

# Corporate Policy and Strategy Committee

10.00am, Tuesday 13 May 2014

## Welfare Reform - Update

Item number 7.2

Report number

Executive/routine

Wards

### Executive summary

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The Council continues to engage and support relevant groups and currently 56% of Council tenants affected by Under Occupancy no longer have rent arrears.

The exercise to identify tenants who are exempt from Under Occupancy following the DWP drafting error has now been completed, and the necessary action has been taken.

The existing protection from the Benefit Cap for those residing in supported exempt accommodation has been extended to certain Local Authority owned properties. Work is ongoing to identify those cases that are now covered by the extension.

At the end of March 2014 the Scottish Welfare Fund total spend for Crisis Grants was 75% of the budget and the spend for Community Care Grants was 86%. At the end of March 2014 the Council had committed to spend 92% of the Discretionary Housing Payment allocated budget.

The Council continues to promote alternatives to payday loans and is actively engaged on a range of Welfare Reform activities including Universal Credit Local Support Services Framework and Direct Payments.

### Links

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Coalition pledges

Council outcomes

Single Outcome Agreement [SO2](#)

## Welfare Reform – Update

### Recommendations

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- 1.1 It is recommended that the Corporate Policy and Strategy Committee notes:
  - 1.1.1 the Council's ongoing activities relating to Welfare Reform; and
  - 1.1.2 the next update will be reported to Committee on 5 August 2014.

### Background

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- 2.1 The Corporate Policy and Strategy Committee recommended on 22 January 2013 to continue to monitor the Council's actions relating to Welfare Reform and requested bimonthly update reports. The last report was considered by Committee on 25 February 2014.

### Main report

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#### **Council Tenants and Housing Services – Under Occupation (UO)**

- 3.1 At the end of March there are 3,292 Council tenants affected by the UO regulations. Of these tenants, 2,971 (90%) have had a 14% reduction and 321 (10%) have had a 25% reduction in their Housing Benefit entitlement.
- 3.2 At the end of March 2014 there were 7,587 Council Tenants in arrears (£3.5m), 1,436 of whom were affected by the UO regulations. It should be noted that 969 of those affected were already in arrears when the regulations were introduced. This highlights the fact that, although the UO regulations have had an impact on rent arrears, there are other factors that contribute to rent arrears.
- 3.3 Historically the number of affected UO tenants in arrears increased from 969 in April 2013 to 2,017 tenants in December 2013. There is however evidence that the advice and financial support being provided is addressing the upward trend. By the end of March 2014 the number of affected tenants in arrears had reduced by 581 to 1,436. Currently 56% of Council tenants affected by UO are no longer in arrears.
- 3.4 The Welfare Reform Team continue to engage with those affected, providing advice and support for housing options, benefit checking, income maximisation, employment options and assistance with Discretionary Housing Payments (DHP) applications. The team's current focus is to assist tenants with DHP application that are due to be reviewed.

- 3.5 The positive impact of the Team has resulted in a decision to extend the service for a further 12 months.
- 3.6 There are currently around 1,275 Registered Social Landlord (RSL) tenants affected by the UO regulations. RSLs continue to engage with those affected and some have recruited welfare and tenancy support staff to target efforts and support tenants facing financial hardship.
- 3.7 The RSLs have provided details of their current rent arrears position, and this information and the Council's position is included in Appendix 1. Further Information is also provided regarding Council tenants who are under occupying.
- 3.8 The Scottish Government has committed £35m to mitigate rent arrears resulting from UO. A request to lift the DHP cap has been made to the UK Government. If agreed the additional funding will be administered through DHP. If this is refused the Scottish Government will advise of an alternative scheme that will utilise council powers to address UO debts.
- 3.9 The exercise to identify social sector tenants affected by the DWP drafting error is now complete. The Benefit Team has checked 716 social sector tenants and successfully identified 196 who are not subject to the UO benefit reduction.
- 3.10 At 10 April 2014 194 exemptions have been applied to the Housing Benefit system and 2 have still to be considered as further information is required.

#### **Temporary and Supported Accommodations**

- 3.11 Under Occupancy regulations currently affect 262 properties within the temporary accommodation estate and currently 26 homeless households have had their Housing Benefit reduced as a result.
- 3.12 Families continue to be placed in properties where possible that reduce the likelihood of Under Occupancy. However there are occasions when they have to be placed in larger properties to meet their emergency housing needs. DHP applications are submitted for all appropriate cases.

#### **Temporary Accommodation and Benefit Cap**

- 3.13 There are currently 59 households in temporary accommodation and 27 in Private Sector Leasing properties where the Benefit Cap applies.
- 3.14 The introduction of the Benefit Cap has not yet had the expected impact on residents in temporary accommodation. Households in temporary accommodation who are affected by the Benefit Cap and/or Under Occupation are being assisted in applying for DHP.
- 3.15 A number of rent redesign options will be considered for temporary accommodation once Universal Credit timescales and proposals for temporary accommodation have been confirmed by the DWP.
- 3.16 The scope of the existing protection from the Benefit Cap for those residing in supported exempt accommodation has been extended to Local Authority owned

properties where care, support or supervision is provided. There are now four categories of supported housing included in the protection:

- where the landlord is a Registered Social Landlord, registered charity or voluntary organisation where care, support or supervision is provided;
- where the landlord is a specified third or social sector provider where care, support or supervision is provided and the claimant must have been admitted to the dwelling to meet a need for and receive this;
- Third and social sector refuges, including Local Authority refuges, where the claimant is fleeing domestic violence; or
- Local Authority hostels providing care, support or supervision.

- 3.17 Work is currently being carried out to identify Local Authority owned properties where the protection now applies. It is unclear how many properties will be identified or how this will impact on the council rent account. An update will be provided in the next Committee report.

### **Scottish Legal Aid Board (SLAB) Funding**

- 3.18 Each SLAB funded project now has the appropriate officers in place and a full range of welfare and housing advice continues to be provided.

### **Welfare Reform and People with Health Problems**

- 3.19 On 13 January the DWP invited existing Disability Living Allowance claimants living in Edinburgh to claim Personal Independence Payments (PIP). This extension saw an increase in the number of people the Advice Shop has helped to apply for PIP. However as the DWP decision making process is currently taking around 6 months there are few outcomes to report at this time.

### **Advice Services**

- 3.20 In March 2014 The Advice Shop initiated a Debt Advice Forum to bring together Council representatives and Third Sector Advice Agencies to share information and coordinate responses to debt issues. The initial focus was around Payday Lenders and concerns with increasing rent and mortgage arrears.
- 3.21 The Forum has agreed to meet quarterly to address concerns relating to debt.

### **Council Tax Reduction Scheme (CTRS)**

- 3.22 The Council's CTRS funding for 2014/15 is estimated at approximately £27.5m and this will be confirmed in the summer. The demand on the 2014/15 budget will be monitored from month to month in line with changes in customers' circumstances. These changes will be monitored to ensure that any emerging pressure is identified at the earliest opportunity.
- 3.23 The Council's CTRS funding for 2013/14 was confirmed as £27.9. At 31 March 2014 the fund was within budget and the final out turn will be confirmed in future updates.

### **Scottish Welfare Fund (SWF) – Crisis Grants and Community Care Grants**

- 3.24 Applications for Crisis Grants are currently being considered within the target of two working days. There have been no 2<sup>nd</sup> tier review panel meetings since January 2014.
- 3.25 Applications for Community Care Grants are not always being considered within the target of fifteen working days. To address this pressure five new SWF decision makers have been recruited and have been in post from 10 April 2014. There have been two 2<sup>nd</sup> tier review panel meetings since January. One original decision was upheld and one was overturned with the customer receiving the relevant household items.
- 3.26 The Crisis Grant fund for 2013/14 was:
- £385,891
  - £289,265.41 spend to 31 March 2014 (75% of total fund)
- 3.27 The Community Care Grant fund for 2013/14 was:
- £1,801,737
  - £1,541,675.10 spend to 31 March 2014 (86% of total fund)
- 3.28 It has been agreed that any under spend will be carried forward to the 2014/15 fund.
- 3.29 The Scottish Government recently provided details of the Crisis Grants and Community Care Grants awarded for all Scottish Authorities. The Council's combined performance to February 2014 was 74%, which is slightly below the Scottish average of 76%. The revised spend profile for each fund is included in Appendix 2.
- 3.30 On 1 April 2014 The Furnishing Service replaced Bethany Christian Trust as household goods supplier. White goods and small household items are now ordered using the Oracle purchasing system and staff have been trained on the new system.
- 3.31 The Scottish Government has confirmed the total SWF funding for 2014/15 is £2,187,628, the same as 2013/14. The fund has been apportioned as detailed below:
- £360,000 Crisis Grant
  - £1,827,628 Community Care Grant
  - This will be augmented by the confirmed carry forward from 2013/4.

## **Discretionary Housing Payments (DHP)**

- 3.32 On 17 March 2014 the Scottish Government published statistics on DHP spend in Scotland from 1 April 2013 to 31 January 2014. Key findings include:
- Scottish Local Authorities received a total of 85,897 DHP applications;
  - 7% of applications were for Edinburgh (second to Glasgow with 22%);
  - Edinburgh made determination for 90% of the applications received; and
  - Edinburgh had committed 75% of overall limit spent against a Scottish average of 65%.
- 3.33 At 31 March 2014 the Council's DHP 2013/4 financial position was:
- £3,555,182 total fund
  - £3,168,046.82 spend
  - £87,026.26 committed to 31 March 2014
- 3.34 In overall terms the Council has committed to spend 92% of the allocated budget. Appendix 3 outlines the Council's DHP spend profile at 31 March 2014.
- 3.35 Edinburgh's revised DHP policy and engagement arrangements has proved to be effective in allocating the additional funding made available by the Scottish Government in October 2013. The refusal rate for DHP applications for the year is now 22%, however the refusal rate in March 2014 alone was 14.5%. The under spend in 2013/4 will be carried forward to address ongoing financial hardship in 2014/5. This arrangement will align with any national agreement regarding the DHP cap limit or alternative proposal considered at 3.8 in this report.
- 3.36 The ongoing nature of the DHP process means that applications are already being processed for 2014/5. At 7 April 2014 there were 413 DHP applications waiting to be reviewed the oldest being 18 March 2014. Out of these applications 40 were received on 1 April 2014 and as such awards will be considered under the 2014/15 fund.
- 3.37 The DHP financial position for 2014/15 at 7 April 2014 is:
- £3,833,120 total fund
  - £392,675.36 spend (10% of the fund)
  - £1,096,455.51 Committed to 31 March 2015 (a further 28% of the fund)
- 3.38 At Corporate Policy and Strategy Committee on 25 March 2014 a deputation was received from the Lothian Anti Bedroom Tax Federation regarding DHP. Officers subsequently meet with the group to discuss a number of the issues. A detailed response to the deputation is included at Appendix 4.

## **Payday Loans**

- 3.39 The payday lending working group continue to meet monthly to look at ethical alternatives to payday loans and consider longer term, sustainable solutions.

- 3.40 Discretionary Housing Payments (DHP) and the Scottish Welfare Fund (SWF) continue to be advertised and promoted to maximise uptake of the funds and reduce the need for payday loans.
- 3.41 There is however a risk that claimant's will look to payday loan companies to help meet household expenses if their application for DHP or SWF is unsuccessful. To mitigate this risk the DHP and SWF teams will signpost unsuccessful claimants to advice agencies for financial advice. This signposting structure is currently being developed.
- 3.42 The Financial Conduct Authority (FCA) replaced the Office of Fair Trading (OFA) on 1 April 2014. The FCA as regulator of consumer credit intends to review debt collection practises of payday lenders.
- 3.43 Around 200 payday lenders are expected to come under the FCA's remit. These lenders will initially have interim permission to trade but will have to seek full FCA authorisation to continue. It is estimated that potentially a quarter may leave the market if they are unable to meet the FCA's high consumer protection standards. It is anticipated that those who do leave will be the organisations that cause the worst consumer detriment.
- 3.44 Licensing and Trading Standards will present a full report based around payday lending to the Corporate Policy and Strategy Committee on 10 June 2014.
- 3.45 The Scottish Government are hosting a summit on payday lending and gambling in Scottish town centres and neighbourhoods on 23 April 2014. The aim of the summit is to share good practice, spread information of local, national and UK interventions and discuss possible solutions. The Council will use any relevant information to help it develop its approach to payday lending.

#### **Direct Payment Demonstration Project (DPDP)**

- 3.46 The DPDP has now concluded and an independent report has been compiled by the organisations involved. The document highlights issues that social landlords should consider in their preparation for Universal Credit and direct payment of Housing Benefit in particular.
- 3.47 The full report Direct Payments Demonstration Projects Landlord Learning Document can be viewed on the Chartered Institution of Housing website.
- 3.48 A letter from Lord Freud was received on 7 April 2014 thanking the Council for its involvement in the DPDP over the past two year. It confirmed that lessons learned would be applied in the ongoing rollout of the Welfare Reform agenda.

#### **Universal Credit (UC) and Local Support Services Framework (LSSF)**

- 3.49 The DWP's original UC roll-out plan expected that by April 2014 there would be approximately 1 million claimants receiving UC. However at this time there are around 10,000 live UC claims, the majority of which are part of the North West of

England Pilot. Most of the UC claims are for single people who would otherwise have been receiving Jobseekers Allowance (JSA).

- 3.50 The DWP intend to begin accepting new UC claims in the “live sites” for couples and people with children between the spring and autumn. However there are no firm details of timescales or volumes as yet. It is unlikely that new UC will roll-out in Edinburgh before 2016 at the earliest.
- 3.51 The DWP are planning to have 6 pilot areas throughout the UK to test different aspects of LSSF before being rolled out nationally as part of UC. The trials are due to begin in September 2014.
- 3.52 A meeting will take place between the Council and the local DWP Manager to agree an LSSF Local Partnership Agreement. The date of this is to be confirmed.

### **The Welfare Reform Working Group**

- 3.53 The Welfare Reform Working Group continues to meet quarterly to monitor the impacts of Welfare Reform on the Council and its service user. The next meeting is scheduled for June 2014.
- 3.54 The member/officer meeting of 11 March 2014 discussed and considered a number of issues that feature in this report. These include:
- Ongoing role for Welfare Reform Team and funding considerations
  - Delivering Social Security in Edinburgh and the development of a Strategic Response to Welfare Reform in Edinburgh
  - Budgets for Advice Services and ongoing engagement
  - Food Bank activity
  - Payday Lending alternatives and role for Council

### **Strategic Response to Welfare Reform in Edinburgh**

- 3.55 It was agreed at the recent Welfare Reform Core Group meeting to develop a strategic response to welfare reform in Edinburgh. The draft response was presented at the member/officer meeting of 11 March 2014. It was agreed that once completed the final response will be presented to the Corporate Policy and Strategy Committee, this is likely to be June or August 2014.
- 3.56 The draft document outlines that any substantial reduction in the levels of welfare benefits could have potential serious implications for the City of Edinburgh through increased poverty and inequality.
- 3.57 In practical terms these changes would 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 employability and homeless services.



3.58 In response to these changes a draft action plan is being developed which details the Council's strategic approach to any negative impacts. The strategic objectives are:

- prevention of hardship and worsening inequality;
- effective response to crisis needs for housing, heat and food;
- effective support for vulnerable individuals and families; and
- partnership action to sustain Edinburgh's social security.

## Measures of success

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

- reductions in forecast loss of income; and
- customer satisfaction with advice and advocacy services relating to benefit changes, including increased benefit take up and minimises losses by ensuring people get their full entitlement under the new arrangements

## Financial impact

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5.1 The increase in numbers of people experiencing hardship has led to increased demand for services across the Council and also partner advice agencies. There is a risk to Council income, particularly in relation to rent arrears, changes to subsidy levels for temporary accommodation and service charges. Known risks include:

- Loss of rental income to the Housing Revenue Account (HRA) arising from Housing Benefit under Occupation reforms and Direct Payment under Universal Credit.
- Scottish Welfare Fund and Discretionary Housing Payment budget will be insufficient to meet demand longer term.
- The spend on Council Tax Reduction Scheme exceeds the available funding.
- Reduced DWP Administration Subsidy due to the abolition of Council Tax Benefit, the phasing out of Housing Benefit and Central Government budget savings.
- Increased demand on advice and advocacy both for the Council and Third Sector advice agencies.

## Risk, policy, compliance and governance impact

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6.1 The financial risk to the Council as well as the risk to the Council's reputation is being monitored regularly. Actions taken to assess and mitigate these risks and ensure effective governance include:

- bimonthly update to Corporate Policy and Strategy and Finance and Resources Committees;

- annual update to Risk, Governance and Best Value Committee;
- dedicated teams introduced to provide support and assistance;
- quarterly meetings with Elected Members, Council Officers and External Partners; and
- a strategic approach and action plan for delivering Social Security in Edinburgh (A strategic response to Welfare Reform in Edinburgh)

## Equalities impact

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

## Sustainability impact

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

## Consultation and engagement

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- 9.1 Council officials continue to engage with the UK and Scottish Governments, directly and through COSLA, with the DWP, the Third Sector, the NHS and other partners. The Council is also engaging with citizens, both in and out of work, who rely on benefit income and tax credits.

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 Representative Group.

## Background reading / external references

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Recent reports to committee:

[Welfare Reform – financial update](#) – Finance and Resources Committee, 20 March 2014

[Welfare Reform – update](#) – Corporate Policy and Strategy Committee, 25 February 2014

[Welfare Reform – governance](#) – Governance, Risk and Best Value Committee, 30 January 2014

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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

### Appendices

Appendix 1 – Council and Registered Social Landlord rent arrears profile

Appendix 2 – The Scottish Welfare Fund spend

Appendix 3 – Discretionary Housing Payment Spend

Appendix 4 – Response to the Lothian Anti Bedroom Tax Federation Deputation of 25 March 2014

### Council and Registered Social Landlords Rent Arrears Profile

(Further Updates to include year end data (£ and %))

| Name    | Total Number of Properties | Number of Properties Impacted by Under Occupancy (UO) | Number of Properties Under Occupying who have Rent Arrears | Percentage of Properties Under Occupying who have rent arrears |
|---------|----------------------------|-------------------------------------------------------|------------------------------------------------------------|----------------------------------------------------------------|
| CEC*    | 19,237                     | 3,292                                                 | 1,436                                                      | 44%                                                            |
| RSL 1** | 201                        | 23                                                    | 5                                                          | 22%                                                            |
| RSL 2** | 185                        | 17                                                    | 4                                                          | 23.5%                                                          |
| RSL 3** | 1170                       | 57                                                    | 27                                                         | 47.3%                                                          |
| RSL 4** | 4761                       | 359                                                   | 230                                                        | 64.07%                                                         |
| RSL 5** | 448*                       | 49*                                                   | 49*                                                        | 100%*                                                          |

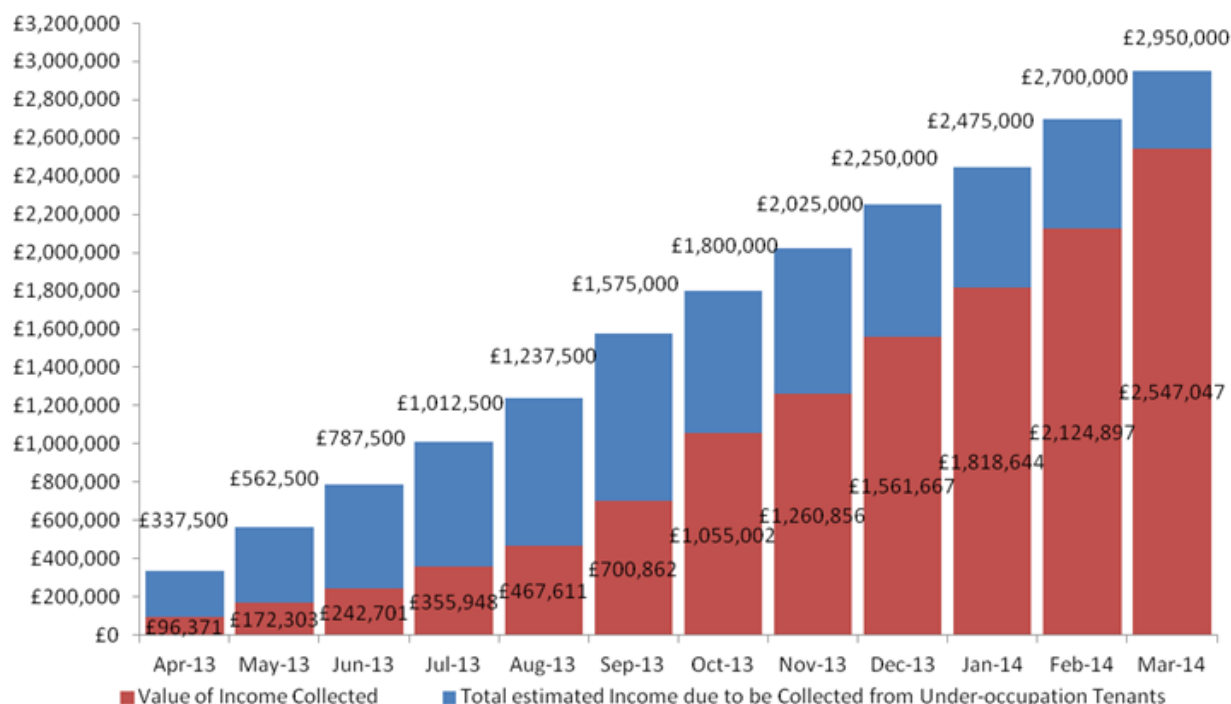
- \*March 2014 data
- \*\* January 2014 data

### Council Tenants Affected by Under Occupancy

Council staff continue to tackle the issue of rent arrears and are working closely with under occupying tenants who are falling into arrears.

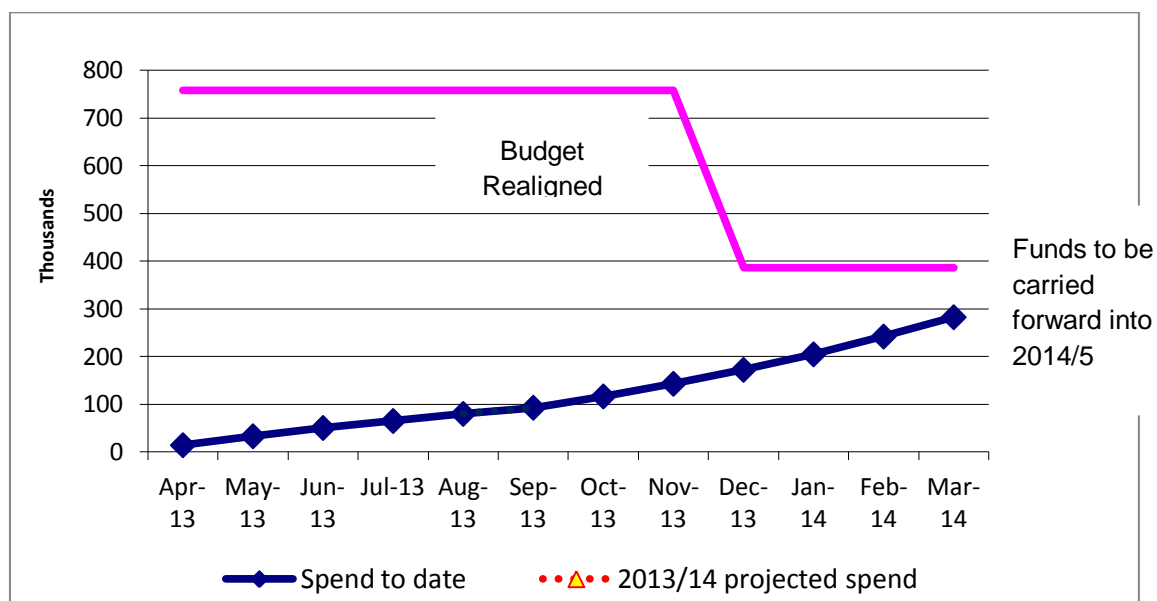
- August 2013 - 76% of tenants affected by under occupancy in rent arrears (£769k income gap)
- November 2013 – 69% of tenants affected by under occupancy in rent arrears (£764k income gap)
- January 2014 - 58% of tenants affected by under occupancy in rent arrears (£656k income gap)
- February 2014 - 54% tenants affected by under occupancy in rent arrears (£575k income gap)
- March 2014 – 44% of tenants affected by under occupancy in rent arrears (£402k income gap)

**Income from Tenants Affected by Under-occupation Regulations**

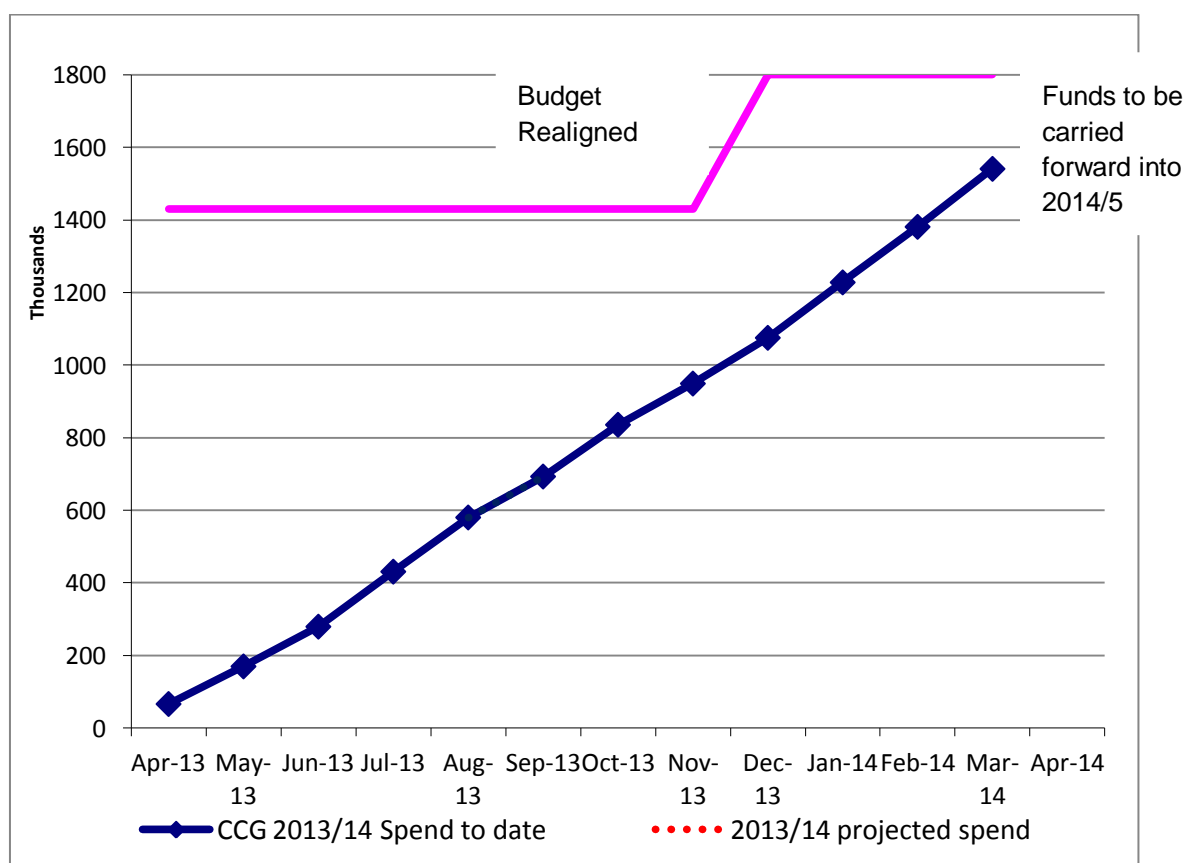


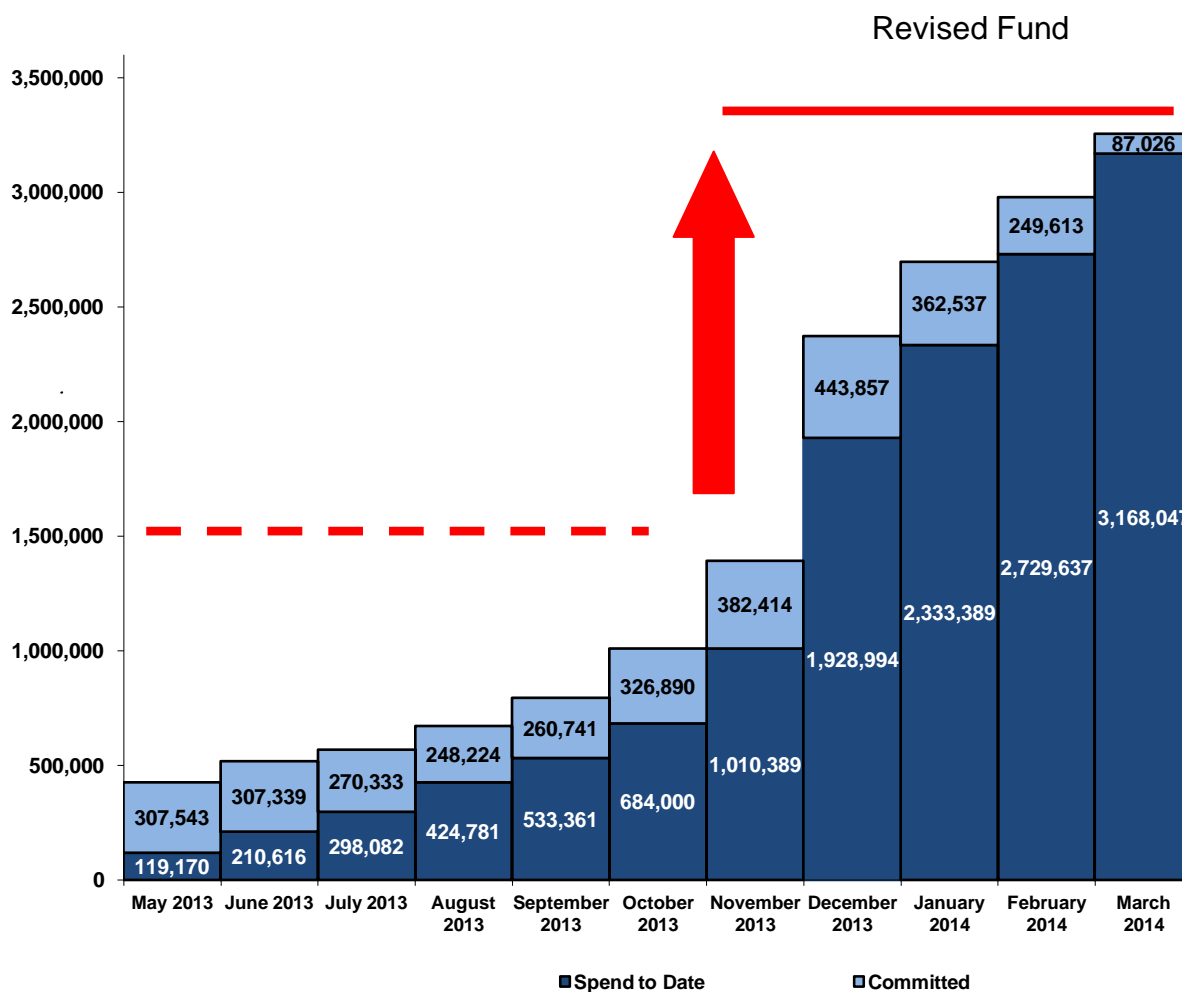
### Scottish Welfare Fund (At March 2014)

#### Crisis Grant Allocation 2013/14



#### Community Care Grant Allocation 2013/14



**Discretionary Housing Payment 2013/14**

- Policy updated in November 2013 in line with additional funding
- Campaign to promote new guidelines (November 2013)
- Campaign to promote appropriate DHP backdating (Dec/January 2014)
- Ongoing engagement to promote fund and simplify application process

**Response to the Lothian Anti Bedroom Tax Federation Deputation**

**Discretionary Housing Payment for the Bedroom Tax.**

**Issue 1**

In view of the Scottish Government announcement that funds are available to cover the Bedroom Tax liability of all tenants affected in Scotland, we propose that if it transpires that this is to be done via DHP, then CEC proceed to pay full DHP to all tenants affected, without the need for an application.

We further propose that the same procedure be followed with regard to backdating of DHP to 01.04.13

**CEC Response**

The Discretionary Financial Assistance Regulations 2001 require that there must be a claim for a Discretionary Housing Payment (DHP) before the Local Authority can consider making an award, however it does not necessarily mean that there has to be a written claim form, therefore from 01 April 2014 CEC will be telephoning prospective claimants where possible to seek their permission to apply a DHP to their claim if they fall under Section 4 of the DHP Policy.

For 2014/15 all claims will be automatically backdated to 01 April 2014 regardless of when they are received in the department.

The fund for 2013/14 has closed as of 31 March 2014, therefore any further awards for 2013/14 will impact on the funding available for 2014/15. Any applications for backdated DHP from 2013/14 will no longer be considered if the application was received after 01 April 2014.

**Issue 2**

We have received a disturbing report from one of our members who works in a CAB that in the cases of some CEC tenants who have been awarded DHP backdated, but who have already paid some of the bedroom tax element of their rent, this DHP money is not being paid to the tenant but is being kept by CEC to go to their Council Tax arrears

We hope that this turns out to be a misunderstanding of some sort, but we would ask the CEC for an assurance that CEC staff will be instructed that DHP money due to be paid to the tenant must be paid to that individual, and not withheld

We would also ask that CEC issue guidance to Housing Associations on the same lines.



### **CEC Response**

For those tenants with a credit on their rent account (for any reason not just due to an award of DHP) the housing officers will discuss all their options with them prior to refunding the credit. Tenants willing to keep their accounts in credit and many do, or wanting to pay CTAX and former arrears can opt to do this. However CEC will never refuse to refund any monies due or transfer credits without the tenants consent.

If you do identify any cases where the above procedure has not been followed please email [moira.coupa@edinburgh.gov.uk](mailto:moira.coupa@edinburgh.gov.uk) who will investigate further and if it is found that an error has occurred and the tenants' credit has not been refunded this will then be arranged.

The Housing Associations have been advised of CEC approach to any refunds due though each HA has their own policy regarding the refunding of any rent accounts that are in credit.