

REPORT TO: Cabinet

MEETING DATE: 12 January 2016

BY: Depute Chief Executive (Resources and People Services)

SUBJECT: Welfare Reform Update

1 PURPOSE

- 1.1 To provide an update to Cabinet Members on the Benefits and Financial Assessments Service's involvement in responding to changes introduced as a consequence of the Welfare Reform Act (2012).
- 1.2 To inform members of how the Benefits and Financial Assessments Service is planning to respond to further expected welfare changes

2 RECOMMENDATIONS

Cabinet agrees to:

- 2.1 continue to promote awareness and understanding of the impact of the welfare reform changes on East Lothian communities.
- 2.2 take action to try and minimise any potential 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.
- 2.3 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.

3 BACKGROUND

- 3.1 This report is the latest in a series of reports to Elected Members providing information on the UK Government's welfare reforms, the consequential changes to Council Services and the potential impacts for East Lothian residents.
- 3.2 Since early 2013 the Welfare Reform Task Group has considered the service implications of the various welfare reforms and in response has

produced a succession of Welfare Reform action plans which have provided a framework for Council Services to deliver a concerted response, (see 'Welfare Reform Action Plan Sept 2015 – March 2017' within Appendix 1).

- 3.3 Since the introduction of the Welfare Reforms started in April 2013, the Welfare Reform Task Group's strategy has been supported by the activities of the Welfare Reform Liaison Group and the Welfare Reform Reference Group. These groups have facilitated communication between Council services which have had to respond to welfare reforms and the Council's external partner agencies.
- 3.4 Following an initial Welfare Reform event held in December 2012, these groups have met on a regular basis to consider how the respective agencies might best respond to the impacts of the reforms. Whilst this strategy has worked well in respect of the reforms to-date, the Task Group plans to review its existing communication activities. In doing so, it aims to develop a communications plan which is more focussed on the continuing roll out of Universal Credit and changes associated with the recent amendments being proposed in the Scotland Act, (which will reflect the Smith Commission recommendations).
- 3.5 The Task Group also plan to hold a further Welfare Reform event at the Brunton Hall on the morning of Wednesday 10th February 2016. This event will inform stakeholders of the latest developments in Welfare Reform and explain what the council's response has been as well as its expected future involvement.
- 3.6 The current Welfare Reform Action Plan also seeks to establish an East Lothian Rights and Advice Network. It is envisaged that this will replace the current Welfare Reform Reference Group as a forum to share information, consult and engage with key stakeholder groups and support the development of an inter-agency referral system.
- 3.7 Since April 2013, the impact of Welfare Reforms has required responses from a range of Council Services. Whilst these impacts have been diverse the risks posed by the reforms to East Lothian residents ability to maintain their rent payments in respect of their private or social sector tenancies has been an ongoing concern.
- 3.8 The Council's Rent Income Team has worked closely with the Community Housing and the Benefits Teams to ensure that Council Tenants having difficulty in paying their rent receive all appropriate support.
- 3.9 The Benefits Team's response to the Welfare Reforms is set out in greater detail in the following paragraphs, however initial expectations of a reducing HB caseload during the period 2013 to 2015 proved to be unfounded due to a 2 year delay in the roll out of the Universal Credit Programme. Nonetheless the service progressed plans to widen the range of services it delivers to include the Scottish Welfare Fund, (SWF) and Financial Assessments for Adult Wellbeing Services. Whilst this has

inevitably increased the workload of the service, it has managed to maintain acceptable levels of processing performance whilst delivering the combined services in a more holistic manner. Laterally the Benefits Service has also played a key role in the accelerated roll-out of Universal Credit which commenced on 27 April 2015.

Council Tax Reduction Scheme, (CTRS)

- 3.10 In April 2013, the Council implemented the Council Tax Reduction Scheme, (CTRS) on behalf of the Scottish Government. This scheme replaced Council Tax Benefit which had previously been administered by the Council on behalf of the Department for Work and Pensions, (DWP).
- 3.11 Whilst the legislative and funding framework for CTRS is fundamentally different, the similarities between the new scheme and the one it replaced ensured a smoother transition for Benefits Unit staff. The fact that Council Tax Benefit claimants have seen little or no change financially in their CTRS awards since 2013 has also meant that the overall change has had a low impact on East Lothian Council Tax Payers.
- 3.12 Currently, the main issues facing CTRS relate decisions about how closely the scheme should mirror the UK Housing Benefit Scheme. If left unaddressed further welfare reforms proposed in the UK Government June 2015 Budget could result in higher CTRS expenditure by Scottish councils. So far, CTRS expenditure has been contained within its fixed budget however factors such as Scottish Government policy decisions and local demand variations could determine whether or not this remains the case.
- 3.13 As part of the Council Tax Scheme, the medium to longer term the future of CTRS will be determined by the outcome of the Scottish Government's expected reform of local taxation.

Scottish Welfare Fund, (SWF)

- 3.14 Since 1st April 2013, the Benefits Team has been administering Crisis Grants, (CGs) and Community Care Grants, (CCGs) as part of the Scottish Government's '2 year' interim Scottish Welfare Fund, (SWF) scheme. These grants replaced 2 elements of the Social Fund, (loans) scheme which were previously administered by the DWP.
- 3.15 The 2 year interim scheme was extended for a 3rd year due to delays in the necessary legislation progressing through the Scottish Parliament. However the Scottish Government now plans to implement the 'permanent 'SWF' scheme in April 2016.
- 3.16 Initially implemented in a short space of time, Benefits staff rose to the challenge by adapting to apply a broader assessment criteria to claimant's household circumstances which now includes an element of needs assessment, (as well as assessing a claimants means). Whilst the learning curve for staff has been steep the experience gained in the last 2 years has helped the Team deliver a more holistic service which

has played a key role in supporting vulnerable individuals and households maintain their tenancies and their capacity to live independently. The service works closely with internal partners such as Community Housing and Adult Wellbeing and has established strong links with third sector agencies such as the East Lothian Food Bank and ELVON.

- 3.17 The establishment of the 'Permanent Scheme' in April 2016 may not generate any noticeable change for SWF clients however this will introduce an independent second tier review process for SWF decision making which will be overseen by the Scottish Public Services Ombudsman, (SPSO). It is also expected that the funding arrangements will start to take account of caseload levels. The Service will take account of these changes and will be ready to review its processes as and when required.

Housing Benefit Changes

- 3.18 Since April 2013, there have been a number of welfare reforms which have affected the administration of Housing Benefit. A change to the way that Local Housing Allowance, (LHA) rates are set reduced the amount of rent allowance that private sector Housing Benefit claimants could be awarded. In addition to this, an overall Benefit Cap was also applied to ensure that no one in receipt of welfare benefits was allowed to exceed average earnings. The level of Housing Benefit was reduced in order to achieve this, however this change only affected a small number of households in East Lothian and work was done with partner agencies to reduce the number of households that were potentially at risk of experiencing detriment.

Housing Benefit Under Occupancy, (Bedroom Tax)

- 3.19 On 1st April 2013, a Housing Benefit Under Occupancy supplement was introduced. Commonly referred to as the 'Bedroom Tax' the supplement is actually a restriction applied to the amount of Housing Benefit awarded to claimants who are under occupying their Council or Housing Association tenancy. Tenants under occupying by 1 bedroom are subject to a 14% reduction in the eligible rent used to calculate their Housing Benefit, (HB) whilst Tenants under occupying by 2 or more bedrooms are subject to a 25% reduction.
- 3.20 This was a significant change to the Housing Benefit assessment and initially it led to a number of social sector tenants experiencing shortfalls between their HB award and their contractual rent. This issue generated a lot of public concern and in response the Scottish Government and CoSLA agreed additional funding for Council's Discretionary Housing Payment, (DHP) budgets to mitigate the effect of under occupancy.

Discretionary Housing Payments, (DHPs)

- 3.21 Traditionally, DHP awards have been made to HB claimants in order to alleviate housing related hardship for short periods of time. The

administration of these payments is governed by the Council's DHP Policy. More recently the additional requirement for open ended DHP awards to be made in respect of under occupancy mitigation has introduced additional administrative challenges.

- 3.22 Whilst the Council continues to receive an element of DHP funding from the DWP which is directed at alleviating other forms of housing related hardship, this has been reduced over the same period that welfare reform related hardship has continued to increase. Meanwhile the majority of DHP funding now comes from the Scottish Government. Given that this is effectively ring fenced for under occupancy mitigation the Benefits Team are being faced with increasingly difficult decisions to make in response to a demand for DHP payments in respect of hardship which is only expected to increase further in response to future welfare changes.

Universal Credit

- 3.23 In 2013, the Universal Credit (UC) programme was expected to be rolled out across the UK in respect of 'new claims' by 2015 and that this would be followed by a transfer of existing 'working age' HB cases into Universal Credit 'Housing Costs' by 2017. The ELC Benefits Service Plan took account of the potential reduction in HB caseload by redesigning the service to include additional welfare related services which could be delivered in concert with CTRS and the residual 'pension age' HB caseload. However, the fact that the UC programme is currently over 2 years behind schedule has meant that the Benefits Service has so far retained the full HB caseload whilst absorbing and integrating the additional workload.
- 3.24 Since April 2015 ELC have been involved in the first tranche of the 'accelerated' roll-out of UC. Under this revised programme entitled 'Universal Credit Delivered Locally' local authorities are regarded as key partners for Job Centre Plus/DWP in a combined effort to assist East Lothian residents claiming UC and access Personal Budgeting Support, (PBS). This has seen the Benefits Service and other Council Services enter a Delivery Partnership Agreement, (DPA) with Job Centre Plus/DWP staff and other external partners from East Lothian Housing Association, (ELHA) and Castle Rock Edinvar Housing Association, (CRE). An Operational Delivery Group, (ODG) was formed to monitor and manage the various aspects of the accelerated UC roll out. However, to-date this arrangement has overseen only a portion of the new claims initially forecast to progress on to UC.
- 3.25 Whilst currently small in number the additional administrative overheads involved in dealing with UC cases have been significant. This has largely been due to the need to closely monitor UC cases to ensure that in spite of receiving help with their Housing Costs under UC, claimants still engage with the Benefits Service to ensure that they claim CTRS and also engage with the Council's Rent Income Team early enough to prevent rent arrears becoming an issue.

- 3.26 The Benefits Service has been informed that in early 2016, ELC will be amongst the first local authorities to take part in the roll-out of the Universal Credit, (Digital Service). Whilst it is thought that this should improve the UC claimant's journey, it is also envisaged that this initiative should also introduce a higher level of automation that may improve the process of liaison between Council Services and the UC Service Centre.
- 3.27 Whilst UC currently excludes claims from a range of claimant types, it is understood that the introduction of the digital service will expand the categories of claimants that UC claims can be accepted from. Whilst this is likely to result in more claimants being referred to the Council for help with claiming UC online, and for Personal Budgeting Support, it is also likely to significantly increase the overall volumes of UC cases and the associated administrative overheads.
- 3.28 A further ODG meeting is to be scheduled for early in the New Year. The Officer's representing the Council at this meeting will be looking to negotiate a Delivery Partnership Agreement, (DPA) for 2016/17 which reflects the now expected step change in the UC roll-out programme.
- 3.29 In the longer term, the Universal Credit programme will become a catalyst for significant change in the Council's Benefits Service and will also create additional challenges for the Rent Collection Team and other Council Services. These challenges are expected to arise from an increase in demand for different forms of assistance from UC claimants who may either experience difficulty in claiming and/or managing their household finances. These services along with help with employability skills will be the principle themes of 'Universal Credit Delivered Locally'.

Wider Welfare Reforms

- 3.30 Aside from the impact of the reforms on the Benefits administered directly by the Council, it must be borne in mind that East Lothian residents continue to be affected by ongoing changes to other welfare benefits. Whilst in many instances these changes may have a neutral effect, in others it may result in both less income to the household and a higher portion of their rent to pay.
- 3.31 Since October 2013, the DWP have been working through a program which will eventually see people aged 16 to 64 who are currently entitled to receive Disability Living Allowance (DLA) migrate on to Personal Independence Payments (PiPs). Overall, this has seen many households receiving a reduced income and a reduction in the rate of disability premium awarded, which can often reduce HB/CTRS entitlement.
- 3.32 In the June 2015 Budget, the Chancellor of the Exchequer proposed further welfare changes which were aimed at reducing claimant's reliance on state benefits and encouraging people to take on work and/or additional hours. These proposals initially included a change which would have seen working age households lose their Tax Credits in April 2016. Following an intervention by the House of Lords the Chancellor

dropped this proposal however, these households will now lose their Tax Credit entitlement as and when their claim is transferred into Universal Credit.

3.33 It is understood that further proposals which were contained in the Chancellor's Budget announcement will go ahead and will form part of the 'Welfare Reform and Work Bill' which is currently being drawn up. Once passed this Bill is likely to include proposals to:

- Lower the Benefit Cap, to £20,000 per annum, (outside London).
- Withdraw Family Premium for 'new' HB claims from April 2016.
- Exclude those aged 18 to 21 claiming Universal Credit, (and not considered vulnerable) from claiming UC housing costs element, (from April 2017).
- Cap the amount of HB payable to Social Housing tenants who sign their tenancies after April 2016. (Change not applied until April 2018 onwards).

Smith Commission Recommendations/Scotland Bill

3.34 Following the Scottish Independence Referendum in September 2014, the report produced by the Smith Commission made recommendations for further welfare related powers to be devolved to the Scottish Parliament. These recommendations are currently being developed into proposals which will be included in the Scotland Bill which is expected to be enacted in 2016.

3.35 Whilst the detail about the administration of these further devolved powers is yet to be confirmed, it is understood that the administration of PiPs, Funeral Grants, Cold Weather and Winter Fuel Payments are to be devolved to the Scottish Parliament. In addition to these powers it is also understood that the Scottish Parliament will also receive devolved powers to vary some elements of the Universal Credit award. This will include the ability to affect who in the household receives the payment, alter the frequency of the payment and also to pay the landlord direct. The Scottish Parliament will also have powers to top up benefits and create new benefits. However these options will need to be funded by the Scottish budget.

3.36 Throughout the course of the welfare reforms to-date, the Scottish Government has relied on local authority Benefits Services to administer the 2 principle forms of mitigation it has had at its disposal, DHP and SWF. With an expected increase in the available range of mitigation options, it is currently unclear how the Scottish Government will decide to deliver any further forms of welfare service it may choose to provide. In the meantime, the DWP has made it clear to local authorities that it expects Universal Credit will reduce Housing Benefit caseload over the course of the next 3 to 5 years. Given this, Scottish councils may need to consider how to best deploy their resources through this period in a

way that might minimise the impact on residents whilst protecting all relevant income streams.

4 POLICY IMPLICATIONS

- 4.1 No policy implications at present. However, current policies may need to be reviewed as and when Welfare Reform impacts become apparent.

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 Equalities impact assessments will be carried out in respect of any Policy change as and when this is required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial - it is currently anticipated that all of the areas reported upon within this report will be managed within existing approved budgets. However this will be kept under review as the welfare reforms progress.
- 6.2 Personnel - there are currently no implications at present for staffing resources. However, this will be kept under review as the welfare reforms progress.
- 6.3 Other - None.

7 BACKGROUND PAPERS

- 7.1 Welfare Reform Action Plan Sept 2015 – March 2017 (Appendix 1).

AUTHOR'S NAME	John Cunningham
DESIGNATION	Service Manager - Benefits
CONTACT INFO	X7706 or jcunningham@eastlothian.gov.uk
DATE	5 January 2016

Welfare Reform Action Plan: Sept 2015 – March 2017

(13th Nov 2015)

Ref	Key Actions	Lead(s)	Timescale	Update
1.	<p>Roll out of Universal Credit (UC) to include Housing Benefits, other benefits and tax credits</p> <p>Support the Operational Delivery Group and implement the Partnership Delivery Agreement, (to support and mitigate the impact of the roll out of Universal Credit)</p> <p>Consider impact of roll out on Council's capacity to provide:</p> <ul style="list-style-type: none"> • Digital Access and support for online applications (see Digital Inclusion Strategy) • Personal Budgeting Support <p>Review impact of Universal Credit on rent payments – mitigate impact on rent arrears</p>	JC / KC	<p>Quarterly reporting</p> <p>Review March 2016</p>	<p>114 Universal Credit pro formas have been submitted but only 15 private sector tenants and 23 council tenants to date</p> <p>No requests for Digital access support or referrals for Personal Budgeting Support have been received</p> <p>Revenues is preparing a report on the impact of UC on rent payments</p> <p>Noted that KC/ JC/ CMC/ Tom Shearer/ Sarah Fortune are to meet to discuss impact of UC on rent collection service</p>
2.	<p>Monitor impact of Housing Benefit (HB) under occupancy on tenants and rent arrears and mitigate impact through Discretionary Housing Payment (DHP)</p> <p>Mitigate impact through the work of the Tenancy Support Officers and applications for DHP</p> <p>Monitor impact on rent arrears</p> <p>Provide updates to CMT on DHP payments</p> <p>Provide briefings for housing and rent arrears officers</p>	JC / KC / CMC	Quarterly reporting	<p>Only £21,000 of the 2015/16 DHP budget remains uncommitted</p> <p>Noted JC may be preparing report to CMT and possibly Cabinet on DHP position and requirement for 2016/17</p>

Appendix 1

	Monitor and review SLAB funded tenancy support officer posts			
3.	<p>Monitor proposed changes to welfare benefits in Scotland as a result of the UK Government Welfare reforms and the Scotland Act (Smith Commission)</p> <p>Liaise with COSLA and professional groups to assess impact of transfer of responsibility or some of the welfare system to the Scottish Government</p> <p>Report to CMT on possible impact of these changes on East Lothian Council</p>	JC / KC	<p>Ongoing</p> <p>Review March 2016</p>	Noted that late amendments to the Scotland Bill give Scottish Parliament more powers over welfare matters including discretion to make Housing Benefit payments from Universal Credit direct to Landlords
4.	<p>Implementation of the Digital Inclusion Strategy</p> <p>Identify new lead for Digital Inclusion Strategy</p> <p>Identify sources of funding to support the strategy</p>	New Lead	<p>Ongoing</p> <p>Review March 2016</p>	DR and RS will review the Strategy to assess which elements are still relevant and which actions still need to be pursued and to ensure it fits in with the developing Channek Shift Strategy
5.	<p>Support Financial Capability and Financial Education</p> <p>Consider what support mechanisms are required to improve financial capability of people on low incomes (e.g. banking facilities and payment options for tenants and UC recipients)</p>	PV	Feb 2016	<p>PV to seek update on West Lothian proposal</p> <p>KC reported that Revenues is developing use of new Direct Debit facility to encourage payment of Council Tax and Rent by DD</p>
5.	<p>Training Plan - training and awareness raising work across the Council and 3rd sector</p> <p>Re-establish Training sub-group</p>	MC	<p>Dec 2015</p> <p>Review Oct 2016</p>	Noted that MC and TM will need to review training and staff awareness – possibly update the on-line material and run a

	Develop Training Plan taking account of past training and staff awareness and need to update staff on recent and future developments			new round of awareness sessions
6.	<p>Communications Plan – for staff, benefits recipients and general public</p> <p>Hold welfare reform event to inform stakeholders of latest development in welfare reform and Council's response</p> <p>Review existing activities and develop plan for future communications in particular around 1 and 3 above</p>	JO-S	<p>Feb 2016</p> <p>March 2016</p>	<p>Noted that welfare reform information event will be held on 10th February</p> <p>A refreshed comms plan should be produced once impact of Scotland Bill and other changes are clearer</p>
8.	<p>Establish an East Lothian Rights and Advice Network</p> <p>This will replace the Welfare Reform Reference Group to share information, consult and engage with key stakeholder groups and support development of an inter-agency Referral system</p>	PV	April 2016	Noted that the CABx will be asked to take the lead in establishing the Network and work with ELC Revenues and Welfare Rights Service to develop the referral system
9.	<p>Monitor and exploit external sources of funding to support welfare reform activity</p>	All	On-going	New BIG Lottery criteria will be published soon