

The background of the slide features a large, faint, light blue outline of the City of Edinburgh Council crest. The crest is a shield divided into four quarters. The top-left quarter shows a castle tower, the top-right a stag's head, the bottom-left a sailing ship, and the bottom-right a lion passant guardant. Above the shield is a crown with four fleurs-de-lis. A banner at the bottom of the shield contains the motto 'A'NE FOR A'.

Agenda Item 8

Welfare Reform Update

Falkirk Council

Title: Welfare Reform Update
Meeting: Executive
Date: 21 March 2017
Submitted By: Director of Corporate and Housing

1. Purpose of Report

- 1.1 The purpose of this report is to provide an update on changes to the social security system resulting from the Welfare Reform Act 2012 and the Welfare Reform and Work Act 2016 and to seek approval to provide an additional £10k to mitigate the impact of the lowering of the Benefit Cap.

2. Recommendation

2.1 Executive is asked to:-

- 1) Further mitigate the impact of the lower Benefit Cap at a potential cost of approximately £10,000 which would be funded by Fairer Falkirk.**

3. Background

- 3.1 This report is the fourth in a series of reports providing an update on the Welfare Reform changes and our work to support people affected by these changes as supported by our poverty strategy "Towards a Fairer Falkirk". Towards a Fairer Falkirk aims to reduce poverty and its impact on individuals and communities in our area. In terms of tackling poverty our key aims are to:
- Maximise the number of people in better paid, secure employment
 - Reduce levels of debt across the population and maximise the income of households who rely on benefits
 - Increase the financial choices available to our population and increase people's understanding of the consequences of financial choices.

3.2 Significant progress has been made towards these aims including:

- Establishing a process for dealing with Scottish welfare fund applications from day one of taking over responsibility
- Allocating funding to Discretionary Housing Payments to mitigate the impact of the size criteria restrictions prior to the national approach being agreed
- Providing on going support to advice and support organisations including CABs, MacMillan Money Matters etc.
- Supporting the most disadvantaged into employment through funding initiatives such as Real Jobs at Carrongrange as well as Employment and Training Unit
- Reviewing our frontline service delivery to provide support to those most in need via our Advice Hub and Outreach Service
- Continuing to support Credit Unions in the area; and
- Work to introduce a Community Development Finance Institution to the Falkirk area

3.3 The most recent Welfare Reform update was considered by the Executive on 19 May 2015. At that point Universal Credit was about to be introduced to the Falkirk Council area.

3.4 The report provides an update on the roll out of Universal Credit and the impact it has had on rent arrears. Further welfare reform changes were announced in 2015 but only introduced in the last months and this report sets out the impact of those.

4. Impact of 2015 Welfare Reform Changes

4.1 A second round of welfare reform changes was announced by the UK Government in 2015 for introduction from 2016. The impact of these changes has been estimated by researchers at Sheffield Hallam University (Beatty and Fothergill 2016) with findings set out below.

4.2 It is estimated that these reforms will result in a further £30m per annum reduction in income to the Falkirk Council area by 2020-2. This brings the total estimated annual impact of welfare reform to £62m once fully rolled out.

4.3 Of this second round of welfare reform changes the biggest financial losses in the Falkirk Council area will come from the benefits freeze (£9m), Universal Credit tapers and thresholds (£8m), tax credit changes (£4m) and employment and support allowance (£2.5m).

4.4 Due to the types of benefits affected by the post 2015 changes, the impact will be distributed unevenly across various household types.

Whilst pensioners are largely unaffected, households with dependent children lose substantial sums, with a couple with one dependent child losing an average of £900 per year to a lone parent with two or more dependent children losing an average of £1750 per year. It is estimated that 83% of the overall financial loss arising from the post-2015 reforms will fall on families with dependent children.

- 4.5 Across the UK it is estimated that just under half of the financial loss arising from the post 2015 reforms will fall on working age social tenant households. Within the Falkirk Council area the financial loss from working age households in the social rented sector is estimated to be £19m per annum. This equates to just over 30% of the total estimated loss in the Falkirk area.

5. Universal Credit

- 5.1 In the Falkirk area, the Department for Work and Pensions (DWP) is currently only accepting new claims for Universal Credit from working age single applicants as part of the gradual roll out of Universal Credit. From March 2018 this will be expanded to cover all new claims including couples, families and lone parents.
- 5.2 The DWP has advised that the claimants who are currently claiming Housing Benefit will be transferred onto Universal Credit between 2019 and 2022. Local Authorities will continue to administer Housing Benefit for pensioners until at least 2022.
- 5.3 As at the end of January 2017, there were 900 Universal Credit claimants in our area: 563 Council tenants, 105 Registered Social Landlord tenants, 185 private tenants and 47 non-householders.
- 5.4 Unlike Housing Benefit which was paid directly to landlords, the housing costs element of Universal Credit is paid direct to the tenant, with the tenant responsible for paying their rent. This is having a significant impact on the rent arrears accumulating for this group of council tenants.
- 5.5 Where a tenant either has at least 8 weeks rent arrears or we have evidence that suggests that the tenant is not able to deal with their own financial affairs or meets the “vulnerable” criteria, the Council can request alternative payment arrangements from DWP.
- 5.6 This means that the housing cost element is paid direct to us as the landlord. We have requested alternative payment arrangements for 260 claimants and 193 claimants currently have their rent being paid directly to Falkirk Council. (The other 67 are either waiting for a decision from DWP or are no longer claiming Universal Credit.)

- 5.7 We have monitored the fluctuating rent position of all Council tenants claiming Universal Credit. At the end of January 2017, the growth in rent arrears was £119,115 from households with a Universal Credit claimant (average of £211.57 per household).
- 5.8 Analysis of the arrears position before and after starting to claim Universal Credit shows a clear pattern. Tenants who historically had a credit balance, a nil balance, or small arrears are now in a more positive position in terms of rent arrears. However, the majority of tenants (71%) owed over £100 at the point of claiming Universal Credit and that has led to a growth in arrears of over £153k (at an average of £379 per tenant).
- 5.9 The overall average movement in arrears associated with tenants claiming Universal Credit has reduced demonstrating that the action we are taking is having a positive impact. We are doing more personal engagement, as well as applying for alternative payment arrangements (direct payment of Housing Costs from the DWP) when we cannot get adequate voluntary payments.
- 5.10 Some of the benefits that Universal Credit replaces allowed an automatic claim for Housing Benefit and Council Tax Reduction. With Universal Credit claimants have to make a separate application to Falkirk Council for Council Tax Reduction. Some claimants are still under the impression that a claim to the DWP for Universal Credit includes a claim for Council Tax Reduction. As a result we are receiving fewer applications for Council Tax Reduction and claimants not getting benefit they are entitled to.
- 5.11 We have worked closely with DWP and the local Job Centre staff to ensure that DWP promote the need to make this separate application at their face to face interviews. We have created a short claim pro-forma which Job Centre staff encourage claimants to complete at their first interview. We are closely monitoring these cases and have issued further claim forms and carried out home visits to encourage claims. We have a relatively poor take up but this is common across all 32 Scottish Authorities. As this is a national issue, the Scottish Government is engaging with both local authorities and the DWP on this.

6. Further Reduction of the Benefit Cap

- 6.1 The Benefit Cap is a restriction on the total amount of benefits a household can receive. In November 2016 this was reduced from £500 to £384.62 per week for families, couples and lone parents and from £350 to £257.69 per week for a single person (outwith London).
- 6.2 The Benefit Cap is applied by reducing housing benefit until the cap level is reached or housing benefit reaches 50p.

- 6.3 Within the Falkirk Council area we have 10 households who had been capped under the previous limit and their housing benefit was further reduced from 7 November 2016. New cases were capped from 21 November 2016 and as at the end of January 2017, we have 76 households in total currently capped under the new limit.
- 6.4 Analysis of the households currently affected shows that the majority of the households are lone parents (59) and couples with children (17). Forty-three households are Council tenants, 22 private tenants and 9 Registered Social Landlord tenants. There are capped households across all our post code areas with FK1, FK2 and FK3 having the highest levels.
- 6.5 Revenues and Benefits staff hand delivered notifications to affected households advising them of the revised amount of benefit. This included a letter providing information about access to work projects through our Employment and Training Unit and the support available from our Welfare Benefits team who can undertake an assessment of any possible entitlement to another state benefit that would exempt them from the cap.
- 6.6 The following table shows an example of how the Benefit Cap would affect a lone parent with 5 children:

Pre Nov 16 Level – per week

Post Nov 16 level – per week

Income Support	£73.10	Income Support	£73.10
Child Tax Credit	£277.96	Child Tax Credit	£277.96
Child Benefit	£75.50	Child Benefit	£75.50
Housing Benefit (A)	£76.30	Housing Benefit (A)	£76.30
Total Benefits in payment	£502.86	Total Benefits in payment	£502.86
Cap Level	£500.00	Cap Level	£384.62
Total cap to Housing Benefit (B)	£2.86	Total cap to Housing Benefit (B)	£118.24
Housing Benefit payable (A-B)	£73.44	Housing Benefit payable (A-B)	£0.50

This household was capped pre November 2016 by £2.86 so their housing benefit was reduced from £76.30 to £73.44. The new level has reduced the housing benefit to 50p (excess is actually £118.24 but can only cap to the amount of housing benefit in payment). In this case, the tenant will have to pay £75.80 per week in rent from their income.

- 6.7 The DWP provide funding with the Discretionary Housing Payment (DHP) budget allocated to Local Authorities each year to assist those households who have been capped. However, making an award is subject to a financial assessment to determine whether or not a household is in need of further financial assistance to meet the shortfall in their rent.
- 6.8 The DWP Guidance reiterates that any assistance should be short term whilst the household either finds work, moves to more affordable accommodation, or claims a benefit that exempts them from the cap.

- 6.9 We have received 17 applications for DHP and have paid 9 to date - 6 of those to private tenants, 2 to council tenants and 1 to an RSL tenant. All of these were short term awards of between 4 to 13 weeks.
- 6.10 We have refused a further 6 applications as, under the DWP Guidance and current DHP policy, they were considered to have sufficient funds to pay the shortfall in rent from their own financial resources. A further 2 cases have been received and are pending assessment.
- 6.11 While all those affected were made aware that they could apply for DHP only 17 of the 76 households, who were capped, have applied. To reduce the risk of the benefit cap increasing poverty in affected households, it is recommended that we promote DHP again amongst the remaining 59 households. We estimate that this would require approximately £10,000 of additional funding to be made available. This would be from the Local Authority's own funding, as we have already exhausted the funding provided by the DWP and the Scottish Government for DHPs in this financial year.

7. Scottish Welfare Fund

- 7.1 The Scottish Welfare Fund is a national scheme, delivered through the Local Authorities, to:

Provide Crisis Grants

- These grants are to meet an urgent need that poses an immediate and substantial risk to health and safety
- These grants can provide access to essential items such as food and energy supply (gas or electricity).

Provide Community Care Grants

- These grants are to help people remain in the community or move back into the community or help ease exceptional pressure
- These grants can help provide access to a wide range of basic household items.

- 7.2 Customers can apply to the Scottish Welfare Fund by phone, online, in person at Falkirk One Stop Shop in Callendar Square, the Falkirk East Hub at Grangemouth or by post.
- 7.3 Local Authorities have the discretion to decide how they will deliver support from the Scottish Welfare Fund. Falkirk Council provide support via the direct provision of Goods and Services as follows:
- Paypoint vouchers for food and energy supply
 - Household items supplied direct e.g. bed, bedding, cooker, washing machine, etc.

- 7.4 Nationally set guidance is provided on how grants are to be assessed and awarded. The budget for the fund for 2015/16 was £927,822. The budget for 2016/17 was £897,781 plus any underspend from 2015/16. Between 1st April 2016 and 31st January 2017, Falkirk Council's Scottish Welfare Fund made the following awards:

TABLE 3: SCOTTISH WELFARE FUND 2016/17:

Apr16 to end of Jan17	No of applications received	No of applications approved	Total value of grants provided
Crisis Grant	3745	2338	£163,322
Community Care Grant	1553	832	£492,074
Total	5298	3170	£655396

- 7.5 In addition to providing the support as detailed above, the Scottish Welfare Fund team have signposted or directly referred customers onto the following for additional support:

- DWP Hardship Fund, Short Term Benefit Advance, Surestart Maternity Grants
- Jobcentre Plus Flexible Fund
- Falkirk Council Housing Services, Access to Housing, Homeless Project, Debt Advice, Welfare Benefits Advice & Income Maximisation, Social work
- British Gas Energy Trust
- Citizen's Advice Bureaux
- Charities - Falkirk Food Bank, Salvation Army, Y People, Carers' Centre and The Samaritans

8. Sanctions

- 8.1 The National Audit Office reported on the value for money of benefit sanctions in November 2016. Their report outlined that the Department of Work and Pensions (DWP) believe sanctions are effective in encouraging people into work. The report found, however, that there was no evidence base for this conclusion and recommended further research took place.
- 8.2 Evaluations carried out by DWP itself identified that sanctions can have negative impacts on mental health and ability to pay bills. Service demands due to anxiety and depression can be placed onto support services and third sector organisations. There is also evidence of food bank use and hardship allowances from the Scottish Welfare Fund are linked to sanctions.

- 8.3 Details of imposed sanctions are not routinely shared from DWP to Local Authorities. This lack of information sharing means the person sanctioned has to proactively seek out advice and support. As those on benefits can have poor financial management skills, this can lead to a build up of arrears in council tax and rent charges. There are procedural difficulties with reclaiming these payments retrospectively and the Council and associated costs.
- 8.4 The National Audit report found the lack of evidence base on sanctions mean DWP are unable to assess the costs passed on to local authorities.

9. Consultation

- 9.1 We have taken part in an Institute of Revenues Ratings and Valuation (IRRV) forum survey, the results of which indicate that our approach to the new Benefit Cap is consistent with those taken by other Scottish Local Authorities, and also with the guidance set out by the Department for Work and Pensions in its DHP guidance manual.

10. Implications

Financial

- 10.1 As stated in the reports recommendations, the financial impact is spending of £10,000 to be funded by Fairer Falkirk.

Resources

- 10.2 There are no additional resource implications arising from the report.

Legal

- 10.3 There are no legal implications arising from the report.

Risk

- 10.4 There are no risks created by enacting the recommendations of the report.

Equalities

- 10.5 There are no equalities issues.

Sustainability/Environmental Impact

- 10.6 There is no sustainability/environmental impact.

11. Conclusions

- 11.1 This report gives an update on the roll out of the welfare reform changes including further changes that have been announced since the previous report. The impact of these further changes on the income to households in Falkirk will be substantial and it is notable that the biggest impact will be on families with dependent children.
- 11.2 We are already seeing a significant impact on rent arrears associated with tenants claiming Universal Credit.
- 11.3 The Scottish Welfare Fund has supported 3170 applications so far this year.
- 11.4 The lowering of the Benefit Cap in November 2016 has impacted on 76 households in the Falkirk Council area. Whilst we have promoted awareness of the availability of the DHP scheme through visits to those affected by the lower benefit cap, we recognise that there are vulnerable households who may not recognise the need to apply timeously for this support.
- 11.5 If Members agree to allocate up to £10k underspend from the Fairer Falkirk Fund in 2016/17, we will try again to engage with these households over the coming weeks, to again highlight the scheme and to encourage awareness of the need to apply for assistance.

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Date: 9 March 2017

Appendices

None

List of Background Papers:

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act 1973:

- None