

The Highland Council
Resources Committee - 26 November 2014

Agenda Item	8(i)
Report No	RES/61 /14

Welfare Reform Update

Joint Report by Director of Finance and Director of Community Services

Summary

This report provides information on the current status of Universal Credit and other Welfare initiatives. It also provides financial monitoring information for 2014/15, covering the Council's considerable involvement in this area of work.

1. Background

1.1 This report forms part of a regular update on all issues relating to Welfare Reform. The latest statistics are outlined in Appendix 1.

2. Universal Credit

2.1 The Department for Work and Pensions (DWP) has announced Universal Credit will be rolled out to all Jobcentres and Local Authorities across the UK from early 2015. The national expansion will only apply to new claims from single jobseekers.

2.2 DWP have said this new plan will ensure Universal Credit is established across Great Britain with new claims to legacy benefits closed from 2016. Migration of existing benefit claimants over to Universal Credit will follow thereafter. At present we do not have any indication of when existing benefit claimants in the Highlands will begin to migrate across to Universal Credit.

2.3 Universal Credit will eventually replace Working Tax Credit and Child Tax Credit. From October 2014 any claimants moving off tax credits onto Universal Credit will have their tax credits payments stopped.

2.4 Her Majesty's Revenue and Customs (HMRC) will now 'finalise' a claimants tax credits award at the point their entitlement to tax credits stop. This is a change from the usual tax credits renewals cycle where HMRC ask claimants to confirm details and finalise their award at the end of the tax year, between April and July.

2.5 Inverness Jobcentre continues to be the only office in Scotland delivering new claims to Universal Credit for both single and couple claimants who meet the specific qualifying criteria. In the recently published official UC statistics for September 2014 Inverness has had 640 new claims in the year to date, with

540 claimants still claiming UC.

- 2.6 From November 2014, Universal Credit will be extended to families who meet specific criteria which are not yet available. Initially It will be extended to a limited number of Jobcentres within two designated Local Authorities. Highland has not been chosen at this stage. Further roll-out will follow from early 2015 but details of the roll-out plan are not yet available from the DWP.

3. Universal Credit and Council Tenants

- 3.1 The exact number of Council tenants affected by Universal Credit continues to be unknown. At 4 October 2014, we are aware of 32 tenants who we believe have made a claim for Universal Credit. Of these, 30 households (94%) are currently in arrears with their rent. The cumulative rent arrears of the households affected by Universal Credit is £21,412. This represents an average value per household of £669. Of the 32 tenants affected, 18 (56%) have commenced regular payments towards their rent and a further 3 households have agreed a payment arrangement.
- 3.2 Of the remaining cases, 7 requests for direct landlord payments (22%) have been made to DWP. Of these requests, one direct payment has been approved and is currently in place. Three tenants who already receive Universal Credit are receiving support to claim help towards their rent.
- 3.3 The impact of Universal Credit on tenants in temporary accommodation remains a concern. Under Universal Credit Regulations, the amount of housing costs payable to tenants in temporary accommodation is subject to the appropriate local housing allowance rate. For example single people or couples living in a one-bedroomed property would be eligible for a maximum rate of £58.46 per week towards their housing costs; however the costs of rents and service charges in temporary accommodation vary between £94.80 and £155.70 per week.
- 3.4 Of the households affected by Universal Credit, 5 tenants are currently residing in temporary accommodation. The total arrears for these 5 tenants equates to £5,796. This represents an average arrears level of £1,159 per tenant and represents 27% of the total arrears attributable to tenants claiming Universal Credit.
- 3.5 In order to mitigate the impact of Universal Credit for tenants residing in temporary accommodation, we propose to:
- Explore the most appropriate housing options available for each tenant.
 - Reduce the number of 'moves' within temporary accommodation. This will reduce the number of contacts with the DWP in relation to tenants claiming the housing cost element for each individual room, and the Council's need to reapply for direct landlord payments each time a tenant moves.
 - Continue to assist tenants to claim DHP funding.
 - Have further discussion with the Welfare Reform Working Group with a

view to lobbying the DWP regarding;

- Exempting temporary accommodation from Universal Credit
- Securing an allowance within Universal Credit towards the 'management/service charge costs' associated with temporary accommodation.

3.6 Officers remain concerned about the long term implications of Universal Credit on the housing service. They will continue to monitor all cases and provide advice and support on a case by case basis to all affected households.

3.7 The DWP propose to introduce data sharing of relevant information in relation to welfare services with social landlords from February 2015. Under the proposed regulations DWP will provide social landlords with information about tenants who have applied for, or are in receipt of Universal Credit with a housing element. This will enable us to provide appropriate advice and information to all tenants and support those who are vulnerable or at risk of homelessness.

4. Universal Credit – Tenant Survey Update

4.1 The next steps for this project will be to explore how the Council can further support tenants to access the information that is suitable for their needs and link them to existing support services.

This will include (but is not limited to):

- Ensuring sources of help, support, advice and information are promoted and are easily accessible
- Exploring, mapping and promoting digital projects across Highland
- Promoting all options for payment of rent
- Delivering 'Money Sense' sessions on financial capability and affordable credit awareness.

5. Data matching exercise between HMRC's Real Time Information and housing benefit departments

5.1 Real Time Information (RTI) is Her Majesty's Revenue and Customs' (HMRC) new system for collecting Pay as You Earn (PAYE) information from employers and pension providers who are now required to provide HMRC with income details immediately after each payment they make.

5.2 The Department for Work and Pensions (DWP) and HMRC have a joint Fraud and Error Strategy and seek to collaborate where possible, especially where one department's assets are of value to the other. RTI is an example of such an asset and provides new opportunities to identify fraud and error across all social security benefits including Housing Benefit (HB). The RTI data is a more detailed and timelier solution than the existing data sources being used to identify fraud and error across DWP systems in respect of earnings and Non-State Pension (NSP).

5.3 In October 2014 DWP started an exercise matching HMRC RTI against data held on six social security benefits; Income Support, Jobseekers Allowance,

Housing Benefit, Employment and Support Allowance, Pension Credit and Carers Allowance. The purpose of these matches is to identify cases where claimants have either failed to declare or have under-declared earnings and NSP.

- 5.4 The initiative will initially target 300,000 of the highest value overpayments, over 200,000 of which are for Housing Benefit only, whilst less than 100,000 relate to Income Support, Jobseekers Allowance, Pension Credit, Employment and Support Allowance and Carers Allowance.

This initiative was included in the Autumn Statement and is estimated to save £114 million in savings during 2014-15; £15 million of which is attributed to HB.

- 5.5 Local Authorities are now receiving referrals from DWP where information that earnings or NSP have not been correctly declared for the purposes of Housing Benefit. The Highland Council has received 256 referrals to date. This information is currently being analysed by Revenues staff to assess whether an overpayment of Housing Benefit has occurred. Recovery action will be taken to pursue overpayments of Housing Benefit.

6. Under Occupancy rules

- 6.1 In October 2014 MPs voted in favour of a Private Member's Bill exempting households from the Under Occupancy rules where someone is entitled to Carer's Allowance. The purpose of the *Carers Bedroom Entitlement (Social Housing Sector) Bill 2014-2015* is to provide people in receipt of universal credit and housing benefit and accommodated in the social housing sector with entitlement to an additional bedroom related to caring responsibilities or overnight care. This Bill is expected to receive its second reading in the House of Commons on 21 November 2014.

- 6.2 Barbara Keeley MP who presented the Bill said *'The Bill would exempt households with one additional room from the bedroom tax if a member of the household is entitled to Carers Allowance. It would also widen that exemption to households in which a person needs overnight care. ...'*

- 6.3 Details of the number of households affected by the Under Occupancy rules in the Highlands are available in Appendix 1 of this report.

7. Digital Inclusion

- 7.1 The latest figures available for the Highlands and Islands next generation broadband roll-out show that almost 30,000 businesses and residents can now access fibre services. In The Highland Council area Alness, Ardersier, Dingwall, Evanton, Inverness, Culloden, Milton of Leys, Nairn and Fort William have all received upgrades to make this service available.

- 7.2 In addition to the above locations, Highlands and Islands Enterprise has announced the following areas in the Highlands will soon be able to receive next generation broadband: Avoch, Fortrose, Ballachulish, Beauly, Corpach,

Croy, Dornoch, Embo, Fearn, Invergordon, Kessock, Kildary, Kiltarlity, Muir of Ord, Munloch, Onich, Portmahomack, Rosemarkie, Strathpeffer, Spean Bridge, Tain, Thurso, and Wick.

- 7.3 Further locations in the Highlands to receive the upgrade will be announced in January 2015. Businesses and residents should check availability with their provider as they will not receive the upgrade automatically.
- 7.4 Highlands and Islands Enterprise is continuing to support local businesses and communities by delivering workshops designed to make the most of internet access. The courses cover streamline business processes, reach new markets and develop new and novel ways to engage with customers. Workshops have been held in Thurso and Brora with further events scheduled for Lairg, Golspie, Skye and Inverness in the coming months.

8. Increased waiting days for Jobseekers Allowance and Employment and Support Allowance

- 8.1 New regulations came into effect from 27 October 2014 in relation to an increase in the number of waiting days from three to seven days before Jobseekers Allowance and Employment and Support Allowance will be put into payment. The regulations also include transitional provisions to ensure that the amendments do not apply where the waiting period in question began before 27 October 2014.
- 8.2 The expected yield in savings to be generated by this change has been estimated by the Department for Work and Pensions to be approximately £50m in 2015/16. DWP advises that those savings will decrease significantly beyond 2015/16 as new claims to Universal Credit (UC) are rolled out nationally.
- 8.3 Although this change will not have any impact on a claimant's Housing Benefit, it will mean they receive no Jobseekers Allowance or Employment and Support Allowance for the first week of their claim. Dependant on their circumstances this may increase the numbers of applications to the Scottish Welfare Fund for Crisis Grants.

9. Proposals for further devolution of powers to Scottish Parliament

- 9.1 On 19 September 2014 the Smith Commission, chaired by Lord Smith of Kelvin, was established as a fully independent body to consider and make recommendations for further devolution of powers to the Scottish Parliament. The Smith Commission will publish its Heads of Agreement in November this year.
- 9.2 In parallel, the UK Government has agreed to:
- set out the range of proposals that have been made on further devolution
 - provide secretariat support to the parties' discussions and to wider consultation on those proposals
 - respond to the Smith Commission's Heads of Agreement. The UK

Government's response will take the shape of draft legislative proposals accompanied by an explanatory text in January 2015. These will form the basis of a Scotland Bill to be brought forward by the next UK Government in the new Parliament

- 9.3 The Command Paper fulfils the first of those commitments by setting out the published proposals by the three main UK political parties that have already been put forward for further devolution.
- 9.4 These proposals include devolving powers for Attendance Allowance, Housing Benefit, the Work Programme, and supplementing UK benefits.

10. Money Advice

- 10.1 The three Highland Council's Scottish Legal Aid Board (SLAB) funded workers form an integral part of the Council's Money Advice team and have continued to work with customers at immediate risk of losing their homes. An analysis derived from a sample of 62 customers, taken over a 6 month period following intervention by a SLAB adviser, showed 70.97% have reduced their rent arrears. The team continues to work closely with colleagues in Community Services and Housing Associations to ensure tenants at risk of losing their homes can be supported in this way.
- 10.2 On 1 April 2014, the Financial Conduct Authority took over responsibility for consumer credit agreements, including payday lending. Since 1 April 2014, the Financial Conduct Authority has worked to secure an appropriate level of protection for consumers and have been discussing the way that payday lenders have been conducting their business.
- 10.3 One of the largest payday lenders Wonga, has been asked by the Financial Conduct Authority to remedy their lending practice and all Wonga customers who are 30 days or more in arrears on their loans will have the balance completely written off, while all customers who are in arrears of up to 29 days will have the interest and charges on their loans cancelled.
- 10.4 The Highland Council's Money Advice Team has found that the trend year to date has shown an increase on payday lending debt although the increase is slowing. When comparing the caseload for 2012/13 to 2011/12, there was an increase of 84% whereas the same comparison during 2013/14 with 2012/13 showed an increase of 21% on payday lending debt. The Money Advice service routinely advises clients about the most appropriate credit options available for their circumstances.

11. Financial Monitoring Report

- 11.1 The financial monitoring statement is attached at Appendix 2.

A small underspend of £0.299m is forecast. The main reasons for this are listed below.

11.2 **Housing Benefits**

The Council is continuing to use the Discretionary Housing Payment fund to mitigate the effects of the removal of the Spare Room Subsidy and all known cases who have applied for assistance have had their Housing Benefit restored.

11.3 **Council Tax Reduction (CTR)**

The Council Tax Reduction Scheme is estimated to underspend by £0.551m.

The amount of Council Tax Reduction (CTR, and formerly known as Council Tax Benefit pre April 2013) estimated to be paid has decreased compared to the 14/15 budget.

The main reason for this reducing expenditure relates to the way in which DWP has increased benefits and other components used to calculate CTR entitlement. The impact of these measures is therefore to reduce the qualifying amounts on which CTR is calculated.

Before CTR came into effect in April 2013, the amount of its predecessor, Council Tax Benefit, was £13.200m for 2012/13. This represents a reduction of approximately £1.1m less CTR paid to customers.

11.4 **Scottish Welfare Fund (SWF)**

Both Crisis Grants and Community Care Grants continue to be paid to support as many customers as possible. As reported at 8.3, further pressures are likely on this fund, particularly in respect of Crisis Grants. However this Fund will be managed within the resources allocated by the Scottish Government.

12. Implications

12.1 Resource implications are set out in the paper. There are no legal; climate change/Carbon Clever; risk or Gaelic implications.

12.2 Rural Implications – the report highlights a range of issues that particularly impact on rural areas.

12.3 Equalities – the whole report seeks to consider and address the issues arising from welfare reforms that impact on poverty and vulnerability.

Recommendation

The Committee is asked to note:

- the impact that Universal Credit is having on Council tenants and the planned activities to support these tenants;
- the progress being made to make next generation broadband available to more businesses and residents in the Highlands;
- a Private Member's Bill being taken forward to exempt certain groups from the Under Occupancy rules;
- mitigation action being taken to support the most vulnerable individuals and families across the Highlands; and
- the significant expenditure on welfare and the budget available to enable further mitigating actions to be implemented

Designation: Director of Finance and Director of Community Services

Date: 17 November 2014

Authors: Allan Gunn and David Goldie

Background Papers:

[Universal Credit statistics - GOV.UK](#)

[Proposals for further devolution of powers to Scottish Parliament - Publications - GOV.UK](#)

Under occupation rules - 25/09/14

Summary – 14% reduction	
	No of Properties
Council tenants	1,351 (66%)
HA tenants	685 (34%)
Total	2,036

Summary – 25% reduction	
	No of Properties
Council tenants	319 (80%)
HA tenants	81 (20%)
Total	400

Summary – combined	
	No of Properties
Council tenants	1,670 (69%)
HA tenants	766 (31%)
Total	2,436

Number of tenants in arrears, value of arrears and movement in quarterly periods – for Highland Council tenants only: *data as Sept 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-
27-May-14	570	£168,223	3%-	154-	£5,268-
25-Jun-14	569	£162,667	6%-	155-	£10,824-
26-Jul-14	555	£155,447	10%-	169-	£18,044
27-Aug-14	568	£163,260	6%-	156-	£10,231-
25-Sep-14	558	£150,476	13%-	166-	£23,015-

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

Number of applicants	% Movement since Qtr. 4 13/14	Number +/-
304	-7%	24

Housing Benefit Appeals

Number of appeals received with a comparison to the previous financial year			
Qtr 1 2013 Appeals/Reconsiderations	2 / 99	Qtr 1 2014 Appeals/Reconsiderations	3 / 81
July 2013 Appeals/Reconsiderations	0 / 36	July 2014 Appeals/Reconsiderations	0 / 27
August 2013 Appeals/Reconsiderations	0 / 27	August 2014 Appeals/Reconsiderations	0 / 42
September 2013 Appeals/Reconsiderations	1 / 29	September 2014 Appeals/Reconsiderations	0 / 33

Discretionary Housing Payments

	Qtr 1	Jul-14	Aug-14	Sep-14	Year to Date
Number of awards made in-month	3,556	465	155	234	4,410
Award Reasons					
Under Occupation:	3,233	410	128	200	3,971
Benefit Cap:	24	9	1	5	39
Other:	299	46	26	29	400
Total amount paid and committed in-month	£1,770,930	£122,835	£8,213	£15,063	£1,917,041

Scottish Welfare Fund

	Qtr 1	Jul-14	Aug-14	Sep-14	Year to date
Crisis Grant					
Application Approved	933	274	296	275	1,778
In month award total	£62,692	£18,566	£19,291	£18,448	£118,997
Average CG award	£67	£68	£65	£67	£67
Community Care Grant					
Application Approved	371	93	114	123	701
In month award	£237,663	£60,840	£82,501	£66,288	£447,292
Average CCG award	£641	£654	£724	£539	£638

FoodBank MI

Inverness & Nairn

Vouchers issued	Adults fed	Children fed	Total fed
1,148	1,404	361	1,765
Top 3 reasons why voucher issued: 1. Benefit delay 2. Low income 3. Benefit changes			

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

Highland foodbanks (exc Inverness & Nairn)

Vouchers issued	Adults fed	Children fed	Total fed
381	504	209	713
Top 3 reasons why voucher issued: 1. Benefit delay 2. Low income 3. Benefit changes			

Data taken from available Distributors report 1st January 2014 - 31st July 2014

Appendix 2

WELFARE BUDGET 1 April 2014 to 30 September 2014	ACTUAL YTD £000	ANNUAL BUDGET £000	ESTIMATED OUTTURN £000	VARIANCE
Housing Benefits				
- Rent Rebates	13,299	27,960	26,597	(1,363)
- Rent Allowances	12,391	24,456	24,782	326
	25,690	52,416	51,379	(1,037)
Council Tax Reduction Scheme	6,065	12,680	12,129	(551)
Scottish Welfare Fund				
- Community Care Grants	465	555	1,041	486
- Crisis Grants	121	246	235	(11)
	586	801	1,276	475
Discretionary Housing Payments	1,115	2,261	2,052	(209)
Advice Services				
- Money Advice	120	244	244	0
- Income Maximisation	91	182	168	(14)
- Citizens Advice Bureau	591	1,229	1,229	0
	802	1,655	1,641	(14)
GROSS WELFARE BUDGET	34,257	69,813	68,477	(1,336)
Income				
DWP - HB Subsidy	(25,629)	(52,295)	(51,258)	1,037
DWP - Discretionary Housing Payments	(590)	(1,179)	(1,179)	-
CAB - HRA Income recharge	-	(124)	(124)	
	(26,219)	(53,598)	(52,561)	1,037
NET WELFARE BUDGET	8,038	16,215	15,916	(299)

Universal Credit eligibility for single and couple claimants

What is the definition of a couple?

DWP counts two people as being in a couple if they live in the same household and:

- are married to each other;
- are civil partners of each other; or
- are living together as if they were married.

To be eligible to claim Universal Credit (instead of existing benefits), claimants must:

- live in an area where Universal Credit is available;
- live at their usual address;
- not be homeless, in supported or temporary accommodation nor a homeowner;
- not have dependent children;
- be a British citizen with a National Insurance number;
- aged between 18 years and 60 years and six months;
- be fit for work;
- not be pregnant nor have given birth within the last 15 weeks;
- not be receiving Jobseeker's Allowance (JSA), Employment and Support Allowance (ESA), Income Support (IS), Incapacity Benefit (IB), Severe Disablement Allowance (SDA), Disability Living Allowance (DLA) or Personal Independence Payment (PIP);
- not be awaiting a decision on a claim, or appealing against a decision of non-entitlement, to JSA, ESA, IS, Housing Benefit (HB), Child Tax Credits or Working Tax Credits;
- not be awaiting a decision on an application to revise an award of JSA, ESA, IS or HB;
- not have any caring responsibilities;
- not be self-employed;
- not be in education or on a training course;
- not have a person acting on your behalf over your claim;
- have at least one suitable account that DWP can pay your money into;
- not expect to receive take-home pay of more than £330 in the next month;
- not be responsible for a young person under 20 who is in non-advanced education or training;
- not be a registered foster carer or a prospective adopter;
- not live in the same household as a member of the regular or reserve forces who is away on duty;
- not have savings in excess of £6,000.

Also, as a couple, claimants must:

- live at the same address;
- be married to each other, civil partners of each other, or living together as if you were married;
- not expect to receive joint take home pay of more than £525 in the next month;
- not have savings in excess of £6,000 between the couple.