

Agenda Item	11
Report No	RES/10/17

Welfare Reform Update

Joint report by Director of Finance and Director of Community Services

Summary

This report provides comprehensive information on the current status of Universal Credit and other welfare initiatives including the constructive actions being taken forward following the success of the Council's event to examine poverty in Highland. It also makes available financial monitoring information, covering the Council's considerable involvement in this area of work.

1. Background

- 1.1 This report forms part of a regular update on issues relating to Welfare Reform and the wider economy. The latest statistics are outlined in **Appendix 1** and budget monitoring is set out in **Appendix 2**. **Appendix 3** provides further in-depth analysis of the local impact of the lower benefit cap.

2. Benefit Cap

- 2.1 The benefit cap means there is a maximum amount of benefit that a working-age household, defined as an individual, their partner, and any children they are responsible for and who live with them, can be entitled to. This applies to the combined income from the main out-of-work benefits, plus Housing Benefit, Child Benefit and Child Tax Credits.
- 2.2 Members may recall from the November 2016 Resources Committee that the benefit the cap was reduced in the Highlands from 7 November 2016. Further details are provided in the table below:

Rates applicable in Highland	Original cap levels (July 2013)	Cap from Autumn 2016
Couples with or without children and single parents with children	£500.00 per week (£26,000 per annum)	£384.62 per week (£20,000 per annum)
Single person or a single parent whose children does not live with them	£350.00 per week (£18,200 per annum)	£257.69 per week (£13,400 per annum)

- 2.3 Through the Council's Welfare Support Team, the Council has taken a pro-active approach by offering support to households who will potentially be impacted by the new cap. Welfare Support Officers are supporting households via the telephone and face to face, including home visits, to:

- Undertake an entitlement check to maximise their income from legitimate entitlements.

- Identify and thereafter claim any entitlements that will exempt the claimant from the Benefit Cap.
 - Complete application forms for Discretionary Housing Payments (DHPs).
 - Work in partnership with DWP during work focused interviews at Jobcentres to offer advice and support with benefits and housing-related matters.
- 2.4 DWP has identified 125 benefit cap cases in Highland. To date, the measures undertaken by the Welfare Support have resulted in the following outcomes:
- All 125 claimants have been contacted and only 7 claimants are still to engage with the Welfare Support Team.
 - 42 cases are exempt from the cap
 - 76 applications for DHP have been submitted and awarded.
- 2.5 As a short-term measure the Council has fully mitigated the impact of the changes to the benefit cap by awarding Discretionary Housing Payments (DHPs) from the date the cap is applied to 31 March 2017. Currently, £24,400 has been awarded specifically to mitigate the impact of the benefit cap.
- 2.6 This mitigation will enable affected households to identify viable options with the support of the Welfare Support Team, social landlords and the DWP to address the effect of the cap on their individual circumstances. Anticipating the full impact for 2017/18, officers will undertake a DHP policy review to ensure most effective use is made of this finite budget. It is unlikely that full mitigation will be available for 2017/18.
- 2.7 The benefit cap also affects households in receipt of Universal Credit. DWP has indicated 23 UC households are potentially affected by the lower level cap. However, they have not shared any information with the Council about those households. Therefore, the Council is unable to confirm the exact number of UC households affected within the Highlands.
- 2.8 An observation paper from the Institute for Fiscal Studies (IFS) '*A tighter benefit cap*' highlights there is '*robust evidence*' that nationally about 5 percent of people affected by the previous higher level benefit cap responded by moving into work. An even smaller fraction moved house as a response to the benefit cap.
- 2.9 For the lower level benefit cap, the IFS describes that the evidence suggests '*the majority of those affected will not respond by moving into work, moving house or claiming a disability benefit. For that majority it is an open question how they will adjust to the loss of income. One mitigating factor that is likely to be significant is Discretionary Housing Payments (DHPs)*'.
- 2.10 Longer term, the Council will require to review the policy for awarding a DHP to mitigate the impacts of the benefit cap dependent on future funding and affordability. The Scottish Government will take on the power to make Discretionary Housing Payments from April 2017 onwards.
- 2.11 **Appendix 1** to this report includes information relating to the number of households in the Highlands who are subject to the lower cap levels and shows that as at January 2017, 70 households were subject to the cap. **Appendix 3** provides further in-depth analysis of these 70 households.

3. Universal Credit

3.1 Universal Credit statistics

3.1.1 In the published official Universal Credit statistics for December 2016, the Highland Council area has had approximately 5,098 claimants who have completed the Universal Credit claim process and accepted their Claimant Commitment. In the Highland Council area 3,014 claimants are still claiming Universal Credit of which approximately 1,183 (39%) are in some form of employment.

3.2 What is Universal Credit Full Service (UCFS)

3.2.1 From 29 June 2016, all working age residents (single, couples and families) attached to Inverness Jobcentre who wish to make a new claim for any of the means-tested entitlements detailed in the table below, must make a claim Universal Credit (Full Service).

Income Support	Income-based Jobseekers Allowance	Income-related Employment and Support Allowance
Child Tax Credits	Working Tax Credits	Housing Benefit

3.3 The impact of Universal Credit Full Service

3.3.1 Since the introduction of Universal Credit Full Service (UCFS), the number of people claiming UC has increased significantly within Highland. The table below highlights a 152% increase in the number of UC claimants within the Inverness Jobcentre area since UCFS was introduced:

THC area	Jun 16	Dec 16	%
Claimants who have completed the Universal Credit claim process and accepted their Claimant Commitment.	2,909 (2,021)	5,098 (3,855)	75% (91%)
Still claiming Universal Credit	1,537 (942)	3,014 (2,371)	96% (152%)

Denotes the number of (Inverness UC claimants) / Data: DWP stats-xplore

The other 5 Jobcentres in Highland still operate Universal Credit Live Service which accounts for 21% of the overall UC caseload. As previously reported to this Committee, DWP plan to introduce Full Service in these Jobcentres during July 2017.

3.3.2 An analysis of in month starts to UC within Inverness Jobcentre demonstrates the impact Full Service has on volumes compared with Live Service:

Inverness Jobcentre in month starts UC 2016											
Live Service						Full Service					
J	F	M	A	M	J	J	A	S	O	N	D
66	74	73	75	45	56	109	254	274	455	320	395

Data: DWP stats-xplore

3.3.3 During 2016, 2,193 claimants completed the Universal Credit claim process and accepted their Claimant Commitment in Inverness Jobcentre. Approximately 82% of these claims were made since UCFS was introduced.

3.3.4 Landlords including the council and RSLs continue to raise substantial concerns about the effect of UC and resources required in relation to income, collection and arrears. Paragraph 3.4 of this report details the impact UC continues to have on the Council as a landlord.

3.4 **Universal Credit and Council Tenants**

3.4.1 Members will note from the tables below that the level of rent arrears continues to rise as the number of households claiming Universal Credit increases. The rent arrears per household for Full Service UC cases are greater than those in Live Service UC.

3.4.2 At the 31 December 2016, the Council is aware of 854 households who have claimed Universal Credit. Of these 419 are Full Service and 435 are Live Service cases. Currently 697 households (82%) are in arrears with their rent. The cumulative rent arrears of all the affected households are £704,347. This figure includes £231,119 attributable to Live Service and £473,227 to Full Service.

3.4.3 Since September 2016 the overall rent arrears for UC cases have increased from £387,040 to £704,347, an increase of £317,307 (82%).

Impact on the Highland Council's Housing Rent Arrears: Live System Cases					
31 Dec 2016	Number of UC cases	Number of cases in arrears	Percentage of cases in arrears (%)	Cumulative rent arrears £	Average rent arrears per household £
All Highland Council Universal Credit Live Service Cases	435 (379)	322 (314)	74% (83%)	£231,119 (£203,944)	£717 (£649)
Mainstream Tenancies	421 (367)	308 (302)	73% (82%)	£211,612 (£189,655)	£687 (£627)
Temporary Accommodation	14 (12)	14 (12)	100% (100%)	£19,507 (£14,288)	£1393 (£1190)

(Figures in brackets denote 16/17 position as at **30 Sept 2016**)

Impact on the Highland Council's Housing Rent Arrears: Full Service cases					
30 Sep 2016	Number of known UC cases	Number of cases in arrears	Percentage of cases in arrears (%)	Cumulative rent arrears £	Average rent arrears per household £
All Highland Council Universal Credit Full Service Cases	419 (181)	374 (177)	89% (98%)	£473,227 (£182,803)	£1265 (£1032)
Mainstream Tenancies	276 (96)	232 (92)	84% (96%)	£210,801 (£88,587)	£908 (£962)
Temporary Accommodation	143 (85)	142 (85)	99% (100%)	£262,425 (£94,216)	£1848 (£1108)

(Figures in brackets denote 16/17 position as at **30 Sept 2016**)

- 3.4.4 Under Live Service UC it has been possible to monitor the receipt of Alternative Payment Arrangements (APA) payments (direct payments to landlords). However, changes to the DWP's administrative processes for direct payments in Full Service UC mean that it is becoming increasingly difficult to monitor and allocate payments and to manage arrears without extensive manual intervention. All APA payments are now made in monthly batches through the DWP's Third Party Deductions process rather than by individual BACS payments.
- 3.4.5 In addition to the changes to direct payments, the DWP have indicated that they have introduced a standard measure within their Full Service UC procedures in relation to the timescale in which a payment will be made to landlords.
- 3.4.6 A claimant will get their first UC payment around 6 weeks after they have made a claim for Universal Credit. They will receive their first payment no more than 7 days after their first assessment period has ended.
- 3.4.7 The standard measure introduced for landlords allows for a payment to be made between 1 and 27 days after the assessment period. In reality this means that the minimum time to pay a landlord is 38 days after the claim was made and the maximum is 72 days (10 weeks). This will significantly impact cash flow which can in turn impact the level of rent arrears.
- 3.4.8 Community Services continues to review the impact Full Service UC is having on rent arrears with a view to identifying changes to policies and procedures that will help mitigate the impacts. This review will include the management of rent arrears and potential changes to IT systems. The review outcomes will be reported to future committees.
- 3.4.9 Reports on the impact of Universal Credit on Council housing rent arrears and any housing policy changes required will be reported to the Community Services Committee for consideration

3.5 Scottish Flexibilities for Universal Credit

- 3.5.1 In January 2017 the Scottish Government announced Universal Credit payments in Scotland will become more frequent and adaptable. The use of new flexibilities around Universal Credit payments marks the first use of new social security powers under the Scotland Act 2016.
- 3.5.2 The flexibilities will enable tenants the choice of having the housing element of Universal Credit payments made directly to landlords and, in a new move, Social Security Minister Jeane Freeman announced this new flexibility will be available for tenants in the private rented sector as well as those in social housing.
- 3.5.3 In addition, new applicants who live in Full Service areas will be given the option of twice-monthly payments in arrears instead of the DWP's current monthly in arrears payment system.
- 3.5.4 Members are aware that DWP's Alternative Payment Arrangements (APAs) are intended to provide safeguards for claimants and landlords.
- 3.5.5 Alternative Payment Arrangements will be considered by DWP in the following order of priority:

1. Paying the Universal Credit housing element to the landlord will be the first priority where it is part of the Universal Credit award, in order to safeguard the claimant's home. The Managed Payment of the housing costs element to the landlord would always be deducted and paid first as the priority APA.
2. Where appropriate, the Universal Credit Agent should consider if a more frequent payment is needed.
3. The Split Payment of an award between partners should only be considered in certain circumstances, for example:
 - financial abuse where one partner mismanages the Universal Credit payment
 - where domestic violence is an issue and the couple decide to remain together in the same household, but only one claim to Universal Credit is made.

3.5.6 While the above DWP safeguards are already in place for claimants and landlords, it is the DWP agent who decides whether an APA should be put in place. Under the Scottish Flexibilities, the claimant will be more systematically in control and will decide whether they wish their payment to be made directly to their landlord and/or on a more frequent basis.

3.5.7 Scottish flexibilities will not replace the DWP's system for APAs which will continue to operate for those who fall under the current requirement criteria that enables payments to be made direct to social landlords, eg where a claimant is considered vulnerable or has rent arrears.

3.5.8 The Scottish Government launched a consultation on 16 January 2017 setting out the necessary regulations to implement these flexibilities. The Benefits and Welfare Manager will lead on this response on behalf of the Council. The Highland Council fully supports the actions being taken, at this stage, to improve the frequency and method of Universal Credit payments for tenants and landlords alike. The inclusion of private landlords as potential recipients of direct payments is also welcomed.

3.5.9 The consultation focuses on the regulations necessary to enable these powers to be implemented. The draft regulations very clearly set out that a Scottish claimant may request at any time to have:

- future payments of Universal Credit paid twice-monthly in arrears and to request that the arrangement be cancelled at any time;
- an amount of Universal Credit be paid directly to their landlord (where they have a rental liability) and to request that the arrangement be cancelled at any time.

3.5.10 In relation to paragraph 3.5.9 above, the draft regulations require that:

- Scottish claimants must be made aware of their right to make requests; and
- Where the Secretary of State refuses a Scottish claimant's request, the Secretary of State must advise the claimant of the reasons for that refusal.

3.5.11 While Services are in the process of considering this consultation, it is proposed that the Council's response will include the following suggested enhancements to the draft regulations:

- that the regulations specify that the Secretary of State is responsible for making Scottish claimants aware of their rights; and
- it is explicit within the regulations that Scottish claimants have the right to request a review of the Secretary of State's decision.

3.5.12 Members may wish to note at paragraph 7.4.1.1 below, one of the outputs from the recent event to examine poverty in Highland was a suggestion that the housing element (help with payment of rent) be removed from Universal Credit. While there is no facility to propose such a change as part of the consultation, this will be taken forward under the umbrella of the lobbying actions discussed in paragraph 7.5.1 to this report.

4. Removal of automatic entitlement to Housing Benefit / UC Housing costs for 18 to 21 year olds

4.1 The 2015 Summer Budget confirmed that the UK Government planned to remove the automatic entitlement to the housing costs element of Universal Credit (currently known as Housing Benefit) from some new 18 to 21 year old claimants from April 2017 onwards.

4.2 Subject to exceptions, any 18–21 year-old who makes a new claim for Universal Credit in a Universal Credit Full Service area from 1 April 2017 will not have any housing costs included in their assessment. This means claimants with the Inverness Jobcentre area will be affected.

4.3 There will be prescribed exemptions for couples, certain disabled people and carers. Those who would be exempt from the shared accommodation rate within Housing Benefit e.g. care leavers will also be exempted from the new rule. There will also be an exemption for people unable to live with their parents.

4.4 This new policy will not affect people in receipt of Housing Benefit or in receipt of housing costs in their Universal Credit at the point of change on 1 April 2017 or on Universal Credit in a Live Service area. However, the whole of Highland will be impacted from July 2017 with the scheduled introduction of Full Service to the remaining 5 Jobcentres.

4.5 Members may be interested to note currently there are 234 active 18 -21 year old claims out of an overall caseload of 13,082 HB claimants in the Highland Council area. During the 2015/16 financial year, 860 HB claims from 18-21 year olds were received by the Council (this number may include repeat claims from the same applicant).

4.6 In addition, from April 2017 the UK Government will introduce a new Youth Obligation for 18 to 21 year olds on Universal Credit. This means young people will participate in an intensive regime of support from day 1 of their benefit claim, and after 6 months they will be expected to apply for an apprenticeship or traineeship, gain work-based skills, or go on a mandatory work placement to give them the skills they need to move into sustainable employment.

5. Bereavement Support Payment 2017

5.1 The UK government has announced that the new Bereavement Support Payment, which will be introduced from April 2017, will be payable for up to 18 months. The announcement follows the Social Security Advisory Committee's November 2015 paper, 'Bereavement benefit reform', in which it called on the DWP to reflect

further on whether to extend the period for which bereaved parents will receive bereavement support payment from the proposed 12 months, even if this would mean a reduction in the value of payments to avoid an additional burden on the public purse.

- 5.2 Bereavement Support Payment is a new benefit which replaces the current suite of bereavement benefits (Bereavement Payment, Bereavement Allowance and Widowed Parent's Allowance) for those whose spouse or civil partner dies on or after 6 April this year. These changes will not affect those already in receipt of bereavement benefits. Existing recipients will continue to receive their current benefit for the natural lifetime of the award.
- 5.3 The new benefit modernises and simplifies the current complex system of bereavement benefits. It shifts the focus of bereavement benefits from replacing the deceased spouse or civil partner's earnings to helping with the additional and more immediate costs of bereavement.
- 5.4 Bereavement Support Payment will not be taxable, will not be included in the assessment of benefit income which will be subject to the household benefit cap, and will also be subject to a disregard in the calculation of income-based benefits. Additionally, Bereavement Support Payment will not affect the bereaved person's concurrent entitlement to contribution-based Jobseeker's Allowance or contributory Employment and Support Allowance, where appropriate. Also, unlike the current bereavement benefits, a bereaved person who remarries or re-partners will be able to keep their Bereavement Support Payment.
- 5.5 To allow people to better understand their entitlements and plan accordingly, the new benefit is simpler, introducing a uniform payment structure with a single National Insurance contribution condition. There is a higher rate of payment for pregnant women and people with dependent children in recognition of the greater costs borne by these families.
- 5.6 Recipients with children can receive an initial larger payment of £3,500 and up to 18 subsequent monthly payments of £350, and those without children can receive an initial payment of £2,500 and up to 18 monthly instalments of £100.
- 5.7 Officers in Community Services and the Finance Service are working together to ensure that these changes are effectively communicated with funeral directors and potential recipients.

6. Employers failing to pay the minimum wage

- 6.1 The UK Government has named 687 employers for failing to pay at least the appropriate minimum wage rate to their workers, since the inception of the naming scheme in October 2013. Civil proceedings were initiated against all 687 of these employers, resulting in almost £1.4 million of penalties being levied. In addition, over £3.5 million of underpayments were identified, which the employers are required to repay to workers. Public naming represents the final element of the civil enforcement process. No criminal prosecutions were initiated against these employers.
- 6.2 The UK Government's priority is to ensure low paid workers receive the money they are owed, as quickly as possible. Civil proceedings are generally the most effective means of achieving this. However, where there is evidence that an offence has been committed the case will be considered for criminal investigation, which may lead to prosecution

- 6.3 An analysis on inequality in Britain over the past two decades, by the Institute for Fiscal Studies has found twenty years ago only 1 in 20 men aged 25 to 55 with low hourly wages worked part-time. Today 1 in 5 of this group work part-time: a four-fold increase. Hence, for men low hourly wages and low hours of work increasingly go together. This has become an important driver of inequality in their pay.
- 6.4 This is the result of a steady trend – not just the recent recession. Meanwhile the proportion of middle-high wage men working part-time remains extremely low, at less than 1 in 20.
- 6.5 Key findings on pay inequality among those in work include:
- Weekly earnings inequality among men has risen significantly. This is partly because the hourly wages of high-earners grew faster than those of middle-earners, and partly because men with low hourly wages are now working fewer hours per week (as highlighted above): for example, men in the second decile (tenth) of hourly wages work, on average, 5 fewer hours a week than they did 20 years ago.
 - The rise of part-time work among men on low hourly wages far predates the recession and is widespread. The trend has been occurring consistently for 20 years and is observed for low-wage men across the age spectrum, for single men and men in couples, and for those with and without children.
 - In contrast, inequality in women's weekly pay fell. At the 10th percentile, weekly earnings rose by 60% between 1994-95 and 2014-15; at the 90th percentile they rose by 29%. This is because the proportion of women working part-time has fallen, especially among those with low hourly wages (the opposite of the trend for men).
 - Combining the pay of men and women who live together, inequality in total earnings across working households has risen. At the 10th percentile, household earnings rose by 20% between 1994–95 and 2014–15, while at the 90th percentile, household earnings rose by 32%. This is primarily because of the rise in male earnings inequality, since male earnings remain the largest income source for working households on average.
- 6.6 But trends in inequality have been different for total net household incomes (including benefits and after taxes) across the whole population, rather than looking specifically at pay among working households:
- Despite rising earnings inequality among working households, inequality in total net household incomes (including benefits and after taxes) across the vast majority of the population is actually lower than 20 years ago. Key reasons for this include tax credits boosting the incomes of low earners, a catch-up of pensioners with the rest of the population, and falling rates of household worklessness.
 - However, the top 1% have been different: their share of net total household income increased from 6% in 1994-95 to 8% in 2014-15.

6.7 Highland has a relatively high proportion of part time workers and experiences greater seasonal fluctuations in unemployment than the rest of the country due to the nature of the dominant service sector economy. Members may wish to note in Highland there are currently:

- 1,932 HB claims with claimant/partner in some form of employment
- 270 non-dependants on a HB claim in some sort of employment
- 2,568 CTR claims with claimant/partner in some form of employment

7. Examining Poverty in Highland – 2 December 2016

7.1 The Council hosted a successful event on 2 December 2016 to examine poverty and to identify actions for reducing poverty in Highland. Around 60 delegates participated with a fairly broad range of representation from political parties and statutory and third sector organisations.

7.2 While the event was a success and there was a shared sense of learning and pressing need for change amongst participants, the true measure of success will be the actions that now follow to improve the lives and prospects of hard pressed individuals and families, including children.

7.3 70 suggested actions to reduce poverty in Highland were identified by participants. These have been categorised into 5 broad themes and summarised below.

7.4 *Outputs of Examining Poverty in Highland*

7.4.1 *The Welfare Benefits System*

7.4.1.1 There was consensus amongst delegates that the welfare system is complex with challenging application and appeals processes. Although designed to simplify the benefit system, Universal Credit is proving challenging for many. Amongst the suggestions raised, participants identified problems with delays in DWP decision-making and payments and suggested that the housing element (help with payment of rent) should be removed from Universal Credit.

7.4.2 *Education and Skills*

7.4.2.1 An educated and skilled population is an effective route out of poverty for individuals and for economic development. Apprenticeship schemes featured highly amongst participants as did a refresh of the Council's/NHS's intern schemes. Participants also considered that the provision of volunteering/work experience would create effective stepping stones to employment.

7.4.2.2 Although not an output from the event, it is important to acknowledge the programme of change being undertaken in Highland to continuously improve the educational outcomes for school children and young people. Highland has a very good record on young people leaving school for positive destinations, and all of the work associated with closing the attainment gap, will help support young people from disadvantaged communities into further training and employment.

7.4.2.3 One group at particular risk of not achieving a positive destination after school, is looked after children, who generally have poorer outcomes than their peers across a range of health, education and social outcomes. Accordingly, the Highland Community Planning Partnership has committed to providing employment to all of

Highland's care leavers, and support structures have been put in place, to help achieve the full benefit of this offer. This includes the peer support provided by the Care Experienced young people employed by the Council, as well as the dedicated personal and employment support schemes offered by Barnardos and other partners. Further, the Council is looking at additional support that can be provided to looked after children at school, in order to help them to address the disadvantage they have already experienced in their lives.

7.4.3 *Income Maximisation and Financial Health Checks*

7.4.3.1 There was a general feeling amongst participants that even if the current complexities in the welfare benefits system were to be simplified, there will always be a proportion of the population requiring this type of support. Targeting support for particular groups and increased awareness of the free and impartial services that are available from the Council's Welfare Support Team and the Citizens Advice Bureaux were both highlighted by participants.

7.4.4 *Families and Communities*

7.4.4.1 Participants recognised that active participation in community life and a close family support network provides a sense of belonging and motivation to gain new skills and to make a positive contribution to society. The increasing provision of quality social housing and the need for improved home insulation and reduced fuel bills were recognised as contributing factors that will help lift people out of poverty.

7.4.5 *Economic Growth*

7.4.5.1 From a poverty perspective, economic growth supports social mobility and creates better prospects for the unemployed and under-employed. There was strong support amongst participants to achieve a higher concentration of the living wage across Highland. This was considered paramount to support the many individuals and couples who are caught in the poverty trap between the benefits system and earning sufficient money to have an acceptable standard of living.

7.5 ***Lobbying and working with partners and others***

7.5.1 The lobbying proposals that arose from the Examining Poverty event were considered at the most recent meeting of the Welfare Reform Working Group (18 January 2017) and will be taken forward. The need to improve Universal Credit decisions and payments for tenants and landlords alike featured highly in these proposals. Fuel poverty was recognised as a significant burden for many in Highland and participants called for action to remove the £0.02 premium currently being levied to many residents in the Highlands and Islands to supply and distribute electricity. There was strong support to continue to work with partners and others on a number of matters including broadband expansion and developing a higher wage economy.

8. Financial Monitoring Report

8.1 The financial monitoring report can be found at **Appendix 2**. At this stage of the financial year, the budget is currently predicted to overspend by £6k. This overspend is as a result of the greater than anticipated increase in take-up of school clothing grants following the recent internal review to increase the amount of grant to £90 per annum, per child, available for low income families.

9. Implications

- 9.1 Resource and Risk implications are set out in the paper. There are no legal; climate change/Carbon Clever; Gaelic implications.
- 9.2 Rural Implications – the report highlights a range of issues that particularly impact on rural areas.
- 9.3 Equalities – the whole report seeks to consider and address the issues arising from welfare reforms that impact on poverty and vulnerability. In particular, section 6 of this report identifies pay inequalities amongst men, women and couples arising from part-time, low-paid working arrangements.
- 9.4 Poverty – the whole report aims to acknowledge current welfare issues which exacerbate the causes of debt and poverty within the Highlands. Section 7 above highlights the key issues identified by participants at the successful event held in December 2016 to examine poverty in Highland.

Recommendation

The Committee is invited to:

Note

- The local impact that the benefit cap is having on the 125 Highland families, with a total of 250 children, who are currently in receipt of housing benefit and be aware that there are also 23 families in receipt of Universal Credit that are also impacted.
- The rapid expansion of Universal Credit claimants (152% increase) since DWP implemented Full Service in Inverness Jobcentre from 29 June 2016.
- The substantial concerns from social landlords regarding the increasingly significant amount of rent arrears amongst Universal Credit claimants and the changes to APA payment frequencies for landlords which will have a detrimental impact on cash flow and the knock-on effect on rent arrears.
- The removal of automatic entitlement to the housing cost element of Universal Credit for 18-21 year olds. From April 2017, this change will immediately impact upon those aligned to Inverness Jobcentre and will affect those in this age bracket across the whole of Highland when DWP implement Full Service (planned for July 2017).
- The obligation that will be placed upon 18-21 year olds from April 2017 who are claiming Universal Credit, which includes an expectation that they will take positive steps to move into sustainable employment. DWP is developing mechanisms to support this policy which includes introducing apprenticeships and placements.
- The introduction of the Bereavement Support Payment from April 2017 which provides an initial large payment followed by 18 monthly payments.
- The outputs from the December event to examine poverty in Highland which have been categorised into 5 broad themes: Welfare Benefits; Education and Skills; Income Maximisation; Families and Communities; and Economic Growth.
- The anticipated overspend in the Welfare budget arising from a greater than anticipated take-up of School Clothing Grant from low income families.

Support

- The proactive work being undertaken by the Welfare Support Team to engage with those impacted by the benefit cap and to identify appropriate mitigating measures on an individual basis.
- The decisions by the Service Delivery Team within the Revenues & Business Support Section to award £24,400 Discretionary Housing Payments to mitigate the impact of the benefit cap and note that full mitigation may not be available from this Fund during 2017/18.
- The review work being undertaken within Community Services with a view to identifying changes to policies and procedures to mitigate the impacts of UC.
- The proposals set out in paragraph 3.5.11 to strengthen the regulations for Scottish Flexibilities with regard to the frequency and payment of Universal Credit.
- The work being taken forward to effectively communicate changes to bereavement payments.
- The ongoing work to progress the lobbying actions and working with partners to improve the lives of Highland residents arising from the successful examining poverty event held in December 2016.

Designation: Director of Finance and Director of Community Services

Date: 27 January 2017

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Background Papers:

'A tighter benefit cap' Institute for Fiscal Studies

<https://www.ifs.org.uk/publications/8717>

The Scottish Government consultation "*Scottish Flexibilities*"

https://consult.scotland.gov.uk/low-income-benefits/universal-credit-claims-and-payments/supporting_documents/57964_%20SCT0117175940_UniversalCredit_p5.pdf

Welfare Reform Report – February 2017Under occupation rules - 04/01/2017

Summary – 14% reduction	
	No of Properties
Council tenants	1,299 (66%)
HA tenants	670 (34%)
Total	1,969

Summary – 25% reduction	
	No of Properties
Council tenants	297 (77%)
HA tenants	89 (23%)
Total	386

Summary – combined	
	No of Properties
Council tenants	1,596 (67%)
HA tenants	759 (33%)
Total	2,355

Number of transfer applicants affected and movement in quarterly periods – for Highland Housing Register: Dec 16		
Number of applicants	% Movement since Qtr. 4 14/15	Number +
213	-1%	-3

Benefit Cap at 17/01/16

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	£140 - £159.99
Local Authority	9	11	14	4	9		2	
Housing Association			5	3	5			
Private rent	2	2			1	2		1

Housing Benefit Appeals

Number of appeals received with a comparison to the previous financial year			
April 2015 Appeals/Reconsiderations	0 / 47	April 2016 Appeals/Reconsiderations	0 / 40
May 2015 Appeals/Reconsiderations	0 / 32	May 2016 Appeals/Reconsiderations	0 / 31
June 2015 Appeals/Reconsiderations	0 / 46	June 2016 Appeals/Reconsiderations	0 / 44
July 2015 Appeals/Reconsiderations	0 / 49	July 2016 Appeals/Reconsiderations	0 / 38
August 2015 Appeals/Reconsiderations	0 / 42	August 2016 Appeals/Reconsiderations	0 / 53
September 2015 Appeals/Reconsiderations	0 / 46	September 2016 Appeals/Reconsiderations	0 / 41
October 2015 Appeals/Reconsiderations	0 / 34	October 2016 Appeals/Reconsiderations	0 / 32
November 2015 Appeals/Reconsiderations	0 / 38	November 2016 Appeals/Reconsiderations	0 / 40
December 2015 Appeals/Reconsiderations	0 / 41	December 2016 Appeals/Reconsiderations	0 / 30

Discretionary Housing Payments

	Qtr 1 2016/17 spend	Qtr 2 2016/17 spend	Oct-16	Nov-16	Dec-16	2016/17 YTD
Number of awards	4,572	817	223	354	327	6,293
Award Reasons						
Under Occupation:	4,451	772	200	253	236	5,912
Benefit Cap:	0	0	0	69	43	112
Other:	121	45	23	32	48	269
Total amount paid and committed	£1,446,154	£73,553	£15,766	£73,332	£52,401	£1,661,206

Scottish Welfare Fund

	Qtr 1 16/17	Qtr 2 16/17	Oct-16	Nov-16	Dec-16	Year to date
Crisis Grant						
Application Approved	843	1,046	276	385	360	2,910
In month award total	£46,425	£63,150	£17,946	£25,594	£25,534	£178,649
Average CG award	£55	£60	£65	£66	£71	£61
Community Care Grant						
Application Approved	458	472	110	144	123	1,307
In month award	£152,122	£146,393	£38,486	£55,067	£41,543	£433,611
Average CCG award	£332	£310	£350	£382	£338	£332

Appendix 2

WELFARE BUDGET	ACTUAL	ANNUAL	ESTIMATED	VARIANCE
1 April to 31 Dec 2016	YTD £000	BUDGET £000	OUTTURN £000	
Housing Benefits	37,295	52,416	52,416	0
Council Tax Reduction Scheme	11,308	11,400	11,400	0
Scottish Welfare Fund				
- Community Care Grants	427	555	555	0
- Crisis Grants	178	246	246	0
	605	801	801	0
Discretionary Housing Payments	1,270	1,476	1,476	0
Educational Maintenance Allowances	495	850	850	0
School Clothing Grants	334	331	337	6
Advice and Information Services	1,142	1,277	1,277	0
GROSS WELFARE BUDGET	52,449	68,551	68,557	6
Income				
DWP - HB Subsidy	(36,597)	(52,295)	(52,295)	-
DWP - Discretionary Housing Payments	(1,395)	(1,190)	(1,190)	-
Educational Maintenance Allowances	(434)	(850)	(850)	-
Advice & Information Services (HRA Recharge)	-	(126)	(126)	-
	(38,426)	(54,461)	(54,461)	-
NET WELFARE BUDGET	14,023	14,090	14,096	6

The Highland Council - Benefit Cap information

The following benefit cap information is a snapshot of affected cases within Highland. This information relates solely to HB households. DWP has indicated 23 Universal Credit claimants are potentially affected by the benefit cap. However, to date DWP has provided no further information to the Council.

1. Original benefit cap

Landlord	H/holds	Highest impact	Lowest impact
Council	6	£137.96	£8.23
RSL	5	£70.88	£0.10
Private	2	£84.39	£9.23

Impact is the HB reduction. (Oct 16 data)

Approximately 13-16 households in Highland were impacted by the original benefit cap through a reduction in their HB each month

Landlord	No of children	No of families	Total children
Council	4	1	4
	5	2	10
	7	1	7
	8	2	16
RSL	0	1	0
	3	1	3
	4	1	4
	5	2	10
Private	3	1	3
	7	1	7

On average a total of 64 children in The Highland Council area were impacted by the initial benefit cap.

- 1.3 Based on the 13 households:
- Weekly impact: £598.14
 - Annual impact: £31,103.28
 - Largest household impact: £7173.92 annum / £137.96 week
 - Smallest household impact: £5.20 annum / £0.10 week
 - Average loss per family: £2,392.54 annum / £46.01 week

2. Implementation of lower benefit cap

- 2.1 Through the Council's Welfare Support Team, the Council has taken a pro-active approach by offering support to households who will potentially be impacted by the new cap. Welfare Support Officers are supporting households via the telephone and face to face, including home visits, to:
- Undertake an entitlement check to maximise their income from legitimate entitlements.
 - Identify and thereafter claim any entitlements that will exempt the claimant from the Benefit Cap.

- Complete application forms for Discretionary Housing Payments.
- Work in partnership with DWP during work focused interviews at Jobcentres to offer advice and support with benefits and housing-related matters.

2.2 DWP has identified 125 benefit cap cases. To date, the measures undertaken by the Welfare Support have resulted in the following outcomes in Highland:

- All 125 claimants have been contacted and only 7 claimants are still to engage with the Welfare Support Team.
- 42 cases are exempt from the cap
- A total of 76 applications for DHP have been submitted and awarded.

2.3 As a short-term measure the Council has fully mitigated the impact of the changes to the benefit cap by awarding Discretionary Housing Payments (DHPs) from the date the cap is applied to 31 March 2017. Currently, £24,400 has been awarded specifically to mitigate the impact of the benefit cap.

2.4 Of the initial 76 households, 70 continue to be impacted by the benefit cap. The following paragraphs detail further analysis. Please note all figures are correct as at 23 January 2017. However they are subject to change after this date dependant on household circumstances.

3. Number of cases capped by Landlord

Landlord	H/holds	Highest impact	Lowest impact
Council	49	£131.99	£0.93
RSL	13	£86.64	£47.44
Private	8	£159.88	£2.13

Impact is the HB reduction.

3.2 70 households in Highland are currently impacted by the benefit cap through a reduction in their HB.

4. Number of families with children / number of children

No of children	Local Authority	
	No of families	Total children
0	2	0
1	0	0
2	0	0
3	23	69
4	19	76
5	4	20
6	0	0
7	0	0
8	1	8

173 children living in Council properties are impacted by the benefit cap.

No of children	RSLs	
	No of families	Total children
0	1	0
1	0	0
2	0	0
3	4	12

4	4	16
5	4	20
6	0	0
7	0	0
8	0	0

48 children living in RSL properties are impacted by the benefit cap.

4.3

Private		
No of children	No of families	Total children
0	0	0
1	0	0
2	0	0
3	5	15
4	1	4
5	2	10
6	0	0
7	0	0
8	0	0

29 children living in privately rented properties are impacted by the benefit cap.

4.4 A total of 250 children in The Highland Council area are currently impacted by the benefit cap.

5. Financial impact of benefit cap

5.1 Based on the 70 households:

- Weekly impact: £3,858.02
- Annual impact: £200,617.04
- Largest household impact: £8,313.76 annum / £159.88 week
- Smallest household impact: £48.46 annum / £0.93 week
- Average loss per family: £2,865.95 annum / £55.11 week