

## ABERDEEN CITY COUNCIL

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COMMITTEE: Council  
DATE: 6<sup>th</sup> March 2013  
DIRECTOR: Fred McBride  
TITLE OF REPORT: Welfare Reform  
REPORT NUMBER: H&E/13/001

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### 1. PURPOSE OF REPORT

To update members regarding planned changes to the welfare benefit system and to seek approval for the policy and practice response being developed by officers.

### 2. RECOMMENDATION(S)

- a) To note this report;
- b) Approve the steps taken by officers to develop a policy and practice response;
- c) Agree to receive further reports in due course as measures are implemented;

### 3. FINANCIAL IMPLICATIONS

There are substantial financial implications for Aberdeen City Council and its citizens in relation to Welfare Reform and this is reflected through the contingencies that have been set aside within the 2013/14 budget and will continue to be de-risked as part of the year end process as requested by Council on 14 February 2013.

Contained within the 2013/14 budget is a contingency of £1 million to offset any in year cost pressures that will occur. There is also a risk fund contained within the 2013/14 budget which can also be accessed if required during the year.

The risk fund has been set up to reflect any in-year cost pressures that may occur and Welfare Reform will clearly fall into that category. For example, there has already been identified cost pressures around the introduction of the Council Tax Reduction Scheme and loss of benefit income for Homelessness.

The Head of Finance has already indicated (as part of the budget setting process and by way of financial monitoring to Committee) that as part of the year end process further ear marked sums and provisions will be made to ensure that any financial risk that the introduction of Welfare Reform will present has been mitigated as far as possible.

#### **4. OTHER IMPLICATIONS**

Welfare reform will have an immediate impact on Housing and Homeless Services. It will also impact directly on existing Housing and Council Tax services, financial inclusion services and an increase in demand for assistance through Social Work can be anticipated. Other key partners will also come under both financial and operational pressure.

## 5. BACKGROUND/MAIN ISSUES

### 5.1 Background

The Welfare Reform Act completed its passage through the UK Parliament in March 2012 and received royal assent on 5<sup>th</sup> March 2012. This legislation will bring about the most fundamental reform to the social security system since its inception after the 2<sup>nd</sup> World War. Its primary purpose is aimed at delivering a system that is simpler, fairer and ensuring that “work always pays”. The stated aims of the Welfare Reform proposals are to:

- Simplify what has become an overly complex benefit system
- To make the benefit system fair for recipients and tax payers.
- To ensure that individuals always benefit financially by moving off benefits and into work.

Many of the proposed changes will not be introduced until April 2013 or later. The most significant change relates to the introduction of Universal Credit, which will provide a basic allowance/single payment with additional elements for children, disability, housing and care that will support people both in and out of work. This new benefit will replace others including working tax credit, child tax credit, Housing Benefit, income support, income based job seekers allowance and income related employment and support allowance (ESA). When Universal Credit is introduced the total benefits to a household will be capped at £26,000pa. **Universal Credit will be paid as a single benefit one month in arrears in a single monthly payment** with recipients being financially responsible for making payments, e.g. rent, that may be due. Currently Housing Benefit for claimants administered by the Council and Housing Benefit for social housing tenants is paid directly to the landlord. Under Universal Credit this amount will be paid to the tenant whose responsibility it will be to pay the rent unless there are exceptional circumstances. Guidance is anticipated shortly clarifying the circumstances where alternatives to payments to the claimant are possible. Further details concerning the timeline for changes to the Benefits System are provided later in this report.

### 5.2 Key Welfare Reform Changes

The current program of Welfare Reform has either been introduced or is scheduled to be so from April 2013. The most significant elements of the current welfare reform package are summarised below. It should be noted this is not a comprehensive list of all the changes but represents those likely to have the greatest impact.

#### **From 2012**

Reductions have already taken place in the Local Housing Allowance (LHA) for tenants of private landlords. In addition single people aged under 35 in private rented property will now only receive Housing Benefit at a “shared accommodation rate” i.e. enough to cover the average cost of a single room in a shared house.

### **From April 2013**

#### Under Occupation

From April 2013 there are changes to the “under occupancy” rules concerning Social Housing Benefit entitlement. This will involve a reduction in Housing Benefit for people of working age who are living in social housing, deemed to be too large for their needs. This includes Local Authority and RSL Housing. Across the UK it is estimated 31% of all current Housing Benefit claimants in this sector will see a reduction in their Housing Benefit as a result of this change. Where a family is deemed to be under occupying by one bedroom their eligible rent for Housing Benefit purposes will be reduced by 14% and 25% where under occupation is deemed to be two or more bedrooms. In Aberdeen city we have identified **approximately 9% of our 22,000 tenants who are likely to be affected**. All tenants in these circumstances have been written to advising them of the change and the financial impact to their family. Discussions are being offered individually to families, should they wish to discuss what steps if any can be taken to support them.

#### Council Tax Benefits

Council Tax Benefit will be abolished in April 2013 and responsibility for assisting vulnerable people to meet their local taxation liabilities will be “localised” to Scotland. This will be accompanied by a transfer of funds from the UK Government equivalent to the expected costs of council tax support minus 10%, allied to significant proposed cuts in administering the system. For 2013-14 a joint Scottish Government / Local Authority funding package has been agreed to bridge the 10% shortfall in funding from the UK Government. **The 10% is funded 60% by Scottish Government and the balance from within Local Authority Budgets**. In setting the 2013/14 budget a provision has been made to cover the cost that has to be borne by this Council.

#### Scottish Welfare Fund

From April 2013 the Department of Work and Pensions (DWP) is abolishing the discretionary social fund and transferring funding for community care grants and crisis loans for living expenses to the Scottish Government. Scottish Ministers have agreed with Cosla that local authorities will assume the operating role for the successor scheme initially for an interim two year period. As part of this agreement the resource transferred from the DWP to the Scottish

Government will be ring fenced within local authority budgets. The new arrangements will be called the Scottish Welfare Fund.

The Scottish Government has now written to Council's notifying them of their individual budget allocations. Aberdeen will, therefore receive the following allocations:

2012/13 Allocation

- Set Up Costs	£69,250
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2013/14 Allocation

- Community Care Grants	£540,786
- Crisis Grants	£359,055
- Administration Grant	£161,140

Benefit Cap

From April 2013 a cap on the amount of benefits a household may receive will apply thereby ensuring that no one's total benefits package should exceed the average working wage of around £26,000 pa. A phased roll-out of this benefit cap will begin in 4 London local authority areas. London has the highest percentage of households that are likely to be affected by the cap and this will provide valuable lessons to inform the national roll-out. The benefit cap will exclude those entitled to a number of other benefits including working tax credits, households including a child who is receiving disability living allowance, attendance allowance, PIP, or constant attendance allowance as well as war widows and widowers. There will be a grace period of 39 weeks when the cap will not apply for people who have been in their work for 52 weeks or more before they claim benefit and lost their job through no fault of their own. The timetable when this benefit will be rolled out in Aberdeen is not yet agreed.

The DWP have intimated that within Aberdeen that 163 residents currently will be directly affected by the CAP.

**From June 2013**

Personal Independence Payment

The current Disability Living Allowance (DLA) will be phased out in a process starting in June 2013 and completed by 2016. It will be replaced with a new Personal Independence Payment (PIP). The new payment will be paid at two varying levels across both "daily living" and "mobility" elements. Overall it is estimated that fewer people will receive the PIP than currently access the DLA and that the overall budget is intended to reduce by 20%. Ongoing DLA payment and the new PIP will require the operation of a twin track process until 2016.

**From October 2013**

## Universal Credit

The introduction of Universal Credit is the main element of the Welfare Reform Act and will consolidate a wide range of existing benefits into a single household benefit payment, paid directly into a bank account on a **monthly in arrears basis**. This will be phased in between 2013 – 2017. The timetable is not yet agreed but roll out is likely to begin on a phased basis in October. It will be paid to people both in and out of work. **Universal Credit will in future incorporate Housing Benefit** amongst other elements. Planning for Universal Credit delivery at a national level and the migration to the new system is not yet finalised. Universal Credit is expected to be **“digital by default”** meaning that claimants apply and manage their Universal Credit accounts online. The DWP target is 50% online in the first year of operation rising to 80% by the end of 2017. As indicated earlier this will result in an end to Housing Benefit as a stand-alone direct payment to landlords. This will be phased in line with the introduction of Universal Credit and shifts the direct responsibility for paying rent to benefit recipients. In future the administration of this support will be centralised with no direct role for local authority staff in the longer term. Scottish Local Authorities currently receive £50 million to support the payroll costs of benefit administration staff, from the DWP. 60% of all rental income in Scotland is currently paid directly to social landlords via Housing Benefit. Within Aberdeen City Council 47% of our tenants currently receive full or partial Housing Benefit.

In setting the Housing Revenue Account (HRA) Budget for 2013/14 it was agreed that as part of the year end process the Head of Finance would aim to implement a financial strategy that increased the level of working balances on the HRA to mitigate any potential increased level of bad debts that may be incurred.

### **5.3 Responding to Welfare Reform – Principles and Practice**

The Welfare Reform agenda presents significant risks for Aberdeen City Council. It is a complex and challenging program which impacts on our existing business and in particular the reasons why the Council engages with citizens and members of the public generally. At the same time there are significant financial risks to the Council, primarily related to income generation through rental charges and Council Tax income as well as the costs of delivering redesigned services. Welfare Reform will have a significant impact on the delivery of our housing services and in particular presents a risk that requires to be managed to the Housing Revenue Account (HRA) as Welfare Reform changes come into effect over the coming months and years. It is recognized that housing services will need to adapt to meet this challenge. Some changes have already taken place in anticipation of this, with the increase in the number of housing officers employed by the City

Council however demand for increased support and services may require further increases in staffing to support our tenants.

The impact on the citizens of Aberdeen, the City Council itself and/or partners is likely to be considerable and already there are signs that changes that have taken place to date, including changes to working tax credits e.g. is having an impact on families throughout the city. There are approximately 16,000 people in receipt of benefits in the city and some 17,000 in receipt of disability living allowance (DLA). The areas with the highest number of benefits claimants are the areas already designated as regeneration areas throughout the city including Torry, Middlefield and Tillydrone.

The implementation of the Welfare Reform proposals is having and will continue to have very significant direct and indirect implications for Scottish Local Authorities. The timeframe that has been set by the UK Government for the implementation of Welfare Reform is challenging. The consequences of the reforms will impact over a long period and each change is not mutual exclusive from the other. To that end therefore Officers are developing proposals to respond to the changes.

In 2012 the Corporate Management Team (CMT) established a Project Board, led by the Director of Social Care and Wellbeing, to develop plans to mitigate the adverse effects and risks of Welfare Reform and to assist the most vulnerable to adapt to their new circumstances. This Board has brought together Officers from across the Council, the NHS and the third sector and recognises there is a requirement to include Community Planning partners in both planning for the change and implementation. Indeed Welfare Reform is an issue for Community Planning. A number of work streams are underway and project teams established to develop these further. This program of activity is supported by the Program Management Office, the project leads and teams have now been established and are developing their proposals.

Aberdeen City Council's vision for the city is that Aberdeen should be an ambitious, achieving, Smart City. Integral to the Smarter City vision is an ambition that we will enhance the physical and emotional wellbeing of all of our citizens by offering support and activities which promote independence, resilience, confidence and self esteem. Reducing the levels of inequality in the city are a priority. A response based solely on maximising benefit take up will neither help people out of poverty nor indeed help to deliver our vision for Aberdeen, the Smarter City. Our response must ensure that all of our citizens benefit from the economic strength of the North- East where possible and also ensure appropriate support for those in transition or for who benefits remains their primary source of income.

Unemployment in Aberdeen has consistently been below the Scottish average, mainly due to the oil, gas and energy economy which has managed to continue to flourish in recent difficult economic times.

However there are still approximately 17,000 people in the city on welfare benefits, approximately 10,000 with health related issues. Aberdeen and the North East is in a unique position having a growing economy and available jobs and it is the intention of this program to work with partners, through the Community Planning Partnership to maximise the opportunities for the citizens of Aberdeen to benefit from the economic strength of the North-East

The Project Board has identified 4 streams of work which are being developed in tandem.

### **Scottish Welfare Fund**

As indicated earlier the Scottish Welfare Fund is scheduled to be introduced by April 2013. Work is substantively underway to ensure that we have in place an operational system which will allow us to deal with applicants for payments from Scottish Welfare Fund. The project will ensure that we can deal with applications however it is envisaged that development work on our operational procedures will continue well into 2013 as we develop further our response to applicants not just to meet their immediate needs but also to ensure that City Council services are alerted where appropriate to support families in difficulties.

COSLA have indicated that Aberdeen City Council will receive £540,786 for Community Care Grants and £359,055 for Crisis Grants for distribution to claimants.

To administer this, COSLA have indicated that Aberdeen City Council will receive £69,250 in set up costs and an admin grant of £161,140

A proposed staffing structure for the decision making team has been set at 1 Team Leader and 8 decision makers (based upon DWP figures on current process). The Admin Grant will not cover the required staffing levels for the decision making team and the council will be fund the shortfall.

Additional staffing levels for Customer Service are currently being investigated

### **An Integrated Approach to Benefits, Training and Employment**

A proposal has been submitted to DWP for £175K funding from their flexible support fund. This project will seek to identify the most effective and efficient way to coordinate and deliver a range of services to support people in transition through the welfare and benefit system and into employment. The project aims are summarised as follows:

- To promote employment and the benefits of employment



- To develop a central point of contact for customers which can provide information, advice, support in relation to benefit changes, financial inclusion and employment opportunities.
- To deliver this through a Hub and satellite model to ensure services are available in those areas of the city with high levels of benefit claimants.
- To coordinate existing mainstream resources to offer a more effective and efficient service and to ensure a smooth transition for customers affected by benefit changes.
- To further develop 1-2-1 support services delivered to citizens.
- To enhance access to digital services across the city.
- To develop the requirement for further services as Welfare Reform details are finalised.

### **Household Management and Budgetting**

This project is examining the design of services to assist families in managing their monthly budgets. This will include debt advice, budgeting advice, banking advice and other needs.

The services will be an extension or development of existing services provided by both Aberdeen City Council personnel and also other partners from Public and the 3<sup>rd</sup> Sector. The Project will examine which organizations are best placed to provide these functions, how it will be managed and funded. During this development the project will seek to determine the following:

- How many people will have debt problems
- How many affected people do not have bank accounts
- Access to digital support and advice
- What services are currently provided
- Consideration to who's best to provide these services
- How the ongoing service will be organized and managed
- An examination of how other charitable organisations, e.g. food banks, furniture etc could best be involved.

Ultimately it is hoped this project will help to set up redesigned services and where appropriate get associated SLA's in place with third sector providers.

### **Training and Communications**

This joint project will carry out a review of all the internal and external communications for the program as a whole. It is intended to ensure that Aberdeen City Council has an appropriate response to ensure that citizens are informed where appropriate regarding the impact of changes to Welfare Reform, ensure that there are consistent messages and that we align and where appropriate dovetail with the department to Work and Pension communication strategy as it evolves. In addition the project will examine how best we can ensure that our staff and

partners are trained in how to support residents through the change program as it evolves in the coming months and years.

#### **5.4 Risk Management**

As indicated earlier there are significant risks for Aberdeen City Council, as a consequence of the introduction of the Welfare Reform proposals. The risk that the planned Welfare Reform will negatively impact on the council and its communities has been clearly identified within the City Council's Corporate Risk Register and the program of activities above is designed to support the introduction of Welfare Reform and to minimise risks the Council arising from Welfare Reform. In addition one million pounds has been set aside as part of the annual budgetary process commencing 2013/2014 to support the changes that may be required to manage this risk. A review of the impact on our existing advice services provided by both the Council and other partner agencies is underway. This review will also consider how best Aberdeen City Council should respond to the need for a policy response to the Welfare Reform Program and emerging risks. Recommendations arising from this review will be considered during the coming months. A risk register has been developed and the current version is attached at Appendix 1.

#### **5.5 Discretionary Housing Payments**

Discretionary Housing Payments (DHP) provides Council and Private Sector tenants' financial assistance with housing costs, in addition to Housing and other benefits. It is a matter for the Local Authority to determine whether further help is required. These funds are allocated by the Department of Work and Pensions to Local Authorities for distribution. For Aberdeen City Council the amount available for 2013/14 is £226,785. The DHP fund has generally been used to support people where their Housing Benefit award did not meet their full rent and is available to provide short term relief to tenants to provide them with an opportunity to meet the financial gap themselves in the future. The DHP is fully spent by Aberdeen City Council and indeed is usually over subscribed.

Recent guidance has indicated that subject to the guidelines issued, local authorities may increase the amount of DHP by up to 2.5 times the DWP allocation, **from within the local authorities existing finances**. The U.K government has advised that the DHP Fund nationally will be increased to mitigate, in the short term, the impact to Housing Benefit changes mentioned earlier. The DWP have also indicated that any increased level of discretionary funding allocated to Aberdeen City Council should be targeted at mitigating the impact of the under occupancy reduction, the benefit cap and to support customers affected by Local Housing Alliance reform **after the introduction of Universal Credit**.

Officers will continue to monitor the need for a policy response to these changes and proposals will be brought forward in due course.

## **5.6 Passported Benefits**

Entitlement to passported benefits such as free school meals etc is likely to remain, dependent on the wider benefits to which residents are entitled. The guidance regarding this will be developed by officers. It is not currently believed that there will be significant changes to those currently receiving passported benefits.

## **6. IMPACT**

The report has strong links to the Community Plan and our vision as a city to be an even better place to live and work, where people can expect high quality services to meet their needs.

The report relates to the Single Outcome Agreement and the Council vision of Aberdeen – the Smarter City, in particular the strategic priority ‘Smarter Living (Quality of Life)’ where we challenge inequality and positively promote wellbeing building on cultural and physical activity. The report also relates to the following National Outcome Measures:

- National Outcome 6 – “We live longer, healthier lives”
- National Outcome 9 – “A Safer and Stronger Scotland
- National Outcome 10 – “We live in well-designed, sustainable places where we are able to access the amenities and services we need”

Given the significant changes to the welfare benefit system and the immediate impact this will have on our citizens it is likely that this report will be of interest to the public.

## **7. BACKGROUND PAPERS**

N/A

## **9. REPORT AUTHOR DETAILS**

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