

REPORT TO: East Lothian Council

MEETING DATE: 28 August 2012

BY: Executive Director (Support Services)

SUBJECT: Welfare Reform Update

1 PURPOSE

- 1.1 To provide an update to Council Members on expected changes to the Housing Benefit and Council Tax Benefit schemes as a consequence of the Welfare Reform Act (2012).
- 1.2 To develop an understanding of what these changes may mean for a number of Council services and for East Lothian households sustaining affordable tenancies.
- 1.3 To identify key steps the Council can take to try to minimise any potentially negative impacts of welfare reform in the community.

2 RECOMMENDATIONS

- 2.1 Council agrees to:
 - promote awareness and understanding of the impact of the welfare reform agenda on East Lothian communities
 - take action to try to minimise any potentially negative impacts of welfare reform by ensuring that Council service areas are optimally configured to continue to deliver high quality services to East Lothian residents.
 - note the potential impact of welfare reform on individuals and families when taking decisions about service development and to consider as part of budget deliberations the potential impact of welfare reform on the Council's revenues and council house rental Income.

3 BACKGROUND

3.1 Previous reports to Council on 22 February 2011 and Cabinet on 8 November 2011 outlined the impact of the various changes to the 'current' Housing and Council Tax Benefit, (HB/CTB) schemes that came about as a result of the UK Government's emergency budget, (22 June 2010). These reports also anticipated the further changes proposed by the '21st Century Welfare Reform Bill'.

3.2 The changes proposed by this Bill were subsequently confirmed by the Welfare Reform Act (2012) which received Royal Assent on 8 March 2012. This report seeks to inform Council what these further welfare changes will mean for Council services and the communities they serve.

Recent Changes to Current Schemes

3.3 As previously reported the changes to the 'current' schemes have already impacted on:

- Local Housing Allowance claims
- Housing Benefits/ Council Tax Benefits Claimants with Non Dependants
- Local Housing Allowance Claims from single people aged 35 or younger living in self contained accommodation

Housing Benefits Restrictions for Over Accommodation

3.4 In April 2013 a restriction on Housing Benefit will be introduced for claimants in the 'Social Rented Sector' who are deemed to be 'over accommodated'. This will mean that claimants renting from councils or housing associations who are 'under occupying' their properties will see their Housing Benefit reduce.

3.5 Initial analysis carried out by the Benefits Unit and the Community Housing Service anticipates that approximately **567** East Lothian Council Tenants who are currently under occupying their tenancy by 1 bedroom are likely to see a 14% reduction in their Housing Benefits whilst **104** who are under occupying by 2 or more bedrooms may see a reduction of 25%.

3.6 Whilst there are plans to publicise this change and directly contact those that can be identified, claimants who are unable to consider moving to a smaller property will be left with a higher portion of their rent to pay and it is possible that those who can move will find that there is an insufficient supply of smaller properties to meet demand.

Overall Benefit Cap

- 3.7 One of the key principles of the coming welfare reforms is that no one in receipt of welfare benefits will be allowed to exceed average earnings, (currently £350pw for a single person, £500pw for a couple). To achieve this Housing Benefit entitlement will be restricted from April 2013 for any claimant likely to exceed the overall benefit cap.
- 3.8 In preparation for this change the Benefits Unit will receive regular data scans from the Department for Work and Pensions (DWP) which should help identify claimants that may be affected. Early indications suggest that only a small number are affected, however these are likely to include claimants in the Council's Private Sector Leased tenancies.

Abolition of Council Tax Benefits

- 3.9 In April 2013 the Welfare Reform Act will take Council Tax Benefit out of the Welfare System and 'localise' the administration of a Council Tax 'Relief scheme'. This will require the Scottish Government to amend Council Tax legislation and implement a national means tested relief scheme that will be administered by Local Authorities. Consultation on the draft guidance for the new scheme is expected shortly however the scheme and its associated software changes must be in place for Council Tax annual billing, (February 2013).
- 3.10 The budget that will be devolved to the Scottish Government for the Council Tax Relief scheme will be 10% less than the 2012/13 Council Tax Benefit expenditure figure. However the Scottish Government has decided that there will be no detriment to claimants for next year. Therefore the £40m shortfall in Scotland will be funded for 2013/14. It is understood that £17m of this shortfall will come from the financial settlement for Councils and the remaining £23m will come from the Scottish Government.

Social Fund Successor Arrangements

- 3.11 In April 2013 the 'Community Care Grants' and 'Crisis Loans' elements of the DWP's Social Fund will transfer to the Scottish Government which has decided to introduce an interim scheme for Local Authorities to administer. It is hoped that councils will be better placed to direct these funds more effectively to alleviate hardship being experienced by extremely vulnerable clients who either find themselves dealing with a crisis or are at risk of losing their ability to live independently.
- 3.12 A common application form will be developed and used throughout Scotland and the Scottish Government have circulated draft guidance for comment in respect of the new scheme which has a working title of 'Scottish Community Support Fund'.

- 3.13 CoSLA has appointed a Lead Officer to help councils with the implementation of the scheme. Council Finance Officers have attended meetings with CoSLA, Scottish Government and software providers. These discussions have established that in the short term the Council Benefits Unit is likely to be best placed to take on the administration of The Scottish Community Support Fund. However, it is recognised that close links will need to be forged between the Benefits Unit, Welfare Rights, Children's and Adult Wellbeing Services and the Homelessness Service if this assistance is to be correctly targeted.

Implementation of Universal Credit

- 3.14 In April 2013 the DWP will launch a 'Pathfinder' project to test Universal Credit arrangements with Local Authorities within the Greater Manchester area.
- 3.15 From October 2013 the UK Government plans to begin the transfer of all new claims for Housing Benefit for working age claimants to the new Universal Credit. The (pension age) Housing Benefit caseload is expected to transfer to Universal Credit at some point in 2014.
- 3.16 Whilst it is understood that Universal Credit will be administered centrally by the DWP/ HMRC there are a number of pilot projects underway exploring possibilities for Local Authorities to deliver face to face and/or 'assisted' services to claimants. Whilst no decision has been made yet about Local Authority involvement, it is likely that councils will be expected to maintain the remaining Housing Benefits claims already in payment until these can be migrated into Universal Credit (some point between 2013 and 2017). It is thought that Council budgets may come under further pressure if Housing Benefit/ Council Tax Benefit administration subsidy is reduced in line with the abolition of Council Tax Benefit and the potential reduction in local authority Housing Benefit caseloads.

Formation of a Single Fraud Investigation Service

- 3.17 The Welfare Reform changes are expected to remove the Local Authority duty of investigating 'Benefit Fraud' and transfer this duty to a Single Fraud Investigation Service at some point between 2013 and 2015.
- 3.18 Whilst the long term plan is for this Service to sit within DWP/ HMRC it is likely that an 'interim arrangement' will operate between 2013 and 2015. This interim arrangement will see Local Government Investigation Teams continue to operate under the Single Fraud Investigative Service rules and priorities but remain situated within councils. In the meantime, the Benefits Unit is taking part in a co-location pilot between its own Investigation Officers and those of the DWP's Fraud Investigation Service based in Edinburgh.

Council Response

- 3.19 The Council has established a cross-service Welfare Reform Task Group to develop the Council's response to the welfare reforms. The Group includes representatives from Benefits, Revenues, Corporate Policy, Housing, Education, Adult Wellbeing, Welfare Rights Service, Children's Wellbeing, Customer Services, Human Resources and the Council trade unions. The Group will report to the Council Management Team and to the Council or Cabinet as required.
- 3.20 The Task Group is establishing workstreams to develop take forward work in four key areas:
- Information / Communication to staff and public
 - Data Sharing
 - Training
 - Migration to new benefits.
- 3.21 The Council has been carrying out a review of advice services in East Lothian to ensure that it gets maximum value from the investment it is putting into the two East Lothian Citizens Advice Bureaux, the welfare rights team and other advice services. In the February 2012 budget the Council reversed planned cuts in the Welfare Rights Service budget and provided secure funding for the two main independent welfare and benefits advice agencies, Haddington and Musselburgh Citizens Advice Bureaux through extending their Service Level Agreements. Further work is on-going to complete the review of the advice services in order to maximise efficiencies and ensure the highest quality of service is provided across all communities.
- 3.22 The interim report of the review recommended that an East Lothian Advice and Rights Forum be established as a network of advice agencies, advocacy groups and user representative groups to facilitate greater collaboration, better communication and more effective joined up working.
- 3.23 The Council is leading in the production of the Community Planning Partnership's Tackling Poverty Action Plan which is based around three key themes one of which is 'the Money in My Pocket – considering the impacts caused by low income and reliance on benefits; the need to maximise the income people have available to them; tackling financial exclusion; and building financial capability. Actions related to this theme will relate directly to the work being pursued by the Welfare Reform task Group including:
- providing information to individual and communities about the impact of welfare reforms

- ensuring staff are aware and receive training on the welfare reforms
 - ensuring that people have access to welfare and money advice
 - increasing the number of people who are members of a Credit Union.
- 3.24 The Council is in advanced stage of negotiations with Macmillan Cancer Support to jointly fund a Macmillan Benefits Adviser to be based in the Welfare Rights Service for a period of six years. The Council's funding for the post would come from the Fairer East Lothian Fund.

4 POLICY IMPLICATIONS

- 4.1 The impact of welfare reform in East Lothian presents a number of challenges for the Council. These include an increase in demand for some services including adult and children's wellbeing services, housing and homelessness services, free school meals and others. The Council could also be impacted by reduced levels of grant funding and a reduction of revenue income through increasing rent and rate arrears and other more broad impacts arising from the loss of income into the local economy.
- 4.2 It is important to ensure that work to minimise the impact of the welfare reform agenda and the current economic climate informs the work of the Council over the coming years. Ensuring that decisions take account of the impact they have in relation to our more deprived communities and those vulnerable to falling into poverty will be an important aspect of the Council's work as the impact of the reforms begins to affect people locally.
- 4.3 The Council may have to consider its arrangements for investigation of potential for fraud within its Council Tax Relief scheme in preparation for the DWP taking back responsibility for investigating Benefit Fraud.

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 No Equality Impact assessment has been carried out on this report. However, The Scottish Government Communities Analytical Services have undertaken an Equalities Impact Assessment on the welfare reforms. This initial analysis showed the following across Scotland: of the 470,000 claimant households, the biggest single group is the over 65's at 135,000 claimants or 20% (notably 68% of these are women). In terms of family type, 65% are single people without child dependants and 6% are couples with children. The impact on progress towards the 2012 Homelessness commitment is also likely to be negatively affected by the changes proposed with single people under 35 affected in particular.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – Benefit claimants in East Lothian will lose an amount of direct personal benefits through welfare reform changes which will have a significant impact upon the local economy. Though it is difficult to estimate the direct impact of this on Council income and increasing demand for services, it is likely to impact significantly over coming years.

The report does not propose any additional expenditure apart from the funding for the Council's contribution to the cost of the Macmillan Benefit Adviser which will come from the Fairer East Lothian Fund. Any further financial implications in relation to reduced income to the Council from loss of subsidy for administering Housing Benefits, or increased costs relating to contributions to new benefits schemes or additional staffing requirements will be reported in future update reports or relevant reports.

- 6.3 Personnel – The welfare reform agenda will have implications on the deployment of Council staff and the increasing complexity of administering both the current and new schemes will also be a major factor.
- 6.3 Other – none.

7 BACKGROUND PAPERS

- 7.1 The Scottish Government Reports: 'Housing Benefit Changes'
<http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/chma/Benefitchanges>
- 7.2 The Scottish Government web pages on 'The Social Fund Successor Arrangements'
<http://www.scotland.gov.uk/Topics/People/welfare/welfarereform/socialfund>
- 7.3 The DWP web pages: 'Universal Credit – information for local authorities'
<http://www.dwp.gov.uk/local-authority-staff/universal-credit-information/>
- 7.4 The Scottish Local Government Forum against Poverty publication: 'Housing in Scotland, a crisis coming?'
<http://www.scottishpovertyforum.org.uk/HousingReportv1.pdf>

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