

## **Welfare Reform Review 2015**

### **Report by Eibhlin McHugh, Joint Director, Health & Social Care**

#### **1 Purpose of Report**

This report provides an update on the key issues related to Welfare Reform implementation in Midlothian during 2015, particularly with the introduction of Universal Credit in April, 2015 as part of a tranche roll out. Midlothian Council is included in the first Tranche for roll out during February – May, 2015, with an implementation date of 27<sup>th</sup> April, 2015.

#### **2 Background**

It has previously been reported to Council of the Welfare Reform measures which resulted in significant changes introduced across a range of state benefits that impacted widely on individual households from April, 2013. There have been three main elements to the Welfare Reform changes being brought in. Transitions involving the replacement of existing benefits by another benefit; a number of reductions in benefit entitlements; and the localisation of some benefits.

#### **3 Universal Credit**

Midlothian Council administers Housing Benefit at present on behalf of the Department for Work & Pensions (DWP) and has been responsible for implementing changes and charges locally. Universal Credit will be administered directly by DWP.

Universal Credit is a new single benefit that will apply to people of working age only. Only New Claimants will be affected who are:

- Single persons with no dependants
- Unemployed and considered fit for work
- Not in temporary accommodation
- Not owner occupiers

It replaces a number of existing benefits including:

- Income Support
- Income-based Job Seekers Allowance
- Income-based Employment Support Allowance
- Housing Benefit
- Child Tax Credit and Working Tax Credit

**3.1** Claimants are expected to apply online for this benefit and it will normally be paid as a single monthly payment, in arrears. This transition will require Midlothian Council staff to prepare for the associated changes and work with service users in order that the transition to Universal Credit is carried out smoothly. At a local level work is being undertaken to understand, prepare for and mitigate against these further effects of Welfare Reform, particularly to identify households impacted by the changes, to pro-actively offer advice and assistance.

**3.2** A DWP Operational group of Council Teams and Partners are to establish a framework of support for all citizens before, during and after the implementation of Universal Credit.

**3.3** Sub groups of DWP, Council and Partners are developing arrangements for:

- Communications Planning
- Training Plans
- Job Shadowing Activities
- Data Sharing options

**3.4** The Council, DWP and key partners are continuing to collaborate over “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

## **4 Discretionary Housing Payment (DHP)**

**4.1** 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. However, DHP eligibility has been maximised and made available to all tenants affected by the under -occupancy charge (Bedroom Tax).

**4.2** In Midlothian, the DWP allocation for Discretionary Housing Payment (DHP) was increased to £189,798 for 2014/15 with total awards amounting to £755,188 as at 19 February, 2015. The Scottish Government provided an additional amount of £510,644 which the Council used to ‘top up’ DHP expenditure.

## **5 Benefits Cap**

**5.1** The Benefit Cap was implemented in July, 2013, which restricts the total amount of benefit to £500.00 per week for couples or single parents and £350.00 per week for single people. To date approximately 114 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.

**5.2** In 2013 it was identified that majority of households in temporary accommodation at that time were under-occupying and would be further impacted by the introduction of the benefit cap. It was therefore agreed to freeze rents and service charges for temporary accommodation in 2013/14 and again approved in 2014/15 to mitigate effect of the benefit cap. The scheduled annual increase in rent of 6% will be notified in advance in February, 2015 to all council tenants and the benefit cap may apply to single claimants receiving over £350.00. Although 10 claimants were affected in 2014/15 by the Benefit Cap this was minimised due to short tenancy periods and the shortfall covered by DHP.

**5.3** The current financial model allows for a 6% rent increase on General and Temporary Accommodation for 2015/16 and 4% thereafter to 2028/29. The current rent strategy is ensuring affordability of the New Social Housing projects and Investment into our existing stock. If the 6% freeze on temporary accommodation were to be incurred for a further year the Housing Revenue Account Capital Plan could not be sustained and results in reserves falling to £0.500 million in deficit. Consequently this continued freeze is not recommended into 2015/16.

**5.4** Midlothian Council temporary properties which meet the DWP defined Specified Exemption category will be exempt from the benefit cap, which will also mitigate these Welfare Reform effects. This specified accommodation has now been implemented in our Revenues Service systems for properties which meet the criteria provision of care, support, supervision and hostel categories.

## **6 Scottish Welfare Fund**

**6.1** The Council took on responsibility for administering the Scottish Welfare Fund (SWF) in Midlothian in April, 2013. 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.

**6.2** The total budget made available for the SWF in Scotland for 2014/15 was £32.995m. Midlothian Council's share of this was £385,338 made up of £253,461 and £131,877 for Community Care Grants and Crisis Grants respectively.

**6.3** There were 364 applications received in January with awards to date since 1 April 2014 now amounting to £297,572 (£91,922 crisis grants, £205,650 community care grants) which is still below our projected budget amount of £399,769 for the first 10 months of the year.

**6.4** The national guidance sets out a model for assessing the priority of applications as high, medium or low. We must then assess the demand pattern of actual activity against the budget profile on a month to month basis to determine whether it is possible to make awards for high priority applications only; high and medium; or high, medium and low.

**6.5** In common with other local authorities and on advice from the DWP, Midlothian set the priority of applications to be accepted as 'high' when the fund was launched. Similar to other Scottish Councils, the demand for the SWF had not been as great as the DWP forecasts. The priority rating of applications accepted from October 2013 onwards was adjusted to 'medium' for Community Care Grants.

**6.6** A COSLA benchmark visit was carried out in December, 2014 for an external review of our process and awards as we aim to maximise the funds. While the COSLA feedback confirmed we are delivering value for money with the contracted suppliers we have delivered further training to SWF staff on changes in our operation of the fund, which will help to reduce the under spend by extending eligible items and further choice to claimants. The Scottish Government have confirmed that any budget underspend at 31 March 2015 can be carried forward to 2015/16 and that the budget will continue at the same amounts as the current year for 2015/16.

## **7 Mitigation Activities**

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.

## **8 Report Implications**

### **8.1 Resource**

It was reported to Council in May 2013 that Welfare Reform will place pressure on the Council's financial resources.

### **8.2 Rent Arrears**

In projecting rental income effects from Universal Credit, the evidence from the universal credit pilot areas is that the move to one monthly payment direct to claimants will see a significant increase in rent arrears as tenants in social housing struggle to adjust. As reported to Council in May, 2013, the Housing Revenue Account Financial Model has been updated to reflect the anticipated increase in rent arrears of £1.5 million per annum.

### **8.3 Revenues Staff**

Due to the increase in the level of arrears, this has placed significant pressure on the arrears recovery team, it was anticipated that with the expected national introduction of Universal Credit in 2014 that this would give scope to reallocate more staff to the arrears team, however as Universal Credit is now being rolled out in 2015 it is proposed to extend 1 FTE Arrears Officer fixed term for another year at Grade 5 at a cost £27,172 help deal with this additional pressure as well as provide pro-active work in terms of communications and advice.

**8.4** It is indicated that Discretionary Housing Payment (DHP) subsidy from Scottish Government will continue at present levels to administer this additional funding and also deal with the current increase in the number of DHP applications. It is therefore proposed to extend 1 FTE Fixed Term Revenues Officer at Grade 4 for another year. This will cost £24,911 and will allow resources to be allocated to dealing Welfare Fund applications which are a high pressure area due to growing demand to the detriment of other call sources.

## **8.5 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 has been revised upwards.

## **8.6 Policy**

### **8.6.1 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.

### **8.6.2 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. Universal Credit awareness events have been held to allow professionals who are providing services to individuals in Midlothian the opportunity to share information and influence the preparation and mitigation actions.

### 8.6.3 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.

### 8.6.4 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.

### 8.6.5 IT Issues

It is anticipated the online delivery mechanism for Universal Credit will require an increase in publicly accessible ICT to support residents to make claims. As many of the issues related to the implementation of Universal Credit have still to be finalised it is too early to conduct detailed planning for this element.

## 9 Recommendations

Cabinet is recommended to:

- Note the update on the work done to date related to Welfare Reform;
- Note the resource implications and risks outlined in this report,
- Note the rents and service charge increase for 2015/16 will be applied, with the mitigation efforts proposed for temporary accommodation occupants,
- Approve the extension of 1x FTE Fixed Term Arrears Officer and 1x FTE Fixed Term Revenues Officer for one more year at a cost to the General Fund of £27,172 and £24,911 respectively;
- Note that the Welfare Reform Working Group will continue to monitor and report to Council accordingly as more information becomes available regarding Universal Credit implementation and its outcomes.

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