

Corporate Policy and Strategy Committee

10am, Tuesday 22 January 2013

Welfare Reform – further update

Item number	7.4
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Wards	All

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Welfare Reform – further update

Summary

This report updates the Corporate Policy and Strategy Committee on Welfare Reform and the progress being made by the Council and partners to develop arrangements to mitigate, where possible, the negative impact of the UK Government's welfare reforms.

Progress against the recommendations agreed by the Committee on 4 December 2012 are reviewed and proposals for closer collaboration with the third sector on welfare reform and advice are detailed. The obvious negative implications from the reduction in welfare benefits will be increased poverty and inequality. This will lead to increased need for benefits advice and advocacy services, money management and debt advice, access to credit, food banks, furniture initiatives, and increased demand on health, social work, housing and homelessness services, and reductions in council income. Arrangements are being made to provide briefings on welfare reform implications for specific Council services.

Recommendations

It is recommended that the Corporate Policy and Strategy Committee:

1. notes the continuing progress on assessing the impact of welfare reforms and actions for developing partial mitigation strategies;
2. notes that officers are exploring options to provide matched funding for the DHP fund from existing budgets;
3. notes that an additional £0.5m of funding for Advice services will be found from existing budgets; and
4. agrees to receiving future progress updates on a two monthly cycle, with the next report on 16 April 2013.

Measures of success

The success of the programme to mitigate the effects of Welfare Reform will be measured through:

- reductions in all negative impacts compared to estimates without mitigation actions, insofar as these can be projected and measured;
- reductions in forecast loss of income; and

- customer satisfaction with advice and advocacy services provided relating to benefit changes, including increased benefit take up and minimised losses by ensuring people get their full entitlement under the new arrangements.

Financial impact

The increasing numbers of people experiencing hardship is expected to lead to increasing demand for services in many areas of the Council and partner and advice agencies. There is also a risk to Council income, particularly from rents arrears, changes to subsidy levels for temporary accommodation and service charges across services. Further work is being undertaken to quantify likely financial impacts and to identify funding sources or budgetary options for the investment required in mitigation measures. The Council is also currently completing a Business Continuity Impact Assessment using a model agreed with COSLA. The results of this assessment will be made available once it has been completed.

Equalities impact

The UK Government has prepared Equalities and Human Rights assessments for the welfare reform proposals. The Council will undertake an ERIA when necessary for any of its proposals.

Sustainability impact

Welfare Reform is expected to have general implications for environmental and sustainability outcomes, for example in relation to fuel poverty.

Consultation and engagement

Ongoing involvement of Council officials is taking place with the UK and Scottish Governments, directly and through COSLA, with the DWP, and with the Third Sector, the NHS and other partners, to prepare for welfare reform changes.

With approaching start dates for the next phase of Welfare Reform changes the increasing emphasis will be on engagement with citizens, both in and out of work, who rely benefit income and tax credits in order to provide information, advice and support, directly by the Council and in conjunction with independent advice agencies and major partners.

Background reading / external references

Previous reports to committee:

Welfare Reform - update – Corporate Policy and Strategy Committee, 4 December 2012;

Corporate Policy and Strategy Committee – 22 January 2013

Welfare Reform – Policy and Strategy Committee, 2 October 2012;

Welfare Reform Proposals – Health, Social Care and Housing Committee, 7 December 2010.

Welfare reform – update

1. Background

- 1.1 The Corporate Policy and Strategy Committee on 4 December 2012 agreed a number of recommendations as part of the Council's actions to mitigate the impact of Welfare Reform.
- 1.2 In the UK Government's Autumn Statement on 5 December the Chancellor of the Exchequer announced a further £3.8billion of welfare savings for 2015/16, in addition to £18billion already announced for 2014/15.
- 1.3 Most of these new savings (£3.4billion) will be achieved by limiting working-age benefit increases for inflation to 1% for three years from 2013-14. This follows the earlier change to inflation indices from the Retail Price Index to the lower Consumer Price Index in 2010/11. Some benefits, including the Additional State Pension and those specifically for disability and carers, will continue to be uprated in line with CPI, as will the disability elements of tax credits. The Government also confirmed that the basic State Pension will increase by 2.5 per cent in April 2013, higher than both average earnings and inflation.
- 1.4 The UK Government considers a 1% inflation uplift limit is appropriate as out of work benefits have increased more than average earnings since 2007-08. However, this will have an impact on both the support available to low paid working people and their families as well as people unable to work or find a job.
- 1.5 General inflation is expected to be at least double this one per cent figure, and be much higher for food, heating and utilities – essential expenditure that accounts for the vast majority of household costs for people on low incomes. The Institute for Fiscal Studies has modelled the impact on household income of all tax and benefit reforms from January 2010 to April 2015. This study shows that by 2015, the richest 10% of households will have lost almost 8% of their net income, but for the remaining 90% of households the impacts are regressive with households losing a higher percentage of income the poorer they are. For example, the next richest 30% of households lose under 2%, but the poorest 10% of households lose nearly 5% of income on average.
- 1.6 In addition to the lower inflation uplift, the main benefit changes for 2013-14 changes are:

- the Benefits cap;
- Scottish Welfare Fund replacing Social Fund crisis loans and community care grants;
- phased replacement of Disability Living Allowance by Personal Independence Payments; and
- Housing Benefit bedroom occupancy changes.

2. Main report

2.1 The latest DWP figures show that there were 123,000 people receiving welfare benefits in Edinburgh in February 2012.

Job Seeker	11,980
ESA and incapacity benefits	20,890
Lone Parent	3,500
Carer	4,450
Others on income related benefit	14,470
Disabled	14,140
Bereaved	560
Receiving State Pension only	53,070

Total **123,060**

Note: to avoid double counting the table counts people receiving more than one benefit only in the category in the highest row. So the table undercounts the total numbers of people receiving particular benefits, eg for disabled people.

2.2 The Council continues to actively engage with the Scottish Government and other national and local organisations to develop an effective co-ordinated approach to mitigate the worst impacts of welfare reform. Progress on issues identified at the 4 December meeting are reviewed below.

2.3 **Advice Services in Edinburgh** - The demand for advice in relation to welfare benefits has increased significantly both as a result of the economic climate and the Welfare Reforms already implemented. At the Council's Advice Shop, customer demand has increased by 60% since 2008. Citizen's Advice Edinburgh also reports an increase of 23% in demand since 2008, and other Third Sector advice agencies report increased demand.

2.4 Appeals activity has increased considerably as more and more people are refused benefit as a result of the application of the medical tests for Employment and Support Allowance, which replaced both incapacity benefit (IB) and income support (IS) paid on the grounds of incapacity for new claims from October 2008. The Tribunal Service figures for April to June 2012 show a 40% increase on the previous year in appeal hearings¹.

¹ Ministry of Justice Web Site – Tribunal Service Quarterly Statistics <http://www.justice.gov.uk/statistics/tribunals/quarterly>

- 2.5 The Advice Shop and the other advice agencies which undertake appeals (listed in Appendix 1) all report significant increased demand for appeal representation. This is often a very time consuming activity, helping prepare and representing vulnerable people who have, for example, mental health problems, learning difficulties, physical health problems or physical disabilities.
- 2.6 Further information is provided in Appendix 1 on the work of Third Sector and Council advice services. Advice agencies across the City have a long history of co-operation, meeting regularly for service planning, exchanging information and on occasion joint training. Advice Agencies also refer customers to one another depending on the nature of the enquiry, geographical location of the customer's home, and the capacity of the organisation – for example if more specialised advice, or representation at appeals, is required.
- 2.7 Discussions are ongoing with the major council funded advice agencies in the City to develop a model of integrated partnership working which will aim to maximise co-ordination of advice activity and ensure that maximum benefit is obtained from citywide resources and specialisms.
- 2.8 Taking into account the benefit and tax credit changes that take effect from April and June 2013, and the different types of types of advice work required, it is proposed that an additional 22 posts are funded, split equally between funded Third Sector agencies and the Council's own advice services. The additional costs of £0.5million would require to be considered within the Council's budget planning process for 2013-14, alongside other pressures and priorities facing the Council. These resources need to be focused on preventing homelessness and helping people to develop budgeting skills.
- 2.9 **Benefits cap** - From April 2013 a limit will be put on the total amount of benefit that most people aged 16 to 64 can get. The level of the cap will be:
- £500 a week for couples (with or without children living with them);
 - £500 a week for single parents whose children live with them; and
 - £350 a week for single adults who don't have children, or whose children don't live with them.
- 2.10 The cap will apply to the total amount that the people in any household get from: Bereavement Allowance; Carer's Allowance; Child Benefit; Child Tax Credit; Employment and Support Allowance (unless receiving the support component); Guardian's Allowance; Housing Benefit; Incapacity Benefit; Income Support; Jobseeker's Allowance; Maternity Allowance; Severe Disablement Allowance; and Widowed Parent's Allowance.
- 2.11 People who qualify for Working Tax Credit, or receive Disability Living Allowance/Personal Independence Payment (from April 2013); Attendance Allowance; Industrial Injuries Benefits (and equivalents); Employment and

Support Allowance support component; and War Widow's or War Widower's Pension; are all excluded from the Benefits cap.

- 2.12 The Benefits cap is being highlighted in staff and public communications being planned by the Council and Partners through the Welfare Reform Strategic Planning Group and work is in hand to quantify numbers affected.
- 2.13 **Scottish Welfare Fund** – Following discussions between the Scottish and UK Governments about set-up funding for the Scottish Welfare Fund, the DWP have agreed to provide £2million for set-up costs for the Scottish Welfare Fund, instead of the £238,000 initially offered. The allocation for each council remains to be finalised but it is estimated that Edinburgh will receive a minimum of £35,000 plus funding for IT costs. The committee will be advised of the outcome of these discussions in due course.
- 2.14 The Fund will be managed by the Council and specially trained staff will be in place prior to the changes coming into effect on 1 April 2013. Training will be delivered by the Scottish Government through “Training for Trainers” events during February 2013.
- 2.15 **Discretionary Housing Payments (DHP)** provide short term emergency funding to tenants receiving Housing Benefit and/or Council Tax Benefit. As reported on 4 December, Councils may choose to match funding allocated by the Department for Work and Pensions (DWP) by a factor of up to 1.5 times.
- 2.16 In 2010/11 there were 846 awards of DHP totalling £280,982, in 2011/12 this had risen to 1,107 awards totalling £334,326. Figures for the current year suggest a continuing upward trend in demand.
- 2.17 Edinburgh's DHP allocation from the DWP for 2013/14 is £1,347,299, substantially more than for 2012/13. Work is underway to identify matched funding of an estimated £2,020,948 for 2013-14 from existing budgets. The resulting DHP fund of £3.368m would provide significant support to the most vulnerable tenants, including those who will be affected from 1 April 2013 by the new under-occupancy rules for social sector tenants and the benefits cap.
- 2.18 Priorities for the use of this funding would include Council and Housing Association tenants:
- within 6 months of becoming pensioners;
 - where a child has a significant birthday within 6 months which would entitle them to an extra bedroom;
 - who are expecting a baby that would entitle them to an additional bedroom;
 - affected by the benefits cap;

- people who are chronically sick or disabled; and
- those experiencing exceptional hardship.

2.19 Whilst it is acknowledged that topping up the DHP from local resources will place additional pressures on the Council's budget, the alternative may be loss of revenue arising from increased rent arrears and increased management and operational costs resulting from increasing homelessness and the further pressure on housing and debt advice services.

2.20 **Council Tax Reduction Scheme** replaces the existing Council Tax Benefit from 1 April 2013. The Council has already had to pay £65,000 for IT upgrades necessary for the new scheme and there will be further additional costs before April.

2.21 COSLA and the Scottish Government consider that the total set up costs for Scotland will be around £2million. The financial support currently offered to Scotland by the UK Government has yet to be agreed. In addition the DWP administration subsidy for the scheme will be reduced by £0.51m for 2013/14, reflecting the change scheme no longer being part of Social Security Regulations.

2.22 **Personal Independence Payment (PIP) to replace Disability Living Allowance (DLA):** From April 2013 pilots will be run in areas in England with new claims for benefit being for PIP instead of DLA. From June 2013 all new claims will be for PIP. The UK Government has stated that it is the intention that there will be a reduction in the overall costs for PIP as opposed to DLA of 20% and that this is likely to result in reduced benefit for 35% of existing recipients.

2.23 Based on 2011-2012 figures², there are around 300 new claims for DLA in Edinburgh every month. All of these disabled people will be expected to apply through the new process from June 2013, by telephone and on-line. A range of Council and Third Sector staff and volunteers will be asked to help with this process by people who are unable to undertake it themselves. Significantly, there will be no paper claim forms available. Advice Agencies and other support services will only be able to assist with claims if the disabled person is actually with them at the time of claiming.

2.24 It is expected that 23% of those who would currently qualify for DLA will not qualify for PIP³. If current claim levels continue, this means that around 70 disabled people per month may not qualify for the new benefit.

² Hansard Written Answer 17 January 2012.

³ House of Commons Work and Pensions Committee: [7th Report - Government support towards the additional living costs of working-age disabled people - Volume II](#) | [PDF version 7th Report - Government support towards the additional living costs of working-age disabled people - Volume II](#) ( ) 19 February 2012

- 2.25 From October 2013 onwards the 23,000 existing DLA recipients will begin to be transferred. There is no automatic transfer from DLA to PIP. All recipients will have to make a new claim and be reassessed under the new rules. From October 2013, the 15,820 existing Edinburgh DLA recipients will begin to be transferred.
- 2.26 Around 800 disabled people in Edinburgh will receive a letter every month during the transition period if the intended level of transfer is to be achieved. Based on the impact assessment provided by DWP, it is expected that around 180 disabled people in Edinburgh will be taken off benefit altogether every month of the transfer period.
- 2.27 Where people have been refused benefit or had benefit reduced, they will have to request a reconsideration and only after this has been refused will they be able to appeal. Advice Agencies will therefore have to go through a two stage process with customers to challenge unfavourable decisions instead of the current one stage. It is likely that many will seek assistance with appeals. At present the Welfare Rights Service have a 76% success rate at appeals for DLA (compared to a general UK success rate for all DLA appeals of 42%). A number of other Advice Agencies report similar levels of success.
- 2.28 It is also important to note that people who have disabilities will also be affected by many of the other changes.
- 2.29 **Universal Credit (UC)** is being introduced to replace a number of benefits and tax credits by a single monthly payment. A UC pilot is scheduled to start in NW England in April 2013. From October 2013 the roll out begins on a small scale. The Government's aim is that all new claims for benefit will be for Universal Credit by April 2014. Thereafter, all Tax Credit, income support, employment and support allowance, jobseekers allowance and Housing Benefit cases will begin to be transferred with the aim of completing transfer by 2017.
- 2.30 Under the current DWP proposals around 9,000 Housing Benefit claimants in Edinburgh will have moved to Universal Credit by October 2017.
- 2.31 The DWP's detailed plans for the introduction of UC are still evolving and further updates will be made to the Committee as information is received.
- 2.32 Citizens Advice Edinburgh (CAE) gave a presentation to the Corporate Management Team on 7 January 2013 setting out how they can assist in reducing the financial impact of Welfare Reform in the city through closer partnership working with the Council to support vulnerable residents.
- 2.33 **Council Tenants and Housing Services** - changes to housing benefit will directly affect the way tenants of working age pay rent, notably:

- tenants “under-occupying” their homes will get less housing benefit unless they move to a smaller home or they change their household size, for example by letting a room or having another family member move back in; and
 - once they move on to Universal Credit, working age Council tenants on housing benefit will have to pay their rent directly to their landlord, many for the first time.
- 2.34 These changes will have significant implications for the way the Council collects rents and interacts with its tenants.
- 2.35 The new regulations for those who are under-occupying their home will apply from April 2013. Work is already underway to contact all Council tenants affected. Tenants will be contacted by telephone or on a face to face basis through neighbourhood teams, beginning with those who are most affected by a reduction in income, are vulnerable or are already in rent arrears.
- 2.36 Information has already been supplied to all Council tenants through a general information leaflet. This has been followed up by a postcard to tenants known to be affected by the change. A detailed letter outlining the specific changes to housing benefit will be sent to each affected household in January 2013.
- 2.37 Most housing staff within the neighbourhood offices have now been trained to provide advice and information including help with rent payment methods. Specialist advice for more complex circumstances will be provided through the income maximisation team. Other advice and support agencies are also involved in the communications planning so that they can support people who contact them.
- 2.38 Most tenants on housing benefit will be responsible for making their own rent payments once Universal Credit is phased in from October 2013. Support to help tenants through these changes is being provided by:
- obtaining more information on tenants’ needs including those who do not have a suitable bank account, access to the internet or do not have the literacy skills they will need to manage their credit on-line;
 - moving tenants on to more secure and cost effective payment methods such as direct debits;
 - working with banks and credit unions to improve access to bank accounts and to create budgeting (“jam jar”) accounts which keep money in separate pots for different purposes;
 - providing increased early contact with customers to provide advice and support where there are signs that rent arrears might build up;

- closer working with external advice and support agencies to help tenants get advice that ensures that paying rent and sustaining their home is a priority; and
- encouraging tenant responsibility for paying rent by providing budgeting advice to help tenants to manage their household incomes.

2.39 The subsidy arrangements for temporary accommodation are being changed by the Department for Work and Pensions and will result in less income to fund temporary accommodation. Additionally, residents in temporary accommodation are also likely to be responsible for paying their rent directly. Similar arrangements will be required to support these households in paying their rent to the Council. Changes will also have to be made to temporary accommodation to ensure that future services can be funded through rental income.

2.40 **The Welfare Reform Strategic Planning Group**, has met five times since it was set up in August 2012. The group brings together Council and other key stakeholders to co-ordinate action to manage and mitigate Welfare Reform.

2.41 The group is leading work to develop a communications plan both for Council staff and workers in external organisations. Plans are also being prepared drawing up plans for furniture packages; payments for food, etc in conjunctions with the voluntary sector and to ensure that a holistic approach to applications to the Scottish Welfare Fund is established.

3. Recommendations

3.1 It is recommended that the Corporate Policy and Strategy Committee:

3.1.1 notes the continuing progress on assessing the impact of welfare reforms and actions for developing partial mitigation strategies;

3.1.2 notes that officers are exploring options to provide matched funding for the DHP fund from existing budgets;

3.1.3 notes that an additional £0.5m of funding for Advice services will be found from existing budgets; and

3.1.4 agrees to receiving future progress updates on a two monthly cycle, with the next report on 16 April 2013.

Alastair D Maclean

Director of Corporate Governance

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Single Outcome Agreement

SO2 - Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health

Appendix 1: Investment in Welfare Benefits Advice

The Council provides advice services as part of its duty under section 12 of the Social Work Scotland Act 1968 to promote social welfare. The Welfare Rights team (Health and Social Care) and the Debt Advice service (Services for Communities) are co-located in the Advice Shop on South Bridge. Welfare Rights assisted 31,680 customers in 2011-12, and Debt Advice assisted 4,440.

Both Health and Social Care and Services for Communities currently fund a range of Third Sector advice services, which also receive income from other sources. Most of the Third Sector provide services to local residents in a neighbourhood or area, or provide specialised city-wide coverage for specific groups of people, such as people with disabilities. Because they have different customers, provide different functions, and serve different localities, there is likely to be little duplication.

Agency	Target Customers	Target Areas	Benefits	Debt	Housing	Appeals
CEC Advice Shop	All	Edinburgh	Yes	Yes	Yes	Yes
Citizens Advice Bureau, Central Edinburgh	All/ Local residents	Central Edinburgh	Yes	Yes	Yes	Yes*
Citizens Advice Bureau, Gorgie/Dalry	Local residents	Gorgie/Dalry	Yes	Yes	Yes	Yes*
Citizens Advice Bureau, Leith	Local residents	Leith	Yes	Yes	Yes	Yes*
Citizens Advice Bureau, Pilton	Local residents	Pilton	Yes	Yes	Yes	Yes*
Citizens Advice Bureau, Portobello	Local residents	Portobello	Yes	Yes	Yes	Yes*
Prestonfield Neighbourhood Project	Local residents	Prestonfield area of Edinburgh	Yes	Yes	Yes	No
Granton Information Centre	Local residents	North Edinburgh	Yes	Yes	Yes	Yes
CAN - Community Ability Network	Local residents	Craigmillar	Yes	Yes	Yes	Yes
CHAI (Community Help & Advice Initiative)	Local residents	South Edinburgh, Wester Hailes	Yes	Yes	Yes	Yes
Edinburgh Cyrenians	Homeless	Edinburgh	Yes	Yes	Yes	No
Eric Liddell Centre CA(I)RE Project	Carers	Edinburgh	Yes	Yes	Yes	No
Deaf Action	Deaf people	Edinburgh	Yes	Yes	Yes	No
RNIB	Blind and partially sighted people	Edinburgh & Lothians	No	No	No	No
Action Group	Learning difficulties	Edinburgh & Lothians	Yes	No	Yes	Yes
FAIR - Family Advice and Information Resource	Learning difficulties	Edinburgh	Yes	No	Yes	Yes

Agency	Target Customers	Target Areas	Benefits	Debt	Housing	Appeals
GrapeVine	People with disabilities	Edinburgh & Lothians	Yes	Yes	Yes	No
AdvoCard	Mental health	Edinburgh	Yes	Yes	Yes	No

* **Note:** All Citizen's Advice Bureaux in Edinburgh assist people to lodge appeals against benefit decisions but not all are able to provide appeal representation.

Edinburgh CHP, NHS Lothian, and the Council fund welfare rights advisors based in fourteen GP surgeries in Edinburgh. These advisors are provided from the Granton Information Centre, CHAI and Edinburgh CAB and ensure that people with long term health conditions receive fast and accurate welfare rights advice and information.

The Scottish Government (in *Scottish National Standards for Information and Advice Providers* 2009) classifies advice agencies into three categories:

- **Type I** – Active Information, Sign-posting and Explanation
- **Type II** – Casework
- **Type III** – Advocacy, Representation and Mediation at Tribunal or Court

All of the advice agencies in the table above provide Type I and II services, but few provide advocacy and representation at tribunals or courts. Most Type III work in Edinburgh is undertaken by the Council's Welfare Rights service, with some also provided by locality based voluntary organisations, and by agencies for people with learning disabilities.

Increases in demand are reported by advice services across the City (see main report) and will further increase as the next phases of Welfare Reform are implemented. Additional investment in advice services has been considered for 2013-14 – a fuller review will be required for future years as Welfare Reform impacts increase. In 2013-14, the main changes are:

- Benefits cap – see main report
- Social Welfare Fund replacing Social Fund crisis loans and community care grants
- Phased replacement of Disability Living Allowance by Personal Independence Payments.
- Housing Benefit bedroom occupancy changes.

Although Universal Credit implementation is planned to start later in 2013, the main impacts will be in following financial years, including budgeting and money management advice following the move to monthly payment of benefits in arrears.

People affected by the changes in 2013-14 will receive letters from the DWP and many will also receive communications from the Council, the NHS and voluntary organisations. The inter-agency Welfare Reform Strategic Development Group is developing a communications strategy around staff and claimant targeted information, capable of re-use and customisation by all statutory and third sector agencies.

Further information is being collected on advice service volumes but for 2013-14 it is proposed to share further Council investment equally between third sector and in-house services, both in the Advice Shop and in Social Care Direct within the Council's Contact Centre to provide first line advice and information and signposting to relevant

advice agencies for further support, advocacy, representation or debt advice. Further discussion is also required with the Third Sector to identify the agencies where investment is most required. Work is also underway to re-focus third sector funding provided by Edinburgh Partnership for health inequalities funded by the Social Justice Fund and for 2013-14.