
Report To:	Policy & Resources Committee	Date:	22nd March 2016
Report By:	Chief Financial Officer and Corporate Director (Chief Officer) Inverclyde Health and Social Care Partnership	Report No:	FIN/34/16/AP/LA
Contact Officer:	Alan Puckrin	Contact No:	01475 712223
Subject:	Welfare Reforms Update		

1.0 PURPOSE

- 1.1 The purpose of this report is to provide Committee with an update on the actions being taken by the Council in response to ongoing Welfare Reform changes.

2.0 SUMMARY

- 2.1 Appendix 1 shows the latest position in respect of the Scottish Welfare Fund payments. Spend represents 92% of the annual budget 83% of the way through the year. It is projected that the Scottish Welfare Fund will overspend by between 10% and 15% and this will be contained within the carry forward from 2014/15. The recent Budget Settlement resulted in a 7% cut in Scottish Government Funding from 2016/17 and the Council has allocated £100,000 from its own Welfare Reform budget to meet the reduction in Government Grant/Increased Demand.
- 2.2 DHP applications to offset SSSC (also known as the bedroom tax) have progressed very well with only 0.7% of potential recipients not yet having submitted an application. Expenditure in this area is fully underwritten by the Scottish Government.
- 2.3 Minor changes to DHP policy are proposed in order to utilise the full DHP funding announced by the DWP for 2016/17. The proposals are detailed in the report.
- 2.4 Universal Credit became operational in Inverclyde on the 12th October and in line with other Local Authorities a number of operational difficulties have been encountered in terms of errors by the DWP in the calculation of benefit entitlement and the responsiveness of the DWP service centre. Liaison with the local DWP Office is giving some improvement but there remains a large volume of manual work and error.
- 2.5 Migration of existing DLA Claimants to PIP commenced in Inverclyde in October 2015 and recent statistics from the DWP show an award rate of 52% for new applicants and 68% for those being reassessed. It is intended that a detailed report on this issue will be presented to the next Health & Social Care Committee.
- 2.6 Various changes to Welfare Benefits are due to come in from April and October 2016. Section 8 details these changes and the estimated impacts within Inverclyde.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee note the contents of the report and that a detailed report on the impact of the introduction of Personal Independence Payments will be presented to the next Health & Social Care Committee.

3.2 It is recommended that Committee approve the proposed DHP Policy changes for 2016/17.

Alan Puckrin
Chief Financial Officer

Brian Moore
Chief Officer, Inverclyde HSCP

4.0 BACKGROUND

- 4.1 Committee receive a report each cycle providing updates on the Council's response to the major Welfare Reform changes being rolled out across the UK. The Council set aside £1.3 million on a recurring basis from 2016/17 to meet the significant financial challenges generated by the changes.
- 4.2 Further significant changes were announced by the Chancellor of the Exchequer as part of the autumn statement in November 2015 and the estimated impact of these has been factored into the utilisation of the Welfare Reform recurring budget from 2016/17.
- 4.3 Members received a briefing on the 14th January in respect of Universal Credit and the early findings from operations within Inverclyde. Officers have been asked to provide an updated briefing later in 2016.

5.0 SCOTTISH WELFARE FUND AND DISCRETIONARY HOUSING PAYMENTS

- 5.1 Appendix 1 shows the latest position in respect of the Scottish Welfare Fund payments. From this it can be seen that spend represents 92% of the annual budget 83% of the way through the year. It is projected that the Scottish Welfare Fund will overspend by between 10 and 15% and this will be contained within the carry forward from 2014/15. Some of the extra demand is being driven by the implementation of Universal Credit but a large part is due to the fact that the Grant allocated is not enough to meet demand.
- 5.2 The recent Budget Settlement contained a 7% cut in Scottish Government SWF Grant Funding for Inverclyde in 2016/17 due to a redistribution of the funding across Scotland. This will increase further over the period 2017/19. This makes the position in 5.1 significantly worse and causes a funding pressure from 2016/17. The last Committee meeting therefore agreed to allocate £100,000 from the recurring Welfare Reforms budget in 2016/17 and to increase this by a further £50,000 in 2017/18. Officers will endeavour to stay within the approved budgets and bring regular updates to Committee.
- 5.3 It was also agreed at the last Committee that the Convener write to the Minister for Welfare & Housing and a copy of the letter sent is attached as Appendix 2. A response is currently awaited.
- 5.4 The Scottish Welfare Fund has been in place since April 2013 and is an interim scheme based on national guidance. The Scottish Government Welfare Reform Committee approved the draft Welfare Funds (Scotland) Regulations 2016 and has recommended to Parliament that it approves the draft instrument, making the scheme permanent.
- 5.5 Since the last update report and following a further DHP take up exercise for those affected by SSSC (bedroom tax), of the 1351 tenants affected as at the date of the report, 1341 have applied and been awarded DHP (99.3%). The RSL's will continue to chase up applications from the balance but the take up rate achieved is an excellent performance. £944,000 DHP is projected to be awarded for SSSC by the end of the financial year. The Scottish Government is committed to meeting the shortfall in DHP funding to mitigate the SSSC.
- 5.6 The Department for Work and Pensions notified that the 2016/17 DHP allocation will increase from £185,910 to £232,047. This increase is welcomed and will support some of the welfare reforms being introduced in 2016/17 and, in particular, the reduced Benefit Cap.
- 5.7 Two adjustments to the DHP policy are proposed to ensure the Council stays within budget and relate to awards for those other applicants unaffected by the SSSC.
 1. Increase support for the under 35 year olds private rented sector tenants up to the equivalent level of HB awarded to the over 35 year olds
 2. Homeless Universal Credit claimants – meet 100% of the shortfall between the UC housing element and the rent liability.

5.8 Universal Credit housing cost support for homeless claimants is severely limited. The DWP has made it clear that DHP funding is available to help with the shortfall. The number of applications for DHP in these circumstances is expected to be low during 2016/17 making the proposed change affordable however this will be closely monitored and is expected to be reviewed when the UC full service is launched in Inverclyde and many more homelessness service users place demands on the budget.

6.0 UNIVERSAL CREDIT

6.1 The number of people claiming Universal Credit remains relatively low due to the limited eligibility criteria. To date, 229 claims have been made in Greenock and 225 in Port Glasgow Jobcentre Plus Offices. The latest available statistics in respect of the first 2 months of UC in Inverclyde indicate that the percentage of people claiming Universal Credit and working during October and November 2015 was in the region of 30%, exceeding projections. The number of new Universal Credit claims made in January 2016 increased slightly as seasonal temporary employment contracts terminated.

6.2 64 Housing Association tenants are known to be on Universal Credit. Housing Associations have observed a disproportionate increase in rent arrears with this group and that the tenants who engage need intensive support to understand their rent liability and the impact of moving in and out of work has on the level of Universal Credit they will receive. The UC Operational Management Group attended by relevant partner organisations meets regularly and since the last update report, changes have been made to the way the Personal Budgeting Support service is promoted. A few claimants have taken up the offer however findings are that claimants are not inclined to engage despite their apparent need.

6.3 The Council's role in the delivery of Universal Credit is set out within a Delivery Partnership with the Department for Work and Pensions; a new agreement will be in place for the delivery of local support services in 2016/17. Funding for the assessment of Council Tax reduction will reduce due to the planned introduction of automated data sharing between the DWP and the Council however the introduction of this system, due to have been in place by October 2015, has been beset with delays.

6.4 The Local Authority areas included in Phases 1 and 2 of the national expansion of the Universal Credit "Full Service" have been announced. UC Full Service means the eligibility restrictions currently in place are removed and all benefit claimants who would otherwise claim one or more of the legacy benefits, claim Universal Credit. DWP is committed to consulting with each council to agree their position within the national expansion programme. An approach is expected from DWP in the coming months for the specific date to be agreed, with an announcement being made by July or September 2016. As previously reported, Inverclyde's launch will be no sooner than early 2017.

7.0 EXTERNAL FUNDING & PIP

7.1 Formal notification has been received from Big Lottery regarding the delay to the ESF/Lottery Strategic Intervention related to financial inclusion. The delay has been in relation to the full funding agreement with the managing authority and it is hoped that this will be concluded within the first quarter of 2016. Big Lottery have confirmed that they still anticipate working in each of the following local authorities: Argyll and Bute, Dundee City, Glasgow, Inverclyde and North Ayrshire; and the amounts awarded in each area will depend on the population size, level of need and range of existing services.

The contracts in these 5 areas will focus on delivering the following two outcomes.

- An increase in disadvantaged participants with improved money management skills; and
- A decrease in disadvantaged participants affected by debt as a barrier to social inclusion.

7.2 Following approval at last Committee the funding awarded from the Council Earmarked Reserves has been communicated to the organisations and Service Level Agreements are being developed. 6 monthly monitoring reports will be provided by each project/service.

- 7.3 Previous reports have highlighted the introduction of Personal Independence Payment to replace Disability Living Allowance. For any new client requesting financial support in relation to disability, PIP applications have been in place since 2014, with the migration of existing DLA claimants to PIP commenced in Inverclyde in October 2015. Recent DWP statistics for new PIP applications in Inverclyde gives figures of 1,790 registrations, a caseload of 859 and an award rate standing at 52%.
- 7.4 For those undergoing reassessment to be migrated direct from DLA to PIP including those with 'lifetime' or 'indefinite awards' the award rate is 68%. Of the 68% of those successful there is no guarantee of award of PIP matches that previously received by way of DLA and for the remaining 32% who previously received DLA many have had their entire previous award discounted. Loss of previous entitlement to DLA High Rate Care and High Rate Mobility to no entitlement to PIP would be £139.75pw (£7,267 per annum). If migrated from DLA High Rate Care and High Rate Mobility to PIP Daily Living Component only paid at the Standard Rate the loss of £84.65pw (£4,401.8 per annum) (figures may well be greater given the way elements of the benefit system interact with awards of Disability Benefit acting as a passport to other entitlements.) DLA High Rate Mobility to PIP Mobility Components Enhanced Rate, no loss both giving entitlement of £57.45pw. If migrated to PIP Mobility Component at Standard Rate only, however, loss is £35.65pw (£1853.8 per annum) and loss of access to Mobility scheme.
- 7.5 Unsuccessful applications may have grounds for appeal with the latest figures from the Ministry of Justice showing that 60% of PIP appeals are found in the claimant's favour. In Inverclyde with representation from Welfare Rights officers the figure is closer to 70%. As previously noted Advice Services are seeing an increase in workload related to the introduction of, and migration to, PIP. Due to the complexity of the application form, a PIP application takes a double appointment (one hour) reducing availability for other appointments and longer waiting times.
- 7.6 Requests for representation at appeals are also increasing. In the last quarter October 1st 2015 – January 31st 2016; Welfare Rights officers provided representation at 83 PIP Tribunal Hearings. For January 5th 2016 – February 25th 2016 Welfare Rights officers are attending 101 Tribunal Hearings of which nearly half (49) are PIP.
- 7.7 The consequences to clients are the very real possibility of reduced independence and increased social isolation, whilst the consequences to the Council are two-fold. Firstly the loss of DLA/PIP reduces the income available to be levied from charges for social care and second it may possibly create a demand for additional social care to be provided as the claimant is unable to replace the support needs previously covered by receipt of DLA/PIP. A report regarding this will be submitted to the Health and Social Care Committee.

8.0 APRIL 2016 WELFARE REFORMS

- 8.1 **Housing Benefit Backdating** - Working age tenants who delay claiming help with housing costs will from April 2016 be limited to a maximum of 4 weeks backdated Housing Benefit, a reduction from the current 6 months. Housing Associations are aware of this change and to prevent new tenants accumulating rent arrears have processes in place to encourage claims at the start of tenancies. Housing Associations are aware however that this could affect existing tenants who have a break in their claim and those who need to claim Housing Benefit for the first time.
- 8.2 **Capping Housing Benefit in the Social Sector** – An announcement was made at the Autumn Statement and spending review that benefit claimants who take up new tenancies from April 2016 will from April 2018 have their Housing Benefit entitlement or Universal Credit housing element capped at the equivalent private rented sector rate. Tenants most likely to be affected are those who live in supported and temporary accommodation and those who are single and aged less than 35 years. In response to concerns raised by supported accommodation providers the DWP informed that they are carrying out a thorough review, working with the sector, to ensure that it works in the best way possible. They responded further by referring to the availability of Discretionary Housing Payments which can be paid to people in supported accommodation. Updates will be provided in future reports.

8.3 Reduced Benefits Cap – Autumn 2016

The cumulative amount of welfare benefits most out of work, working age claimants can receive will, subject to parliamentary approval be reduced in autumn 2016. The benefits cap for families reduces to £20,000 (£385 per week) and £13,400 (£258 per week) for single people. DWP notify households expected to be capped in advance of it being applied and advise them of the support available to move into employment. Budgeting and housing support are also discussed. This gives households several months to prepare and take up any support they might need.

8.4 The Government has accepted that following a recent judgement on carers, the benefits cap needs to be revised urgently and will bring forward an amendment and then appropriate regulations exempting all recipients of carer's allowance from the cap.

8.5 Based on analysis of Inverclyde's Housing Benefit records and the criteria before this judgement, approximately 90 households were within the scope of the reduced cap compared with 7 at present. If applied at that time, reductions to Housing Benefit payments ranged from £0.10 to £136.23 per week, the average reduction being £45 per week.

8.6 Discretionary Housing Payment (DHP) is available to those affected by the Benefits Cap and meets 50% of the shortfall between the Housing Benefit award and the rent charge for social housing tenants and for those renting in the private rented sector, the difference between HB and the LHA rate applicable to the household's requirements (subject to an assessment of income and expenditure). The Housing Benefit service posts DHP applications forms to those affected and at the same time informs Housing Associations about their respective tenants.

9.0 IMPLICATIONS

9.1 Finance

Pressures continue to mount on Council budgets as the various aspects of Welfare Reform are rolled out and it is envisaged that by 2018 all the £1.3million recurring budget will be fully allocated. This creates a further pressure on the Council's budget for the period beyond 2018/19.

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
DHP		2016/17	33		Estimated impact of proposed changes will be contained in budget.

9.2 Legal

There are no legal implications arising from this report.

9.3 Human Resources

The impact of the transfer of duties to SFIS has been managed in full consultation with the Trade Union and employees.

9.4 Equalities

Has an Equality Impact Assessment been carried out?

Yes See attached appendix

No This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

9.5 Repopulation

There are no repopulation implications.

10.0 LIST OF BACKGROUND PAPERS

10.1 None.

Scottish Welfare Fund
31 January 2016

Calls Answered	8582		
Applications	3461		
Applications Granted	2497	72.15%	
Applications Refused	457	13.20%	Note 3
Applications Withdrawn	457	13.20 %	
In Progress	50	1.45%	
Referrals to DWP	252		Note 2
	<u>Spend</u>	<u>Budget</u>	<u>Spend</u>
	<u>£000</u>	<u>£000</u>	<u>%</u>
Crisis Grant paid (1754)	157.5	198.6	79.31%
Community Care Grants paid (872) (includes 129 applications paying both CCG & CG)	512.1	664.8	77.03%
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	669.6	863.4	77.55%

Note 1 1st Tier Reviews = 44 (1.49%)
1st Tier Reviews Upheld in Customer Favour = 25 (56.81%)
2nd Tier Reviews = 5 (includes 2 against decisions 2014/15) - (15.15%) out of 39 1st tier decisions
2nd Tier Reviews Upheld in Customers Favour = 1 (20%) with 1 withdrawn

Note 2 Referrals to DWP relates to customers who are awaiting payment of a new claim for JSA / ESA from DWP. In these circumstances a Short Term Benefit Advance (STBA) can be paid by DWP.

Note 3 The most common reasons for refusal of claims are, applicants not meeting the eligibility criteria, not being in receipt of a qualifying benefit or incomplete evidence provided.

Note 4 Core Budget is £732,000 to which is added a residual underspend from 2013/14, the first year of operation.

Discretionary Housing Payments
12 February 2016

Renewals

Awards considered for renewal	1389		
Renewals - approved	1349	(97.12%)	
Renewals - refused	2	(0.14%)	Applicants no longer meet priority group criteria
Renewals – not eligible	38	(2.74%)	No entitlement to DHP because Housing Benefit has stopped

New Applications

New Applications Received to date	642		
Applications Approved	423	(65.89%)	
Applications Refused	104	(16.20%)	
Applications - No Action	84	(13.08%)	DHP paid as 'Renewal'
Awaiting Supporting Evidence	0	(0%)	
New Applications still to be assessed	31	(4.83%)	30 from RSL tenants

£000

DHP Paid to date	767		Paid to Landlords a month in arrears
DHP Commitments Includes Non-SSSC (£35k)	191		Assumes existing claims run their course
New Applications to be assessed	21		Estimate based on current average weekly award of £13.91 (as at 12.2.16) if paid for full financial year.
Total Projected Spend	<u>979</u>		Assumes no further new applications (Scottish Government SSSC Projection: £964k)

SSSC

Households affected by SSSC at 12.2.16	1351		
Households currently receiving DHP (including applications still to be paid, pending Housing Benefit claim decision)	1341	(99.26%)	
Projected total SSSC spend	£944k		
Reviews requested: 3 (0.14%)			

Councillor Stephen McCabe
Ward 1 – Inverclyde East
 Municipal Buildings
 Greenock
 PA15 1LX

Inverclyde
 council

Leader of the Council

Margaret Burgess, MSP
 Minister for Housing and Welfare
 St. Andrew's House
 Regent Road
 EDINBURGH
 EH1 3DG

Direct Line: 01475 712727
 Fax: 01475 712976
 Email: stephen.mccabe@inverclyde.gov.uk
 Our Ref: SMC/sc
 Your Ref:
 Date: 17 February 2016

Dear Ms. Burgess

Reduction to Scottish Welfare Fund Budget

I am writing on behalf of Inverclyde Council in my role as Welfare and Social Inclusion Champion, as well as Leader of the Council, regarding the recently announced reduction in funding coming to Inverclyde from 2016/17 in relation to the Scottish Welfare Fund.

I would wish to highlight to you that the Scottish Welfare Fund is already oversubscribed within Inverclyde with overspends against Government Funding occurring in both 2014/15 and 2015/16. It is only due to a significant underspend occurring the first year of the Scottish Welfare Fund, arising from a lower level of public understanding of the fund, that Inverclyde Council has not had to allocate resources from its own budget to meet increasing demand.

I can advise that as at 31 January 2016 the Grant Award is 10% ahead of available budget. You will appreciate that following the announced 7% cut in the Council's 2016/17 Scottish Welfare Fund budget from the Scottish Government then the Council is in the difficult position of either reviewing its award criteria within the parameters allowed or allocating funding from its own resources at a time that the Council received a £6.5 million cash grant cut from the Scottish Government as part of the 2016/17 Grant Settlement.

I fully understand that the reduction in the Council's Scottish Welfare Fund Grant allocation is a result of decisions taken as part of the 2016/17 Grant Distribution process, but on the basis that this reflects need then it is clear that the amount allocated by the Scottish Government for the Scottish Welfare Fund is simply not enough.

I am advised in a letter from the Deputy First Minister that the reduction experienced by Inverclyde in 2016/17 will be increased further in 2017/18 and again in 2018/19, by which time the Scottish Welfare Fund Grant allocation in Inverclyde will be at least 25% lower in real terms than it is in 2015/16. Given that the Council is already overspending the allocation before this 25% cut I would welcome your comments on how Inverclyde should contain its Scottish Welfare Fund Grant Payments within the resources allocated by the Scottish Government.

/...



2.

17 February 2016

Margaret Burgess, MSP

I intend to press the new Scottish Government elected after the May 2016 Holyrood elections to significantly increase the sums allocated to the Scottish Welfare Fund for Councils, as it is clear that demand for this vital service is only going to increase over coming years.

I look forward to your reply.

Yours sincerely

Stephen McCabe
Leader of the Council
Welfare Reform & Social Inclusion Champion

Category	Circumstances	Maximum Duration of Award/ Award to be reviewed	Amount of DHP (up to the stated % of the shortfall between HB and the rent charge – or otherwise stated)	Examples of Supporting Evidence
1	Claimants affected by the Social Sector Size Criteria (Working Age Housing Benefit claimants living in Housing Association tenancies)	For the full financial year	100% of the SSSC reduction	HB records
2a.	Claimants supported by the Homelessness Service in the Private Rented Sector	12 months	100%	Homelessness records
2b.	Claimants supported by the Homelessness Service into Social Sector housing	One- off payment	Up to the equivalent of 1 week's rent charge for the new tenancy	Housing Association notification Lease agreement
2c.	Benefit Cap	Until end of financial year	50%	HB records
2d.	Homeless in receipt of Universal Credit.	The duration of occupancy of Homelessness accommodation	100%	Homelessness records
3a.	Financial Hardship – Less than £20 income over expenditure each week	Until end of financial year	50%	Claimant statement/HB Assessment
3b.	Financial Hardship – Less than £20 income over expenditure each week – aged less than 35years and housed private rented sector	Until end of financial year	100%	Claimant statement/HB Assessment

Notes

DHP is awarded in order of priority with applications meeting the criteria for Category 1 being the first priority to Category 3 being the lowest priority

Category 1

- Applicants in category 1 are not subject to a financial assessment

Category 2

- Applicants in category 2 are subject to a financial assessment. Applicants are approved where income is less than £20 more than essential expenditure. Disability Living Allowance is disregarded as income although all other income is taken into consideration.
- Awards for claimants supported by the Homelessness Service in the Private Rented Sector are limited to the equivalent of the difference between the HB award and one rate above the LHA rate for the household's requirements or the LHA 2 room rate, whichever is higher. Affordability of those supported by the Homelessness service will be monitored closely subject to an upper annual budget of £20k.
- Those affected by the Benefit Cap renting in the private rented sector – DHP is awarded based on the difference between HB and the LHA rate applicable to the household's requirements
- Those affected by the Benefit Cap renting in the social sector – DHP is awarded based on the difference between HB and the rent charge
- Homeless Universal Credit claimants – meet 100% of the shortfall between the UC housing element and the rent liability.

Category 3

- Applicants are approved where income is less than £20 more than essential expenditure. Disability Living Allowance is disregarded as income although all other income is taken into consideration. This category will also be monitored closely and in line with 2013/14 could be subject to review depending on the level of spend.
- In the private rented sector DHP is awarded based on the difference between HB and the LHA rate applicable to the household's requirements or the 1 room rate for those aged under 35 years
- In the social sector DHP is awarded based on the difference between HB entitlement and the rent charge

Date: 19th February 2016