
Report To:	Policy & Resources Committee	Date:	22nd September 2015
Report By:	Chief Financial Officer and Chief Officer Inverclyde HSCP	Report No:	FIN/80/15/AP/CM
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Subject:	Welfare Reforms Update		

1.0 PURPOSE

- 1.1 The purpose of this report is to provide Committee with an update in respect of various aspects of the Welfare Reform Agenda.

2.0 SUMMARY

- 2.1 The Scottish Welfare Fund and Discretionary Payments processes continue to operate well with the Scottish Welfare Fund showing a 10% increase in demand for services compared to the same period in 2014/15. In line with previous reports, Discretionary Housing Payments is projected to overspend however any overspend in respect of "Bedroom Tax" will be funded in full by the Scottish Government.
- 2.2 Good progress is being made in respect of the Council's preparations for the implementation of Universal Credit on 12th October 2015. Section 6 of the report provides detail of the Council's expected role and how the Council will interact with the DWP.
- 2.3 An update in respect of the various Financial Inclusion Partnership Projects is provided in Section 7 of the report and highlights a number of positive ways the Council and its Partners are meeting the needs of those impacted by Welfare Reform. In addition to progressing these matters, Officers are currently preparing a list of prioritised proposals for Committee to consider at a future meeting of the Policy & Resources Committee regarding the continued funding of certain projects.
- 2.4 The new UK Government announced significant Welfare Budget reduction as part of its budget in July 2015. It is expected that this will apply further pressure to Council services and budgets and details of the areas where the funding reductions are expected to take place are included in the report.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee note the contents of this report and that future updates will be provided to each Committee.

Alan Puckrin
Chief Financial Officer

Brian Moore
Chief Officer Inverclyde HSCP

4.0 BACKGROUND

- 4.1 Regular reports have been presented to Committee detailing the main Welfare Reform changes and how the Council has responded to these.
- 4.2 The Financial Inclusion Partnership has co-ordinated funding applications and achieved considerable success in developing projects to support those impacted by the Welfare Reform Agenda.
- 4.3 The Council allocated £3.2 million for period 2013/16 to meet some of the financial pressures generated by the Welfare Reform changes. Additional sums have been allocated by the DWP, Scottish Government as well as further funding from the Council and these are contained in an Earmarked Reserve.

5.0 SCOTTISH WELFARE FUND & DISCRETIONARY HOUSING PAYMENTS

- 5.1 The Scottish Welfare Fund position is shown at Appendix 1 and it can be seen that by 31st July payments of £268,000 have been made which is ahead of the phased core 2015/16 budget by about £25,000.
- 5.2 If this trend continues then the Council will overspend by £75,000 which will be offset against the £132,000 underspend carried forward from 2013/14. The Council Leader has written to the Minister for Welfare & Housing requesting an increase in SWF funding for future years.
- 5.3 At present the Council is projecting to exceed the budget for SSSC DHP cases (the Bedroom Tax) by £120,000 on the basis that all current cases run to the year end. This is a worst case scenario. The Committee should note that the Scottish Government has undertaken to underwrite any "Bedroom Tax" overspend.
- 5.4 In respect of non-SSSC cases, the Council is currently projecting to stay within the £47,600 allocation from the DWP. Officers are currently reviewing eligibility criteria to ensure resources are fully utilised and will report back to the next meeting with proposals if required.

6.0 UNIVERSAL CREDIT

- 6.1 As previously advised, the Council will implement Universal Credit (UC) with effect from October 2015.
- 6.2 The Council's role is set out in a Delivery Partnership with the DWP which will be signed by the Council's Chief Executive and the DWP prior to the launch. The Delivery Partnership will last for a period of 6 months until 31st March 2016.
- 6.3 The Council's Universal Credit functions include the provision of:
 - digital access for UC claimants;
 - personal budgeting support;
 - UC training both within the Council and with partner organisations including housing associations, the voluntary sector, registered charities and the private rented sector;
 - information to the DWP about Housing Benefit claims terminated when UC claims commence;
 - Council Tax Reduction statistics.

The Council will receive payment from the DWP for the delivery of these functions.

- 6.4 IT facilities with trained staff will be available to provide supported access for UC claimants to apply online. Inverclyde's libraries will be the designated point of access for customers who telephone the DWP claim line or request these facilities at any public office.
- 6.5 Libraries staff will be available to help customers get online however those who present lacking basic IT skills will be given an appointment to meet with Supporting Inverclyde Future Skills (SIFS). SIFS is a project lead by River Clyde Homes where Inverclyde Council Community Learning and Development employees assist customers with IT skills and can help customers make online claims. This support is inevitably followed by other IT and literacies support.
- 6.6 DWP predict demand will be very low during the initial 6 month period because the customer base will in the main be those recently made unemployed and more likely to have skills necessary to claim online. This is supported by the experience of other councils where UC launched earlier this year.
- 6.7 Universal Credit brings new challenges to customers who will be required to manage a limited income over a monthly payment cycle. DWP work coaches will identify and refer to the Council those who need personal budgeting support. An appointment will be made to Supporting Inverclyde Future Skills (SIFS) who will tailor support according to needs of the customer. This may be provided in one session or over a number of sessions. SIFS will ensure outgoings are prioritised and arrangements such as standing orders and direct debits are in place for rent and Council Tax and that a Council Tax Reduction application has been made.
- 6.8 There will be circumstances when it is in the claimant's interests to pay the housing allowance element of UC directly to the claimant's landlord. Alternative Payment Arrangements (APAs) can be organised for those who are expected to be incapable of managing a monthly budget and are likely to accrue rent arrears and for those who have the equivalent of 2 months or more rent arrears. An APA may also be used where it is considered appropriate to split the household UC payment and pay both members of a couple separately. APAs may be requested by a DWP work coach when they identify this need with their customers. Furthermore it is anticipated that SIFS will uncover this during Personal Budgeting Support sessions and furthermore housing landlords who will liaise directly with the DWP's UC Service Centre.
- 6.9 The Universal Credit project plan goes beyond the Council's Delivery Partnership Agreement obligations. Officers across services are working with colleagues from the Financial Inclusion Partnership to develop material to support customers and partners to appropriately support those impacted by the implementation of Universal Credit.
- 6.10 Further updates on the implementation of Universal Credit will be provided within future reports.

7.0 FINANCIAL INCLUSION PARTNERSHIP

7.1 Scottish Power Hardship Fund

Scottish Power have announced funding to support customers who find themselves in energy related hardship. Applicants must have a low household income and have arrears on their energy costs. Successful applications will result in arrears up to the value of £3,000 being cleared from the account. For customers with a credit meter (who receive a quarterly bill) they must maintain a payment plan for 3 months before receiving the payment. Those with a pre-paid meter will not be required to complete this payment plan therefore will receive the funding immediately after the application is deemed successful.

The hardship fund has guidance for application which involves referral to the National Debt Line, however liaisons with the organisation have allowed Inverclyde to utilise its own local services (Inverclyde Advice First and IHeat) to support clients/engage with Scottish Power and provide the appropriate debt advice.

7.2 Smarterbuys

The Smarterbuys scheme is currently in the final development stages with a launch imminent and will offer weekly payment options on household items and white goods at a low cost in order to combat the use of high cost, sub prime lenders. Smarterbuys will be introduced to Inverclyde for Oak Tree Housing Association and River Clyde Homes' tenants initially and thereafter it is proposed that the scheme be rolled out for all residents of Inverclyde.

Applicants who qualify for the scheme can purchase household furniture, white goods and electrics for a low cost and can choose to take credit for up to 104 weeks. The APR is significantly lower than high street, high cost competitors at 24.19% APR compared with up to 90% APR from a competitor.

7.3 Grand Central Savings

Previous reports to Committee have highlighted the funding and performance issues in relation to Grand Central Savings. The organisation has advised the Council and its partners that Grand Central Savings will cease to exist in its entirety from the end of November. All their existing clients will be transferred to Bank of Scotland basic bank accounts and will be supported through this transition by GCS and Bank of Scotland staff with the two local GCS staff being contracted to the Bank of Scotland until February 2016 to help aid this.

River Clyde Homes have agreed a common bond with Pollok Credit Union to provide services to their clients and work is ongoing with the local credit union to help develop their range of available services. Alternative payment methods will be utilised for customers who currently receive Scottish Welfare payments through GSC; this will in the majority of cases be in the form of an Allpay card which can be used like a debit card in all the main stores. The card cannot be used in bookmakers or money lending stores.

7.4 ESF/Big Lottery

Big Lottery Fund Scotland has been considering opportunities to complement the new European Funds programmes starting in Scotland this year. They have developed a strategic intervention that focuses on promoting financial inclusion, as part of the 'Poverty & Social Inclusion' strand of the European Social Fund.

£8m European Social Funds alongside £10m Lottery resources have been identified which will be awarded to 5 local authorities to fund strategic interventions aimed to support financial inclusion and capability for disadvantaged households. Inverclyde has been selected as one of the five local authorities and the nominal allocation is £2.25million for 2016-2018, with one contract being awarded in each local authority area. The other areas are North Ayrshire; Argyll and Bute; Glasgow and Dundee.

7.5 The contract will focus on delivering the following two outcomes and will be focused on workless, lone parent or low income households:

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

7.6 The approach outlined by Big Lottery should be new or add value to existing services, taking into account what is already available in the area and they will not fund continuation of existing services, but will potentially fund development of existing services.

7.7 Inverclyde Financial Inclusion Partnership intends to develop a consortium bid with the support of Community Links Scotland (CLS) who are a charitable, not for profit, voluntary organisation who have helped develop a number of successful funding applications on behalf of the local partners to Big Lottery and SLAB. This bid will involve a range of local partners and will work to developing this within the timescales once they are confirmed by Big Lottery.

7.8 It should be noted that the application process has been delayed slightly and a further update will be given to the Committee at the next meeting.

8.0 2015 BUDGET

- 8.1 The Chancellor announced proposals to significantly reduce welfare spending by 2019/20 in the Summer Budget 2015. The budget savings, which focus exclusively on working age benefits, are subject to the passage through the Westminster Parliamentary process.
- 8.2 The announced changes include a freeze in most working age benefits for a period of four years, some disability benefits and benefits for carers are excluded and will continue to be updated each year. The freeze is on top of significant reductions in Tax Credit award levels and Employment Support Allowance for new claimants deemed able to work. The Benefit Cap for families will reduce from £26k to £20k per year and 18-21-year-olds will not be entitled to claim housing benefit automatically, with a new "earn to learn" obligation. Universal Credit work allowances will be reduced from April 2016 making it more difficult to "make work pay" and after April 2017 most welfare support provided to families will be limited to two children; support will not be available for subsequent children born after April 2017.
- 8.3 The Government will provide an additional £175 million of funding for Discretionary Housing Payments (DHPs) over the next 5 years and an increase in tax allowances and a national living wage were announced. The Institute for Fiscal Studies suggests however that these will not offset the cuts in tax credits.

9.0 SINGLE FRAUD INVESTIGATION SERVICE

- 9.1 As previously reported, the Housing Benefit fraud investigation function migrates to the DWP Single Fraud Investigation Service on 1st February 2016. Officers have commenced engagement with the DWP to prepare for the operational and HR changes ahead and employee consultation along with Trade Union representation has started.
- 9.2 The Accounts Commission recommends that Councils ensure sufficient experienced resources remain in post to investigate non-benefit fraud such as council tax reduction fraud and other corporate fraud. Options for this are being developed to be considered by Members as part of the forthcoming budget.

10.0 OVERALL BUDGETARY POSITION

- 10.1 It can be seen from Appendix 2 that there remains £423,000 unallocated from the recurring budget allowance in 2015/16 and this reduces to an estimated £295,000 by 2016/17.
- 10.2 Officers are mindful of the significant expected pressures expected from the full roll-out of Universal Credit and the recently announced Welfare cuts and as such would recommend that the allowance be retained. Any underspend could continue to be allocated to the earmarked reserve and used for time limited initiatives.
- 10.3 Detailed proposals in this regard will be presented to the next meeting of the Committee.

11.0 IMPLICATIONS

Finance

11.1 Financial Implications:

One off Costs

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

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
N/A					

Legal

11.2 There are no legal implications in respect of this report.

Human Resources

11.3 There are no HR implications in respect of this report outwith those highlighted in Section 9.

Equalities

11.4 Has an Equality Impact Assessment been carried out?

Yes See attached appendix

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

Repopulation

11.5 A robust and supportive response to the challenges presented by Welfare Reform will assist in retaining residents within Inverclyde.

12.0 CONSULTATIONS

12.1 This report has been prepared in consultations with the Welfare Reform Project Board.

13.0 BACKGROUND PAPERS

13.1 None.

Scottish Welfare Fund
31 January 2015

Calls Answered	9818		
Applications	3115		
Applications Granted	2460	78.97%	
Applications Refused	478	15.35%	Note 3
Applications Withdrawn	108	3.46%	
In Progress	69	2.22%	
Referrals to DWP	254		Note 2
		<u>Budget</u>	<u>Spend</u>
		<u>£000</u>	<u>%</u>
Crisis Grant paid (1631)	£123k	208	59.13%
Community Care Grants paid (914) (includes 85 applications paying both CCG & CG)	£511.9k	697	73.44%
	<hr/>	<hr/>	
	£634.9	906	70.07%

Note 1 1st Tier Reviews = 61 (1.96%)
 1st Tier Reviews Upheld in Customer Favour = 11 (18.03%) with 2 awaiting decision
 2nd Tier Reviews = 7 (14.58%) out of 48 reviews refused
 2nd Tier Reviews Upheld in Customer Favour = 0 (0%)

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

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

Note 4 The Government Funding for 2015/16 is £732,000 to which and carried forward underspend of £132,000 has been added.

Welfare Reform - Use of Recurring Budget

	<u>2015/16</u> £000	<u>2016/17</u> £000	<u>Future Years</u> £000	
Available	(1,300)	(1,276)	(1,276)	Note 1
DHP - Assume all funded	-	-	-	
SWF - Administration Shortfall	74	48	48	Note 1
Council Tax Reduction Shortfall	-	330	330	
Square 40% Eligible Overpayments shortfall	83	83	83	
Benefit Administration Grant Cut	86	146	146	Note 2
SFIS Transfer - Excess Administration Grant Cut		40	40	
Financial Advice - Initial Allocation	200	200	200	
- Triage Service	0	30	62	Note 3
Temp Accommodation Subsidy Reduction	-	-	115	Note 4
P&R Approval Projects -				
Clothing Grants	45	45	45	
Food Bank	12	12	12	
Starter Packs	7	7	7	
iHeat	40	40	40	
Transfer to General Fund Reserve	330	-	-	
Balance Available	<u>(423)</u>	<u>(295)</u>	<u>(148)</u>	

Notes:

- 1/ Assume no further Government cuts in Administration Grant.
- 2/ Estimate only for 2016/17 and Future Years.
- 3/ Approved November 2014.
- 4/ Depends on timing of Universal Credit Roll Out.
- 5/ Excludes additional impact of SFIS transfer currently estimated as:
Creation of Corporate Fraud Post £42,000
Transfer due February 2016

Earmarked Reserve

	<u>£000</u>
Balance 31/03/14	613
Less: Money Advice Management Software	-28
: DHP (paid in 2014/15 relating to 2013/14)	-18
: 2013/14 iHeat allocation carried forward	-34
: Earmarked Reserves Write Back (19/02/15)	-60
: Underspend in Recurring budget 2014/15	144
Balance as at 31/03/15	<u>617</u>
: Financial Fitness (3/12/14)	-30
: Starter Packs (3/12/14)	-20
: Clothing Grants (19/12/14)	-100
: Grand Central Savings Rent to 30/09/15	-11
: Non-SSSC DHP Support 2015/16 (24/03/15)	-24
: Inverclyde Connections (19/05/15)	-51
Balance Unallocated as at 26/08/15	<u>381</u>