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<b>Report To:</b>	<b>Policy &amp; Resources Committee</b>	<b>Date:</b>	<b>2<sup>nd</sup> February 2016</b>
<b>Report By:</b>	<b>Chief Financial Officer and Corporate Director (Chief Officer) Inverclyde Health and Social Care Partnership</b>	<b>Report No:</b>	<b>FIN/08/16/AP/LA</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 this report is to provide Committee with an update on the various aspects of Welfare Reform and to seek approval for the allocation of extra one off and recurring funding to Welfare Reform Projects/Cost Pressures.

## 2.0 SUMMARY

- 2.1 Appendix 1 shows the latest position in respect of the Scottish Welfare Fund payments. From this it can be seen that spend represents 85% of the annual budget 75% of the way through the year. It is projected that the Scottish Welfare Fund will overspend by between 12 and 15% and this will be contained within the carry forward from 2014/15. The recent Budget Settlement has shown a 7% cut in Scottish Government Funding from 2016/17 for Inverclyde increasing to 14% from 2017/18 and this does raise a funding pressure for 2016/17. There are proposals elsewhere in the report regarding this issue.
- 2.2 DHP applications to offset SSSC (also known as the bedroom tax) have progressed very well with only 4.8% of potential recipients not yet having submitted an application. Expenditure in this area is fully underwritten by the Scottish Government.
- 2.3 Universal Credit became operational in Inverclyde on 12<sup>th</sup> October and in line with other Local Authorities, a number of operational difficulties have been encountered in terms of errors by the DWP in the calculation of benefit entitlement and the responsiveness of the DWP service centre. These matters are having an impact on the Council's resources and the assistance of the local DWP office in trying to resolve these matters is appreciated.
- 2.4 The Council is projected to have £748,000 within its Welfare Reform Earmarked Reserve as at the 31<sup>st</sup> March 2016. Appendix 2 contains proposals to utilise £558,000 of this and further detail is supplied in the appendix. In addition, Appendix 3 shows the latest position in respect of the recurring Welfare Reform Budget and Committee is asked to note that the amount available for future recurring spend is projected to be significantly reduced by 2017/18 given recently announced grant reductions and the impact of further Welfare Reform changes. In addition, it is expected that as Universal Credit rolls out then this is likely to form a budget pressure beyond 2018.
- 2.5 By the time the Committee consider this report, the Council will no longer have responsibility for Housing Benefit Fraud investigations as these would have transferred to the Single Fraud Investigation Service operated by the DWP. The DWP have reduced Council funding in this regard and 2 employees have been redeployed. Officers will continue to monitor the effectiveness of the DWP operation of the local Housing Benefit Fraud Service.

### **3.0 RECOMMENDATIONS**

3.1 It is recommended that the Committee note the contents of the report and:

- a) Note the expenditure pressure on the Scottish Welfare Fund Budget and agree to allocate £100,000 per year to the SWF from 2016/17 funded from the recurring Welfare Reforms monies, increasing to £150,000 from 2017/18.
- b) Approve the request for the utilisation of one off funding from the Welfare Reform Earmarked Reserve detailed in Appendix 2.
- c) Note the initial experiences arising from the roll out of Universal Credit within Inverclyde.
- d) Note the transfer of Housing Benefit Fraud investigations to the Single Fraud Investigation Service operated by the DWP as of 1<sup>st</sup> February 2016.

Alan Puckrin  
Chief Financial Officer

Brian Moore  
Corporate Director (Chief Officer), Inverclyde HSCP

## **4.0 BACKGROUND**

- 4.1 The Committee receives a report each cycle providing updates on the Council's response to the major Welfare Reform changes being rolled out across the UK. The Council set aside £1.3 million on a recurring basis from 2016/17 to meet the significant financial challenges generated by the changes.
- 4.2 Further significant changes were announced by the Chancellor of the Exchequer as part of the autumn statement in November 2015 and the estimated impact of these has been factored into the utilisation of the Welfare Reform recurring budget from 2016/17.
- 4.3 Members received a briefing on 14<sup>th</sup> January in respect of Universal Credit and the early findings from operations within Inverclyde.

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

- 5.1 Appendix 1 shows the latest position in respect of the Scottish Welfare Fund payments. From this it can be seen that spend represents 85% of the annual budget 75% of the way through the year. It is projected that the Scottish Welfare Fund will overspend by between 12 and 15% and this will be contained within the carry forward from 2014/15. Some of the extra demand is being driven by the implementation of Universal Credit but a large part is due to the fact that the Grant allocated is not enough to meet demand.
- 5.2 The recent Budget Settlement has shown a 7% cut in Scottish Government SWF Grant Funding for Inverclyde in 2016/17 due to a redistribution of the funding across Scotland. This is expected to increase by a further 7% in 2017/18. This makes the position in 5.1 significantly worse and causes a funding pressure from 2016/17. It is proposed therefore to allocate £100,000 from the recurring Welfare Reforms budget in 2016/17 and to increase by a further £50,000 in 2017/18 due to the phasing in of the grant reduction. Officers will endeavour to stay within the approved budgets and bring regular updates to Committee.
- 5.3 Since the last update report and following a DHP take up exercise for those affected by SSSC (bedroom tax), of the 1360 tenants affected as at the date of the report, 1294 have applied and been awarded DHP (95.15%). The RSLs are working hard to chase up applications from the balance. £905,000 DHP is projected to be awarded for SSSC by the end of the financial year. The Scottish Government is committed to meeting the shortfall in DHP funding to mitigate the SSSC, up to their projection of £964,000. This will be sufficient, based on current trends, to meet committed expenditure as well as applications from those still to apply.

## **6.0 UNIVERSAL CREDIT**

- 6.1 Claimant numbers remain low although an increase is anticipated as seasonal employment terminates. There has been no take up to date of the services put in place by the Council to assist with the online claim process or the provision of help with personal budgeting. Given the limited qualifying circumstances in which jobseekers are eligible to claim Universal Credit and in particular the fact the majority are generally IT literate young adults, recently out of work, this is not surprising. Steps are being taken however to raise awareness of the availability of personal budgeting support, particularly with those with housing costs. DWP is aware that the current lack of demand is not reflective of the future when vulnerable customers will claim UC.
- 6.2 A feature of Universal Credit is that the claimant must wait for a period of 5 to 6 weeks to receive their initial payment. While financial assistance is offered by way of an advance from the DWP, claimants must pass an affordability test. Claimants who do not meet these criteria have recourse to the Scottish Welfare Fund (SWF). The extended period until initial UC payments are made and subsequently higher than average Crisis Grant awards place a new pressure on the SWF budget. Since the launch of Universal Credit in Inverclyde, 26 SWF Crisis Grant applicants have been approved with awards averaging £137, ranging from £50 to £200. The level of applications, the qualifying criteria and awards, combined with the impact on the SWF budget will

be closely monitored.

- 6.3 The restricted UC qualifying criteria will continue until at least the end of 2016 and until such times as Inverclyde is included in the national expansion of the fully automated Universal Credit Full Service when 50 Jobcentre Plus offices will go live each month during 2017. DWP are open to discussion with the Scottish Government in relation to timetabling to allow for UC flexibilities arising from the Smith Commission and the option to delay UC Full Service in Scotland to avoid system/ process rework. Until then and beyond, intensive work will continue locally for Universal Credit claimants with the termination of Housing Benefit claims and the reassessment of Council Tax Reduction applications. Not one of the Housing Benefit claims terminated by the end of December 2015 followed the DWP's planned manual processes. Process failures are however reported to DWP who are working to resolve these matters.
- 6.4 Assuming the successful migration to the UC Full Service, from June 2018 all 6 welfare benefits within the scope of Universal Credit will be closed to new claimants and instead customers will be directed to UC.
- 6.5 The DWP have confirmed that TUPE does not apply to local authority employees currently employed in the delivery of Housing Benefit services because UC systems are designed to be highly automated. There does however remain with the Council the requirement to administer Housing Benefit for pension age customers, Council Tax Reduction and potentially, pending the outcome of consideration by the Scottish Government, devolved Social Security for carers and for those with disabilities. Committee will be kept informed of developments in this area within future update reports.
- 6.6 The UK Government's ambition to reduce estate and increase co-location with local authorities was announced in the Autumn 2015 statement. DWP are open to proposals and will be discussed locally.

## **7.0 REQUEST FOR UTILISATION OF THE WELFARE REFORM EARMARKED RESERVE**

- 7.1 As requested by Committee, officers have developed a list of potential uses for the Welfare Reforms earmarked reserves. Officers are aware of the need to balance the stringent financial pressures the Council faces with the undoubted need in the community. It is intended that the proposals are time limited and many of them can increase Financial Capability/Capacity.
- 7.2 Appendix 2 provides more details of the proposals and it can be seen that this utilises £558,000 of the balance, leaving £190,000 for future use.
- 7.3 Previous reports to Committee have highlighted the potential funding from ESF/Lottery for Inverclyde for financial capability and reducing debt. It was initially proposed the application process would commence in July 2015 however timescales have slipped due to internal Scottish Government/ESF and Lottery issues. No further information has been received regarding this funding programme however we anticipate this will be released in early 2016. The Inverclyde Financial Inclusion Partnership has continued to discuss a consortium approach and it was agreed at the last meeting that the Council would be best placed to be the lead partner for any application.
- 7.4 Migration of existing DLA claimants to PIP commenced in Inverclyde in October and the Advice team are seeing a marked increase in clients requiring support. Approximately 4000 working age DLA claimants in Inverclyde are to be migrated to PIP with Government statistics indicating that nationally approximately one third stand to lose entitlement. The impact on local clients will be closely monitored to ascertain the impact versus DWP projections and individual impacts.

## **8.0 SINGLE FRAUD INVESTIGATION SERVICE**

- 8.1 By the time Committee considers this report , responsibility for Housing Benefit Fraud investigation will have transferred to the DWP.

8.2 Officers have had regular contact with the DWP over this period to clarify roles and responsibilities with the Council making it clear that due to the withdrawal of funding and the transfer of the employees to other roles, this task requires to be taken up by the DWP. It is clearly important that the Council's excellent performance in this area is sustained by the DWP.

## 9.0 IMPLICATIONS

### 9.1 Finance

Pressures continue to mount on Council budgets as the various aspects of Welfare reform are rolled out and it is envisaged that by 2018 all the £1.3million recurring budget will be fully allocated. This creates a further pressure on the Council's budget for 2018/19.

#### Financial Implications:

##### One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
Earmarked Reserves	Welfare Reform	2016/18	558		As per Appendix 2

##### Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (if Applicable)	Other Comments
Scottish Welfare Fund	Grants	2016/17	100		Sum increasing due to phased implementation of a grant redistribution across Scotland.
		2017/18	150		

### 9.2 Legal

There are no legal implications.

### 9.3 Human Resources

The impact of the transfer of duties to SFIS has been managed in full consultation with the Trade Union and employees.

### 9.4 Equalities

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

There are no repopulation implications.

## **10.0 CONSULTATIONS**

10.1 The CMT have been consulted on the proposals in this report

## **10.0 LIST OF BACKGROUND PAPERS**

11.1 None

**Scottish Welfare Fund**  
**31 December 2015**

Calls Answered	7718		
Applications	3097		
Applications Granted	2254	72.78%	
Applications Refused	419	13.53%	Note 3
Applications Withdrawn	392	12.66%	
In Progress	32	1.03%	
Referrals to DWP	227		Note 2
	<u>Spend</u>	<u>Budget</u>	<u>Spend</u>
	<u>£000</u>	<u>£000</u>	<u>%</u>
Crisis Grant paid (1554)	£139.7	198.6	70.34%
Community Care Grants paid (821) (includes 121 applications paying both CCG & CG)	£479.0	664.8	72.05%
	<u>618.7</u>	<u>863.4</u>	71.66%

- Note 1** 1<sup>st</sup> Tier Reviews = 34 (1.27%)  
1<sup>st</sup> Tier Reviews Upheld in Customer Favour = 19 (55.88%)  
2nd Tier Reviews = 5 (includes 2 against decisions from 2014/15) - (15.15%) out of 33 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**  
**31 December 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	506		
Applications Approved	319	(63.05%)	
Applications Refused	87	(17.19%)	
Applications - No Action	67	(13.24%)	DHP paid as 'Renewal'
Awaiting Supporting Evidence	0	(0%)	
New Applications still to be assessed	33	(6.52%)	27 from RSL tenants

£000

DHP Paid to date	690		Paid to Landlords a month in arrears
DHP Commitments	242		Assumes existing claims run their course
Includes Non-SSSC (£27k)			
New Applications to be assessed	21		Estimate based on current average weekly award of £13.72 (as at 31.12.15) if paid for full financial year.
Existing LHA under 35 cases to be increased to 75%	7		Estimate based on existing awards
Total Projected Spend	<u>960</u>		Assumes no further new applications (Scottish Government SSSC Projection: £964k)
Reviews requested:	3 (0.14%)		



## Appendix 2

### WR Non recurring funding proposals

#### 1. Welfare benefits and advice

To support Inverclyde residents to mitigate the effect of on-going welfare reform changes by increasing capacity within the welfare benefits and advice services sector.

- **Generic**

To continue to fund Financial Fitness for a further 2 years to deliver a generic welfare benefits advice.

Outcome :600 additional interventions with clients per year

- **Vulnerable clients**

1. To fund Inverclyde HSCP Advice team for 2 years to continue to deliver a targeted welfare benefits and advice service for very vulnerable clients who present as homeless and /or have addiction issues.

Outcome :500 additional interventions with vulnerable clients per year

2. To fund ICOD for 2 years to continue to deliver provision of welfare benefit advice and support to attend medicals for disabled clients

Outcome :270 interventions with disabled clients per year

- **In work support**

To fund Inverclyde Advice and Employment Rights for 2 years to provide specialist employment support advice and representation to clients who are in work and covered under the Equalities Act, who are or are likely to be affected by the changes to the requirements of Universal Credits conditionality, including in-work conditionality, and thus have a direct impact on their current or future employment prospects.

Outcome :75-150 additional client interventions per year

#### 2 .Financial Capability

To provide clients with the necessary skills and knowledge to enable them to be better prepared and cope with financial pressures and decisions in the future.

- **Supporting Inverclyde Future Skills**

To part fund (along with IHAF partners who will contribute £37k) the Future Skills service to deliver financial inclusion skills via increased digital knowledge and basic budgeting advice and support.

- **Family Fuel Poverty Programme**

The number of households living in fuel poverty in Inverclyde in 2013 is at 38%. However, it should also be stressed that this figure does not include households

affected by fuel fear; those households who selectively ration their energy consumption to reduce household costs and who could potentially fall through the cracks of support. Vulnerable groups at risk of fuel poverty and fuel fear are families, particularly where there are preschool children. To provide funding to IHeat for 2 years to provide a comprehensive fuel poverty mitigation programme to the pre 5 centres and nurseries within the more deprived communities.. Contact will be made initially with parents at the centres and nurseries through general awareness sessions with all families offered a home visit to resolve any immediate energy-related concerns. This will then be augmented with information to arm the household to fight fuel poverty and become knowledgeable and confident to take control of their energy usage.

Outcome :400 households with pre 5s supported with energy advice and support.

- **Starter packs**

To continue to fund Starter Packs for 2 years to provide packs of basic household items to vulnerable clients setting up new tenancies.

Outcome: 140 vulnerable clients each year provided with starter packs at £145/pack

- **Credit Unions in schools**

To pilot for 2 years the introduction of a schools credit union for all 1<sup>st</sup> year pupils in conjunction with Tail O' The Bank credit Union. Each S1 pupil will have a credit union account established, £10 will be deposited and children will be supported to increase their awareness of savings and financial management skills.

Outcome: 800 pupils per year

Organisation	2016-17 £000	2017-18 £000
Financial Fitness	30	30
HSCP Advice Team	31	31
ICOD	60	60
IAER	30	15
I Heat (Families)	20	20
IHAF	75	78
Starterpacks	20	20
School Credit Union	19	19
<b>TOTAL</b>	<b>285</b>	<b>273</b>

Total requested: £558k

Unallocated: £190k

**Welfare Reform - Use of Recurring Budget**

	<u>2015/16</u> £000	<u>2016/17</u> £000	<u>Future Years</u> £000	
Available	(1,300)	(1,216)	(1,216)	Note 1
SWF - Administration Shortfall	74	48	48	Note 1
Council Tax Reduction Shortfall	-	130	130	
Square 40% Eligible Overpayments shortfall	83	83	83	
Benefit Administration Grant Cut	86	146	206	Note 2
DHP - Benefit Cap reduction April 2016		75	75	Note 5
Scottish Welfare Fund	-	100	150	Note 5
Corporate Fraud Resource	-	43	43	Note 3
Financial Advice - Initial Allocation	200	200	200	
- Triage Service	-	30	62	Note 4
P&R Approval Projects -				
Clothing Grants	45	45	45	
Food Bank	12	12	12	
Starter Packs	7	7	7	
Transfer to General Fund Reserve	330	-	-	
Balance Available	<u>(463)</u>	<u>(297)</u>	<u>(155)</u>	

**Notes:**

1/ After £24k DPT saving and £60k saving (agreed Nov 15 P&R)

2/ Estimate only for Future Years.

3/ Approved November 2015 P&R.

4/ Approved November 2014.

5/ New Pressures from Autumn Statement/Grant Settlement.

6/ Future Pressures include:

Subsidy Reduction - Temp Accommodation

Further SWF Pressure

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
: I Heat £75 for 75 for 2016/19	-120
: Inverclyde Connections (19/05/15)	-51
: Transfer from 2015/16 (estimate)	463
Estimated balance Unallocated as at March 2016	<u>748</u>