

**Welfare Reform in Midlothian 2016 update.****Report by Eibhlin McHugh, Joint Director, Health & Social Care****1 Purpose of Report**

This report provides an update to Council on the Welfare Reform measures which continue to roll out from the original changes introduced across a range of state benefits that have impacted widely on individual households from April, 2013 and the Welfare Reform and Work Bill which received Royal Assent on 17 March 2016.

There have been three main elements to the Welfare Reform changes implemented. Transitions have involved the replacement of existing benefits by another benefit; there have also been a number of reductions in benefit entitlements; and the localisation of some benefits.

**2 Employment Support Allowance (ESA)**

In 2008, ESA was introduced to replace Incapacity Benefit (IB) as the benefit for people unable to work due to ill health. Since 2008 all new claims and the migration of benefit for existing IB claimants took place.

The aim of the reform was to encourage more people who were viewed as unable to work because of ill health/disability to seek work, and to offer more support to those able to work or able to prepare for work.

The migration process concluded in March 2014. Many of the people transferred over onto ESA are now being reviewed and invited to attend medical assessments. The disputes process and entitlement to benefits while disputing their ESA have changed making this process complex and confusing for claimants.

**3 Under Occupancy Charge (Bedroom Tax)**

Introduced from April, 2013, the central principle of the under-occupation charge (Bedroom Tax) is that any working age household deemed to be under-occupying their home based on the UK Government's size criteria now received Housing Benefit based on the size of the property they "need" rather than the property they occupy.

Any household deemed to have more bedrooms than they require loses a proportion of their Housing Benefit for the eligible rent, set initially at 14% for one extra bedroom and 25% for two or more extra bedrooms.

Discretionary Housing Payments (DHP), were not originally about the Under Occupancy charge (bedroom tax) but for housing need or hardship more generally for those on Housing Benefit, including the cost of landlord deposits and removal costs. DHP is available to tenants where their Housing Benefit does not cover all the rent they have to pay. DHP is designed to support

tenants facing specific challenges in meeting rent, including costs relating to disability, and tenants whose Housing Benefit has been reduced, now including those affected by the under-occupancy charge (Bedroom Tax).

In Midlothian, the funding awards for 2016/17 in the DWP allocation for Discretionary Housing Payment (DHP) and the Scottish Government additional allocation has been awarded to fully mitigate the effects to households affected by the Under Occupancy charge (bedroom tax).

#### **4 Benefits Cap**

Prior to the introduction of Universal Credit, the Benefit Cap has been applied to the combined income a household receives from Job Seeker's Allowance, Employment and Support Allowance, Housing Benefit, Child Benefit, Child Tax Credit and Carer's Allowance.

The Benefit Cap was implemented in July, 2013, which restricted the total amount of benefit to £500.00 per week for couples or single parents and £350.00 per week for single people. Approximately 50 claimants in Midlothian have been affected and had their entitlement to housing benefit reduced. Claimants have been signposted to DWP for advice on finding work.

A further phase of Benefit Cap is due to be introduced in Autumn 2016. DWP have provided bandwidths of customers affected by the change in the benefit caps and the Council will shortly run a scan to identify those claims affected and notify those households affected.

A subsequent follow up scan will be completed late in summer with capping activity taking place in the Autumn. Exemptions for those in receipt of Carers Allowance and Guardians Allowance will be introduced via DWP regulations before the amended cap comes in to force. There are concerns around how caps will be applied to those in receipt of Universal Credit and also how DHP will work for these customers.

#### **5 Personal Independence Payment (PIP)**

PIP replaces Disability Living Allowance (DLA) for eligible working age people aged 16 to 64 years. Access to PIP is through the daily living and/or mobility activities test assessment as claimants have to score a certain number of points on tests of their ability to carry out activities relating to daily life and mobility. The new criteria and scoring system reduce eligibility and will be likely to have a negative effect in particular on people with social communication disabilities such as Autism / Asperger's Syndrome and on people with long term recurring mental health conditions .

From October, 2013 a range of DLA claimants were invited to claim for PIP and from October, 2015 through to December, 2017 the remaining DLA claimants are being invited to make a claim for PIP. The estimated Midlothian residents to be invited to claim PIP from DLA is approximately 3400. All new claims are for PIP since June, 2013.

## 6 Scottish Welfare Fund

The Council took on responsibility for administering the Scottish Welfare Fund (SWF) in Midlothian. The Scottish Welfare Fund has 2 purposes, similar to the former Crisis Loans and Community Care Grants respectively.

- To provide a safety net in times of disaster or emergency when there is an immediate threat to a household's health and safety.
- To enable independent living, or enable continued independent living, preventing the need for institutional care.

No significant issues have arisen in the operation of the scheme or our ability to process grant applications within the specified timescales, as these are treated as the priority over other work. The payment procedures are working well with crisis grants originally paid in food vouchers and cash now paid in cash only to avoid stigmatising claimants, and community care grants paid out mainly by MARC providing household goods to a specified value. The SWF 2016/17 allocation awarded to Midlothian included an uplift based on previous years spend and deprivation index.

## 7 Universal Credit

Universal Credit (UC) was introduced in Midlothian for newly unemployed single claimants, with or without housing costs, in Dalkeith and Penicuik Jobcentres from 27 April 2015.

Claimants apply online for this benefit which is paid as a single monthly payment, in arrears. Universal Credit is a single benefit which applies to people of working age for new claimants.

Universal Credit has replaced most means tested benefits and the tax credit system aiming to bring together a range of working- age benefits into a single, streamlined payment. Universal Credit has been designed to encourage people to manage their money differently and take responsibility for more elements of their household expenditure.

Although Universal Credit is administered directly by the Department for Work & Pensions (DWP), Midlothian Council continues to administer Housing Benefit (HB) on behalf of DWP for the local authority and Housing Associations, and Local Housing Allowance for private sector landlords. The Council's Revenues Services and has been responsible for implementing changes and charges locally and continues to administer these legacy HB cases and also provides assistance for Universal Credit claimants.

A Delivery Partnership Agreement was entered into with DWP to ensure that UC claimants can readily obtain the support they need to access UC support services and move close to and into work where possible. A Data Sharing Agreement was included within these arrangements. Partnership working between agencies has involved providing services to claimants with complex needs.

The full Universal Credit service is being rolled out nationally from May, 2016 for all types of claimants until June, 2018. The UC Programme are working on plans for closure of gateways for legacy benefits as UC rolls out and for migration of those remaining claimants on legacy benefits once the digital rollout is complete for all of Great Britain, planned for 2018.

While the need for local authorities to administer Housing Benefit for working age people will progressively reduce this uncertainty does not lend itself to effectively support any subsequent workforce planning and planned reductions in staffing resource arising from anticipated increases in UC claim volumes. Local authorities need to plan for the future and consider the implication for staff administering Housing Benefit. Forecasted reductions in HB caseloads in terms of timelines in particular are very difficult to achieve at a time when DWP's administration grant to local authorities is already reducing.

## **8 Council Tax Reduction**

It should be noted that UC claim volumes in Midlothian are currently lower than projected which makes it difficult to provide a meaningful assessment of the future impacts that UC are likely to have on assessments of Council Tax Reduction, which Revenues Services continue to administer. A projected 1052 UC claimants were expected by 31 March, 2016, while 82 have actual housing costs claims at 31 May, 2016.

When a claimant makes a claim for Universal Credit they are asked by their work coach in the local Jobcentre whether they have a Council Tax liability. If the UC claimant advises their work coach that they do not have Council Tax liability, or they do not give their consent to the DWP to share their Universal Credit information with Midlothian Council, then the DWP will not notify Midlothian Council of the Universal Credit award.

This delay in notifying Midlothian Council places pressure on collections but with lower than expected claim numbers it is not yet a significant issue.

## **9 Temporary Accommodation**

In light of the funding gap which has emerged between local authority statutory homelessness responsibilities in Scotland and reduced benefits entitlement as part of the UK Government's welfare changes, the Private Sector Leasing scheme which the Council has contracted with Orchard & Shipman is no longer financially viable. The costs are no longer covered by full benefit entitlements which has resulted in a Homelessness budget overspend of £60,000 in 2015/16 and the same value is projected for 2016/17.

Consequently, the contractor has been given notice in accordance with the contract requirements that the contract is to be terminated in November, 2016.

Housing Services are presently reconfiguring our housing stock profile to meet the needs of the client group, to replace the present 220 PSL properties with stock transferred from permanent lets to temporary accommodation and also reviewing the potential direct lets between the Council with private landlords based on Local Housing Allowance rates.

## **10 Social Rent Cap**

The Local Housing Allowance will apply as a rent cap to all new social rented tenancies from April, 2017. This means that the Council and Registered Social Landlords cannot charge a rent exceeding these values from that date for the respective size of household and the relevant size of housing. Analysis of the stock indicates there will be a limited impact on mainstream council tenancies but there will be an effect on homeless temporary accommodation and supported accommodation which will be factored into service budget setting.

## **11 Supported Accommodation**

DWP have announced a one year postponement of the application to the Local Housing Allowance cap to supported accommodation to allow consideration of appropriate protections.

## **12 Devolution of Social Security Benefits**

Following agreement on the Fiscal Framework underpinning the devolution of powers in the Scotland Bill, the Scottish Government has announced the setting up of a Scottish benefits agency in relation to the governance of the Scottish social security system. Further details on the operations are expected in due course.

## **13 Report Implications**

### **13.1 Resource**

It was originally reported to Council in May 2013 that Welfare Reform will place pressure on the Council's financial resources. Council approved funding of a Fixed Term Arrears Officer and Fixed Term Revenues Officer, these posts have been further extended to March 2018 at an annual cost of £29,641 and £23,082 respectively to mitigate work plan risks, this will be funded from money previously set aside in reserves for Welfare Reform.

### **13.2 Rent Arrears**

In projecting rental income effects from Universal Credit, the available evidence from the universal credit areas is that the move to one monthly payment direct to these claimants results in a significant increase in rent arrears as tenants in social housing struggle to adjust. As previously reported to Council, the Housing Revenue Account Financial Model has been updated to reflect the anticipated increase in rent arrears of £1.5 million per annum.

### **13.3 Risk**

There is no change in the financial risks that may impact Midlothian Council as the benefit system is complex and there are financial capability concerns that vulnerable people have in managing money. Consequently, the estimated financial impact of the Under Occupancy Charge and potential Universal Credit introduction was revised upwards.

## 13.4 Policy

### 13.4.1 Strategy

There is no change in the strategic approaches guiding Midlothian Council's response to Welfare Reform, which is to mitigate against the impact of the effects within the capability and resources of the Council and its partners.

- Preventative Approach – While there is an inevitability that some of the responses will be reactive wherever possible opportunities will continue to be sought to take a proactive approach to prevent crisis intervention
- Co-ordinated Service Provision – Opportunities to co-ordinate service provision continue so people can receive information and advice from as wide a range of professionals as possible.
- Build individuals own / community capacity – Consistent with co-production approach work takes a capacity building approach where possible.
- Protecting Financial Position of Midlothian Council – Welfare Reform creates a financial exposure to Midlothian Council. Actions continue to be taken to mitigate this exposure where possible.

*In order to ensure a co-ordinated approach to mitigating the continued effects of Welfare Reform, the Council is reconvening its Welfare Reform Group.*

### 13.4.2 Consultation

Consultation continues to be carried out with stakeholders drawn from the Community Planning Partnership, managers within the council, with COSLA, with local and national third sector agencies.

A DWP Operational group of Council Teams and Partners established a framework of support for all Midlothian citizens before, during and after the implementation of Universal Credit. The Council, DWP and key partners have provided "Universal Support Delivered Locally" to

- Provide customers with digital advice and inclusion options
- Budgeting advice
- Support and training
- Employability Initiatives and support for those moving into work and up skilling

Actions continue to be led by the Council and the Midlothian Financial Inclusion Network (MFIN) partnership to inform and support people about sources for those in hardship, such as foodbanks, Scottish Welfare Fund, Welfare Rights, Credit Unions and budgeting advice.

### **13.4.3 Equalities**

At an individual level welfare reform impacts many people in the main equalities groups, including those affected by poverty which Midlothian Council recognised as a further protected characteristic grouping. Making additional support available to equalities groups to mitigate the impact of welfare reform is therefore consistent with council policy.

### **13.4.4 Sustainability**

The sustainability of the Housing Revenue Account Capital Plan in the long term is at risk if mitigating actions are not undertaken to offset the effects of Welfare Reform on the level of arrears. The loss of benefits from the effects of the Welfare Reform Act and the changes in housing benefit will have a negative effect on the local economy. There is a risk that unsustainable demands may be placed on the council in respect to addition costs associated with Welfare Reform and reduced income from the current and proposed benefit changes. The actions outlined in this report seek to mitigate these risks.

### **13.4.5 IT Issues**

No IT impacts at present.

## **14 Recommendations**

Council is recommended to:

- Note the work done to date related to Welfare Reform legislative changes;
- Note the respective Benefits Cap and Social Rent Cap changes scheduled for implementation by the end of the current Financial Year;
- Agree the potential direct lets between the Council with private landlords to replace provision of the PSL contract of 250 units.

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**Report Contact:**

Name: Kevin Anderson, Head of Customer and Housing Services

Tel: 0131 271 2775

Email: [kevin.anderson@midlothian.gov.uk](mailto:kevin.anderson@midlothian.gov.uk)