

# Corporate Policy and Strategy Committee

10am, Tuesday 4 December 2012

## Welfare Reform – update

Item number	7.1
Report number	
Wards	All

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## Welfare Reform – update

### Summary

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This report updates the Corporate Policy and Strategy Committee on Welfare Reform and the progress being made by the Council and partners to develop arrangements to mitigate, where possible, the negative impact of the UK Government's welfare reforms.

All the topics identified by Committee in their decision at the 2 October meeting are reviewed, including: Discretionary Housing Allowance, changes to Housing Benefit (including the Shared Room Rate, under-occupation penalties, and implications for housing allocations and social landlords), the Scottish Welfare Fund (previously provisionally known as the Community Support Fund), the Council Tax Reduction Scheme, and the need for increased advice and advocacy for people at greatest risk of loss of benefit.

### Recommendations

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It is recommended that the Corporate Policy and Strategy Committee:

- notes the progress being made on assessing the impact of welfare reforms and developing partial mitigation strategies;
- welcomes the announcement of additional Scottish Government funding of £9.2 million for the Scottish Welfare Fund, in addition to Social Fund monies being transferred from the DWP, and agrees to receive a further report on how the Council will administer this Fund from 1 April 2013;
- agrees to receive a further report on this new investment to increase welfare rights advice and advocacy services in the Council and Third Sector as detailed in paragraph 2.36 is considered as part of the 2013/14 budget planning work;
- agrees to receive a further report on funding required to match the Discretionary Housing Payments (DHP) allocation by a factor of 1.5 times; and
- agrees to receive a further report on representations to the Scottish Government for adequate funding of set up costs for the new Council Tax Reduction Scheme;
- note the cost of the corporate programme team, and welfare reform communications being prepared for staff and the public, is estimated at £0.08 million in 2012-13 and £0.216 million in 2013-14 and that these costs will be funded from existing resources within Directorates.

## Measures of success

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The success of the programme to mitigate the effects of Welfare Reform will be measured through:

- stable or reduced presentations for homelessness attributable to benefit changes;
- reduction in rent arrears forecast; and
- customer satisfaction with advice and advocacy services provided relating to benefit changes, including increased benefit take up and minimised losses by ensuring people get their full entitlement under the new arrangements.

## Financial impact

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The increasing numbers of people experiencing hardship is expected to lead to increasing demand for services in many areas of the Council and partner and advice agencies. There is also a high risk to Council income, particularly from rents arrears and service charges across services. Further work is being undertaken to quantify likely financial impacts and to identify funding sources or budgetary options for the investment required in mitigation measures. The Council is also currently completing a Business Continuity Impact Assessment using a model agreed with COSLA. The results of this assessment will be made available once it has been completed.

## Equalities impact

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The UK Government has prepared Equalities and Human Rights assessments for the welfare reform proposals. The Council will undertake an EHRA when necessary for any of its proposals.

## Sustainability impact

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Welfare Reform is expected to have general implications for environmental and sustainability outcomes, for example in relation to fuel poverty.

## Consultation and engagement

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Ongoing involvement of Council officials is taking place with the UK, Scottish Government, directly and through COSLA, to prepare for welfare reform changes.

With the approaching start dates for changes the increasing emphasis will be to develop engagement arrangements to provide advice and support to customers, both directly by the Council and/or in conjunction with independent advice agencies and major partners.

## Background reading / external references

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Previous reports to committee:

Welfare Reform – Policy and Strategy Committee, 2 October 2012; and Welfare Reform Proposals – Health, Social Care and Housing Committee, 7 December 2010.

## Welfare reform – update

### 1. Background

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- 1.1 The Policy and Strategy Committee on 2 October 2012 agreed that the new Corporate Policy and Strategy Committee should retain oversight of Welfare Reform, and to establish a corporate programme to deliver the changes involving the Council, and requested a draft mitigation plan setting out how the Council will deal with specific impacts of Welfare Reform.
- 1.2 As previously reported, Department for Work and Pensions evidence presented to the Scottish Parliament estimated the reduction in welfare benefit receipts in Scotland at about £2.5 billion by 2015, out of a UK total of some £18 billion. At the Conservative Party Conference in October, the Chancellor confirmed that the UK Government would implement a further “£10 billion of welfare savings by the first full year of the next Parliament”. The impact on Scotland is likely to be around £1.4 billion. Measures under consideration may include: the cessation of Housing Benefits for young people aged under 25, further reduction in benefits uprating, and reductions for unemployed parents with large families.
- 1.3 Further work is being undertaken to assess the financial impacts on Edinburgh citizens and families, but an obvious result of reductions in welfare benefits budgets on this scale will be increasing poverty, and widening income and health inequalities. Income reductions will have a very significant negative impact on the local economy. Some councils have commissioned independent local economic impact assessments of welfare reform and Council officers are awaiting publication before considering whether this would be worth repeating for Edinburgh.

### 2. Main report

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- 2.1 The Council continues to engage with the Scottish Government, and other national and local stakeholders, to develop strategies to reduce, where possible, the worst impacts of welfare reform. Progress on issues identified at the 2 October meeting are reviewed below.
- 2.2 **Housing Benefit** (HB) changes come into effect on 1 April 2013, include restrictions on “under-occupancy” in the social rented sector, for working age claimants, and the introduction of a “benefits cap”. These changes are expected

to affect at least 4,000 Council and 2,500 Housing Association tenants in the city. The introduction of the “benefits cap” is estimated to affect about 450 tenants, around 400 of these are housed in the Council’s own temporary accommodation.

- 2.3 **Discretionary Housing Payments** (DHP) are made through local authorities to tenants in receipt of Housing Benefit and/or Council Tax Benefit to provide short term emergency funding.
- 2.4 The DHP budget for Edinburgh for 2012/13 is approximately £570,000. The Department for Work and Pensions (DWP) has not announced the level of funding for 2013/14. However, there will be specific increases for foster children and certain disabled claimants.
- 2.5 Local authorities are able to match the DHP funding provided by the DWP by a factor of 1.5 times. This would equate to an additional £855,000, bringing the total budget, based on 2012/13 figures, to £1,425,000. However, local authorities must fund this additional expenditure from their own budgets.
- 2.6 In order to target the limited DHP funding to those with greatest need it is proposed to give priority to tenants:
- within 6 months of becoming pensioners;
  - where a child has a significant birthday within 6 months which would entitle them to an extra bedroom;
  - who are expecting a baby that would entitle them to an additional bedroom;
  - affected by the benefits cap;
  - people who are chronically sick or disabled; and
  - those experiencing exceptional hardship.
- 2.7 Changes to the “**shared room rate**” in January 2012 reduced the housing benefit payments for single people (renting from a private landlord) aged 25-34 from a maximum £500 per month to £285.
- 2.8 An additional £345,000 in funding was secured from the DWP to mitigate the impact of changes. This was used to fund a team who proactively contacted the 400 households potentially affected in order to give them advice and where necessary direct them to support to consider their housing options. Tenants have been given information about flat sharing, alternative accommodation, how to access DHP (for those within six months of their 35<sup>th</sup> birthday) and other benefits. Information about other agencies who are able to provide support and information such as Edinburgh Cyrenians and Edinburgh Housing Advice Partnership (EHAP) is also being made available. Only 3% of the 300 cases

concluded have resulted in a homeless presentation. The remainder have either stayed in their existing home or managed a move to amore affordable home without a crisis.

- 2.9 Evidence from this programme indicates that many tenants are already aware of the changes and are making their own arrangements to deal with them. These included getting financial help from family members; flat sharing; and moving to suitable shared accommodation.
- 2.10 New “**under occupancy**” rules are expected to affect around 6,500 Council and housing association tenants aged under 61 years and five months who receive full or partial housing benefit and currently live in homes which are bigger than they need according to DWP rules. This includes single people and couples who have two or more bedrooms. In some cases it will also include families where children have their own bedrooms rather than sharing. Under the new rules these households will be expected to pay between £13 and £27 from their own resources towards their housing costs.
- 2.11 These changes are likely to result in tenants facing difficulties in paying their rent. The main options available to them will be to consider moving to a smaller home, increasing the number of people in the household or getting advice on budgeting and managing their money. The Council has an incentive scheme to encourage tenants to move to a smaller home where that is more suitable for their needs. Tenants who live in a property with three or more bedrooms and want to move to a smaller home can be awarded a silver priority for under-occupation under the Council’s lettings policy. In addition, the Edinburgh Housing Exchange allows any Council or housing association tenant to swap with another tenant so that they both obtain homes which are more suitable for their needs. This option is open to any tenant provided they are not in breach of tenancy conditions. However, the opportunities to move to a smaller home are limited. Approximately 15,000 households registered on Edindex are single people or couples while the Council only lets around 500 one bedroom properties each year.
- 2.12 Prospective tenants are advised of the new housing benefit rules when they are considering letting a property from the Council in order to ensure that they are fully aware of the risks of renting a property which is larger than they require under DWP rules.
- 2.13 It is becoming apparent that some housing associations are prioritising one bedroom properties for transfers for those underoccupying and restricting their letting policies so that single people and couples can only obtain a one bedroom property. Given the mismatch in demand for smaller properties and the number available, this could produce a significant shortage of homes for one and two person households, resulting in people staying longer in bed and breakfast or temporary accommodation.

- 2.14 The **Scottish Welfare Fund** (previously provisionally known as the Community Support Fund) will come into operation on 1 April 2013 to replace discretionary elements of the Social Fund: Community Care Grants and Crisis Loans. In the new scheme, Crisis Loans will be replaced by grants. Responsibility for the fund will transfer from the DWP to the Scottish Government. Day to day administration will be carried out by local authorities. Other aspects of the Social Fund (Sure Start maternity grants, funeral payments, winter fuel payments and cold weather payments) will remain the responsibility of the DWP.
- 2.15 The Scottish Government is drafting national guidance to councils, including a standard application form. £9.2 million will be added to the amounts being transferred from the DWP, resulting in a total Scottish Welfare Fund of around £33 million in 2013/14 which will be allocated to councils as a ring-fenced grant, based for the first two years on current levels of DWP spending. Edinburgh's allocation is likely to be around £2.5 million including administration costs. Nevertheless, it is widely expected that demands on the Fund will greatly exceed the budget available for grants in cash or kind and it is therefore especially important that applicants are linked into other sources of support.
- 2.16 In Edinburgh, as in most local authorities, the Scottish Welfare Fund will be delivered by the Council's revenues and benefits function, and a project team is being established to undertake the detailed planning. The objective will be to deliver a "holistic approach", linking in with social work, welfare rights, homelessness and housing services, the NHS, third sector organisations, debt and money advice agencies, employment support, and credit unions, to connect with the services and support they provide. As the project develops, updates will be reported to the Committee.
- 2.17 The **Council Tax Reduction Scheme** comes into effect on 1 April 2013. This replaces the existing Council Tax Benefit Scheme and will be part of the Council Tax rather than Social Security Regulations.
- 2.18 For 2013/14 only, it has been agreed that the Scottish Government and local authorities will make up the estimated 13% shortfall in the proposed budget. Arrangements for 2014/15 and beyond are still to be agreed between the Scottish Government and COSLA.
- 2.19 The Council has already made a financial commitment for the set-up costs for the administration of the new scheme. However, the funding available from Scottish Government falls short of this amount. Discussions are underway between COSLA and the Scottish Government about this shortfall.
- 2.20 The total amount of Administration Subsidy from DWP for 2013/14 has been announced and there will be a cut of £511,767 compared to the 2012/13 funding. This is partly because the new Council Tax Reduction Scheme will no longer be part of the Social Security Regulations, however, there will be

additional funding made available for the administration of this scheme, although Edinburgh's allocation is as yet unknown.

- 2.21 The arrangements for 2013/14 will be based on the current Council Tax Benefit Scheme so customers should not see any major difference in benefits.
- 2.22 Arrangements for the appeals process will change. The existing Independent Appeals Tribunals will not be available as these only relate to Social Security not Council Tax regulations. Consideration is being given to managing the appeals process through the Council's own governance arrangements possibly through the Valuation Appeals Committee. Guidance is awaited from the Scottish Government and further information will be provided once this has been received.
- 2.23 There is a **risk to the flow of rental income for social landlords** from the changes to housing benefit rules. If more tenants get into difficulty paying their rent, have larger rent arrears and take longer to repay those arrears, the Council and housing associations will have to set aside more funding in their contingencies.
- 2.24 To mitigate these risks an overhaul of the Council's rents service is underway with the principal aim of establishing more secure rental payments. This includes making it easier to pay rent through direct debit and other payment methods, intervening earlier where tenants appear to be getting into difficulties in paying their rent and ensuring tenants have access to advice and support on budgeting and maximising income. The project is also examining alternative financial services and bank accounts which may help tenants. Housing associations are undertaking similar programmes and social housing providers work together through the Edindex board and the Edinburgh Affordable Housing Partnership.
- 2.25 There will be a need for more integrated working between the Council, external advice services and support agencies to ensure that tenants get the help that they need. A seminar is to take place for advice agencies towards the end of November in order to discuss how best to support tenants and manage the potential increase in requests for advice.
- 2.26 There is a **risk to new build investment** in Edinburgh from this potential increase in rent arrears. Edinburgh has an acute shortage of affordable homes to rent and buy and the funding for new affordable homes for rent depends on the ability of the Council and housing associations to collect rent to pay for these homes. If they have to set aside more funding to cover this, it will reduce their ability to borrow funds to build new affordable homes.
- 2.27 If the building of new affordable homes is to continue to be a priority the Council and housing associations will have to consider new ways to fund building

affordable homes. This may include increasing the extent to which investment is funded from capital receipts from the sale of homes and land, increasing the number of homes let to households who are not dependent on benefit and letting more new homes at mid market rents.

- 2.28 **Passported benefits** include: free school lunches, Education Maintenance Allowances (EMA), Individual Learning Accounts, and student loan cancellation; free dental treatment, free glasses, and free travel to NHS treatment; the Blue Badge scheme and concessionary travel; and Legal Aid and court fees exemptions. Entitlement for such benefits currently depends on specific social security benefits, and therefore will be affected by welfare reform.
- 2.29 The Scottish Government intends to maintain access to passported benefits for the same groups of people who receive them now, and is also considering improvements to the delivery of these benefits. Earlier this year, the Scottish Parliament passed the Welfare Reform (Further Provision) (Scotland) Act 2012. This will enable the eligibility criteria for passported benefits in Scotland to be defined by Scottish Ministers when further detail is known about the operation of Universal Credit and Personal Independence Payments. Meanwhile, the Scottish Government is considering responses to its recent consultation on passported benefits principles and issues, including a detailed response made by officers of the Council.
- 2.30 In Edinburgh, the Welfare Reform Strategic Development Group will consider whether there are any potential mitigation requirements when the Scottish Government's response to the consultation is published and will report to this Committee accordingly.
- 2.31 All **advice and advocacy services** in Edinburgh are experiencing significant increases in demand for welfare benefits advice and debt advice. Although the main changes associated with the introduction of Universal Credit and Personal Independence Payments affect only working age people, the increase in pension age, some of the housing benefit reforms, and mortgage interest changes, also impact on older people. The DWP Welfare Reform Impact Assessments also show that families with children; people with physical or learning disabilities, mental illness, or substance abuse; and disabled carers, are all affected.
- 2.32 Effective mitigation within short timescales means building on existing advice services: the Council's Advice Shop (Welfare Rights Service and Money Advice Service) and the third sector, including Citizen's Advice Bureaux, Granton Information Centre, CHAI, Craigmillar Ability Network, Restalrig Benefits Advice Project, and specialist organisations such as Housing Association Money and Welfare Rights Services, the Action Group, FAIR, RNIB, and Deaf Action.
- 2.33 Further consideration is also being given to strengthening the capability of the Council's contact centre services (including Social Care Direct and the Advice

Line) and prepare other frontline services throughout the city, to respond to welfare rights queries, advise and assist with claims, and signpost people to appropriate advice services. This will require communications, information, process redesign, training and support.

2.34 Advice and advocacy services need to plan to:

- provide information and advice about the changes and their impact;
- assist people to make benefit claims online;
- advise and assist people to challenge and appeal unfavourable decisions;
- advise and represent people at appeal tribunals. (Nationally, 42% of appellants against Disability Living Allowance decisions are successful and in Edinburgh this is currently 76% for people represented by the Council's Welfare Rights Service);
- advise and assist people who have debt problems as a result of reduced incomes;
- advise and represent people in court in relation to arrestment of earnings or bank accounts, eviction or repossession of their homes;
- advise small businesses on the new requirements on employers to report weekly or monthly PAYE information to HMRC for future use by the DWP in adjusting benefit levels.

2.35 Whilst the Welfare Reform Strategic Planning Group is assessing the increasing demand for welfare rights advice and advocacy, it is already clear that financial investment is required to mitigate the effects of welfare reform. This is likely to be a mixture of increased support for voluntary sector services and additional specialist staffing for the Council's Welfare Rights and Money Advice services.

2.36 Initial estimates indicate an investment of £0.5 million is required at this stage. This would fund posts, including customer advisors for first stage advice and assistance with on-line claims, and specialist training, support and advocacy staff, capable of representing people at appeals tribunals and in court. Some of these monies might be found by re-targeting Health Inequalities and Social Justice budgets in 2013/14 to give greater priority to funded welfare rights advice services, however additional funding for Council and third sector advice services will need consideration within the 2013/14 budget planning work, alongside other pressures and priorities for the Council and its partners.

2.37 Corporate Policy and Strategy Committee agreed to the establishment of a corporate programme to deliver the changes and to mitigate impacts of Welfare Reform. Part-year costs are estimated at £0.08 million in 2012-13 and full-year costs of £0.216 million from 2013-14. Committee agreed that these costs would be funded from existing resources within Directorates.

### 3. Recommendations

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3.1 It is recommended that the Corporate Policy and Strategy Committee:

- notes the progress being made on assessing the impact of welfare reforms and developing partial mitigation strategies;
- welcomes the announcement of additional Scottish Government funding of £9.2 million for the Scottish Welfare Fund, in addition to Social Fund monies being transferred from the DWP, and agrees to receive a further report on how the Council will administer this Fund from 1 April 2013;
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- agrees to receive a further report on representations to the Scottish Government for adequate funding of set up costs for the new Council Tax Reduction Scheme; and
- note the cost of the corporate programme team, and welfare reform communications being prepared for staff and the public, is estimated at £0.08 million in 2012-13 and £0.216 million in 2013-14 and that these costs will be funded from existing resources within Directorates.

#### **Alastair Maclean**

Director of Corporate Governance

### 4. Links

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#### **Coalition pledges**

#### **Council outcomes**

<b>Single Outcome Agreement</b>	<b>SO2 - Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health</b>
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