

Welfare Reform

Policy and Strategy Committee

2 October 2012

1 Purpose of report

- 1.1 This report updates Policy and Strategy Committee on the Welfare Reform Act 2012 and provides a summary of progress so far of the Council's response to the UK Government proposed changes.

2 Main report

Background

- 2.1 On 8 March 2012 the UK Welfare Reform Act received Royal Assent. The Act introduces a wide range of reforms across the benefits and tax credit system with the intention of:
- making work pay;
 - simplifying the benefits and tax credit system; and
 - reducing the costs of the benefits system.
- 2.2 The major change is the introduction of a Universal Credit which replaces many of the existing benefits and which will now be applied for online and paid monthly in arrears. An overview of the changes and the implications for claimants and the Council is provided in Appendices 1 and 2.
- 2.3 The changes should be understood within the context of savings identified by the UK Coalition Government to the welfare budget of around £18 billion to be delivered by 2014/15.

Impact

- 2.4 The Council currently administers a number of welfare benefits and supports a large number of clients who are in receipt of welfare benefits from the DWP. The scale of the proposals is significant and there is a substantial risk that the impact on clients and the Council will be adverse in many cases. Details are provided in Appendix 1 and 2 and high level details are provided below.

2.5 Based on current Edinburgh claimant figures, the move to Universal Credit will affect:

- almost 12,000 job seeker allowance claimants;
- 2,700 Income support claimants;
- almost 21,000 Employment Support Allowance claimants;
- over 32,000 joint HB and CT benefits claimants; and
- around 6,500 HB claimants.

2.6 The move to Personal Independent Payments could affect almost 15,000 Disability Living Allowance claimants.

2.7 Local Council Tax Support Scheme will affect:

- over 32,000 joint HB and CT benefits claimants; and
- around 9,000 CTB claimants.

2.8 Impacts on the Council include:

- new statutory burdens, e.g. Scottish Community Support Fund administration;
- potential cost transfers from central government combined with reductions in the expenditure available, e.g. i) council tax support scheme - estimated funding gap in the region of £3.5m on 12/13 figures by 14/15 and ii) Housing Revenue Account impact of between £10 - 13m; (see Financial Implication section for further details);
- indirect consequences, e.g. i) increased homelessness due to financial hardship, ii) a pressure on the HRA of up to £5m as a result of under occupation, direct payment and other changes.

2.9 A recent COSLA briefing note forecasts the likely reduction of Council Tax expenditure in Scotland. Table 1 below shows the impact by 2015/16.

Table 1 COSLA Forecast in Welfare reduction

Year	Forecast Expenditure	% difference from 12/13
	£m	
12/13	383	-----
13/14	333	-13%
14/15	322	-16%
15/16	313	-18%

Progress

2.10 Significant work is already underway across the Council and a number of changes have already been made. These include:

- implementing the change to Local Housing Allowance (LHA) rates from April 2011 which essentially reduces the amount of housing benefit existing tenants will receive to 30th percentile of market rents rather than the 50th percentile;

- implementing the increase in non-dependent reductions; i.e. the amount that is deducted from a tenant's housing and council tax benefit where they have a working non-dependent child/parent living with them;
- implementing the benefit 'up rate' change; i.e. from April 2011 benefits will increase in line with the Consumer Price Index (CPI, 11/12 = 3.1%) rather than the Retail Price Index (RPI, 11/12 = 4.6%);
- applying the new rules on 'Shared Room Rate' to single people aged under 35; this means that those aged 25-34 will receive a maximum of £285 per month rather than the current maximum of £500 per month. The Revenues and Benefits Division successfully bid for £345,000 funding from the Department for Work and Pensions to implement a programme to support tenants through this change; and
- developing a demonstration project between the Council and Dunedin Canmore Housing Association. This project is trialling arrangements for the direct payment of housing benefit to tenants rather than to the Housing Association, in line with welfare reform requirements. The first direct payments happened in August 2012. The project will run until June 2013.

2.11 A number of officers from within the Council have been involved for some time in preparation for the Welfare Reform changes at a UK and Scottish Government Level. This includes roles on the DWP Universal Credit Local Authority Transitional Working Group, DWP Operational Assurance Group, DWP Practitioner Officer Working Group, and COSLA Tax Benefit Replacement Officer Group. In addition, officers have given evidence in relation to the Welfare Reform Bill to the Scottish Government Finance Committee.

2.12 It should be noted that final details for many of the UK Government changes are still not available, despite the timescale for implementation. Currently officers are making best efforts to plan for the changes and to mitigate impacts within what is known and to prepare for prompt response as details become available.

2.13 It is important that Money Advice Services across the city are prepared for the challenges of Welfare Reform and it is proposed that work be taken forward to identify options for joint working to maximise the effectiveness of these services.

Next steps

2.14 A number of other changes need to be implemented over the period 2012-13 and 2013-17. Appendix 3 provides a detailed timeline for these. They include:

- application of Consumer Price Index to Local Housing Allowance rates;
- restriction of housing benefit for those tenants in the social rented sector who are 'over-accommodated' – i.e. in properties assessed as too large for them;
- abolition of the current Council Tax Benefits system and introduction of Local Council Tax Support Scheme with a 10% reduction in overall budget (pensioners are to be protected from this cut). The Scottish Government have agreed to fund this shortfall for 2013/14;

- establishing, by 1 April 2013, the Scottish Community Support Fund, a scheme to deliver former Social Fund crisis and community care grants transferred from the DWP to the Scottish Government (and thereafter allocated to councils as ring-fenced grant). It will have national eligibility criteria which are being developed by a national working group;
- household benefit cap - Housing Benefit and Council Tax Benefit will be capped for individuals at £350 per week and for married couple/single parents at £500 per week;
- transfer of fraud investigation (not Council Tax Benefit fraud) to a national single Fraud Investigation Service;
- phasing out of housing benefit between October 2013-2017; new claimants will apply nationally and online for Universal Credit which will include an amount for housing costs; and
- introduction of Personal Independence Payments to replace Disability Living Allowance with reductions in benefit entitlement estimated by the DWP at 20%.

Corporate programme

- 2.15 In order to progress the work identified above in line with the timescales in Appendix 3, it is proposed to set up a Welfare Reform Programme under the Corporate Programme Office. Corporate Management Team will perform an oversight role, supported by regular reporting by the Programme Team. The proposed arrangement is detailed in Appendix 4.
- 2.16 The programme must oversee specific and substantial projects and work streams which so far include:
- Delivering Social Community Support Fund arrangements;
 - Delivering Council Tax Support Scheme arrangements;
 - Housing Benefit changes;
 - Advice services, money management, debt management;
 - 'Pass ported' benefits (EMA, school meals, blue badges, etc);
 - Mitigating the impact of benefit changes for vulnerable people;
 - Mitigating the impacts on Council income; and
 - Mitigating the impacts on the local economy.
- 2.17 To ensure the best understanding of the wide ranging impacts of the reforms as outlined in paragraphs 2.4-2.9, a reference/stakeholder group, named the Welfare Reform Strategic Planning Group, has been established within the programme governance. Members include a range of stakeholders including the third sector and community planning partners.

- 2.18 A briefing on welfare reform has been shared with Elected Members and it is proposed that a suitable forum be established to ensure ongoing liaison. Update reports will be made Policy and Strategy Committee in future.

3. Financial implications

- 3.1 The changes above are set within the context of £18billion savings to the UK welfare budget by 2014/15. With the exception of some pensioners, almost all claimants will see a reduction of some sort over the period. Young people and large families in particular will be affected. There is a substantial risk that the number of people in hardship will increase.
- 3.2 The likely allocation for the Social Community Support Fund from DWP to Scottish Government was announced in early September. It is in the region of £23.8m (programme funding), £5m (running costs) and £240k (set up costs). It is likely the programme funding will be insufficient to meet hardship payments based on 2009/10 figures and there is no allowance for rising demand. The allocation for set-up costs will amount to only £7,500 per authority if divided equally and are well below the Scottish Governments expectations.
- 3.3 The Government does provide a sum of money to all local authorities (Discretionary Housing Payment – DHP) to be used to help claimants who are experiencing hardship. This was £338,000 in 2011/12. It is approximately £570,000 for 2012/13. The total amount for this nationally is to be increased by £30 million, however this is a ‘drop in the ocean’ compared to the £18 billion savings and will in no way make up shortfalls in future entitlements.
- 3.4 The centralisation of housing welfare payments is likely to lead to the loss of central government administrative income. Currently this income contributes to the administration costs of both Housing Benefit and Council Tax Benefit. The Council Tax Support system will continue to be administered locally and there is uncertainty over ongoing levels of support for this;
- 3.5 As a result of the reductions in the income of council house tenants and payment direct to tenants rather than to landlords, there is an expectation that income from rents will be affected. Furthermore, the removal of housing benefit administration and fraud investigation work is likely to lead to a loss of administrative income received from central government.
- 3.6 Changes in housing benefit pose significant risks to the Council’s Housing Revenue Account income. It is currently estimated that this could lead to a potential loss of income to the Housing Revenue Account of up to £9.8million in 2013/14 rising to £13.2m in 2018/19. Changes to other benefits are likely to impact on reducing household incomes which in turn is likely to impact on Council income collection, however this will be dependent on individual household circumstances and the final regulations and is difficult to quantify at this stage.
- 3.7 The increasing numbers of people experiencing hardship may well lead to increased demand and financial pressures in other service areas, e.g. homelessness services, welfare/debt advice, social work services, employability and economic development services.

3.8 COSLA have prepared a standard template for the analysis of the financial and other risks and impacts associated with welfare reform - a Business Continuity Impact Assessment (BCIA). Edinburgh Council has agreed to adopt the BCIA and has begun analysis of the potential impacts in more detail. Further reports will be made to Committee in future on the outcome of this analysis.

3.9 The corporate programme to be established will have cross council implications. As a result it will be funded from existing resources within Directorates.

4. Equalities impact

4.1 The UK Government has prepared an Equalities and Human Rights Impact Assessment for each of the welfare reform policy proposals. These are available through the following link: <http://www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/welfare-reform-act-2012/impact-assessments-and-equality/> .

4.2 The emphasis from the UK Government has been on the simplification and re-focusing of benefits onto those most in need. The Council will undertake an EHRIA when necessary in the implementation of the proposals.

5. Environmental impact

5.1 It is likely that the changes, overall reductions in benefits and focus on those in most need will lead to an adverse environmental impact in the form of more people being placed in fuel poverty. The Strategic Reference Group will have a key role in helping to mitigate this wherever possible.

6. Recommendations

6.1 It is recommended that Policy and Strategy Committee:

- a) notes the Welfare Reform Act changes and the likely impacts on claimants and the Council;
- b) notes the scale and scope of the ongoing work and the need for further details from the UK Government;
- c) agrees to establish a corporate programme to deliver the changes and to mitigate impacts to be funded from existing resources within Directorates; and

- d) request that a further report be brought to Policy & Strategy Committee on options for joint and partnership working across Money Advice Services in the city to maximise the effectiveness of these services in meeting the challenges of Welfare Reform;
- e) notes that further reports will be made to Policy and Strategy Committee.

Alastair D Maclean
Director of Corporate Governance

Appendices	<ul style="list-style-type: none"> 1 Welfare Reform Act 2012 – Overview of Major Changes and Implications for Claimants 2 Welfare Reform Act 2012 – Overview of Major Changes and Implications for the Council and the City 3 Key Dates for Welfare Reform changes 4 Proposed Governance Arrangements for Welfare Reform Programme
Contact/tel/Email	<p>Susanne Harrison Corporate Projects Manager Corporate Governance Tel : 0131 469 3982 Mail to: susanne.harrison@edinburgh.gov.uk</p> <p>Alan Sinclair Council Tax and Benefits Manager Corporate Governance Tel : 0131 469 5486 Mail to: alan.sinclair@edinburgh.gov.uk</p>
Wards affected	All
Single Outcome Agreement	Edinburgh's SOA Outcome 2: Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health.
Background Papers	Welfare Reform Proposals, Health, Social Care and Housing Committee, 7 December 2010

WELFARE REFORM ACT 2012 OVERVIEW OF MAIN CHANGES AND IMPLICATIONS FOR CLAIMANTS

The list below provides an overview of the significant changes in welfare benefits and likely impact on client groups. The final paragraphs outline the potential adverse implications for the Council, its services and the city as a whole.

The introduction of Universal Credit:

- will provide a basic allowance for working-age people both in and out of work with additional elements for children, disability, housing and caring;
- replaces working tax credit, child tax credit, housing benefit, income support, income-based jobseeker's allowance and income-related employment and support allowance;
- does not include contributory Jobseeker's Allowance, Contributory Employment and Support Allowance, Disability Living Allowance, Child Benefit, Bereavement Benefits, Statutory Sick Pay, Statutory Maternity Pay, Maternity Allowance and Industrial Injuries Disablement;
- will have a phased introduction from October 2013 up to 2017 with Housing Benefit claimants transferring later in this period;
- helps tackle the 'poverty trap' (whereby for each extra £1.00 earned £0.95 is clawed back through increased tax or reduced benefit). A new 'taper' of £0.65 will be introduced for each additional pound of earnings;
- will accompany the reform of Pension Credit from October 2014 on a similar basis. This will combine all means tested support and includes a new 'housing credit' element covering help with rent or mortgage costs replacing Housing Benefit; and
- will help radically simplify the current complex range of benefits available to those out of work but are will probably lead to a reduction in income for many.

The abolition of housing benefit:

- will be replaced by a housing element paid directly to the claimant within Universal Credit;
- will increase the risk of clients falling into rent arrears and the potential for eviction if the allowance not used by them to pay rent; and

The introduction of a benefit cap on Housing Benefit:

- will result in families having to move house if their existing housing costs cannot be met within the capped rate; and
- has the potential to lead to vulnerable and disabled people moving away from supported and adapted properties.

Local Housing Allowance (LHA):

- will be up rated via Consumer Price Index (CPI) rather than generally higher Retail Price Index (RPI) which will have an impact on the extent to which the benefit will keep up with the rate of rent increase.

Other housing benefit changes - maximum rents, requirement for young people to live in shared accommodation and reduction in housing allowance if social housing under-occupied:

- from January 2012 all people under age of 35 will receive only sufficient Local Housing Allowance (LHA) to pay for shared accommodation (apart from existing claimants who will get transitional protection);
- the reduced levels of LHA in these cases and in the social rented sector may lead to people having to move accommodation or becoming unable to take up tenancies (very relevant in Edinburgh housing market);
- the point above has the potential to increase homelessness amongst young people. Scottish Government estimate an increase of over 3000 homeless households from the LHA changes and benefit cap;
- LHA can be topped by discretionary housing allowance but the fund proposed by the UK government is likely to be insufficient (probably as a consequence of housing pressure in London) and it will not be ring-fenced;
- the reduction related to 'over accommodation' will not take into account any need for a disabled child to have their own room or one for equipment e.g. dialysis. It is estimated that 66% of affected households include a disabled person;

The abolition of council tax benefit and replacement with Local Council Tax Reduction Scheme.

- the centralised Dept of Work and Pensions (DWP) system will be abolished and local authorities will be required to run this locally. There will be a 10% cut in grant. However UK Government have advised that pensioners will be protected from this reduction, such that, in Edinburgh the impact across other groups is estimated to be around a 17% reduction;

Income Support will be abolished:

- and replaced by the introduction of Universal Credit;
- as will the 'severe disability' premium paid within Income Support. This will reduce the income of people with severe disabilities.

Disability Living Allowance (unless you are a child or over 65 and currently receiving) will be abolished:

- and will be replaced by PIPs (Personal Independence Payments) -

- with stricter criteria/medical assessment;
- predicated on a 20% cut in expenditure;
- and will be capped - with no money for new claimants.
- this will mean fewer disabled people will receive the benefit, however a recent amendment to the Bill will allow people with severe visual impairment to receive high-rate mobility allowance.

The national discretionary Social Fund (Crisis Loans and Community Care grants) will be abolished:

- it will be replaced by the Scottish Community Support Fund and devolved to the Scottish Government - who will devolve to local authorities;
- it is likely the programme funding will be insufficient to meet hardship payments based on 2009/10 figures and there is no allowance for rising demand;
- there will be no scope to top up fund from loans reclaimed from benefits so any crisis payments will need to be in the form of a grant; and
- the new system will be in place by April 2013.

Restrictions will be made to Employment Support Allowance (ESA) which:

- will limit payment of ESA to 12 months; and
- will assess (via a medical assessment) recipients into 2 groups, those deemed 'able to work' and those deemed 'unable to work'.
- (there is no sanction for those 'unable to work' but this could be a potentially stigmatising 'label' for clients).

Universal Credit (replacing job seekers allowance, income support, housing benefit, child tax credits, working tax credits, child benefit)

- will be paid monthly (not fortnightly as income support is currently) and in arrears. This has major implications for vulnerable clients and their ability to budget over this transition period.
- (the DWP will still make budgetary loans for clients in hardship but this fund will be limited.)

WELFARE REFORM ACT 2012 - THE IMPLICATIONS FOR THE COUNCIL AND THE CITY

Administration Changes within the Council:

- Housing Benefit administration will no longer be required leading to loss of income from central government;
- the payment of the housing support element of Universal Credit direct to tenants could lead to increased rent arrears, and loss of administrative income;
- Housing Benefit and benefit cap changes will impact on council housing departments allocation effectiveness given the very limited housing stock available - for example the impact on housing departments no longer being able to allocate single tenancies to people under 35. This is likely to increase homelessness presentations;
- overall, changes in housing benefit pose significant risks to the Council's Housing Revenue Account income. It is currently estimated that this could lead to a potential loss of income to the HRA of up to £9.8million in 2013/14 rising to £13.2m in 2018/19;
- Local Council Tax Support Scheme will need to be administered locally, currently this is done jointly by Housing Benefit/Council Tax benefit staff. This means the Council may need fewer staff;
- the (recently announced) expected allocation from DWP to Scottish Government for the Scottish Community Support Fund is in the region of £23.8m (programme funding), £5m (running costs) and £240k (set up costs). It is likely the programme funding will be insufficient to meet hardship payments based on 2009/10 figures and there is no allowance for rising demand. The set-up costs will amount to £7,500 per authority if divided equally; and
- crisis/hardship payments will need to be administered locally at a cost; a

Pressure on Other Council Services and the City:

- there is likely to be an adverse financial impact on local economy of reduced welfare benefits (estimated £2 billion across Scotland);
- there is likely to be an adverse impact on ability of Social Work to charge for services which creates a further risk of reduced income;
- there is likely to be an increased pressure on employment/employability services from significant increase in people expected to find work due to restrictions on PIPs (DLA) and new limit of Employment Support Allowance to 12 months;
- there is likely to be an increased pressure on money/debt advice services (CAB/Welfare Rights). It is likely there will be a large increase in referrals initially as a result of the transition to monthly UC payments;

- there is likely to be increased pressure on Social Work advice and response/intake teams due to increased presentation of clients in hardship;
- these impacts will exacerbate the ongoing impact of the, already implemented, abolition of Independent Living Fund for new claimants on Social Work income;
- there will also be an impact on the administration of 'pass ported benefits' e.g. clothing grants, free school meals which are tied to existing benefits but as yet it is unclear how such benefits will relate to Universal Credit; and
- there may be negative consequences of the direct payment of housing benefit to claimants in the form of increased funds available to support drug and alcohol use etc and consequent pressure on health services.

Appendix 3

Key dates for Welfare Reform Changes

Key Change	Date
Local Housing Allowance Rates	April 2011
Demonstration Project	August 2012
Councils take on responsibility for running Social Fund crisis and community care grants transferred from the DWP to the Scottish Government – now Scottish Community Support Fund	April 2013
Council Tax Reduction Scheme – replaces Council Tax Benefit Scheme	April 2013
Local Housing Allowance Rates will now be based on CPI	April 2013
Benefits cap for working age claimants - restricted to £350 for single person and £500 for married couple/single parent.	April 2013
Introduction of benefit cap on housing welfare for those renting from the Council and Housing Associations	April 2013
Introduction of Personal Independent Payment to replace Disability Living Allowance	April 2013
Set up of Single Fraud Investigation Service	April 2013 - TBC
Introduction of Universal Credit for all new claims - Phase 1 migration	October 2013 – April 2014
Application of Housing Credit to Pension Credit for pensioners will commence	October 2014
Application of Universal Credit for all claimants with a significant change of circumstance - Phase 2 migration	June 2014
Application of Universal Credit to all remaining claimants - Phase 3 migration	Spring 2016- October 2017

