

WELFARE REFORM UPDATE

1.0 SUMMARY

1.1 The UK government is introducing the biggest changes to the welfare system in more than 60 years. The main objectives of the changes are as follows:

- To reduce worklessness and make work pay.
- To support financial inclusion and independence helping to end child and adult poverty.
- To simplify the welfare system and reduce the ever increasing cost of welfare in the UK.

1.2 In order to achieve these objectives a number of changes are planned some of which have already been implemented;

- Housing Benefit restrictions
- The implementation of the new Universal Credit
- The abolition of Council Tax Benefit and the replacement Council tax Replacement Scheme
- The transfer of the discretionary elements of the Social Fund to Local Authority administration.
- The expansion of Discretionary Housing Payments (DHP)
- Replacing Disability Living Allowance with Personal Independence Payments
- A creation of a new Single Fraud Investigation Service.

1.3 These changes will have significant impacts on Argyll and Bute Council. It will reduce the amount of benefit paid to claimants thereby affecting their ability to pay rent, council tax and other creditors. Claimants will need support to assist them to claim the new Universal Credit online. There could be increased numbers presenting as homeless as many will have responsibility for paying their rent to registered social landlords for the first time in their lives and struggle to manage their finances based on new monthly payments. Social services may also be stretched in supporting an increasing level of vulnerability and hardship. The changes will also bring a threat of redundancies in relation to 35FTE staff currently employed by the Benefits unit following the ending of Housing Benefit.

1.4 The Council has set up a cross-cutting working group to look at all of the upcoming changes and estimate the likely impact. The group meets four weekly.

2.0 RECOMMENDATIONS

2.1 The Community Planning Partnership note the details of the report including the impact that Welfare Reform changes will have in Argyll and Bute.

3.0 DETAIL

Cost pressures on existing funding for HB/CTB

- 3.1 The UK government is introducing a new, simplified benefit from October 2013 which will be known as Universal Credit. In preparation for this change and to reduce the increasing cost of Welfare Benefit, a number of restrictions have been introduced to minimise the cost of Housing Benefit and Council Tax Benefit (HB/CTB). HB and CTB are administered by local authorities on behalf of the Department for Works and Pensions (DWP).
- 3.2 The government is now abolishing Housing Benefit and support for Housing costs will be delivered through the new Universal Credit. Council Tax Benefit will be replaced by a new local Council Tax Reduction Scheme (see 3.22 to 3.25 below) to be implemented nationally in Scotland. The new scheme for Council Tax Reduction comes into force on 1 April 2013. Transition to Universal Credit will happen incrementally from 1 October 2013 to 31 March 2017.
- 3.3 The DWP currently pays £704,516 to Argyll and Bute Council for the administration of HB/CTB in 2012/2013 which amounts to approximately £30.4 million of HB and CTB payments to claimants in Argyll and Bute. This is a reduction from £754,379 in 2011/12, and will further reduce to £627,287 in 2013/14. However the caseload is not reducing by a similar amount and transaction volumes are increasing due to higher levels of changes in circumstances. CoSLA has estimated that 80% of the current cost of administering HB/CTB will remain with local councils just to administer a local council tax support scheme. This cost pressure has been advised to Strategic Finance to take account of in budget setting for 2013/14.

HOUSING BENEFIT RESTRICTIONS

- 3.4 In preparation for the implementation of Universal Credit a number of cuts have been made to the **amount of HB** that can be paid to claimants including:
- Capping the amount of HB paid for customers renting property in the private rented sector through the Local Housing Allowance (LHA) scheme with a maximum £400 per week for a 4 bedroom property from April 2011.
 - Removal of £15 excess LHA from April 2011.
 - LHA's calculated at 30th percentile of market rents rather than 50th percentile from October 2011
 - LHA's to be frozen for 1 year from 1 April 2012 and then increased by CPI rather than RPI
 - Shared room rate extended from age 25 to age 35 from April 2012
 - Size criteria restriction for working age social tenants under occupying (14% for 1 Bedroom or 25% for 2 or more bedrooms).
 - The Benefit Cap. Overall cap on benefits of c £500 per week by April 2013 (will initially be implemented by reducing HB payable).
- 3.5 The new restrictions coming in April 2013 in respect of size criteria and benefit cap will have a significant impact on the Social Rented Sector and a significant amount work in partnership with our Registered Social Landlords (RSL's) is urgently required to mitigate against these impacts. RSLs have reported that their welfare rights officers have been overwhelmed by the extra demand for assistance from

their tenants in understanding and planning for these changes. In the first 6 months of 2012/13, the Council's welfare rights team has seen an increase of 24% in the volume of appeals which they have submitted on behalf of residents. Clients are routinely waiting for 3 weeks before getting an appointment with a welfare rights officer.

THE IMPACT OF THE BENEFIT CAP IN ARGYLL AND BUTE

- 3.6 DWP submitted information to the Council on 17 September 2012 advising that 16 households in Argyll and Bute were potentially affected by the cap however, having analysed the detail 4 households are no longer residing in Argyll and Bute therefore the estimate is reduced to 12 households impacted. The DWP estimate that the impact will range from a reduction of HB of £ 4.41 per week to £132.13 per week for some families.
- 3.7 DWP has made contact with these households and the Council will also speak to the claimants affected to see how we can support them. The government has pledged additional funds through DHP to help reduce the impact on these families however these funds are short-term in nature and they will not stretch to mitigate against the full amount of the reductions.
- 3.8 The table below summarises the Benefit cap impact in Argyll and Bute and the housing providers.

LANDLORD	NO. OF HOUSEHOLDS POTENTIALLY IMPACTED BY CAP	DWP ESTIMATE OF IMPACT (£ PER WEEK)
**PRIVATE SECTOR RENTAL	2	30.13
ACHA	4	102.81
COUNCIL - HOMELESS	2	171.35
WHHA	2	90.22
FYNE HOMES	1	38.93
MAXI RICHARDS FOUNDN	1	101.79
TOTAL	12	535.22

** This has been reduced for claimants who have moved outwith the area or who are no longer in receipt of HB Analysis of the private rented sector households impacted shows the following:

- 3.9 It is estimated that the Benefit Cap reductions could remove a total of £536 per week from 12 households in within Argyll and Bute which equates to c. £28,000 per annum.

SIZE CRITERIA/BEDROOM TAX

- 3.10 A more significant impact in Argyll and Bute is expected from the implementation of the size criteria measure. This measure brings the rules of LHA used to calculate the maximum rents in the private sector into the Social Rented Sector. The measure is being implemented as the government tries to reduce the benefit bill and ensure better value from social sector housing stock. It penalises working age claimants who under occupy their homes in the social rented sector by restricting HB payments by 14% if a claimant is deemed to under-occupy their property by

one bedroom (i.e.:- a couple with no children living in a two-bedroom property) and 25% if they are under-occupying by two or more bedrooms.

3.11 This will cause significant issues in Argyll and Bute due to a high level of households that will be deemed to only require one bedroom as per the new rules. There is a shortage of one bedroom properties available in Argyll and Bute. This has significant impacts for both the Council and RSL's in terms of their strategies for housing, housing allocation policies and potential changes to tenancy agreements.

3.12 The impact in financial terms in Argyll and Bute has been estimated as below;

RSL/HA	No. Hholds supported by HB	No. of Hholds affect by Underoccupancy	HB Reduction (£ per week)	Average Reduction per week
ACHA	2814	626	£ 7,086.22	£ 11.32
Fyne Homes	1,371	155	£ 1,755.92	£ 11.39
Dunbritton	359	77	£ 992.00	£ 12.88
West Highland HA	345	64	£ 781.00	£ 12.20
Key	23	5	£ 62.31	£ 12.46
Trust	61	1	£ 16.32	£ 16.32
Link	9	0	£ -	£ -
TOTAL	4,982	928	£ 10,693.77	£ 11.52

It is estimated that the size criteria restrictions and could remove a total of £10,694 per week from 928 households in Argyll and Bute which equates to c. £556,000 per annum, on average £599 per household per annum.

3.13 This information has been shared with RSL's and they are contacting tenants that are thought to be affected by the change. The Council are in process of writing out to claimants to explain the size criteria measure and see how we can support them.

3.14 There are some restrictions to the size criteria in respect of claimants who require an extra room for a non-resident overnight carer will be allowed an extra bedroom. Additionally pensioners will not be affected. Children under the age of 16 and of the same gender will be expected to share a bedroom as will children under the age of 10 regardless of gender.

3.15 The DWP have pledged an extra £30 million nationally for DHP and Argyll and Bute will receive a small share of these funds to mitigate against the size criteria reductions. This is discussed in more detail in paragraphs 3.31 to 3.37 below.

UNIVERSAL CREDIT (UC)

3.16 Universal Credit is a new simplified benefit that replaces the following existing benefits:

1. Housing benefit
2. Income support including statutory mortgage interest
3. Child Tax Credit
4. Working Tax Credit
5. Income related Job Seekers Allowance
6. Income related Employment and Support Allowance

3.17 UC will be administered by the DWP through their network of Job Centre Plus offices. This will affect the 35 FTE Council employees who will no longer process claims for HB and there is a risk to their long-term employment with the Council.

3.18 The key features of UC are:

- It will be digital by default with claims made online.
- Payment will be made monthly direct to a single member of the household.
- Changes to conditionality means that claimants can be in or out of work.
- Payments will be made by BACS therefore claimants need a basic bank account in order to receive the benefit.

It should be noted that in Northern Ireland three significant concessions have been agreed – payments will be made fortnightly not monthly, they can be made to more than one member of a household and payments will be made direct to registered social landlords for the housing element. No such similar concessions have been made for Scotland.

3.19 Migration of HB to UC is timetabled as follows;

- New claims for UC will be taken from 1 October 2013. There will be no new claims of HB from this date.
- Existing claimants in receipt of HB will transfer to UC when they experience a change in circumstances between October 2013 and March 2015.
- Any existing HB claimants not yet transferred to UC will migrate from April 2015 to March 2017.

3.20 It is expected that there will be at least 80% of the current benefit caseload that will still require to be administered by the Council come March 2015 but there have been no assurances given to the Council about the level of administration subsidy that will be paid in the future. This places significant risk around the ongoing employment of 35FTE Benefits administration staff.

3.21 The issue of the direct payment of UC to one member of the household is causing great concern for the Council, RSL's and Social Services as there is a significant risk of rent and council tax arrears increasing hardship and vulnerability of claimants.

COUNCIL TAX REDUCTION SCHEME

3.22 Council Tax Benefit (CTB) will be replaced by a local Council Tax Reduction Scheme from 1 April 2013. In Scotland the Scottish Government has been working with local authorities through COSLA to come up with a national scheme for Scotland.

3.23 It has been decided that in year one, the scheme should mirror that of the existing CTB scheme to negate the impact on the claimants. During year one, a longer term solution will be developed which could see the maintenance of the scheme as a means tested benefit or see it amended to become more like a Council Tax discount.

3.24 The UK government will devolve £360 million to the Scottish Government for distribution to Scottish Local Authorities through the revenue support grant. This equates to 90% of the existing CTB bill in Scotland. The funding shortfall is

estimated at £40m. It has been agreed that the Scottish government pays £23 million towards the gap and COSLA funds £17 million. The shortfall for local authorities could be met at least in part if they chose to introduce new powers to charge double council tax on long term empty homes.

3.25 Draft legislation is currently out to consultation and is not expected to be laid until towards the end of 2012. The primary challenge is to ensure that the software is in place to allow councils to bill Council Tax to customers when annual billing is undertaken in February 2013 in advance of the new financial year. The council's current software provider has quoted £65,000 for the new software but has not guaranteed that it will meet Scottish requirements. Negotiations on this are being undertaken through the user group. If the software is not procured timeously then there is a significant risk that the Council will not be able to bill customers for Council Tax on 1 March 2013 as planned. This may impact on our ability to collect council tax which will also be compromised by reductions to benefit.

SOCIAL FUND

3.26 The UK government has devolved the responsibility for administering the discretionary elements of the Social Fund (Crisis Loans and Community Care Grants) to local authorities. Scottish Local Authorities are working together with the Scottish Government through COSLA with a view to implementing a national scheme for Scotland albeit with some flexibility locally to ensure best possible service for the customers. This transfer goes live on 1 April 2013 and presents significant challenges for local authorities in preparing for this.

3.27 Typically there are 4,000 to 5,000 claims made in Argyll and Bute every year. Payments total c. £400,000 per annum. These are monies paid almost immediately to those in crisis and to meet pressing needs to purchase food, clothing and basic white goods or furniture. Eligibility criteria for the new grants are currently being finalised. One national application form is being developed and software will need to be procured on an individual basis by local authorities to allow quick decision making on individual applications.

3.28 A significant amount of planning is required to design how to deliver both the front facing elements of this service as well as back office verification of applications and appeals processes. DWP advised that they deliberately did not provide local decision making for these claims in order to minimise threats to their staff.

3.29 The UK government is providing funding to Scotland of £5 million in year one and £4.6 million in year two. The Scottish Government will distribute administration funding for year one of the project to local authorities on the basis of historic number of applications. The amount will not be confirmed until December 2012 but we expect Argyll and Bute's share to be £56,000. The total for set-up costs devolved to Scotland is c £237,000 which is expected to be wholly inadequate and CoSLA have taken this up with the Scottish Government and the DWP on our behalf.

3.30 The following steps will need to be undertaken in order to implement the Social Fund locally:

1. Prepare a plan to ensure milestones are met and the Council can take claims on 1 April 2013.
2. Procure software to aid decision making.

3. Design the frontend face to face service and back end decision making with a view to protecting staff from potential consequences of a negative outcome.
4. Work with the Post Office and other providers such as Paypoint to develop a mechanism for making Social Fund payments to customers.
5. Discuss a national procurement and distribution mechanism for Community Care Grants whereby furniture and white goods can be provided to help a family take up a new tenancy.
6. Speak to food banks about the provision of food parcels in Argyll and Bute for those who do not get a payment or food voucher from a Social Fund application.
7. Look at developing a more holistic approach to the administration of Social Fund by including other passported benefit applications, DHP applications and Social Work section 12 and section 28 funding applications under the one unit.

DISCRETIONARY HOUSING PAYMENT (DHP)

- 3.31 The Council currently receives £58,625 per annum from the DWP to distribute to HB and CTB claimants who are deemed to be in hardship. This is Argyll and Bute's share of a £60 million national pot.
- 3.32 The funds are provided for short-term financial support for claimants to give them time to reassess their finances and their housing options, negotiate their rent with their landlord and make decisions about the viability of their ongoing tenancy. Support is normally provided for a period of 13 to 26 weeks and is capped by the difference between the level of HB received and the claimants total eligible rent.
- 3.33 The DWP have announced that from 1 April 2013 there will be two additional pots of DHP funding to specifically address the HB restrictions relating to benefit cap and size criteria. This funding will be provided in addition to the £60 million existing DHP fund.
- 3.34 They have announced that £80 million of DHP funding will be made available to support the HB restrictions relating to the Benefit Cap. In addition they will provide further £35 million of DHP to support the implementation of the size criteria measures.
- 3.35 The Council expect to be advised by DWP how much DHP funding will be received in respect of each of the three specific funding streams by the end of the calendar year.
- 3.36 The Council do not expect to see much of the £80 million in relation to Benefit Cap as the distribution is based on expected impact and the majority of claimants affected by this live in London and the South East. The DHP funding to support those in hardship as a result of the size criteria measure is unlikely to cover the the expected impact of a reduction of £556,000 HB locally. If the Council receive the same share of the current DHP fund for this measure then we can expect to receive around £34,000 which will cover a very limited subsection of those impacted.
- 3.37 DWP have issued guidance to local authorities to assist them in writing a new DHP policy and this is being taken forward by the Welfare Reform Working Group.

PERSONAL INDEPENDENCE PAYMENTS

- 3.38 Personal Independence Payments (PIP) will replace Disability Living Allowance for people of working age (people aged 16-64) from April 2013. The reforms are designed to ensure that those claimants who face the greatest barriers to living full, active and independent lives continue to receive the right levels of support.
- 3.39 Entitlement will be based on the degree to which individuals are able to participate in society, not on their health condition or impairment and there will be a phased introduction beginning with new claims in North West England so that the process can be tested and reviewed. In October 2013 the DWP will begin assessing everyone who gets Disability Living Allowance for Personal Independence Payment. By March 2016 all current Disability Living Allowance claimants of working age will have been contacted about assessment to Personal Independence Payment.
- 3.40 This measure is designed to further reduce the benefit bill and force some claimants into work. In Argyll and Bute for the first quarter of 2012 there were 4890 claimants of DLA (source: Scottish Neighbourhood Survey). Based on national projections, up to 900 claimants could be refused an award under PIP or receive a reduced award. DLA awards range from £20.55 per week to £131.50 per week so the potential loss of disability income for households in Argyll and Bute could be very significant.

SINGLE FRAUD INVESTIGATION SERVICE

- 3.41 The Council currently employs a team of 3FTE to investigate Housing and Council Tax Benefit Fraud in Argyll and Bute. In 2011/2012 the team issued 67 sanctions identifying in excess of £140,000 of fraudulent benefit overpayments.
- 3.42 In 2013 the DWP have stated that the team will become part of the Single Fraud Investigation Service (SFIS) which will be a single body incorporating existing fraud officers from local authorities, the DWP and HMRC.
- 3.43 In the initial stages of SFIS the staff will continue to be employed by the Council but work to SFIS policies and procedures. In the longer term it is proposed that the posts will be made redundant as SFIS develops. DWP have stated the TUPE will not apply to existing Fraud staff. The rationale for this decision is unclear and it is being challenged by CoSLA on behalf of Scottish local authorities.

WELFARE REFORM WORKING GROUP

- 3.44 A Welfare Reform Working Group (WRWG) has been set-up in order to mitigate against all of the proposed changes. The group is composed of staff from the following council services and external organisations:
- Customer Services
 - Revenues and Benefits
 - Housing services, homelessness and welfare rights
 - Social Work
 - Money Advice
 - Employability
 - National Health Service

- Citizens Advice Bureau
- Registered Social Landlords
- DWP

3.45 To date there have been four meetings looking at the impacts of welfare reform and responding to government consultations on a number of related issues. The group's focus is the impact on the customer and provision of support for the customers against the effects of welfare reform. Members of the group share a wide consensus that welfare services provided by the Council need to be reorganised in order to provide more seamless support to vulnerable people in Argyll and Bute.

3.46 The group's work is focussed on four specific themes as follows;

- Digital by default, the provision of IT and support services to allow claimants to make online claims for UC.
- Preventing homelessness by maintaining tenancies providing financial support where appropriate using funds available to help.
- Financial Independence, providing help support and money advice to help claimants access bank accounts and manage their finances effectively. Looking at the role of the credit unions in operating 'jam jar' type accounts effectively ensuring that rent and council tax obligations are met from the income deposited in their accounts.
- Supporting people into employment by developing links with the employability unit.

3.47 The Council have recently agreed that there is a need for dedicated resources in the form of a project team to plan and implement the necessary changes to meet April 1 deadlines for the new local Social Fund and Council Tax Reduction Scheme; to plan for migration to Universal Credit and PIPs; to work with the vulnerable citizens of Argyll and Bute who will be impacted by these changes; and to engage fully with community planning partners and DWP.

3.48 This team will be managed by a seconded third tier manager and would report to the Welfare Reform Working Group. In addition to an existing full time staff member from Benefits there will be another staff member from this area (to lead on the replacement Council Tax Support Scheme) and full time staff members from Social Work (to lead on Social Fund), Housing (to lead on support to RSL and private sector tenants, housing allocations and homelessness issues), Welfare Rights / Money Advice (to plan services to support financial inclusion and ensure that all benefits are maximised) and Employability (to support claimants into work). These will be seconded staff of an appropriate grade to design new systems and procedures. The secondments will be of a variable length to last until the new systems have been designed and tested. The team will be managed by a seconded third tier manager on a full-time basis until March 2014. In total it is recommended that a team of 6 people is required including the manager.

3.49 It is proposed that the project team is put in place on a secondment basis with secondments to commence no later than the end of November 2012.

3.50 In addition to designing new systems and procedures, a number of policies need to be developed or updated including a new financial inclusion and anti-poverty strategy, a policy to assist the digitally excluded, a new corporate debt recovery policy and an updated discretionary housing payments policy.

4.0 IMPLICATIONS

- 4.1 Policy: The following policies need to be developed or reviewed:
- § Discretionary Housing Payments
 - § Financial Inclusion and Anti-Poverty
 - § Corporate Debt recovery
 - § Digital inclusion
- 4.2 Financial: Significant reduction in the amount of Benefits to be received by working age claimants increasing child poverty. Significant issues for the Council in terms of the threat to Council Tax collection levels, redundancy cost of staff and the increased cost of homelessness as claimants in rent arrears face eviction.
- 4.3 Legal: New regulations will need to be complied with once enacted.
- 4.4 HR: Potential for up to 35FTE redundancies from benefits staff whose jobs will be impacted from ending of Housing Benefit.
- 4.5 Equalities: Issues for disabled claimants in receipt of DLA moving to PIP. New Social Fund arrangements and Council Tax Reduction Scheme will have to be assessed for equalities.
- 4.6 Risk: Significant risks associated with Welfare Reform changes. Failure to deliver a service for Social Fund will put claimants at serious risk of extreme hardship. Failure to implement the new Council Tax Reduction Scheme will risk the Council's ability to bill and collect Council Tax in 2013/2014. Failure to agree partnership with DWP in UC delivery would be a considerable risk to 35 local jobs.
- 4.7 Customer Service: Security issues for staff delivering face to face service to Social Fund claimants.

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