

## ABERDEEN CITY COUNCIL

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COMMITTEE: Council DATE: 21 August 2013

DIRECTOR: Fred McBride

TITLE OF REPORT: Welfare Reform/Financial Inclusion Update

REPORT NUMBER: H&E/13/057

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### **1. PURPOSE OF REPORT**

- 1.1. To update members on actions taken since March 2013 and on developments with the Welfare Reform agenda.

### **2. RECOMMENDATIONS**

- 2.1. It is recommended that the Council note progress made and the on-going actions.

### **3. FINANCIAL IMPLICATIONS**

- 3.1. 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. This will continue to be de-risked as part of the year end process as requested by Council on 14 February 2013.
- 3.2. Contained within the 2013/14 budget is a contingency of £1M to offset any in-year cost pressures that occur. There is also a risk fund contained within the 2013/14 budget which can also be accessed if required during the year.
- 3.3. The risk fund has been set up to mitigate any in-year cost pressures that may occur in the Council, and Welfare Reform will clearly fall into that category. For example, cost pressures have already been identified around the introduction of the Council Tax Reduction Scheme and loss of benefit income for Homelessness.
- 3.4. 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 earmarked sums and provisions can be made to ensure that any additional financial risk that the introduction of Welfare Reform presents has been mitigated as far as possible.

### **4. OTHER IMPLICATIONS**

- 4.1. Welfare reform impacts across a number of Council services but has an immediate and direct impact on Housing and Council Tax, Homelessness Services, Financial Inclusion and further 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**

5.2. The Welfare Reform Act completed its passage through the UK Parliament in March 2012 and received royal assent on 5th March 2012. This legislation brought about the most fundamental reform to the social security system since its inception after the 2nd 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 Welfare Reform are to:

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

5.3. Many of the proposed changes were not planned to be introduced until after April 2013. The most significant change relates to the introduction of Universal Credit (UC), 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. Universal Credit is still scheduled to be rolled out from October 2013, but the pace of this has been slowed by the UK Government.

5.4. 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 £26,000 per year. 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 the majority of 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 will be given to clarify the circumstances where alternatives to payments to the claimant are possible.

5.5. Recent activity including the reduction in the number of pilots progressed seem to indicate that Universal Credit will be introduced at a slower rate than first envisaged.

5.6. The national roll-out of UC will expand from the Pathfinder areas to six hub jobcentres - Hammersmith, Rugby, Inverness, Harrogate, Bath and Shotton. These jobcentres will be taking new claims for the benefit; introduction of components to drive the cultural shift under Universal Credit, including 20,000 Jobcentre Plus advisers to be retrained to deliver the claimant commitment, and enhanced job search support nationally. Ten in-work conditionality pilots (including Aberdeen) will test how best to encourage claimants to progress in work, and improved access to digital services across Jobcentre Plus including 6,000 new computers will be installed across the country, embedding digital technology and ensuring that jobseekers become used to online transactions.

5.7. The changes to the rate of introduction may make it more difficult to plan our

work in relation to mitigation activity although the additional time will be beneficial in allowing greater communication with citizens.

- 5.8. The Department for Work & Pensions has published a draft Local Service Support Framework which covered issues such as frequency of payments, direct payments and assistance with digital access. Discussions on this are taking place with the local government associations including COSLA.
- 5.9. The Local Service Support Framework recognises that some people will need extra support, including while they transition from the current benefit system to UC. In particular, some claimants will require support with:
- Triage and explaining the new services, particularly while they are being introduced in incremental stages;
  - Assistance with making claims online and managing their UC account online;
  - Advice to help them manage their money under UC's monthly payment arrangements and ensure that rent and cash flow is well managed.
- 5.10. It was recently announced that, for example, where two months of arrears have built up then direct payments could be re-introduced. Even at one month of arrears DWP will review its decision about direct payments. These actions will be valuable in minimising the loss of rent to the Council. We will continue to monitor the evolving Framework and its potential.
- 5.11. At the recent UK Welfare to Work Convention, Local Authorities were advised by the Universal Credit Team (UK) that a revised draft is due to be published in October 2013 but as yet they are unclear about the budget for this initiative. However, it is now clear that many more claimants should be able to get their housing benefit paid direct to their landlord.

#### **5.12. Welfare Reform Project Board**

- 5.13. The Board has met regularly since the beginning of 2013 to develop and oversee the work streams identified below. The Board whilst established by ACC recognises that Welfare Reform is a Community Planning issue and key representatives from partner bodies such as DWP, NHS and Police Scotland are included within it. Progress delivering the Welfare Reform program is monitored by the Program Management Board, supported by the Program Management Office. The program includes the following projects but will evolve and expand as required to manage changes to our processes such as that required for Universal Credit.
- Scottish Welfare Fund
  - An Integrated Approach to Benefits, Training and Employment
  - Household Management and Budgeting
  - Training and Communications
- 5.14. The Third Sector in Aberdeen has formed a Welfare Reform Network which will take forward statistical and other information to the Welfare Reform Board to ensure the widest possible range of information is being reviewed.

## 5.15. Scottish Welfare Fund

- 5.16. This initiative was implemented locally from the beginning of April 2013 and the implementation has been managed smoothly.
- 5.17. It was previously indicated that Aberdeen City Council would receive £540,786 for Community Care Grants and £359,055 for Crisis Grants for distribution to claimants.
- 5.18. In the three months, April 2013 – June 2013, 96 Community Care Grants have been paid out at an average of £469. A total of £45,054 has been spent which is 8% of spend for the year, against a planned spend of 25%. On average in Scotland 13% has been spent in the year. The Welfare Reform Program Board will examine why this may be and consider whether we need to make any change to how we administer the fund. We do however anticipate that with the onset of autumn and winter, demands on the fund will increase sharply.
- 5.19. In the same period, 558 Crisis Grants have been paid out at an average of £52. A total of £28,860 has been spent which is 8% of spend for the year, against a planned spend of 25%. On average in Scotland 9% has been spent in the year.
- 5.20. In April 2013 there were 530 applications with 152 being successful and in May 2013, 512 applications with 241 successful.
- 5.21. The reasons for refusal are outlined below:

39.33%	qualifying conditions not met
30.85%	eligibility not met
7.59%	not on qualifying benefit
6.18%	other
4.37%	repeat application within 28 days
3.92%	should apply for short term benefit advance
3.73%	priority level insufficient
2.66%	failed to supply evidence
0.85%	excluded items
0.55%	exceeds maximum living expenses

- 5.22. Work is on-going to pilot the use of the Accord card for goods from the Food Bank Partnership Aberdeen.
- 5.23. Figures for the Fund are being submitted to and collated by the Scottish Government. A practitioners group has been established to ensure issues from across the country are shared.
- 5.24. This Fund will be in existence for two years where after a replacement initiative will come into place.

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

- 5.26. The Welfare Matters HUB started in Ebury House on 1 May and the team is currently developing a schedule for cover from 9 – 5 p.m. Monday to Friday before widely advertising the phone number etc. Debt Advice staff and Homelessness Prevention staff are due to contribute to this initiative. It will be launched when it is fully operational which is expected to be in September 2013. The HUB also involves the co-location of other third party partners such as Job Parents.
- 5.27. The new Welfare Reform Project Manager took up the role on 5 August 2013. This post will manage the delivery of the Welfare Matters Hub at Ebury House as well as seek to develop the satellites elsewhere in the City, taking this project to a fully operational level. DWP Flexible Support Funding provided £175k to assist in funding this post, provide enhanced employability support as well as supporting the Welfare Reform conference held in March.
- 5.28. The Library and Information service in Aberdeen City Council anticipated that changes to the welfare system under the Welfare Reform Act would impact on libraries in particular for support in accessing benefits on line. Libraries have been providing support for job seekers in completing online applications and preparing CVs. Weekly job clubs are being held in libraries in partnership with various agencies. Digital literacy needs are being addressed via basic ICT skills classes and 1 to 1 sessions across the service. This has been developed further with training for libraries regarding digital access having now taken place.
- 5.29. An application was made by Aberdeen City Council to Scottish Government for support from the Youth Employment Scheme, Employer Initiative. The Council was successful in receiving an allocation of £547k which provides 50% employer wage subsidy for young people between the ages of 16 and 24 who have been unemployed for up to 6 months. This will provide potential support for up to 170 young people and incentive for Small, Medium, Enterprises. The scheme is funded by the Scottish Government and the European Union and is being managed by staff in the Community Planning and Performance team in partnership with the local Job Centre.
- 5.30. The website [www.welfarereformaberdeen.org.uk](http://www.welfarereformaberdeen.org.uk) is live and information continues to be uploaded. This will become a key communication tool for the program and will continue to be developed along with other communication mediums, such as the successful conference hosted by ACC earlier this year.

## **5.31. Household Management and Budgeting**

- 5.32. The Scottish Legal Aid Board has been asked by the Scottish Government and the Money Advice Service to run a new grant funding programme. The Making Advice Work programme will focus on improving access to advice for people in Scotland with a view to promoting achievement of particular priority outcomes and is in addition to our current grant funding programme. Scotland wide, £7.45m by way of grants in the period to the end of March 2015 is available for this new programme. £5.1M of funding is being made available from the Scottish Government and £2.35M of funding is being made available by the Money Advice Service.

- 5.33. Stream 1 of the programme, community-wide advice, is designed to focus funding on projects that can provide advice, information and representation for people across a geographic area. Its also designed to focus on help to resolve benefit and complex debt problems and to provide targeted assistance to help people successfully make the transition to the new benefits system. Stream 2 of the programme focuses specifically on advice for tenants of social landlords. Project proposals should aim to provide advice, information and/or representation for social tenants dealing with the impact of changes to the benefit system, particularly those changes which are likely to impact on their ability to manage their housing costs or to sustain their tenancies. Stream 3 aims to tackle barriers in accessing advice and test new ways of resolving problems related to debt, financial management and social welfare law for priority groups of people with disabilities and people experiencing domestic abuse.
- 5.34. A number of applications have been submitted to the “Making Advice Work” Programme, including a joint application from Grampian Housing Association and Grampian Women’s Aid for specialist advice and outreach work; The Illness & Disability Action Group; Aberdeen City Council & Grampian Housing Association for 3 Money Advice staff and Aberdeen Cyrenians & Aberdeen City Council for additional advice staff. It is the intention that all these services will link in with the HUB.
- 5.35. Aberdeen City Council is either involved directly or supporting these applications that will bring additional resources to the city.
- 5.36. We are working with the Credit Unions to pilot a scheme to make direct rent payments from their accounts to assist with budgeting and rent payments. Discussions are also underway with Education Officers regarding how as part of financial education, information regarding Credit Unions and the benefits of using their services could usefully be included.
- 5.37. Cash In Your Pocket are still working on the Directory of Advice Providers to ensure staff can refer clients to appropriate services.
- 5.38. Food Bank Aberdeen has been established and is funded by the Fairer Scotland Fund Board. A Food Bank Aberdeen application to the Support & Connect Stream of the Big Lottery was made for funding to enhance debt advice services and additional credit advice was unsuccessful but a further application could be submitted in 6 months. The Food Banks Partnership was recently given an ACVO Impact Award at their recent awards ceremony under the ‘Working Together’ category.
- 5.39. However, an application from Aberdeen Cyrenians to assist customers into services was successful. This includes additional reception and advice staff at their Summer Street Centre and for some outreach work.
- 5.40. A workshop is scheduled with key providers to discuss money advice and household budgeting matters.
- 5.41. Those applying to the Scottish Welfare Fund can indicate that they would like a Benefits check and we are examining how best to provide onward referral for those in debt or struggling financially, as well as how we can monitor outcomes of these referrals.

## **5.42. Training and Communications**

- 5.43. An e-Learning course was launched for all ACC staff on the 10<sup>th</sup> April 2013. Feedback received has been very positive. E-Learning is live on the Welfare Reform Aberdeen website. There have been some requests for additional training from ACC staff. External training was sourced for Benefits Advice and Welfare Rights staff - this will be on-going.
- 5.44. A considerable amount of work has gone into developing appropriate media responses, sharing knowledge, ensuring consistency of responses across partner media teams along with the development of the multi-agency website and material, branded Welfare matters. Work is ongoing to develop a signposting Directory for citizens seeking additional support.
- 5.45. We are actively considering how best to engage and support tenants to meet the challenges faced as the Welfare Reform agenda rolls out. Integrating this with other major programs of work such as our emerging regeneration program will provide opportunities for this.

## **5.46. Discretionary Housing Payments**

- 5.47. 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.
- 5.48. 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 UK 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.
- 5.49. Applications/spend to date
- |                                   |             |
|-----------------------------------|-------------|
| Number of claims received:        | 688         |
| Claims complete:                  | 379         |
| Claims in progress/outstanding:   | 309         |
| Amount Spent/allocated:           | £215,966.87 |
| Funding available for allocation: | £350,996.13 |
- 5.50. It was clear that all of the Discretionary Housing Payments would be utilised at an early stage within the financial year and an additional contribution has now been approved by Aberdeen City Council to ensure funding remains

available as above.

- 5.51. It was anticipated that around £1M of claims could have been possible from the under-occupation measure alone.

#### **5.52. Under-occupation**

Since April 2013 tenants who have a bedroom(s) in excess of their requirements have been subject to a reduction in their Housing Benefit. A 14% reduction applies to those tenants who have one bedroom in excess of their requirements or a 25% reduction for those with two or more bedrooms in excess of their requirements.

The value of arrears for those tenants affected by the under occupation has increased by a similar percentage to all cases with arrears. In May the increase was 12.7% and in June the increase in arrears was 11.5%.

The table below provides more detail on value and number of cases.

	May 2013	June 2013
Total number of tenants affected by Under Occupation in arrears	1280	1208
Value of Arrears for those tenants affected by Under-occupation	£405,313	£407,391
Total number of tenants in arrears	8670	7674
Total value of current arrears	£3,566,543	£3,283,224
Total Number of tenants affected by Under-Occupation and in receipt of benefit	1888	
Total of tenants with a 14 % reduction	1577	
Total of tenants affected with a 25% reduction	311	

Prior to the introduction of the spare room subsidy 23.1% of tenants affected by under occupation were in arrears with their rent. This percentage however has now increased to 71% of tenants in arrears of rent.

#### **5.53. Benefit cap**

- 5.54. The benefits cap roll out began in Aberdeen on 15 July 2013 and mainly affects those in temporary accommodation or families with more than 3 children.

- 5.55. Around 140 households will be affected by this measure. As of 22 July there has only been 5 Capping Cases from DWP. This has resulted in only one case being capped.

#### **5.56. Employability**

- 5.57. As outlined in 5.2, one of the stated aims of Welfare Reform is to ensure that



individuals always benefit financially by moving off benefits and into work. One major facet of financial inclusion, therefore, requires a focus on improving employability. The Department for Work & Pensions has procured a number of programmes to in relation to this aim including the Work Programme and Work Choice.

- 5.58. In June 2013, there were 2,762 unemployed claimants in Aberdeen, 1,821 males and 941 females. These claimants accounted for 1.8% of the city's working age population. The level of unemployment in Aberdeen is low compared with the other main cities and the overall Scottish average. At 3.8%, the Scottish claimant count rate is more than double the Aberdeen rate.
- 5.59. Although the city's claimant count has been falling in recent months, it remains well above the pre-recession numbers that were seen in 2007 and 2008. In the period since January 2001, the claimant count in Aberdeen has fluctuated between a high of 3,669 (February 2012) and a low of 1,509 (October 2007).
- 5.60. Unemployed claimants aged under 25 accounted for 22% of all claimants in Aberdeen in June 2013. This represents a lower-than-average incidence of youth unemployment than across Scotland as a whole, where 27% of claimants were aged under 25.
- 5.61. 1,025 claimants in Aberdeen had been out of work for more than six months in June 2013, including 530 who had been out of work for more than a year. 1,195 claimants in Aberdeen were classed as short-term, i.e. their period of unemployment at June 2013 was less than 3 months in duration.
- 5.62. Unemployment is unevenly distributed across Aberdeen. There were 466 claimants in the Torry/Ferryhill ward in June 2013 compared with 39 in Lower Deeside. Northfield ward had the highest rate of unemployed claimants, 3.5% of the ward's working age population.
- 5.63. Based on the International Labour Organisation definition of unemployment, there was an average of 6,300 unemployed people in Aberdeen in 2012, 5% of the city's population aged 16 and over.
- 5.64. A report by Sheffield Hallam University estimated that Aberdeen's real unemployment total in April 2012 was 9,600. This includes the hidden unemployed who are not included in either the monthly claimant count or the unemployment data from the Labour Force Survey.
- 5.65. According to the Income and Poverty Modelled Estimates, in 2011, 9% of Aberdeen City's working age population was income deprived compared to 13% in Scotland. Aberdeenshire and Shetland Islands had the lowest income deprived working age population in 2011 at 7%.
- 5.66. The Work Programme**
- 5.67. The Work Programme aims to deliver flexible support to help long-term claimants of Jobseeker's Allowance (JSA), and some claimants of health-related benefits, to move into sustainable jobs. Providers (or 'primes') from the private, public and voluntary sectors have payment-by-results contracts

with DWP. Primes then manage networks of sub-contractors who deliver some or all of the services on their behalf. Claimant eligibility for the Work Programme is set by DWP and managed by Jobcentre Plus.

5.68. The first release of Work Programme statistics in November 2012 showed performance falling short of DWP's expectations.

5.69. The minimum expectations set by the Department for Work and Pensions (DWP) for year two performance were:

- Job outcomes should be 33% of referrals for the Jobseeker's Allowance (JSA) 18 to 24 group.
- Job outcomes should be 27.5% of referrals for the JSA 25 and over group.
- Job outcomes should be 16.5% of referrals for the new ESA claimants group.

5.70. From 1 April 2012 to 31 March 2013, there were 516,000 referrals and 123,000 job outcome payments. In this second financial year the contractual performance level for the JSA 18 to 24, JSA 25 and over and ESA new customers' payment groups were 31.9%, 27.3% and 5.3% respectively. This was against a minimum performance level of 33%, 27.5% and 16.5% for each group respectively.

5.71. It is clear that performance in relation to ESA is extremely disappointing.

5.72. DWP are now working with those returning from the Work Programme, who appear to be those furthest from job readiness.

### **5.73. Financial Inclusion Manager**

5.74. The post holder has been in post from the beginning of July 2013. The post will lead on the mitigation activity of Welfare Reform as well as focusing on Financial Inclusion issues, which include improving employability.

5.75. A strategy is being developed for the Welfare Reform Project Board that will attempt to set out objectives and priorities for the future. A key aspect of work in this area will be how best to integrate activities across Directorates with shared objectives and priorities. Consideration of the issues, including resources available will also seek to include other partners, recognising the role of Community Planning.

5.76. A number of policies and procedures are being reviewed/revised/developed with this corporate agenda in mind including: service charges for temporary homelessness accommodation; corporate debt policy; anti-poverty strategy; guidelines for discretionary housing payments; HR policies; the living wage; improving progression; links to procurement (particularly with major projects such as AWPR/regeneration, and Bon Accord Care); integrating with offender programmes; integrating with programmes for other client groups (learning disabilities, mental health, etc.); other "support" programmes (design delivery model to for whole-family working to support long-term workless residents) and links with City Deals.

5.77. We intend to establish networks to develop and share best practice in relation to Advice Services and Improving Employability Services. Crucially

we need to determine the level of service that needs to be provided in relation to debt, budgeting and financial inclusion whilst improving the coordination of services provided through other agencies as well as the City Council.

## **6. IMPACT**

- 6.1. 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.
- 6.2. 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.
- 6.3. 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”
- 6.4. 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**

- 7.1. Income & Earnings in Aberdeen City & Aberdeenshire – ACC Research & Information - 2013
- 7.2. Unemployment in Aberdeen 2013 – ACC Research & Information - 2013

## **8. REPORT AUTHOR DETAILS**

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