CLACKMANNANSHIRE COUNCIL

THIS PAPER RELATES TO ITEM 5

ON THE AGENDA

Report to: Housing, Health & Care Committee

Date of Meeting: 31 March 2016

Subject: Welfare Reform Update

Report by: Head of Housing & Community Safety

1.0 Purpose

1.1. This report seeks to update members on the local experiences and impacts of changes to welfare benefits resulting from the introduction of the Welfare Reform Act 2012 and other provisions . Information is also provided on the potential impact of provisions due to be introduced in 2016/17.

1.2. It should be noted that further welfare reform measures may be introduced in the Chancellor's budget statement on 16th March; members will receive a verbal update on any relevant changes.

2.0 Recommendations

2.1. That members note the contents of the report, commenting and challenging as appropriate.

3.0 Background

3.1. The Welfare Reform Act 2012 and other provisions. The headline changes from this act include:

- The introduction of Universal Credit
- The replacement of Disability Living Allowance (DLA) with Personal Independence Payments (PIP).
- The introduction of a benefit cap.
- The introduction of the Spare Room Subsidy (Bedroom Tax)

3.2. The Government stated that the objective of the reform was to reduce the burden upon tax payers of the welfare system and to incentivise employment.

Research by Sheffield Hallam University[1] concluded " Welfare reform does reduce public expenditure and thereby the budget deficit but it does not, it would seem, lead to higher employment or reduced unemployment."

3.3. Another report by Sheffield Hallam University to the Scottish Parliament's Welfare Reform Committee in 2015[2] identified that Clackmannanshire was to be badly hit by welfare reform with an average of £500 p.a. lost per working age adult. The report identified Clackmannanshire as the 7th worst affected area in Scotland. The details are shown below:

Household Type	£ per year	Ranking
Couple - no children	£430	8th
Couple - one child	£1510	7th
Couple - two or more children	£1750	6th
Couple - all children non-dependent	£440	7th
Lone Parent - one child	£1920	7th
Lone Parent - two or more children	£2080	6th
Lone Parent - all children non-dependent	£580	7th
Single person household	£550	7th
Other - with one dependent child	£1550	7th
Other - with two or more dependent children	£1590	9th
Other Households e.g. polygamous marriages	£600	3rd

3.4. The dependency of Clackmannanshire upon means tested benefits is also illustrated in the table below which compares the total benefit expenditure for 2014/15 in the Falkirk, Stirling and Clackmannanshire council areas. Whilst certain payments e.g. "State Pension" approximate to the expected 3,2,1 ratio others such as Housing Benefit do not and show a significant weighting towards Clackmannanshire.

Total Benefit Paid 2014/15 - figures in millions				
Benefit		**Falkirk**	**Stirling**	**Clacks**
State Pension		£216.2	£126.8	£71.2
Attendance Allowance		£13.2	£7.1	£3.5
DLA		£44.3	£20.3	£15.2
	Children	£4.5	£1.6	£1.3
ESA		£40.0	£18.4	£15.2
HB		£41.2	£19.2	£19.7
Income Support		£6.7	£3.0	£2.8
	Lone Parent	£4.2	£1.6	£1.8
JSA		£9.7	£3.8	£4.1

[1] The Impact of Welfare Reform on the Scottish Labour Market: An Exploratory Analysis - September 2015
[2] The Cumulative Impact of Welfare Reform on Households in Scotland 2015

3.5. Members have already received briefings on these topics but earlier predictions, as to the impact, have not always proven to be accurate owing, in large part, to delays by the DWP in their implementation schedule and to interventions by the Scottish Government to mitigate the impact of some changes.

4.0 Impact by proposed change:

4.1. Universal Credit (UC):

4.2. Universal Credit is a new benefit designed to replace Jobseekers Allowance, Income Support, Housing Benefit , Working tax Credit, Child Tax Credit and Employment & Support Allowance. It is designed to incentivise employment and to increase claimants financial responsibility by, for example, better replicating the payment schedule an employee might expect and passing responsibility for rent payments to the claimant.

4.3. The roll out of Universal Credit has fallen significantly behind schedule across the UK resulting in restrictions to the areas and groups who are currently covered. Since its introduction in Clackmannanshire, in May 2015, only new unemployed jobseekers are eligible for UC and the numbers receiving this benefit are currently sitting at a total of only 241, of whom 67 are in employment.

4.4. Owing to the additional complexities involved, it appears the DWP has been keen, at this time, to avoid moving homeless persons from other benefits onto UC. The result is that the significant expected reduction in homeless rental income, previously reported on, has not yet materialised. It was estimated that rental income would drop by approximately £1.1million per annum but, whilst this reduction has not yet happened there has been no change in Government policy and the council continues to prepare for this change.

4.5. Of those claimants who have moved to UC many have experienced financial hardship early in their claim due to the enforced six week wait to receive their first payment. The DWP do offer short term benefit advances in these cases but require repayment of the advance within 6 months which, for many, results in an automatic deduction from their benefit of, on average, £50 per month.

4.6. It should be noted that new claimants for UC are not entitled to Housing Benefit and become personally responsible for the payment of their rent. The six week delay before the first payment of UC also means the claimant will probably have accumulated six weeks of rent arrears. With a benefits advance deduction in place many claimants will struggle to pay their rent or their contribution.

4.7. In these circumstances a landlord can apply for direct deduction from a claimants UC to cover rent arrears but deductions are automatically set at 20% of the claimant's monthly benefit entitlement. This deduction can be applied on top of the £50 benefit advance deduction causing significant hardship for claimants. This is illustrated below in a summary of an actual case dealt with by the Council's Advice Team:

4.7.1. The claimant is single and lives in a council property; he would ordinarily have received JSA of £73.10 plus full Housing Benefit of £70.38 per week.

4.7.2. He spent a short period of time in prison and, upon release, he was required to claim Universal Credit rather than the JSA he had previously received.

4.7.3. The claimant had to wait 6 weeks for his first payment to be made but, because he was suffering financial hardship he was awarded a short term benefit advance of £300. The regulations require that this benefits advance is repaid within 6 months so, DWP reduced his monthly benefit by £49.98 to allow for the repayment.

4.7.4. Before receiving his first payment of UC he built-up rent arrears of over £500 and the Housing Service, understandably, requested a direct deduction from his UC to clear the arrears. The DWP applied their standard 20% deduction. This was on top the deduction that was already in place for the repayment of the benefit advance.

4.7.5. The result of this was that the claimant was left with £47 each week to live on rather than the £73.10 that would otherwise be in payment, this is a reduction of £26.10 each week. His ongoing rent was being paid directly to the Council.

4.8. Personal Independence Payments:

4.9. Personal Independence Payments are designed to assist persons with care needs to meet the additional expense of dealing with their condition and/or with additional costs associated with mobility. This new benefit will replace Disability Living Allowance and will adopt an assessment model which is based upon medical examination and a defined points system for scoring needs. In these respects it is very different from the benefit it is replacing.

4.10. The roll out of PIP has been delayed and, since August 2015, has only been applied to new claims and renewals. Consequently the claimant caseload for DLA remains largely the same, with some 3000 recipients in Clackmannanshire. As at October 2015 there were 618 recipients of PIP within the Clackmannanshire area.

4.11. It is the Governments stated objective to reduce the claimant count for such benefits and it is known that 26% of renewals are refused. There is insufficient detail in the available figures to quantify the financial impact of these changes at this time however we can expect to find a substantial number of the existing claimants in Clackmannanshire (perhaps as many as 780) will have their benefit removed when mandatory reassessments are rolled out.

4.12. **ESA Reassessment :**

4.13. Employment & Support Allowance (ESA) is a contributory and means tested benefit designed to replace the earnings of those who are unfit for work. The mandatory reassessment process has now mostly been completed by DWP and early criticism regarding the quality of the medical assessment process and refusal rate have now largely been addressed. The system, however, continues to have problems dealing with claimants on the margins between ESA and JSA and with variable conditions. Such claimants are frequently bounced between these benefits and often require assistance to navigate the system.

4.14. **Spare Room Subsidy (bedroom tax):**

4.15. The spare room subsidy restricts the amount of Housing Benefit payable to a claimant living in local authority or RSL housing who is deemed to be under-occupying their accommodation. A reduction of 14% is applied where the applicant is deemed to have one bedroom too many and by 25% for two bedrooms.

4.16. Initial concerns over the introduction of the spare room subsidy, reported in earlier papers, have been removed by the additional Discretionary Housing Payment (DHP) budget awarded to the Council by the Scottish Government. The majority of the DHP budget of £724,549 has been directed at assisting those who would have been affected by this policy; consequently the feared result of increased rent arrears, evictions and homelessness has not come to pass.

4.17. In 2015/16, the Scottish Government allocated an additional £35m to councils to fully mitigate the removal of the spare room subsidy. The £35m was to be allocated in two tranches:

- Tranche 1: £26m distributed from the start of 2015/16

- Tranche 2: £9m held back until May 2016.

4.18. Clackmannanshire's DHP funding allocation is summarised below:

DHP Funding Allocation 2015/16				
DWP	Tranche 1	Sub-Total	Tranche 2	Total DHP
£196,236	£372,345	£568,590	£155,599	£724,549

4.19. Initial indications suggested that only the Tranche 1 allocation was required to fully mitigate these costs. However, it has been necessary to make use of approximately £17,000 of Tranche 2 funding.

4.20. **Total Benefit Cap:**

4.21. The 2012 Act introduced a total benefit cap on claimants of £500 for couples and £350 for single person which came into effect in April 2013 and affected 166 households within the Clackmannanshire area. The majority (128) of these household were in temporary accommodation and their total benefit exceeded the cap largely because of the relatively high rents charged for this property type. Within these household there were 125 children.

4.22. The average benefit reduction per week for these households is £99.96 but, again, it should be remembered that much of this would have been due to temporary accommodation charges and the loss would have been borne by the Council.

4.23. A further benefit cap reduction is due to come into force in April 2016 which will see the cap reduce to £387 per week for couples and £258 per week for single persons. This is a significant reduction that will have wider application than the earlier cap, affecting households with three or four children in mainstream accommodation.

4.24. The following worked examples illustrate the issue, they assume a family living in a 3 bedroom Council property:

Households Affected by Benefit Cap - Pre and Post Cap Figures				
	Couple with 4 Children		**Couple with 3 Children**	
Income	2015/16	2016/17	2015/16	2016/17
JSA	£114.85	£114.85	£114.85	£114.85
Child Benefit	£61.80	£61.80	£48.10	£48.10
Child Tax Credit	£223.71	£223.71	£170.40	£170.40
Above Cap of £387?		Yes		Yes
Rent Charge	£74.94	£74.94	£74.94	£74.94
HB Entitlement	£74.94	Zero	£74.94	£53.65
Child Tax Credit Reduction		£13		Nil
Total Benefit	£475.30	£387.00	£408.29	£387.00
Total Reduction		£88.30		£21.29

Households Affected by Benefit Cap - Pre and Post Cap Figures				
	Lone Parent with 4 Children		**Lone Parent with 3 Children**	
Income	2015/16	2016/17	2015/16	2016/17
JSA	£73.10	£73.10	£73.10	£73.10
Child Benefit	£61.80	£61.80	£48.10	£48.10
Child Tax Credit	£223.71	£223.71	£170.40	£170.40
Above Cap of £387?		Yes		No
Rent Charge	£74.94	£74.94	£74.94	£74.94
HB Entitlement	£74.94	£28.39	£74.94	£74.94
Child Tax Credit Reduction		Nil		Nil
Total Benefit	£442.55	£387.00	£366.54	£366.54
Total Reduction		£55.55		Zero

4.25. Work will be undertaken to identify these households to offer assistance in dealing with this issue. Unfortunately, in the first example, the family with four children will not be eligible for assistance by way of DHP as they have no entitlement to Housing Benefit.

4.26. It should be noted the impact will fall significantly upon those living in the Council's temporary accommodation and we should expect a significant reduction in rental income to be seen as a consequence of this change.

4.27. It is estimated that rental income to the general fund for temporary accommodation will fall by £270,000 per annum in 2016/17, according to the modelling tool being used. This is on top of the estimated loss of £622,000 this financial year resulting from the previous cap.

4.28. **Jobseekers Allowance (JSA) Sanctions**

4.29. The application of sanctions upon jobseekers within Clackmannanshire has been a cause of significant concern over the last 18 months with sanction rates being as much 5 times greater than in other areas. No specific explanation for such variance has been raised by the DWP. Sanctions can be imposed upon claimants who are judged to be non-compliant with their obligations in seeking employment and can have a significantly detrimental impact upon households, driving them into debt, rent arrears and to crisis support services such as the Scottish Welfare Fund and local foodbanks.

4.30. The following case study illustrates the problems faced:

- *A client sought advice re a sanction of 4 weeks which had been imposed on his JSA for non attendance at the Jobcentre. The client was a young person who has his own council property and had been looking for work for over a year. He had attended his work placement on the day in question but failed to attend at the jobcentre to sign on, as he mistakenly understood it was closed due to the new year holiday.*

- *During the period of the sanction the client had to seek support from the following services;*

    - *Assistance from the money advice team to request a mandatory reconsideration of the DWP decision.*

    - *Help to apply for a Crisis Grant from the Scottish Welfare Fund for Electricity as he had no power or heating in January*

    - *Referral had to be made to The Gate for food Parcels.*

- *Although clients benefit sanction has now been lifted as the four weeks have passed the client is still awaiting a decision on his reconsideration request. The above interventions are standard and are required in almost every case where a sanction has been imposed.*

4.31. **Housing Benefit - Removal of Family Premium**

4.32. Changes to the way housing benefit is calculated for families will change for new applicants from April 2016; the amount a household is deemed to need (their applicable amount) will no longer include a prescribed premium, of £17.45, ordinarily applied where the household includes dependant children.

4.33. This will result in these households receiving less benefit and being required to contribute more towards their rental charges.

4.34. An example of application of this change is shown below:

- o *A lone parent with 2 children works 16 hours per week at an hourly rate of £7.50.*
- o *Weekly income including tax credits and child benefit £271.84.*
- o Under the current system the rent to pay each week is £30.86 but with removal of the family premium the new charge will increase to £42.21.

5.0 Fiscal Framework Agreement

5.1. Responsibility for certain areas of Social Security expenditure is to pass to the Scottish Government under the agreement between the Scottish Government and the United Kingdom Government on the Scottish Government's fiscal framework. The transfer of these responsibilities is to be overseen by a new Scottish benefits agency but the timetable for transition is still to be published.

5.2. The areas being devolved include:

- o powers relating to benefits for disabled and ill people
- o powers to vary housing cost elements of Universal Credit
- o Administrative powers to change payment arrangements for Universal Credit
- o Power to top-up reserved benefits
- o Power to create new benefits in areas other than pensions.

5.3. Members will be kept updated on developments in these areas by future briefings and on any changes following from the Chancellor's budget statement of 16th march.

6.0 Sustainability Implications

6.1. None

7.0 Resource Implications

7.1. Financial Details

7.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes ☑

7.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes ☑

7.4. Staffing

7.5. There are no staffing implications arising from this report

8.0 Exempt Reports

8.1. Is this report exempt? Yes ☐ (please detail the reasons for exemption below) No ☑

9.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box ☑)

The area has a positive image and attracts people and businesses	☐
Our communities are more cohesive and inclusive	☑
People are better skilled, trained and ready for learning and employment	☐
Our communities are safer	☐
Vulnerable people and families are supported	☑
Substance misuse and its effects are reduced	☐
Health is improving and health inequalities are reducing	☐
The environment is protected and enhanced for all	☐
The Council is effective, efficient and recognised for excellence	☑

(2) **Council Policies** (Please detail)

10.0 Equalities Impact

10.1. Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes ☐ No ☑

11.0 Legality

11.1. It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes ☑

12.0 Appendices

12.1. Appendix 1, Welfare Reform COSLA Update, March 2016

13.0 Background Papers

13.1. Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered).

Yes ☐ (please list the documents below) No ☑

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Appendix 1

COSLA

Welfare Reform COSLA Update

March 2016

Council Tax Reduction Scheme

As part of the Council Tax reforms announced by the Scottish Government this week, there are proposals to make some changes to the Council Tax Reduction Scheme. These being to increase the child premium to provide wider relief for low income households with children. The proposed increase is 25% from £66.90 to £83.63 per week. With the proposed increases to higher Council Tax bands, properties in bands E-H, a targeted relief will also be provided for households on low incomes in these properties. For households on net incomes below the median for their household type, or up to £25,000, they will receive full protection, whilst the Scottish Government will work with local government to design tapered support for additional lower income households.

As part of understanding the implications of the wider Council Tax Reform proposals, COSLA will be working to understand in more detail how these proposals will be implemented and how the financial costs will be managed.

Joint working on CTR fraud – the next meeting of the joint working group is on 19th April. A further update will be provided following that meeting.

DHP update

The funding allocations to Councils for 2016/17 have now been announced by DWP and Scottish Government have also informed Councils of their allocations of the £35m DHP under-occupancy funding. SG have also provided a breakdown of the funding allocation to assist Councils in understanding how their allocation has been arrived at.

Housing Benefit Administration

A meeting is scheduled for 9th March for DWP to discuss with local government associations any remaining new burdens of the Single Fraud Investigation Service going into 2016/17. It is anticipated that similar discussions will be required on other areas of new burden such as additional administration for the reduced Benefit Cap and LHA freeze from April 2016 and this will be raised through the DWP/ LAA Steering Group in the near future.

Universal Credit Update

The UC Live service is still on course to cover the whole of Scotland by 24 April. Musselburgh (East Lothian) will be the first area of Scotland to experience the 'Full' (Digital) UC service from the end of March, as part of 'UC Make Scalable.' Our understanding is that Inverness Jobcentre will follow with the Full service in June, with the rest of Highland in November. The Full service will cover all claimant groups including complex cases. We anticipate announcement of the 2017 Full Service rollout timetable by DWP in July.

COSLA has raised local authority concerns with DWP regarding how rent rises will be handled in the current 'Live' service. DWP has advised that a design solution should be approved and communicated soon. We have also sought clarity through the UC Steering Group on the scope and financial parameters of Universal Support expected under the Full service as DWP has previously indicated the existing DPAs only applied to 'Live.'

SWF Update

Spend level in January according to the informal monitoring information provided to the Scottish Government by councils was £2.5 million against a flat 12 monthly profile of £2.9 million. Spend to date in this financial year 15/16 across Scotland was £27 million against the flat 12 monthly profile of £29 million. This represents spend of 77% in year 10 months in to the financial year.

Scottish Government have provided indicative funding levels for each Council for 2016/17, late in January. They will be writing to all Councils, now the Budget considerations have been concluded, with their individual allocation of both programme and administration funding.

The Welfare Reform Committee (WRC) scrutinized the Regulations in January and recommended the Regulations be accepted. To that end the Welfare Funds (Scotland) Act 2015 and the Welfare Funds (Scotland) Regulations 2016 will come in to effect in April 2016 as planned. Updated application forms and statutory guidance were provided to LAs, for comment in January, and final version should be available early in March 2016. Briefings will be made available locally for Elected Members and other stakeholders to communicate the commencement of the permanent scheme.

The Scottish Public Service Ombudsmen (SPSO) as Advisors will be aware will be responsible for 2nd tier review requests at the commencement of the permanent scheme in April. The SPSO have successfully recruited a Team Manager and Case Reviewers for this new function, have continued to meet with all relevant stakeholders on a regular basis and have undertaken testing of the process required with a number of LAs using different software system. Additional communications will be issued in due course containing the agreed final process, sample text for inclusion in decision notices and actions required of LAs from April.

Areas that COSLA will continue to pursue over the coming year include ongoing monitoring of the programme spend; reviewing the impact of Universal Credit on SWF in terms of any additional resource requirements created in managing the Fund and demands on the Fund from UC claimants; and work to ensure the SPSO processes and decisions for 2nd tier reviews do not adversely affect Councils' ability to deliver SWF policy locally.

Temporary Accommodation

In light of the funding gap which is emerging between local authority statutory homelessness responsibilities in Scotland and reduced benefits entitlement as part of the UK Government's welfare changes, COSLA is seeking to raise the profile of this issue with the Scottish Government. Therefore COSLA has now also written to the Scottish Government seeking discussions on the way forward in mitigating the impacts of the UK changes on temporary accommodation in Scotland.

Supported Accommodation

COSLA wrote to the Secretary of State for Scotland following a recent meeting with the COSLA President seeking, among other matters, for some exemption for supported accommodation from the LHA cap on social rents due to be applied for new tenancies. The response does indicate that some thought is being given to whether appropriate protections are in place. This is to be informed by the results of the recent local authority survey on supported accommodation which DWP/DCLG commissioned. We understand that initial findings from this survey are due in April. On 1 March, in response to considerable lobbying, Lord Freud announced a one year postponement of the application to the LHA cap to supported accommodation to allow consideration of appropriate protections.

PIP

Dialogue continues with PIP officials at the DWP through tele-conference calls. It appears that the system through which current DLA recipients are invited to apply for PIP is completely random – within areas served by each assessment centre – and that it is not possible to share information about individuals, or low level post-code areas who are being invited.

The recent response to our letter to the Secretary of State for Scotland referred to above gives an unrealistically positive interpretation of the situation. COSLA have been offered places at the DWP Customer Reference Group and to a meeting of the PIP / National Partnership Lead officials in Scotland but it seems unlikely that either of these channels will enable the sharing of information that councils would like.

Attendance at the Customer Reference Group which included (among many other items) a presentation on PIP, might prove useful in future but only in terms of getting more of a feel for the emerging local issues as PIP roles out. There is an emphasis in language being used by DWP on the change from DLA to PIP not being a 'transfer' just the end on one benefit and the start of another; this appears to be an effort to place responsibility on claimants.

Contact has been made with a DWP representative in Scotland through which we hope to reiterate our concerns and at the very least elicit a more detailed understanding of the barriers to a solution. At this time we understand that the random approach to invitation is driven completely by the capacity of assessment centres. It seems DWP expectation is that LAs ensure continuous on-going public awareness raising activity on PIP rather than more efficient targeting.

We have agreed to regular ‘tele-kit’ meetings which we believe comprises a ‘bespoke stakeholder approach’ as described in the response from David Mundell.

Devolution of Social Security Benefits

Following agreement on the Fiscal Framework underpinning the devolution of powers in the Scotland Bill, Alex Neil, Cabinet Secretary for Social Justice, has announced the setting up of a Scottish benefits agency. COSLA’s understanding is that this is only in relation to the governance of the Scottish social security system rather than the user interface or back room delivery. Alex Neil also expressed interest in working with ‘our friends in local government’ in reducing the number of assessments etc.

COSLA is continuing to develop thinking in this area following consultations with relevant officers from local authorities and we will consider this matter with a Sub Group of councillors from the Community Well Being and Health and Well Being Executive Groups in March.