

The Highland Council

Finance, Housing and Resources Committee - 26 February 2014

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| Agenda Item | 3 |
| Report No | FHR/25/14 |

Welfare Reform Update

Report by Director of Finance and Director of Community Services

Summary

This Report is one of a series providing an update on the Welfare Reform situation.

The Report provides information relating to Universal Credit: DWP's expansion plans; landlords' concerns and DWP's undertaking to engage with the Scottish Federation of Housing Associations; and notes the progress being made with HMRC's real time information system.

It then considers some issues arising from the wider Welfare Reforms and in particular the Housing-related impacts for tenants of the Council and other landlords; and the impact that Universal Jobmatch and the "Claimant Commitment" is having on Work Clubs. A useful update regarding the Scottish Legal Aid Board's Making Advice Work Project is also provided.

The **Appendix** shows statistics on Under Occupancy; rent arrears; and Discretionary Housing Payments that are providing short term mitigation for some households; the Benefit Cap; and the Scottish Welfare Fund.

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 Previous Reports in this series have alerted Members to local implications of some of the main changes, including the implementation of Universal Credit in Inverness Jobcentre from 25 November 2013.
- 1.3 Through their Welfare Reform Group, Members have consistently expressed reservations about aspects of the Welfare Reform changes, but Members and officers are working with DWP management and with external partners to mitigate as far as possible some of the adverse consequences for Highland residents.

2. Universal Credit

- 2.1 DWP's December 2013 update shows approximately 200 Universal Credit

claims have been made by Inverness claimants with 8-10% nationally having housing costs associated to their claim.

- 2.2 The timetable for the roll out of Universal Credit remains fluid. By Spring 2014 DWP's plans mean that new claims to Universal Credit will be undertaken in 10 Jobcentres in Britain (including Inverness). These 10 Jobcentres will then begin to take new claims to Universal Credit from other claimant groups as follows:
 - Summer 2014 new claims from couples will begin; and
 - Autumn 2014 new claims for families will start.
- 2.3 By the end of 2014 DWP is aiming to deliver Universal Credit in more Jobcentres in the North West region of England.
- 2.4 Planned national roll out of Universal Credit will continue to expand in scope and scale. Current plans will see new claims to existing benefits including Housing Benefit closed during 2016. Contribution based Jobseekers Allowance and contribution based Employment and Support Allowance are not replaced by Universal Credit and claims to these benefits will continue.
- 2.5 DWP intend to migrate current claimants on income related benefits to Universal Credit on a phased basis although their detailed plans are awaited.
- 2.6 The Inverness Jobcentre is already working with employers to prepare for Universal Credit to help better support claimants both in and out of work.
- 2.7 A taper system means a claimant's Universal Credit payment decreases gradually as their earnings rise – claimants keep at least 35 pence in every pound they earn so their overall income goes up as they work more. This compares to Job Seekers Allowance claimants who cannot earn more than £5 a week before having it deducted from their benefits.
- 2.8 The introduction of Universal Credit is intended to deliver key benefits for employers. The 16 hour rule has been abolished. Under Job Seekers Allowance, claimants are permitted to work up to a maximum of 16 hours which prevents many people increasing their hours. Universal Credit has no such limits.
- 2.9 HMRC's new "PAYE in real time" system has been designed to support Universal Credit payments. DWP report that 99% of employers are now reporting their PAYE in real time every month. In addition they claim that not only does it prevent fraud, it ensures that every person who is in work on Universal Credit has their award automatically adjusted every month. The accuracy of Universal Credit payments to claimants therefore relies on employers correctly reporting via this new real time information system.
- 2.10 The DWP considers that through this real time award adjustments, employees will better placed to increase working hours without worrying about the impact on their benefits. This is intended to provide greater flexibility to employers

and their employees.

2.11 There is no local information available regarding the individual claimants that have been awarded Universal Credit. As a result, the Council does not know which tenants are in receipt of this new benefit and are therefore unable to contact them to offer advice. Concerns remain about the long term housing management implications as Universal Credit is phased in. DWP has however undertaken to engage with the Scottish Federation of Housing Associations with the aim of achieving better engagement with landlords; to explore landlords' role in Universal Credit; and to address landlords' concerns.

2.12 These concerns relate to:

- the lack of data sharing between the DWP and landlords;
- the landlord/tenant relationship which will change as a result of direct payments. The current arrangement where a landlord can directly assist tenants in relation to housing benefit claims administered within the Council will no longer apply if the landlord is unable to engage with DWP on behalf of their tenants;
- arrangements for establishing "switchback payment" due to rent arrears or safeguarding (i.e. making arrangements for rent to be paid direct to landlords) remain unsatisfactory from a landlord's perspective;

The current DWP process enables the Council (or other landlord) to contact the Universal Credit Service Centre, based in Glasgow or Bolton, to request a change in payment arrangements. This assumes that the landlord knows which of their tenants are in receipt of Universal Credit. However, DWP's current arrangements mean that landlords have no right to be informed by the DWP of those who are in receipt of Universal Credit. DWP has informed landlords that although they can request payments to be "switched", there is no assurance that payment will be transferred to the landlord in every case and in some cases the DWP has indicated it could take up to three months before payments are directed to landlords. When considering such requests, DWP will consider a number of factors including the level of arrears and arrears history. This general rule is in-line with current Housing Benefit (HB) Regulations which mean that HB payments must be made to the landlord once a tenant is 8 weeks or more in arrears;

- the resources that will be required to manage the long term impacts on rent arrears.

2.13 The Universal Credit 'Claimant Commitment' which sets out the regime that the claimant will be subject to, in order to continue to receive benefits, continues to present concerns, particularly for remote and rural areas. The maximum sanction which DWP can apply is to reduce the claimant's Universal Credit award by the amount of the Adult Standard Allowance that applies to their monthly award. Other elements, including the housing element, cannot

be sanctioned. There is however a risk that sanctions may significantly impact a tenant's ability to pay their rent.

3. Under Occupancy Rules

- 3.1 At 25 January 2014, 1,721 Highland Council tenants were affected by the Under Occupancy rules of which 550 households (32%) are currently in arrears with their rent. Between 25 October 2013 and 25 January 2014 there has been a reduction of £57,439 (27%) in the value of arrears.
- 3.2 This reduction in the level of arrears is mainly due to the ongoing targeting of additional discretionary housing payment funding. We are continuing to provide advice and assistance to any tenants affected, with a view to encouraging and supporting tenants to make Discretionary Housing Payment applications.
- 3.3 Between April and December 2013, 21 households requested reviews in respect of the Council's categorisation of their property for the purposes of the Under-occupancy Criteria.
- 3.4 Eight requests regarding property categorisation related to the space standard set out in Section 137 of the Housing (Scotland) Act 1987. This standard relates to the circumstances where we do not consider a room which is less than 70 square feet to be a bedroom when we are deciding the number of rooms for the under occupancy regulations.
- 3.5 Following investigations into each of these eight cases, the space in four of the properties has been assessed as having measurements which exceed the space standard of 70 square feet. The rooms in each of these cases continue to be deemed as bedrooms.
- 3.6 The remaining properties related to the reduction in the size of the room as a result of structural alterations. These properties have been assessed as having a room which measures less than the space standard of 70 square feet and is therefore no longer deemed as a bedroom.
- 3.7 Thirteen requests regarding property categorisation related to the tenant disputing the under occupancy criteria based on the use of a room. In all of these cases the Housing and Property Service has considered the actual use of the room and supported the tenant's view that the room should not be defined as a bedroom.
- 3.8 Under Occupancy Legal "Loophole" - The DWP announced in January 2014 that a number of households would be exempt from the under occupancy rules. Identified cases are protected by provision within the Housing Benefit and Council Tax Benefit (Consequential Provisions) 2006 Regulations. In practice this provision exempts households which have been continuously entitled to housing benefit since at least 1 January 1996 and have occupied the same dwelling since that date.

- 3.9 A total of 410 local authority and 480 housing association cases have been identified that may be potentially affected by this “loophole”. Work is ongoing to determine how many of these cases satisfy DWP’s criteria to enable qualifying claimants to be exempt from the under occupancy rules
- 3.10 The DWP has indicated that they intend to amend legislation to remove this exemption. In the meantime, any cases that have been identified will be reassessed to remove the under occupancy rules with effect from 1 April 2013.

4. Scottish Legal Aid Board – Making Advice Work Project

- 4.1 The ‘Highland Social Housing – Under Occupancy Assistance Scheme’ project which aims to provide a comprehensive package of support and advice to social housing tenants directly affected by the Under Occupancy Criteria has been operational in some areas of Highland since October 2013.
- 4.2 The allocation of additional Discretionary Housing Payment funding which is helping to mitigate the impacts of Under Occupancy is allowing the project to focus initially on providing a holistic service of debt management, financial advice and advice and information on employability and housing options to those households who were already in, and continue to be in arrears since 31 March 2013.
- 4.3 Between October 2013 and December 2013, 23 households have accessed the service. The low uptake during this period is in the main due to the time necessary to recruit and train advisers to the project.
- 4.4 From the inception of our Scottish Legal Aid Board funded project, ‘Reaching the Unreached’, the Council’s SLAB-funded Money Advisers (2 FTEs) have reached 37 households. Four households were referred to these Advisers by the Homeless Prevention team; these clients urgently needed rehoused and the Advisers assisted in this process. The remainder of the households were under threat of Court action or eviction due to very high rent arrears. Work is ongoing with many of these households to help them maintain payments to their rent and to regain control of their budget. The work being undertaken by these Advisers is very concentrated and intensive, and training continues. The 3rd SLAB-funded adviser will take up post at the end of February 2014 and once training of all 3 advisers is complete, the team will be better placed to engage with more households
- 4.5 The project remit is
- To be responsive and where possible ‘on site’ during the Housing officers’ pre-court and pre-eviction interviews in order to maximise the opportunity to interact with the tenant.
 - In as short a time period as possible while the client is on hand and engaged, progress action necessary to achieve the best possible outcome for the client. This will include establishing a relationship built on rapport and trust; identifying issues; agreeing the totality of debt;

maximising incomes through the take-up of benefits and other entitlements; submitting backdate requests to attempt to stabilise the client's situation; and ensuring that benefits and if required the client, pay their housing costs. Budgeting advice and support will also be provided as will referrals for energy advice and information about low cost insurance, bank accounts, etc.

- To work with the Homeless Prevention Team to provide all clients at risk of being homeless with a robust financial analysis and action plan in order to create the most effective opportunities to retain their homes. If this is unachievable, to ensure that any home they move into will be affordable longer term.

5. Discretionary Housing Payments (DHPs)

2013/14

- 5.1 The Highland Council received £987,115 from the Department for Work and Pensions for DHP for the year 2013/14. In September 2013, the Scottish Government announced it would allocate a further £20 million to help households affected by the Under Occupancy rules. As a result, the Highland Council received a further £1,465,777 funding from the Scottish Government to add to its Discretionary Housing Payment budget. This meant the Council's total Discretionary Housing Payment budget for 2013/14 became £2,452,892.
- 5.2 At the end of January 2014 the Council has paid and committed £1,771,118 of its available funding for the year 2013/14. Any funding not spent by 31 March 2014 can be ring-fenced and carried forward into next financial year.

2014/15

- 5.3 On 29th January 2014 HB circular S1/2014 confirmed DWP have awarded the Highland Council £1,178,903 for DHPs in 2014/15 which is an increase of £191,788 on our initial 2013/14 award.
- 5.4 The Scottish Government have confirmed they will again be making £20 million available in 2014/15 to support mitigation of Welfare Reforms. The Highland Council will receive an allocation of £1,465,777, although this has still to be confirmed, which will mean the Highland Council's total DHP fund for 2014/15 may be £2,644,680.
- 5.5 Members will also be aware that the Scottish Government announced on 3rd February 2014 that they are proposing to make an additional £15m available, on top of the £20m already announced, to support the mitigation of welfare reform in Scotland, including the under occupancy rules. The Scottish Government has written to the UK Coalition Government requesting the rules relating to the cap on DHP funds be changed.

6. Scottish Welfare Fund

- 6.1 The Scottish Government has announced an increase in funding for the Scottish Welfare Fund in 2014/15. Highland Council has been allocated £918,000 which is an increase of £117,327 on our 2013/14 allocation of £800,673.
- 6.2 The Exchequer and Revenues Section continue to promote the Scottish Welfare Fund to organisations and members of the public. A large number of presentations have been undertaken internally to various services and externally including NHS colleagues and various voluntary organisations.
- 6.3 In addition we have produced a new Scottish Welfare Fund Poster which has been extensively circulated for display. It has also been published on Facebook and Twitter, and is now displayed on plasma screens within Service Points. This poster has been sent to every GP and dental practice in the Highland Council area.
- 6.4 Members will note from the Appendix that applications to the Scottish Welfare Fund have increased and are showing an upward trend. To January 2014, the Highland Council has awarded 1,293 Crisis Grants and 343 Community Care Grants with a total spend of £356,853. Any funding not spent by 31 March 2014 can be ring-fenced and carried forward into next financial year

7. Benefit Cap

- 7.1 At 25 January 2014, 22 households were affected by the benefit cap. Of these, 8 were Highland Council households. Of the original 7 Highland Council households identified in July 2013, 6 remain affected by the Benefit Cap. Members will note from the Appendix that the number of households affected by the cap as at 5 February 2014 had reduced to 20.
- 7.2 At 10 October 2013, the cumulative rent arrears of those households affected by the cap amounted to £3,195.10. At 25 January 2014, the cumulative arrears had reduced to £1,405.49. A reduction of £1,789.61 (56%).
- 7.3 Of the households currently affected, 6 have been awarded Discretionary Housing Payments to help meet the shortfall. The remaining 2 cases relate to newly affected tenants who are receiving advice and support to access DHPs.

8. Work Clubs

- 8.1 Two of the measures already introduced as part of the wider Welfare Reform programmes are Universal Job Match and a revised Claimant Commitment.
- 8.2 Universal Job Match is an on-line vacancies and job seeking service provided by DWP in April 2013. It enables businesses to post vacancies and job-seekers to search for employment opportunities. Job seekers have their own account and can maintain their own CV and make on-line job searches and submit applications. As part of the “digital by default” approach, the system

enables job seekers to maintain a record of their search activity and evidence that to DWP Advisers.

- 8.3 The revised Claimant Commitment, which replaced the Job Seekers Agreement for some job seekers, has been operating in Highland since autumn 2013 and is a written Agreement between job seekers and their DWP Advisers on the actions and activities individuals will undertake in work preparation and job search. It is quite detailed and can set out the number of applications that will be made in a week and the number of hours that will be spent on job seeking activity. Failure to meet the specified conditions can result in sanctions being applied to individuals' benefits. (Paragraph 2.13 refers.)
- 8.4 The combination of these changes has had a major impact on the work of the Employability Team and the community organisations they work with. Numbers do vary over time but there are some 30 known Work Clubs in Highland with 15 currently receiving direct financial support from the Council for premises, IT and in some cases staffing costs using the Preventative spend funding allocated by Council for the current financial year.
- 8.5 Work Clubs normally open for one or two 2 hour sessions per week with a combination of volunteers, some sessional staffing and attendance at some from Council Employability Advisers. The activity has generally involved advising and assisting people with individual self-assessment and planning, CV preparation and job search – often leading to a voluntary engagement in literacy and adult learning activity.
- 8.6 Over the past year that activity has had to be ramped up considerably as the numbers of attenders has more than doubled in some cases and is now running at over 250 attendances a week in the 15 Clubs where the Service has direct engagement. Some Centres have doubled their opening hours in the past year and many now provide additional IT literacy sessions at different times. There are a number of issues arising from these changes –
 - The nature of the provision has also changed in character from being a voluntary engagement in learning activity to one of making sure that individuals are assisted to meet their conditionality requirements and are not subject to conditionality sanctions of loss of Benefit, often meaning clients come with a different approach and attitude;
 - Work Clubs are becoming a necessity and not just an “aid” to job seekers – with consequent access demands – opening times, holiday closures need for relief and contingency arrangements;
 - Advisers are becoming more engaged in assisting people manage the sanctions regime rather than pre-employment and job seeking activity;
 - There is increasing demand for more opening hours, additional days, employing sessional workers within a specialist service, IT equipment, IT, numeracy and literacy training;

- The conditionality requirements may inhibit people from undertaking other learning or voluntary activity that would assist with their morale, wellbeing and employment prospects;
- Assisting people to deal with sanctions issues can lead to a need for more specialised money or welfare rights advice.
- Meetings and briefings are being arranged with DWP on how claimant commitments and action plans are arrived at and to ensure any sanctions employed are understood and proportionate. Advisers and Work Clubs are also collating individual case studies.

8.7 The experience of Work Clubs on the application of Universal Job Match and conditionality illustrates some of the practical issues that arise in implementing “on-line” service provision both in terms of infrastructure and “capacity building”.

9. Implications

9.1 Resource implications are highlighted in the report.

9.2 There are no legal, equalities, climate change/Carbon Clever or risk implications to highlight.

10. Recommendations:-

Members are invited to -

- a. consider the updated information contained in this Report, and
- b. note the relevant statistics shown in the attached Appendix

Designation: Director of Finance and Director of Community Services

Date: 13 February 2014

Authors: Dawson Lamont and David Goldie

Under Occupancy rules (25/01/14)

| Summary – 14% reduction | | Summary – 25% reduction | | Summary – combined | |
|-------------------------|------------------|-------------------------|------------------|--------------------|------------------|
| | No of Properties | | No of Properties | | No of Properties |
| Council tenants | 1,415 (67%) | Council tenants | 306 (79%) | Council tenants | 1,721 (69%) |
| HA tenants | 709 (33%) | HA tenants | 81 (21%) | HA tenants | 790 (31%) |
| Total | 2,124 | Total | 387 | Total | 2,511 |

| Number of tenants in arrears, value of arrears and movement in quarterly periods – for Highland Council tenants only: *data as Jan 14 | | | | | |
|---|-------------------------|----------|-----------------------------------|------------|-------------|
| Period | Total number of arrears | Value £ | +/- % Movement since Qtr. 4 12/13 | Number +/- | Value £ +/- |
| 31-Mar-13 | 724 | £173,491 | - | - | - |
| 27-Jul-13 | 1,175 | £269,687 | 55%+ | 451+ | £96,196+ |
| 24-Aug-13 | 1,130 | £279,018 | 56%+ | 406+ | £105,527+ |
| 30-Sep-13 | 949 | £259,559 | 50%+ | 225+ | £86,068+ |
| 25-Oct-13 | 723 | £213,618 | 23%+ | 1- | £40,127+ |
| 25-Nov-13 | 515 | £155,936 | 10%- | 209- | £17,555- |
| 19-Dec-13 | 509 | £147,500 | 15%- | 215- | £25,991- |
| 25 –Jan-13 | 550 | £156,179 | 10%- | 174- | £17,312- |

| Number of transfer applicants affected and movement in quarterly periods – for Highland Housing Register: Sept 13 | | |
|---|-----------------------------------|------------|
| Number of applicants | +/- % Movement since Qtr. 4 12/13 | Number +/- |
| Qtr 1: 344 | n/a | n/a |
| Qtr 2: 337 | -2% | -7 |
| Qtr 3: 315 | -7% | -22 |

Benefit Cap: (05/02/14)

| 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 |
| Local Authority | | 3 | 2 | 1 | | 1 |
| Housing Association | 3 | 1 | | | 4 | |
| Private rent | 2 | 1 | | 2 | | |

Housing Benefit Appeals:

| Number of Appeals and Reconsiderations received with a comparison to the previous financial year | | | |
|--|--------|---|--------|
| Quarter 1 2012 Appeals/Reconsiderations | 5 / 78 | Quarter 1 2013 Appeals/Reconsiderations | 1 / 99 |
| Quarter 2 2012 Appeals/Reconsiderations | 2 / 95 | Quarter 2 2013 Appeals/Reconsiderations | 1 / 90 |
| Quarter 3 2012 Appeals/Reconsiderations | 0 / 53 | Quarter 3 2013 Appeals/Reconsiderations | 0 / 53 |
| January 2013 Appeals/Reconsiderations | 1 / 16 | January 2014 Appeals/Reconsiderations | 0 / 23 |

Highland Foodbank: Dates taken from Distributors report 1st January 2013 – 31st August 2013

| Vouchers issued | Adults fed | Children fed | Total fed |
|---|------------|--------------|-----------|
| 1,846 | 2,303 | 882 | 3,185 |
| Top 3 reasons why voucher issued: 1. Benefit applied for 2. Benefit changes 3. Low income | | | |

Discretionary Housing Payments:

| | Qtr 1 total 13/14 | Qtr 2 total 13/14 | QTR 3 total 13/14 | Jan-14 | Year to date |
|---|----------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| Number of awards made in-month | 455 | 917 | 1,644 | 353 | 3,369 |
| Total amount paid and committed in-month | £80,641 | £236,640 | 1,164,309* | £289,528 | £1,771,118 |
| Award Reasons | Under Occupation:366 | Under Occupation: 807 | Under Occupation: 1,535 | Under Occupation: 292 | Under Occupation: 3,000 |
| | Benefit Cap: 2 | Benefit Cap: 0 | Benefit Cap: 12 | Benefit Cap: 5 | Benefit Cap: 19 |
| | Disabled app: 28 | Disabled app: 50 | Disabled app: 0 | Disabled app: 0 | Disabled app: 78 |
| | Other: 59 | Other: 60 | Other: 97 | Other: 56 | Other: 272 |

* Total amount paid and committed includes review of awards in Qtrs 1&2

Scottish Welfare Fund:

| | Qtr 1 total 13/14 | Qtr 2 total 13/14 | Qtr 3 total 13/14 | Jan-14 | Year to date |
|-----------------------------|-------------------|-------------------|-------------------|---------|--------------|
| Crisis Grant | | | | | |
| Application Approved | 163 | 270 | 549 | 311 | 1293 |
| In month award total | £7,608 | £19,718 | £45,247 | £21,436 | £94,009 |
| Average CG award | £48 | £73 | £82 | £69 | £73 |
| Community Care Grant | | | | | |
| Application Approved | 56 | 94 | 135 | 58 | 343 |
| In month award | £31,339 | £91,968 | £107,857 | £31,680 | £262,844 |
| Average CCG award | £721 | £978 | £799 | £546 | £766 |