
Report To:	Policy & Resources Committee	Date: 24 th September 2013
Report By:	Chief Financial Officer/Corporate Director Community Health and Care Partnership	Report No: FIN/65/13/AP/LA
Contact Officer:	Alan Puckrin	Contact No: 01475 712223
Subject:	Welfare Reform Update	

1.0 PURPOSE

- 1.1 The purpose of this report is to update Committee in respect of various items relating to the Welfare Reform Agenda.

2.0 SUMMARY

- 2.1 Committee have received regular updates in respect of the progress the Council is making in relation to the challenging Welfare Reforms Agenda. Committee have agreed policies and processes in relation to the Scottish Welfare Fund and Discretionary Housing Payments as well as approving the utilisation of a large proportion of the Welfare Reforms Budget.
- 2.2 Operationally the Scottish Welfare Fund and the Discretionary Housing Payments process have settled down well and updates in respect of current demand, spend and appeals are included in the body of the report and Appendix 1 and 2.
- 2.3 There are a number of matters which continue to be worked on by Officers relating to improving payment and reporting processes plus investigating alternatives to cash for both Crisis Grants and Community Care Grants.
- 2.4 At a national level Cosla have carried out a survey in respect of the impact of Welfare Reform on Housing. A copy of the summary produced by Cosla is attached as Appendix 3. In addition, indications are that Councils will be asked to continue delivery of the SWF beyond the initial 2013/15 period. This will required final Government approval but is testament to the good job being done by Councils.
- 2.5 The August Policy & Resources Committee received a report advising that the DWP had made an error in calculating the Council's DHP Grant and as such from 2014/15 the Council are due to receive a 28% (£59,000) reduction in DHP. A letter has been sent to both the DWP and to David Mundell MP raising strong concerns and requesting funding support beyond 2013 to compensate the Council for this DWP error. At the time of writing the report no response has been received.
- 2.6 Additionally the Policy & Resources Committee agreed that an update in respect of the DHP Policy be presented to Committee early in 2014 to ensure that the DHP Policy remains affordable.
- 2.7 There have been several developments in respect of financial inclusion, debt advice and pay day lenders and a comprehensive update on these matters is included within the body of the report. .
- 2.8 There continues to be little in the way of progress at a UK level in respect of Universal Credit but once tangible developments are announced then the Committee will be advised accordingly.

2.9 The DWP have announced further cuts in Benefit Administration Grant from 2014/15 and the impact of this plus an update on the overall financial position of the Welfare Reform pressure budget are contained in Section 8 and shown in Appendix 4.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee note the latest position in respect of the Council's response to the Welfare Reform changes and the good progress being made.

3.2 It is recommended that the Committee agree that action is taken to block access to payday and short term lending websites on all Council computers including those in all Council buildings, libraries and schools and encourage Community Planning Partners to do likewise.

3.3 That the Committee approve the allocation of the Welfare Reform budget pressure monies set out in Appendix 4.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 A significant number of changes to the Welfare System have been implemented in the last 12 months and this will continue in the medium term.
- 4.2 The Policy & Resources Committee have requested that regular updates are brought to Committee in respect of the Councils response to these changes and the Council set aside a total of £3.2 million over the period 2013/16 to tackle the most significant impacts of this agenda.
- 4.3 Previously the Committee have approved policies and processes in respect of the Scottish Welfare Fund which administers Crisis Grants and Community Care Grants and the payment of Discretionary Housing Payments (DHP) which gives some support to offset the impact of the Spare Bedroom Subsidy (Bedroom Tax). In addition £200,000 annual support has been agreed to enhance Financial Advice services within Inverclyde.

5.0 CURRENT POSITION (SWF & DHP)

- 5.1 Appendix 1 shows the position of the Scottish Welfare Fund as at the 30th August 2013 and from this it can be seen that expenditure is behind budget. Crisis Grants expenditure is significantly less than the sum allocated to the Council whilst Community Care Grants, after adjusting for the time lag in awards is only slightly behind budget. Officers will continue to monitor expenditure levels closely. It should be noted that if overall the Scottish Welfare Fund underspends then this sum is ring fenced but can be carried forward into 2014/15.
- 5.2 The payments process in respect of the Scottish Welfare Fund is working well and it is expected that of Paypoint plus the use of payment cards via Allpay will be implemented by the time the Committee meets.
- 5.3 Other developments around the implementation of the SWF centre around improving the IT Systems and reporting. This should allow the Council more options to monitor demand and budgets. In addition to this officers from both Finance and CHCP are engaging with providers of alternatives to cash such as food parcels, starter packs and energy cards.
- 5.4 The Scottish Government has given strong indications that it wishes Councils to deliver the SWF beyond the two year initial period which is due to end on 31st March 2015. This is testament to the success of the delivery of the SWF implemented by Councils.
- 5.5 The May Committee meeting agreed to expand the Discretionary Housing Payments (DHP) policy which has greatly increased the amount being awarded to tenants. The first change related to making payments in respect of financial hardship which is defined as a household which has less than £20 surplus income over expenditure per week. The second change was in relation to those households with more than one surplus bedroom where it was agreed that for a one off period of 6 months funding would be given from DHP to limit the impact to be the same as if the householder had only one surplus bedroom. The latest budget position is shown in Appendix 2.
- 5.6 The August meeting of the Policy & Resources Committee were advised that the DWP had written to the Council advising that it had made a mistake in the calculation of the DHP Grant given to Inverclyde. As a result of this error the amount of DHP given to Inverclyde Council would reduce by almost £59,000 per year from 2014/15. This reduction equates to approximately 28%.
- 5.7 Understandably the Committee were extremely concerned by this development and instructed the Chief Executive to write to the DWP and to the David Mundell MP, the Under Secretary of State for Scotland to raise both our concerns and also to highlight the impact this is likely to have on individuals within Inverclyde. In addition as part of

this letter the Chief Executive asked that consideration be given to providing further funding to Inverclyde to mitigate the impact beyond 2013/14. To date no response has been received to the letter however irrespective of the response coming from the DWP it was agreed that the DHP Policy requires to be reviewed in early 2014 to ensure that the approved Policy is affordable.

- 5.8 In the interim the Council has agreed to allocated £118,000 from Reserves over 2014/16 to compensate for the DWP error.

6.0 FINANCIAL ADVICE UPDATE

- 6.1 The Inverclyde Financial Inclusion Partnership continues to work together to meet the outcomes within the Financial Inclusion Strategy including working in partnership to mitigate the effects of Welfare Reform.
- 6.2 Under the banner of the Partnership a number of applications were submitted to both the Lottery Support and Connect funding stream and the Scottish Legal Aid Board (SLAB) Making Advice Work funding stream
- 6.3 Three bids were submitted to the Support and Connect Fund with two successfully receiving funding until March 2015. (Starter Packs Inverclyde (£120,000) and Fuel Fix a fuel poverty programme led by Inverclyde Council (£260,000)). This project was to be in partnership with SOLAS however due to their recent demise, discussions are ongoing with other providers to support the delivery of the project. The unsuccessful bid led by Riverclyde Homes will be reviewed and resubmitted to the September tranche of funding along with an additional bid led by Inverclyde Advice and Employment Rights in conjunction with ICOD; Financial Fitness and Inverclyde CHCP
- 6.4 Four bids were submitted to the Making Advice Work funding stream for a range of programmes by a number of partners: Inverclyde CHCP; Financial Fitness; Legal Services Agency; Riverclyde Homes; Grand Central Savings; ICOD and Inverclyde Advice and Employment Rights. Two bids, which were led by IHAF and Inverclyde Advice and Employment Rights have been unsuccessful however the remaining two bids (led by RCH & CHCP) have been advised by the Scottish Legal Aid Board (SLAB) that their applications are likely to be agreed and funded although not in full. We await further correspondence from SLAB with confirmation of the level of award.
- 6.5 Both The Lottery and The Scottish Legal Aid Board have commended Inverclyde on its partnership approach to these funding streams.
- 6.6 A very welcome addition to the Financial Inclusion Partnership are the two local credit unions. Port Glasgow Credit Union and Tail 'O' the Bank Credit Union already have good provision within Inverclyde with the number of accounts across both organisations totalling more than 10,000. They are keen to work with the partners to further develop and grow this provision within Inverclyde.
- 6.7 Additional resource committed to the CHCP Advice Services Team has enabled the consolidation of the current team and provided additional posts to deal with the increased number of clients accessing the service. An additional Welfare Rights Officer post is currently in recruitment and two new posts of Advice worker have been created who will be able to undertake both welfare benefits and money advice, therefore enabling a more holistic service for clients. The team continues to review its service delivery model with telephone triage and outreach surgeries used where appropriate.
- 6.8 Current waiting times for financial advice and support are 3 days for Money Advice, 7 days for an Information Worker appointment to up to 14 days for an appointment to complete claim forms. Some spares are kept free for emergency appointments.
- 6.9 A Service Level Agreement is in place between the Council and Financial Fitness for 2013/14 to supply an additional 1375 hours of welfare benefits advice to clients across Inverclyde. As part of this SLA Financial Fitness will provide advice and support to

homeless clients who access the Oak Tree one stop shop.

- 6.10 A bespoke case management system for Advice services is currently being procured with a proposed implementation date of February 2014. This will be utilised within the CHCP Advice Services team initially and then rolled out across all partner organisations who provide welfare benefit and money advice. This will allow more effective handling of clients within and across organisations and more robust reporting of clients accessing services and financial gains made.
- 6.11 Increased demand across all advice providers is being seen in the particular area of Employment Support Allowance (ESA). From 15th June 2013, the first clients applying for Personal Independence Payments (PIP), the replacement for Disability Living Allowance (DLA), have started to seek support and information. For those who are unsuccessful there is now the additional step of Mandatory Reconsideration before appeal. The impact of this measure across Great Britain is estimated, in 2015/16, by HM Treasury to be cost reductions of £1, 350M with the Inverclyde area deemed to be 12th in the top 50 of local authorities hardest hit by the move to PIP. At this stage it is difficult to model the impact on Inverclyde. As more data becomes available from DWP on PIP decision making it will be possible to create more refined and robust estimates of the impacts in Inverclyde.

7.0 PAYDAY LENDERS

- 7.1 There has been increased media focus regarding the use of payday lenders across Scotland and the UK. Glasgow City Council recently commissioned a piece of work "PayDay lenders Sounding Board" which gathered a range of views and evidence related to payday and other non standard lending.
- 7.2 Findings from this included the estimate that Glasgow citizens borrow over £57million annually through payday lenders, home credit, pawnbrokers and rent to own outlets. Whilst there is not similar evidence for the Inverclyde community, it is anticipated that there is a similar pattern of non standard credit use across Inverclyde as there are a number of retail payday, short term loan advance and pawnbroker outlets within our town centres.
- 7.3 Inverclyde Council Assets Management team have confirmed that none of these outlets are within the Council's property portfolio.
- 7.4 The use of internet based payday lender websites is growing therefore it is recommended that the Council restrict access to these sites on all Council computers including all Council buildings, libraries and schools. Support for this is being provided by other partners involved in the Financial Inclusion Partnership who are taking similar action.
- 7.5 The Financial Inclusion partnership will continue to work to support the accessibility and uptake of affordable credit, through the partners in particular the Credit Unions and other low cost loan providers.

8.0 FINANCIAL PRESSURES

- 8.1 The Council agreed £3.2 million from its own resources as part of the 2013/16 budget to meet some of the expected financial impacts from Welfare Reform. Decisions have previously been taken to allocate funding towards the estimated funding shortfall for the Council Tax Reduction scheme, shortfall in SWF/DHP administration funding and increased Financial Advice services.
- 8.2 The DWP have now advised the Scottish Government of further reductions in Benefit Administration Grant. This is a continuation of the crude top slice in resources allocated to Councils rather than a reflection of a reduction in workload arising from Welfare

Reform. The estimated impact on the Council is £25,000 (2014/15) increasing to £90,000 in 2015/16. This loss of income is reflected in Appendix 4.

8.3 The mid-year Benefits return has confirmed that the £500,000 set aside for the cost to the Council of the Council Tax Reduction scheme is appropriate. The final figure will only be known in May 2014.

8.4 Overall the Council is projected to contain the costs of Welfare Reform within the allowance agreed as part of the 2013/16 budget however a number of matters remain to be clarified in addition to potential increases in demand as the impact of Welfare Reform becomes clearer.

9.0 CONCLUSIONS

9.1 The Council continues to make good progress in managing the impacts of the Welfare Reform Agenda.

9.2 There are no budgetary issues to report in respect of SWF or BHP budgets at present however officers will continue to closely monitor expenditure in particular in respect of Discretionary Housing Payments.

9.3 Considerable work is ongoing in respect of financial advice and support services to ensure that these are as coherent and as co-ordinated as possible.

9.4 Further updates on all these matters will be presented to the Committee at the appropriate time.

10.0 IMPLICATIONS

10.1 There are no Financial, Legal or HR implications arising from this report.

Recurring Costs

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Other Comments
Finance	Benefit Administration Grant	From 2014/15	£25,000 (14/15) £90,000 (15/16)	Fund from Welfare Reform Pressure budget.

11.0 REPOPULATION

11.1 By robustly addressing the impacts of the Welfare Reform agenda then the Council will minimise any population drift generated by the Welfare Reform Agenda.

Scottish Welfare Fund
30/08/2013

Calls Answered	4368		
Applications	1262		
Applications Granted	621	(49%)	(6 applications where 2 grants paid)
Applications Refused	533	(42%)	
Applications Withdrawn	59	(5%)	
In Progress	49	(4%)	
Referrals to DWP	574		

		<u>Budget</u> <u>£000</u>	<u>Spend</u> <u>%</u>
Crisis Grant paid (328) =	£31.8k	278	11.4%
Community Care Grants (241) =	£139.5k	454	30.7%
	<u>£171.3k</u>	<u>732</u>	23.4%

Appeals Heard = 41
 Appeals Upheld = 16 (40%)
 2nd tier Review = 3
 2nd Tier Reviews Upheld = 0 (0%)

AP/LA
 4/9/13

Discretionary Housing Payments
30/08/2013

Applications Received	916	
Applications Approved	577	(63%)
Applications Refused	287	(31%)
Awaiting Supporting Evidence	30	(4%)
To be Started	22	(2%)

*278 (48%) of those approved relate to financial pressure

	<u>£000</u>	
Paid to date	64	Paid to Landlords a month in arrears
Commitments	60	Assumes existing claims run their course
New/Replacement Claims	84	Estimate based on year to date experience
	<u>208</u>	
Available Budget	230	Includes £77k one off grant from DWP
Projected Balance	<u>22</u>	

Appeals dealt with = 49
Appeals upheld = 20 (40%)

AP/LA
4/9/13



Briefing - Housing impacts of welfare reform – Survey of councils

COSLA carried out a survey of all councils at the end of May along with Scottish Government and ALACHO. The intention of the survey was to gain an early understanding of the impact of under occupancy measures on local authorities and the stresses on the delivery of housing services which are beginning to emerge. The survey asked 31 questions which covered rent arrears, Housing Benefit appeals, Discretionary Housing Payments (DHP's), and under occupancy (colloquially referred to as the 'bedroom tax'). All 32 local authorities were invited to complete the survey. Thirty local authorities responded which is a 94% response rate.

Key Findings

Under Occupancy

- On the basis of responses so far, it is estimated that 82,500 households in Scotland are affected by under occupancy penalties. Of these 17% (14,000) are under-occupying by 2 or more bedrooms and 83% (68,500) are under occupying by 1 bedroom. An estimated 47,500 of these households are in local authority housing and 35,000 are in housing association housing. The 47,500 local authority tenants comprise 15% of local authority tenants in Scotland.
- The Housing Benefit recipients in the responding councils comprise 98% of all working age Housing Benefit recipients in Scotland. This enables COSLA to make confident statements about the initial impact in Scotland. Thirty three per cent of working age local authority tenants on housing benefits are affected by the penalty for under occupying their property.

Rent Arrears

- With the exception of one, all local authorities with housing stock reported an increase in arrears due to under occupancy. Three quarters of councils are reporting that non-payment of rent due following under occupancy changes is directly responsible for the increase in their rent arrears.
- Of that rent now due to be collected from tenants affected by under occupancy measures, 60% of councils are reported receiving 40% or less and 80% reported receiving 50% or less as at the end of May (based on responses from 20 of 26 councils).

Temporary Accommodation

- Initial analysis suggests that overall, councils estimate that they will lose over £0.75 million from their temporary accommodation income due to the implementation of the under occupancy penalty (We want to check this further as councils reported figures differently and this figure may be an under estimate).
- Returns received from 24 councils responding to the survey who provide their own temporary accommodation revealed that for four councils the under occupancy

penalties had no impact on their temporary accommodation. Most (12 councils) had between 0% and 25% affected and 8 councils had more than 25% of their temporary accommodation affected.

Discretionary Housing Payments

- In total, councils have received over 22,000 applications for DHPs since advising tenants of revised Housing Benefit awards. For 19 local authorities this is 4 times higher than the same period last year.
- DHPs are being awarded to 44% of applications, which totals a commitment of £2.2million so far. That equates to 22% of the fund being used in the first 2 months, when the 2 months DWP allocation is only 17%. Therefore, awards are a third higher than the DWP allocation. As time progresses this rate of attrition may increase.
- Fourteen of the thirty councils who responded have either topped up their DHP funds or have made provision to do so if required. This additional provision amounts to £2.9m which is 29% of the DWP DHP allocation. Six councils have topped up their DHP allowance by the 1.5 times limit or very close to this and 10 councils have topped up by more than half their DHP allocation.

Next Steps

Initial findings have already been highlighted in the ministerial discussion with Lord Freud and we will continue to use this feedback in our lobbying efforts. The initial results have highlighted areas of the survey which we would like to revisit in order to strengthen the usefulness of the results we are receiving. This will involve rewording some of the questions in order to capture more specific data.

There is an agreement between Scottish Government and COSLA to repeat this survey at quarterly intervals over the next 9-12 months to monitor any emerging trends and build a more informed view of the cost to local authorities of welfare reform.

Michael McClements
Policy Manager

Rhona Welsh
Policy Officer

June 2013

Appendix 4

Utilisation of Welfare Reform Funding

<u>Resources</u>	2013/14 £000	2014/15 £000	2015/16 £000
Council Approved Funding	800	1100	1300
SWF Administration Grant	131	120	-
	931	1220	1300
 <u>Expenditure</u>			
Council Tax Reduction - £17m	340	340	340
- £5m	100	100	100
- Overpayments	60	60	60
SWF - DP Supervisor	29	29	-
- DP Assessors/Visitors x 7	156	156	-
- Telephone Calls (Est)	30	30	-
- Postage (Est)	6	6	-
- Overheads (Travel/Furniture etc)	4	4	-
Financial Advice	160	200	200
Cuts to Benefit Admin Grant	-	25	90
Total	885	950	790
Unallocated Balance	46	270	510

Notes

1. Major uncertainty over Council Tax Reduction Burden post 2013/14. Costs could increase significantly.
2. Assumes SWF stops 1.4.15. If it continues then this reduces the available balance by £105k/year.
3. No provision for overspend on DHP/SWF funding provided by Government/DWP.

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