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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>17<sup>th</sup> November, 2015</b>
<b>Report By:</b>	<b>Chief Financial Officer and Chief Officer HSCP</b>	<b>Report No:</b>	<b>FIN/95/15/AP/CM</b>
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<b>Subject:</b>	<b>Welfare Reforms Update</b>		

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## 1.0 PURPOSE

- 1.1 The purpose of the report is to provide Committee with an update on the various aspects of Welfare Reform and to seek approval for the allocation of part of the Welfare Reforms revenue budget.

## 2.0 SUMMARY

- 2.1 Appendix 1 shows the latest position in respect of SWF payments. From this it can be seen that spend represents 56.5% of the budget 50% of the way through the year. The projected year end overspend can be contained in the carry forward from 2014/15 however it does flag up a potential budget pressure from 2016/17.
- 2.2 Universal Credit (UC) became live in Inverclyde on 12<sup>th</sup> October with initial numbers being very low. The Delivery Partnership agreement is in place and the Council receives payment from the DWP each month for agreed tasks carried out.
- 2.3 Following the transfer of Housing Benefit fraud duties to the DWP in February 2016 the Council will retain certain tasks such as Council Tax Reduction Fraud, Single Person Discounts checks and co-ordination of the National Fraud Initiative exercise. In order to resource these tasks it is recommended that a post is created within the Internal Audit function funded from the Welfare Reform revenue budget to carry out these duties.
- 2.4 Proposals to utilise a significant proportion of the unallocated Welfare Reform monies will be presented to the next meeting of the Committee.

## 3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee note the contents of the report and the Council's initial experiences from the introduction of Universal Credit within Inverclyde.
- 3.2 It is recommended that the Committee approve the proposed changes to non-SSSC DHP outlined in paragraph 5.4.
- 3.3 It is recommended that the Committee approve the allocation of £43,000 from the Welfare Reform revenue budget from 2016/17 to allow the Council to create a post to continue to fulfil its fraud obligations post transfer of Housing Benefit fraud duties to the DWP in February 2016.

## **4.0 BACKGROUND**

- 4.1 Committee receive a report each Committee cycle providing updates as to the Council's response to the major Welfare Reform changes being rolled out across the UK. The Council set aside £1.3million on a recurring basis from 2016/17 to meet the significant financial challenges generated by the changes.
- 4.2 Committee has previously agreed that proposals for the use of the Welfare Reform ear marked reserve should be considered as part of the 2016/18 budget.
- 4.3 The DWP were due to implement Universal Credit within Inverclyde from 12<sup>th</sup> October 2015 whilst the DWP are to take over Housing Benefit Fraud investigations from February 2016.

## **5.0 SCOTTISH WELFARE FUND & DISCRETIONARY HOUSING PAYMENTS**

- 5.1 Spend to date represents 56.5% of the current year programme funding allocation 50% of the way through the year. Appendix 1 shows the latest position in respect of SWF payments and from this it can be seen that spend represents 47.97% of the budget including underspend carried forward from 2014/15. The projected year end overspend can be contained in the carry forward from 2014/15. This will however generate budget pressures in future years.
- 5.2 It should be noted that the Scottish Government are reviewing how the SWF grants are distributed amongst Councils and changes are expected from 2016/17. The expectation would be that Inverclyde will receive an increased grant allocation in future years.
- 5.3 The Council is projecting an underspend of £43,000 (4.5%) in DHP SSSC cases in 2015/16 and the Scottish Government have guaranteed to fully fund all SSSC (Bedroom Tax) costs. Projected spend in 2015/16 is £922,000.
- 5.4 Based on the current policy there is a projected underspend on non-SSSC DHP cases. In order to ensure that the Council utilises the DWP DHP funding then Committee is asked to approve two changes to DHP Policy.
  - a) Use DHP for rent advances (up to 1 week) to allow the placement with RSLs of applicants supported by the Homelessness Service. The agreement to this will remove a stressful barrier for clients. Based on recent statistics this will cost up to £3000 over the period 1 December 2015 – 31 March 2016.
  - b) Increase the level of DHP awarded to those under 35 living in the Private Rental Sector from 50% to 75%. Those in financial hardship are currently awarded 50% of the difference between maximum weekly HB entitlement of £60.00 and Local Housing Allowance 1 room rate of £80.78. The proposal will save those eligible approximately £5/week and increase DHP spend by approximately £250/week. The proposal will be backdated to 1 April 2015 if approved.

## **6.0 UNIVERSAL CREDIT**

- 6.1 Universal Credit (UC) became live in Inverclyde on 12<sup>th</sup> October with claimant numbers being very low.
- 6.2 The Council entered into a Delivery Partnership agreement with DWP in advance of implementation which sets out the respective roles and responsibilities and outlines the funding which the Council will receive for carrying out these tasks. Some of these tasks are carried out by other organisations which are paid on results by the Council using the DWP funding.
- 6.3 Inverclyde has gained from being in tranche 3 of implementation as lessons have been learned by DWP and the Council from earlier implementations. Saying that, some of the processes are quite cumbersome and the drive now within the DWP is to streamline these prior to the much greater numbers moving onto UC in future.

## **7.0 FINANCIAL INCLUSION PARTNERSHIP**

### **7.1 Grand Central Savings**

Grand Central Savings have implemented their exit strategy and have a project team from Bank of Scotland working with them to support this. They are closed to all new accounts and active account holders are being contacted by the organisation to transfer their accounts to the local Bank of Scotland branch.

The Council sought assurances from Bank of Scotland regarding the treatment of clients on two issues:

1. Bank of Scotland have confirmed it is not possible to get an overdraft on the types of accounts being offered to GCS customers and will also ensure that the appropriate indicators are placed on the accounts to ensure that they do not offer an upgrade.
2. Unfortunately Bank of Scotland has advised that they cannot offer any guarantees that customers who have previously defaulted on a loan or overdraft with them will not be pursued for any outstanding debt. This has been raised with Grand Central directly who have advised that if they know clients may have previous arrears with the bank then alternative banking options are being discussed.

Grand Central Savings will vacate the premises in Nicolson Street, Greenock at the end of November however their two local staff will transfer to the local Bank of Scotland branch for a further three months to ensure smooth transition for clients.

### **7.2 Credit Unions**

River Clyde Homes have agreed a common bond with Pollok Credit Union to provide services to their clients and colleagues from Pollock have met with one of the local credit unions to help them consider their future direction and an enhancement in the services they currently offer. All partners are keen to ensure the Inverclyde community has access to a range of appropriate banking, savings and low cost credit offers and discussions are continuing as to how this can best be met.

### **7.3 ESF/Lottery**

As reported at previous Committee, Inverclyde has been identified by Big Lottery as one of the areas which will be able to apply for funding through poverty and social inclusion fund. £2.2million has been earmarked for Inverclyde and a consortium application by the Financial Inclusion Partnership was agreed to be progressed. The application process was due to commence in July 2015, however this has slipped considerably and Big Lottery are still unable to confirm timescales.

## **8.0 SINGLE FRAUD INVESTIGATION SERVICE**

8.1 Committee will be aware that responsibility for Housing Benefit Fraud has been transferring to the DWP across the UK and Inverclyde will be transferring in February 2016. Discussions are ongoing regarding the transfer of duties and any potential employee transfer from the Benefits Control Team (BCT). The Council's Housing Benefit Administration Grant will be reduced to reflect this transfer albeit the amount is not yet known.

8.2 The Council will retain certain tasks currently carried out by the BCT such as Council Tax Reduction Fraud, Single Person Discounts checks and co-ordination of the National Fraud Initiative exercise. In order to resource these tasks it is recommended that a post is created within the Internal Audit function to carry out these duties. It is anticipated that the post would be occupied by one of the two employees who could potentially transfer to the DWP. Without the post then instances of Council Tax fraud would increase and result in lost income to the Council.

- 8.3 Based on the assumption that the reduction in Housing Benefit Administration Grant will be at least as much as the costs of the 2 posts identified for potential transfer, the cost of the new Corporate Fraud post will require to be funded by the Welfare Reform revenue budget. The impact of this on the budget is reflected in Appendix 2.

## 9.0 IMPLICATIONS

### 9.1 Finance

Appendix 2 shows the latest position in respect of both the recurring revenue budget and the Welfare Reforms Earmarked reserve. It shows that based on the assumption that the proposal in section 8 is approved then there still remains £220,000 unallocated from 2016/17. However there remain a number of important areas where cost pressures arising from Welfare Reform are expected and which will be picked up in future reports.

#### 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
Internal Audit	Employee Costs	2016/17	43		To create a corporate fraud post to deliver retained duties post SFIS transfer
DHP	Non-SSSC	2015/16	20		Estimated cost of policy changes. Will be contained in existing DHP budget.

### 9.2 Legal

There are no legal implications arising from this report.

### 9.3 Human Resources

Discussions are on-going with the employees, the trade union and DWP regarding any potential employee transfer arising from the SFIS transfer.

### 9.4 Equalities

The Policy change for DHP will enhance access to support and funding will have a positive impact on inequalities. 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.

## **9.5 Repopulation**

No impacts arising from this report.

## **10.0 CONSULTATIONS**

10.1 The proposals in section 8 have been approved by the CMT and are supported by the Trades Unions.

## **11.0 LIST OF BACKGROUND PAPERS**

11.1 None.

**Scottish Welfare Fund**  
**30 September 2015**

Calls Answered	5243		
Applications	2086		
Applications Granted	1498	71.81%	
Applications Refused	287	13.76%	Note 3
Applications Withdrawn	237	11.36%	
In Progress	64	3.07%	
Referrals to DWP	151		Note 2
	<u>Spend</u>	<u>Budget</u>	<u>Spend</u>
	<u>£000</u>	<u>£000</u>	<u>%</u>
Crisis Grant paid (1004)	£82.3	198.6	41.44%
Community Care Grants paid (557) (includes 65 applications paying both CCG & CG)	£331.9	664.8	49.92%
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	£414.2	863.4	47.97%

- Note 1** 1<sup>st</sup> Tier Reviews = 17 (0.95%)  
1<sup>st</sup> Tier Reviews Upheld in Customer Favour = 7 (41.18%)  
2nd Tier Reviews = 5 (includes 2 against decisions from 2014/15) - (33%) out of 15 1<sup>st</sup> tier decisions  
2nd Tier Reviews Upheld in Customers Favour = 1 (20%) with 1 withdrawn
- 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** Core Budget is £732,000 to which is added a residual underspend from 2013/14, the first year of operation.

**Discretionary Housing Payments**  
**30 September 2015**

Renewals

Awards considered for renewal	1389		
Renewals - approved	1349	(97.12%)	
Renewals - refused	2	(0.14%)	Applicants no longer meet priority group criteria
Renewals – not eligible	38	(2.74%)	No entitlement to DHP because Housing Benefit has stopped

New Applications

New Applications Received to date	332		
Applications Approved	210	(63.25%)	
Applications Refused	61	(18.38%)	
Applications - No Action	44	(13.25%)	DHP paid as 'Renewal'
Awaiting Supporting Evidence	0	(0%)	
New Applications still to be assessed	17	(5.12%)	12 from RSL tenants

£000

DHP Paid to date	468		Paid to Landlords a month in arrears
DHP Commitments	443		Assumes existing claims run their course
Includes Non-SSSC (£26k)			
New Applications to be assessed	11		Estimate based on current average weekly award of £13.70 (as at 30.9.15).
Total Projected Spend	<u>922</u>		Assumes no further new applications

Reviews requested: 3 (0.18%)

### Welfare Reform - Use of Recurring Budget

	<u>2015/16</u> <u>£000</u>	<u>2016/17</u> <u>£000</u>	<u>Future Years</u> <u>£000</u>	
Available	<b>(1,300)</b>	(1,276)	(1,276)	Note 1
SWF - Administration Shortfall	<b>74</b>	48	48	Note 1
Council Tax Reduction Shortfall	-	330	330	
Square 40% Eligible Overpayments shortfall	<b>83</b>	83	83	
Benefit Administration Grant Cut	<b>86</b>	146	146	Note 2
SFIS Transfer - Excess Administration Grant Cut	-	40	40	Note 2
Corporate Fraud Resource	-	43	43	Note 3
Financial Advice - Initial Allocation	<b>200</b>	200	200	
- Triage Service	-	30	62	Note 4
P&R Approval Projects -				
Clothing Grants	<b>45</b>	45	45	
Food Bank	<b>12</b>	12	12	
Starter Packs	<b>7</b>	7	7	
iHeat	<b>40</b>	40	40	
Transfer to General Fund Reserve	<b>330</b>	-	-	
Balance Available	<u><u><b>(423)</b></u></u>	<u><u>(252)</u></u>	<u><u>(220)</u></u>	

#### Notes:

- 1/ Assume no further Government cuts in Administration Grant.
- 2/ Estimate only for 2016/17 and Future Years.
- 3/ Proposal to November P&R.
- 4/ Approved November 2014.
- 5/ Future Pressures include:
  - Subsidy Reduction - Temp Accommodation
  - Non-SSSC DHP
  - Further cuts in Administration Grant
  - Funding for time limited projects

#### Earmarked Reserve

	<u>£000</u>
Balance as at 31/03/15	617
: Financial Fitness (3/2/15)	-30
: Starter Packs (3/2/15)	-20
: Clothing Grants (19/2/15)	-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
: Transfer from 2015/16 (estimate)	750
Balance Unallocated as at October 2015	<u><u>1,131</u></u>