

# Corporate Policy and Strategy Committee

10am, Tuesday 11 June 2013

## Welfare Reform – further update

Item number	7.1
Report number	
Wards	All

### Links

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# Executive summary

## Welfare Reform – further update

### Summary

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This report continues the series of bi-monthly updates on Welfare Reform and on 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 on people in low income jobs and out of work.

In April, the Scottish Parliament Welfare Reform Committee published an analysis of welfare reform impacts on working age benefit and tax credit income in Scotland and its 32 local authorities. According to these estimates, claimants in Edinburgh (in work, out of work, and unable to work) will receive nearly £135million a year less by 2017/18 as a result of the welfare reforms.

Expenditure reduction on this scale is likely to have serious multiplier effects on the City Region's economy, reducing consumption of goods and services, and reducing employment.

As previously stated in the report to Corporate Policy and Strategy Committee on 16 April 2013, the implications of the reduction in welfare benefits will be the risk of increased poverty and hardship; 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. There is also the risk of reductions in council income mainly from increased rent arrears and loss of DWP administration subsidy.

The new regulations for people receiving Housing Support who are considered to be "under-occupying" their home were applied from 1 April 2013. The Council has taken various steps to advise people affected by these changes. Discretionary Housing Payments (DHP) provide short term emergency funding to tenants receiving Housing Benefit and this fund is being used to support the most vulnerable citizens.

The DHP policy document was approved at the Corporate Policy and Strategy Committee on 14 May 2013.

Preparations are underway to set up a joint working group to monitor the implementation and impact of various changes and to contribute to consideration of further measures to support tenants.

Initial discussions with Registered Social Landlords indicate that they are unlikely to follow the Council's initiative on not evicting tenants for non-payment of rent due to the under-occupancy regulations.

This will be explored further within the joint working group.

The Welfare Reform Strategic Planning Group continues to meet monthly, bringing together Council and stakeholders from advice services and third sector to provide a co-ordinated response to manage and mitigate the negative effects of Welfare Reform.

## Recommendations

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It is recommended that the Corporate Policy and Strategy Committee:

1. notes continuing progress on the assessment of Welfare Reform and actions to develop partial mitigation strategies;
2. agrees to refer reports on continuing financial pressures and associated risks arising out of implementation of Welfare Reform to the Finance and Budget committee;
3. notes that the Director of Services for Communities will report to the Health, Housing and Social Care Committee in June 2013 on the Advice Services review; and
4. notes the next progress update report will be 6 August 2013 (with a separate briefing to committee members in early July).

## Measures of success

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

- 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

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As reported on 16 April 2013, the increasing numbers of people experiencing hardship is expected to lead to increased 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. 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.

Known risks include:

- Risk of loss of rental income to Housing Revenue Account (HRA) arising from Housing Benefit under-occupation reforms.
- Risk that Scottish Welfare Funds will be insufficient to meet demands from customers.
- Risk that DHP budget is insufficient to meet demands due to changes in welfare reform.

- Risk that the spend on Council Tax Reduction Scheme exceeds the available funding.
- Reduced DWP Administration Subsidy due to the abolition of Council Tax Benefit.
- Reduced DWP Administration Subsidy due to the phasing out of Housing Benefit.

## Equalities impact

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

## Sustainability impact

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

## Consultation and engagement

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Ongoing involvement of Council officials continues to take 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.

Emphasis is now on engagement with citizens, both in and out of work, who rely on benefit income and tax credits. The priority is to provide information, advice and support, directly by the Council and in conjunction with independent advice agencies and major partners.

The Council continues to participate in a number of groups with the DWP looking at the impacts of Welfare reform, namely Local Authority Transition Working Group (LATWG), Practitioners Operational Group (POG), as well as COSLA's Welfare Reform Local Authority Representatives Group.

## Background reading / external references

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Recent reports to committee:

[Welfare Reform – further update](#) - Corporate Policy and Strategy Committee, 16 April 2013

[Welfare Reform - Scottish Welfare Fund arrangements](#) – Finance and Budget Committee, 21 March 2013

[Welfare Reform – further update](#) – Corporate Policy and Strategy Committee, 22 January 2013

[Welfare Reform - update](#) – Corporate Policy and Strategy Committee, 4 December 2012

Estimates on the impact of Welfare Reform on claimants in Scotland, Edinburgh and other local authorities:

Scottish Government: *UK Government cuts to welfare expenditure in Scotland*, March 2013; available at: <http://www.scotland.gov.uk/Resource/0041/00417011.pdf>

Scottish Local Government Forum Against Poverty/Rights Advice Scotland: *People, Councils and the Economy 2nd Edition: An assessment of the impact of proposed changes to the UK Benefits System on people, councils and the economy in Scotland*, March 2013; available at: <http://www.scottishpovertyforum.org.uk/PCE2%20March%202013v2.pdf>.

Sheffield Hallam University: *The Impact of Welfare Reform on Scotland*, by Christina Beatty and Steve Fothergill, Centre for Regional Economic and Social Research, April 2013. Report commissioned by the Scottish Parliament Welfare Reform Committee; available at: [http://www.scottish.parliament.uk/S4\\_Welfare\\_Reform\\_Committee/Reports/wrR-13-02w.pdf](http://www.scottish.parliament.uk/S4_Welfare_Reform_Committee/Reports/wrR-13-02w.pdf)

## Welfare reform – update

### 1. Background

- 1.1 The Corporate Policy and Strategy Committee agreed on 22 January 2013 to continue monitoring the Council's actions to mitigate the impact of Welfare Reform and requested further update reports every two months, the last report being considered on 16 April 2013.

### 2. Main report

- 2.1 The latest DWP figures show that there were 123,000 people receiving welfare benefits in Edinburgh in February 2012.
- 2.2 The last update report included Scottish Government estimates of the impact of Welfare Reform on Scotland as a whole, and impacts on benefit and tax credit recipients in Edinburgh, published for each of the 32 local authorities by the Scottish Local Government Forum Against Poverty and Rights Advice Scotland. Web-links to these publications are listed in the background reading section. In April, a second set of estimates for Scottish councils was published by Professors Beatty and Fothergill of Sheffield Hallam University who were commissioned by the Scottish Parliament Welfare Reform Committee to research welfare reform impacts on Scotland as part of their wider UK research. Results for Edinburgh are shown below:

#### Annual Impact of Welfare Reforms in Edinburgh: Sheffield Hallam University estimates

	Year full effect expected	House holds affected	Estimated loss per year	Loss as % of Scotland
		No.	£m	%
Incapacity benefits	2015-16	10,200	35.784	7.2%
1 per cent uprating	2015-16		22.999	7.9%
Tax Credits	2014-15	26,600	21.600	7.1%
Child Benefit	2014-15	48,000	18.949	8.4%
Housing Benefit: Local Housing Allowance	2014-15	9,500	14.895	18.4%
Disability Living Allowance	2017-18	3,900	11.694	7.1%
Housing Benefit: Under-occupation ('bedroom tax')	2014-15	5,900	3.678	7.4%
Household benefit cap	2014-15	530	2.567	20.4%
Non-dependant deductions	2014-15	2,200	2.542	7.9%
<b>Total Impact</b>			<b>134.707</b>	<b>8.1%</b>
<i>Of which: Housing Benefit</i>		10,200	58.782	7.4%
<i>Incapacity Benefit + DLA</i>		13,400	26.589	10.8%

**Note: Excludes the following reductions:** (1) RPI to CPI benefits uprating; (2) Council Tax Benefit reductions (3) Income Support for lone parents, change in child qualifying age.

- 2.3 According to these estimates, working age benefit claimants in Edinburgh (in work, out of work, and unable to work) will receive nearly £135million a year less by 2017/18 as a result of the welfare reforms. These sums exclude some of the benefit changes, as noted in the table footnotes, yet appear to be higher than those previously estimated by Scottish Local Government Forum Against Poverty/Rights Advice Scotland. Whatever the precise figures, income reductions of this order of magnitude could have very serious impacts on the living standards of many citizens and families in Edinburgh, on levels of poverty and on the city's economy.
- 2.4 At Scotland level, Sheffield Hallam University found that "the biggest financial impact comes from the reform of incapacity benefits"; however, in Edinburgh the housing benefit changes (£59m loss) are larger than those for disability benefits (£27million loss).
- 2.5 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 negative impacts of welfare reform. Progress on issues is reviewed below.
- 2.6 **Advice Services in Edinburgh** – Information on Advice Services was provided to Committee in the previous report on 16 April 2013. Further work is being undertaken to consolidate a partnership approach to welfare benefits advice and advocacy services across the City and this will be reported to the Health, Housing and Social Care Committee in June.
- 2.7 **Benefits cap** – Information on the Benefit Cap was provided in the previous report to committee on 16 April 2013. The UK Government introduced the cap on a pilot basis in four London Boroughs from 15 April 2013. The nationwide implementation is still planned to start in July 2013 and be completed by September 2013. The implementation date for Edinburgh has still to be announced.
- 2.8 DWP have advised that it is still the position that they will decide by the end of May 2013 if the roll out of the Benefits Cap will be by Local Authority area, where all cases affected will be implemented on the same day, or if it will be rolled out by claimant type, which would mean that tenants in Edinburgh could be affected by the Benefits Cap on different dates.
- 2.9 **Scottish Welfare Fund (SWF)** – Information on the Scottish Welfare Fund was provided in the previous report to Committee on 16 April 2013. At the end of April 2013, £66,405 has been incurred for Community Care Grants against an estimated monthly budget of £119,088. Expenditure on Crisis Grants was £14,182 against an estimated monthly budget of £63,157. These figures are well within the budgeted spend for a full month. From 1 April 2013 only claimants who fell within the highest level of priority were being awarded grants, in line with the guidance from the Scottish Government, until levels of demand could be established. However, from 15 May 2013 we are now awarding grants for those claimants who fall within the medium level of priority. From Monday 3 June, we

- will be able to award grants to claimants who fall within the lowest level of priority.
- 2.10 The target for assessing applications for Community Care Grants is 15 working days. This is currently being achieved within 5 working days.
  - 2.11 The target for assessing applications for Crisis Grants is 2 working days, c. 90% are being assessed on the day the customer telephones to make their claim, with the remainder being dealt with within 2 working days.
  - 2.12 There are now 30 volunteers from various departments within the Council, the third sector and NHS Lothian, to hear 2<sup>nd</sup> stage appeals. Training was provided to these volunteers on 8 and 9 May, with the first hearing held later in the month.
  - 2.13 The current arrangement with Bethany Christian Trust for the supply of furniture and white goods is working very well. Bethany is contacting customers within 2 days of receiving confirmation from the Scottish Welfare Fund Team regarding the goods for which the customer qualifies. Feedback from customers is positive.
  - 2.14 A meeting is being arranged with Scotland Excel and the Council's Commercial and Procurement team to discuss the recent awarding of a national supplier for furniture and white goods. This will be covered in the next update to Committee.
  - 2.15 **Discretionary Housing Payments (DHP)** - Information on DHP was provided in the previous report to Committee on 16 April 2013. A total of 450 cases have been awarded DHP. This includes 222 Council tenancies and 51 RSL tenancies where the property has had a disability adaptation. There are a further 37 adaptation requests outstanding as pending further supporting information.
  - 2.16 All cases where there is a significant age-change have been actioned.
  - 2.17 There are 895 cases outstanding as at 13 May 2013, with around 20-30 new requests being received a day.
  - 2.18 DHP expenditure in April was £45,659 against an estimated monthly budget of £112,275. However, it is likely that spend will be nearer the monthly allocated budget when work in progress is completed. The committed spend totals £224,308.36 for 2013/14 as at May 2013.
  - 2.19 **Council Tax Reduction Scheme (CTRS)** - Information on the Council Tax Reduction Scheme (CTRS) was provided in the previous report to Committee on 16 April 2013. The current system which mirrors the old Council Tax Benefit Scheme is in place for 2013/14. However, there will be further discussions as part of the Ministerial deliberation on the 2014/15 Local Government Settlement as a whole. The position should become clearer as these discussions conclude over the summer.
  - 2.20 COSLA has been analysing information on 2012/13 subsidy from Councils to verify DWP estimates, and will continue to work with Scottish Government and Councils to monitor the funding position during 2013/14.
  - 2.21 The Scottish Government has commissioned the former IRRV Scotland President, Jim McCafferty, to look at alternatives for an appeals mechanism. A



- potential preferred alternative is emerging which, working with tribunal service, would be established on a national basis and ensure that legally qualified decision makers are hearing appeals. Issues which need further consideration include clerking for tribunal meetings, locations for the appeals, and availability of tribunal judges. Ministers will be asked to make a decision on the preferred options in the next quarter and the Scottish Government hope to introduce provisions in early summer with an October implementation.
- 2.22 Work is continuing through the DWP/LA Finance & Commercial Group to refresh the cost base model for Housing Benefit (HB) migration to Universal Credit (UC). This will inform the funding to be provided for disaggregation of continuing HB and CTR administration, as well as certain new burdens emerging for UC rollout. A number of Scottish Councils have been invited to participate in the cost modelling with workshops due to commence. Shortly Directors of Finance representatives are providing input to this work and are in close contact with COSLA. Further information will be provided as this develops.
- 2.23 Armed Forces Independence Payments (AFIP) are a new UK Government benefit designed to support injured service personnel following reform of Disability Living Allowance (DLA) and the introduction of Personal Independence Payments (PIP). Local Government Practitioners have provided feedback to Scottish Government on the approach to dealing with AFIP within the CTR scheme. The Scottish Government is now in the process of finalising regulations to amend the CTR scheme for AFIP, and the intention is to lay these in the Scottish Parliament soon.
- 2.24 The policy intention is that AFIP, which affects a very small number of claimants, will be included alongside DLA and PIP at appropriate points in the scheme.
- 2.25 All Council Tax Benefit claims migrated to the new Council Tax Reduction Scheme on 1 April 2013. Expenditure monitoring will be based on the SHBE extract and co-ordinated with the Scottish Government and reports to the Corporate Policy and Strategy Committee will commence from July 2013.
- 2.26 **Council Tenants and Housing Services** – Around 20% of all Council tenants are affected by the Housing Benefit bedroom under-occupation reforms. Neighbourhood staff have made contact with nearly 3,500 affected Council tenants. There are some tenants who have not responded to contact attempts and in these cases several attempts have been made including telephone calls, letters and home visits. The focus of staff is now to assist those tenants who are having difficulty managing to pay their rent and to ensure they continue to receive advice and information to help them make an informed choice on what is the best option for their household. Following the first fortnightly rent charge after the reform was introduced, 69% of tenants affected by the under-occupation changes were in rent arrears.
- 2.27 At its meeting on 16 April, the Corporate Policy and Strategy Committee agreed that “where the Director of Services for Communities is satisfied that tenants who are subject to under-occupancy charge have done all they reasonably could to avoid falling into arrears, then all legitimate means to collect rent arrears

should be utilised except eviction.” Guidance has been produced for staff that will ensure there is enhanced early intervention and an improved person-centred approach to arrears management.

- 2.28 The Health, Wellbeing and Housing Policy Development and Review Subcommittee meeting of 23 April 2013 discussed options for reducing the impact of the reforms on tenants. Key stakeholders, including Edinburgh Affordable Housing Partnership, Edinburgh Tenants Federation and Shelter were in attendance and involved in these discussions.
- 2.29 The next step is to focus on preparing for the introduction of Universal Credit and the impact that direct payment of benefit will have for tenants and the Council. Planning for the implementation of Universal Credit will include changes to the rent services and operational systems to manage monthly direct payments that minimise the impact on income collection. Work will also look to achieve a shift in payment culture to move more tenants on to secure payment methods and work to ensure that tenants can access suitable financial products and services.
- 2.30 **Temporary and Supported Accommodation** – There has been no change to the position on the change to subsidy arrangements for temporary accommodation as reported to Committee on 16 April 2013.
- 2.31 **Welfare Reforms affecting Disabled People** – there have been two main reforms:
- the ongoing replacement of **Incapacity Benefit** and related benefits by **Employment and Support Allowance (ESA)**, with more stringent medical tests, greater conditionality and time-limiting of non-means tested entitlement for all but the most severely ill or disabled: the DWP intends to complete this process by 2014; and
  - the phased replacement of **Disability Living Allowance (DLA)** by **Personal Independence Payments (PIP)**, including more stringent and frequent medical tests, as the basis for financial support to help offset the additional costs faced by individuals with disabilities.
- 2.32 From 10 June 2013, DWP will no longer accept new claims for DLA from anyone aged 16-64, unless they are making a renewal claim from a fixed term DLA award which is due to expire before the end of February 2014. New claims will be for PIP. From 7 October 2013, existing recipients of DLA will begin to be transferred to PIP and from October 2015 all the remaining claimants in receipt of a DLA award will be invited to make a claim for PIP. DWP will randomly select those recipients of DLA in receipt of an indefinite award or a fixed term award, and notify them about what they need to do to claim PIP. They will invite claims as early as possible from recipients who have turned 65 after 8 April 2013, when PIP was first introduced. The intention is that this process will be completed by October 2017.
- 2.33 The new benefit has been designed to reduce expenditure by 20% as compared with existing levels. It is anticipated that 55% of current DLA recipients will

receive reduced benefit or will be refused PIP when the reassessment takes place. The new benefit has a three stage claim process and a two stage appeal process, compared with the current one stage for each. There will be no automatic reassessment for PIP – if people in receipt of DLA are invited to claim PIP and do not do so, their DLA award will be stopped, new claims will have to be lodged and most people will have to go through the new medical assessment before a decision is made.

2.34 Professors Beatty and Fothergill of Sheffield Hallam University state in their report for the Scottish Parliament Welfare Reform Committee:

2.34.1 Sickness and disability claimants can also expect to be hit hard. The individuals adversely affected by the incapacity benefit reforms can expect to lose an average of £3,500 a year, and those losing out as a result of the changeover from Disability Living Allowance to Personal Independence Payments by an average of £3,000 a year. Often these will be the same individuals: most DLA claimants of working age are out-of-work on incapacity benefits and in both cases the groups most exposed to benefit reductions are those with less severe disabilities or health problems. The same individuals may also find that they encounter reductions in Housing Benefit entitlement.

2.35 Using Government figures, the Council's Welfare Rights Service has estimated that by October 2015, it is likely that over 4,000 DLA recipients will have been reassessed. National DWP projections suggest that 27% will get a higher rate of benefit than before, 14% will see no change, and 59% will be awarded less benefit or will be refused benefit. By May 2018, the reduction in income for disabled people in Edinburgh is estimated at over £19 million per annum (based on current 2013-2014 benefit rates).

2.36 Since around two-thirds of the people who have been affected by the Housing Benefit under-occupancy rules ("Bedroom Tax") have a disability, their ability to meet the shortfall in the housing cost will be reduced.

2.37 The replacement of DLA by PIP will place significant additional demands on Advice Services for:

- assistance with the initial and subsequent claim processes;
- advice and support in attending medical assessments;
- assistance with the new mandatory reconsideration process;
- assistance with lodging appeals, representation at appeals, and appeals to the Upper Tribunal; and
- assistance with increasing levels of debt.

2.38 Social care and housing staff are also likely to face increased demand, and it is likely that General Practitioners and other Health Professionals will be asked for additional supporting evidence. With reduced incomes many people with disabilities will find it increasingly difficult to sustain themselves in the community and may present further demands on services.

- 2.39 **Universal Credit (UC)** - An update was given to committee on 16 April 2013. The pilot in the North West of England began on 15 April 2013 in one local authority. The other 3 local authorities will go live in July 2013. In the first week there were only about 25 cases processed for Universal Credit. The national roll-out is expected to start on 28 October 2013, but as previously stated, implementation will be strictly controlled and volumes are likely to be very small initially.
- 2.40 A detailed timetable is still awaited for the roll-out of Universal Credit and we do not yet know when claimants in Edinburgh will be affected; however significant numbers are unlikely to be affected until February/March 2014. A fuller report on Universal Credit will be provided when a timetable is received from the DWP.
- 2.41 Scottish councils have been willing to engage with DWP on how they can support people as UC is introduced. It is very clear that this requires a serious commitment by DWP in terms of the level of resources made available, the role councils along with their partners play and the extent to which this can fit with the Council's priorities in terms of how communities are supported. Work is ongoing with the Scottish Government, COSLA, and other partners.
- 2.42 **Pension Credit** – There is no update from the Pensions Service about the roll-out of Pension Credit. However, it is likely to start in October 2015.
- 2.43 **Direct Payment Demonstration Project (DPDP)** - There is still no decision from DWP about extending the DPDP beyond June 2013. Confirmation from the DWP is expected in the next few weeks.
- 2.44 Monthly meetings are held with Dunedin Canmore and the DWP to discuss the progress of the project. At the end of April there are 246 tenants receiving partial benefit direct payments and 489 receiving full with no new tenants to the project since the end of January.
- 2.45 It has been agreed that quarterly reports will be sent to all Registered Social Landlords to confirm tenants who are currently under occupying.
- 2.46 The Welfare Reform Manager continues to attend DWP Working Groups on Welfare Reform in general and Universal Credit in particular. He also attends meetings with COSLA and Scottish Government on Welfare Reform issues. The Welfare Reform Manager met with the Edinburgh Parliamentarians on Welfare Reform on 29 April 2013 and has met with the political groups within the Council to give an update on the Scottish Welfare Fund:
- Green Group – 25 March 2013
  - Conservative Group – 25 March 2013
  - Labour Group – 29 April
  - Lib Dem Group – 2 May
  - SNP Group – 20 May

### 3. Recommendations

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3. It is recommended that the Corporate Policy and Strategy Committee :

- 3.1.1 notes continuing progress on the assessment and impact of Welfare Reform and actions to develop partial mitigation strategies;
- 3.1.2 agrees to refer reports on continuing financial pressures and associated risks arising out of implementation of Welfare Reform to the Finance and Budget committee;
- 3.1.3 notes that the Director of Services for Communities will report to the Health, Housing and Social Care Committee in June 2013 on the Advice Services review; and
- 3.1.4 notes the next progress update report will be 6 August 2013 (with a separate briefing to committee members in early July).

## **Alastair D Maclean**

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### **Links**

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**Coalition pledges**

**Council outcomes**

**Single Outcome Agreement**

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