers to help clients regain control of their finances and most importantly, to enable them to keep their homes.
- 8.5 Referrals have come from Local Authority and Local Housing Association staff and the work undertaken by the SLAB advisers with each client is intensive, given that this client group often has a history of non-engagement with their housing officers and the substantive emotional and financial problems clients face.
- 8.6 Some clients in desperation also try and borrow money to pay lump sums off their rent arrears, but this only has the effect of destabilising their budget further. The SLAB advisers’ approach is to try and assist the client to maintain a regular and reliable payment regime.

Recommendations:-

The Committee is asked to:-

- i. Note the current position, and
- ii. Endorse the continuing mitigation actions by Council staff.

Designation: Director of Finance and Director of Community Services

Date: 13 May 2014

Authors: Dawson Lamont and David Goldie

Welfare Reform MI

Under occupation rules - 25/04/14

Summary – 14% reduction		Summary – 25% reduction		Summary – combined	
	No of Properties		No of Properties		No of Properties
Council tenants	1422 (66%)	Council tenants	317 (79%)	Council tenants	1739 (68%)
HA tenants	731 (34%)	HA tenants	84 (21%)	HA tenants	815 (32%)
Total	2,153	Total	401	Total	2,554

Number of tenants in arrears, value of arrears and movement in quarterly periods – for Highland Council tenants affected by Under Occupancy only: *data as Apr 14

Period	Total number of arrears	Value £	+/- % Movement since Qtr. 4 12/13	Number +/-	Value £ +/-
30-Apr-14	588	£168,853	2.6%-	136-	£4,638-

Number of transfer applicants affected and movement in quarterly periods – for Highland Housing Register: *data as Apr 14

Number of applicants	+/- % Movement since Qtr. 4 12/13	Number +/-
328	(+)4%	(+)13

Benefit Cap at 27/04/14

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	£100 - £119.99	£120 - £139.99
Local Authority		3	2	1	1	1	1
Housing Association	4				3	1	
Private rent	2	1		1			

Housing Benefit Appeals

Number of appeals received with a comparison to the previous financial year			
April 2013 Appeals/Reconsiderations	2 / 35	April 2014 Appeals/Reconsiderations	1 / 31

Discretionary Housing Payments

	Apr-14	Year to date
Number of awards made in-month	2,809	2,809
Total amount paid and committed in-month	£992,684	£992,684
Award Reasons	Under occupancy: 2,612	Under occupancy: 2,612
	Benefit Cap: 12	Benefit Cap: 12
	Other: 185	Other: 185

Scottish Welfare Fund

	Mar-14	Year to date
Crisis Grant		
Application Approved	303	303
In month award total	£21,456	£21,456
Average CG award	£71	£71
Community Care Grant		
Application Approved	153	153
In month award	£78,995	£78,995
Average CCG award	£516	£516

FoodBank MI

Vouchers issued	Adults fed	Children fed	Total fed
559	684	166	850
Top 3 reasons why voucher issued: 1. Benefit delay 2. Low income 3. Benefit changes			

Data taken from Distributors report 1st January 2014 - 31st March 2014