

The Highland Council
Resources Committee – 24 February 2016

Agenda Item	12
Report No	RES/ 12/16

Welfare Reform Update

Joint Report by Director of Finance and Director of Community Services

Summary

This report provides comprehensive information on the current status of Universal Credit and other Welfare initiatives. It also makes available financial monitoring information, covering the Council's considerable involvement in this area of work.

1. Background

- 1.1 This report forms part of a regular update on all issues relating to Welfare Reform. The latest statistics are outlined in **Appendix 1** and budget monitoring is set out in **Appendix 2**.

2. Personal Independence Payment

- 2.1 Personal Independence Payment (PIP) replaced Disability Living Allowance (DLA) for new claims from people aged 16 to 64 on 8 April 2013 or who turned 16 after that date. People cannot claim DLA and PIP at the same time. Children under the age of 16 and people aged 65 and over cannot claim PIP.
- 2.2 The most recent data available from DWP's Stats-Xplore database shows the Highland Council area had 2,028 claimants receiving PIP at October 2015. 4,127 claimants have completed the initial PIP claim process, either by phone or, in exceptional circumstances, via a paper form with 617 of those being in the DLA re-assessment process.
- 2.3 Advice agencies within the Highlands have reported the application process itself has improved and is a lot quicker with decisions usually taking 3-4 months as opposed to the 9 months which had previously been reported to this Committee.
- 2.4 The DWP began re-assessment of existing DLA claimants for Personal Independence Payment in the Highlands during 2015. The re-assessment process will also include DLA claimants who have an indefinite award. DLA claimants do not need to take any action until they are contacted by DWP.
- 2.5 In its economic and fiscal outlook prepared ahead of the 2015 Autumn Statement and Spending Review, the Office for Budget Responsibility reduced assumed volumes of reassessments in 2016/17 by around 35,000 a month (around 45 per cent lower) which means that PIP reassessments will not be completed until 2018/19 - a year later than had previously been anticipated.

- 2.6 In addition, based on the results of a small scale trial of 900 DLA cases that opted in to the PIP assessment, the forecast assumes that only 74 per cent of DLA claims reassessed would be successful in a PIP award. With around 1.5 million claims due to be reassessed through managed migration, the Office for Budget Responsibility estimates that just under 400,000 managed migration claims will not receive a PIP award.
- 2.7 There are approximately 12,250 residents living in the Highlands who currently claim Disability Living Allowance. Of which 7,130 residents are aged between 18-64 years old and will eventually be invited to be re-assessed for Personal Independence Payment.
- 2.8 Based on the Office for Budget Responsibilities estimates in paragraph 2.6, potentially 1,854 DLA claimants in The Highland Council area will not receive a PIP award following the re-assessment process. This will result in a weekly loss of benefit of between £21.80 - £139.75 (2016/17 rates) in addition to various premiums and passported benefit entitlements. The financial impact could potentially result in the loss of between £2.1m - £13.5m to the Highland economy.
- 2.9 Concerns continue to exist about the impact of the re-assessment process in the Highlands. Feedback from Advice staff has highlighted:
- Re-assessment of DLA to PIP cases has seen many award levels reduced or lost entirely e.g.
 - A customer on DLA high rate Mobility completely lost the award for PIP Mobility. This decision is now being appealed.
 - A customer lost their DLA care entitlement, affecting both Housing Benefit and Tax Credits – this case has also gone to appeal.
 - Confusion remains about Personal Independence Payment with people not realising DLA and PIP are separate benefits with separate entitlement rules. For example a client who is 16 with learning difficulties has lost entitlement to DLA pending a new application to PIP as their mother (who also has learning difficulties) did not make PIP claim within the timeframe.
 - There are ongoing concerns about the potential impacts, especially on those with mental health issues, on those individuals who are not responding to DWP letters regarding the end of their DLA entitlement and the requirement to re-apply for PIP. A misconception still exists amongst some DLA claimants with lifetime awards that they are not required to go through the re-assessment process for PIP.
 - PIP claimants who are unhappy with DWP's decision can ask DWP to look at their decision again. This process is called Mandatory Reconsideration and must be completed before an appeal can be submitted to the DWP. Advisers in Highland consider that Mandatory

Reconsiderations are time consuming and report that a large percentage of requests are unsuccessful. Some claimants do not pursue an appeal after 2 unsuccessful attempts to claim PIP.

3. Universal Credit

3.1 In the published official Universal Credit statistics for December 2015, the Highland Council area has had approximately 2,225 claimants who have completed the Universal Credit claim process and accepted their Claimant Commitment. In the Highland Council area 1,440 claimants are still claiming Universal Credit of which approximately 476 are in some form of employment.

3.2 Universal Credit Digital Service

3.2.1 The DWP is continuing to roll out the enhanced digital service which is designed to underpin the entirety of its Universal Credit Welfare Reforms as part of its long-term 'twin-track' implementation plan. Testing of the digital service has been ongoing in a number of Jobcentres in England during 2015.

3.2.2 The introduction of the new digital service will replace the current system being used for Universal Credit. Once introduced the digital service will remove a number of clerical functions for claimants and will enable them to make a claim, check details of payments, notify changes of circumstance and search for a job through a single account. DWP intend making digital the primary channel for most working-age people to interact with the Department.

3.2.3 Based on the DWP's current roll-out plans for the new digital service and their national Universal Credit implementation approach to date, there is a potential for the new digital service to go live in Highland during financial year 2016/17. In line with the roll out of Universal Credit in Highland, it is anticipated that Inverness Jobcentre may be selected first in Highland for digital service with a single implementation date thereafter for the remaining Highland Jobcentres.

3.2.4 Digital service will mean that the existing qualifying conditions for Universal Credit will be amended to enable all claimant groups to make a new claim. This means that from the go live date, qualifying claimants will no longer make new claims for Housing Benefit, Working Tax Credit, Child Tax Credit, Employment and Support Allowance, Income Support and Job Seekers Allowance - instead they will claim Universal Credit.

3.2.5 The digital service is designed to remove paperwork and the need for telephone calls. Claimants make their claim on the digital service, which is accessed via Gov.UK, through the creation of an online account. The claimant will be able to interact with their Work Coach and the UC service centre via their on-line account.

3.2.6 One of the main impacts of DWP's digital service on the Council will be a reduction in the number of Housing Benefit claims due to greater volumes of working age people claiming Universal Credit. However, the new arrangements will only apply to new claims and to those claimants who report a change in

circumstances that will trigger a claim for Universal Credit. Claimants on legacy benefits including Housing Benefit, that do not experience a relevant change in circumstances, will remain on their existing benefits until a migration exercise is undertaken to transfer them onto Universal Credit. This is likely to take place at some point between 2018 – 2021.

- 3.2.7 There will therefore be a phased reduction in Housing Benefit caseload through to 2021. Whilst it is difficult to predict actual timings of when such resources volumes will take place, the Finance Service has been undertaking vacancy management for over 12 months now to help mitigate these changes and protect staff. As reported to November 2015 Resources Committee (*Audit Scotland Benefits Administration – Performance Audit Annual Update 2014/15*), the roles of staff have also been evolving over the past 12-18 months too resulting in staff administering all Council benefits such as Education Maintenance Allowance (EMA), school clothing grants and Inverness Winter Fuel Scheme. This not only offers customers a single point of contact but it also gives staff the opportunity to learn new skills and responsibilities.
- 3.2.8 Universal Credit is not available to those that are non-working age. At present, the Council has 5,532 non-working age Housing Benefit recipients. This represents approximately 38.5% of the overall caseload. These customers will continue to claim Housing Benefit after the work-age claimants have been migrated across to Universal Credit. Senior Officers within the Council understand there are no current plans to move non-working age claimants onto Universal Credit or a replacement housing cost benefit.
- 3.2.9 The introduction of digital services will impact on rent arrears. Although concerns remain about the impact on rent arrears, trusted partner status may provide some mitigation. There are also concerns as to how some tenants will manage their Universal Credit claim through online digital services. DWP's trusted partners will have applications for alternative payment arrangements triggered with immediate effect and in good faith. More information regarding trusted partners is provided in paragraphs 3.6.1 and 3.6.2 below.
- 3.2.10 As digital service will increase the Universal Credit caseload, there is likely to be an increased demand for welfare services, including personal budgeting support and on-line support services. The Head of Revenues and Business Support and the Benefits and Welfare Manager are working with DWP to scope such demand to ensure that DWP provide appropriate funding.

3.3 In-Work Progression

- 3.3.1 As part of Universal Credit, DWP are actively supporting claimants who are in low-paid work to earn more and become more independent and self-sufficient.
- 3.3.2 DWP implemented a trial to test a number of in work progression approaches including introducing mandatory directions for some claimants – specifically where they offer a claimant a strong opportunity to increase their earnings. The trial started in April 2015 in the 10 original pathfinder sites including Inverness. The national expansion commenced from the end of 2015 and will be available

in all UC sites by Autumn 2016.

3.3.3 Participating claimants must meet the following criteria:

- be in the All Work-Related Requirement group;
- in low income households – for an individual this means earnings from employment of no more than £338 per month or £541 for a couple; and
- have earnings below the conditionality earnings threshold, which is individually set up to a maximum of the equivalent of 35 hours work at the national minimum wage.

3.3.4 These trials have started to test the impact of key elements of an in-work service by using the core principles of the support DWP provide to those people looking for work. It includes three key elements:

1. Providing Work Coach support to set relevant goals, address barriers and define actions for claimants;
2. Setting mandatory requirements to ensure that claimants take reasonable action that should help them earn more; and
3. Having challenging conversations to monitor and drive the progress that claimants are making.

3.3.5 DWP intend to introduce a national in-work service with outcomes clearly aligned to the Labour Market Performance Measures which underpin the delivery of Universal Credit. These performance measures are:

1. supporting claimants to move into work;
2. helping claimants remain and stay in sustained work; and
3. supporting claimants to progress and increase their income from earnings.

3.4 Universal Credit Work Allowance

3.4.1 From April 2016, the UK Government will reduce the level of earnings at which a household's Universal Credit award starts to be withdrawn for every extra pound earned. This means for example, Universal Credit (work allowances) will be reduced to:

Work allowances (annual rate)	2015-16	2016-17
Higher work allowance (no housing element) Single claimant, one or more children	£8,808	£4,764
Lower work allowance Single claimant, one or more children	£3,156	£2,304
Single claimant, no dependent children or disabilities	£1,332	£0

Source: benefit and pension rates 2015/16 & proposed 2016/17 –gov.uk

3.4.2 Members will note from paragraph 3.1 of this report, there are 476 in work Universal Credit claimants in Highland. These claimants will potentially be impacted by the changes to their work allowance and as a result be worse off from April 2016.

3.4.3 In January 2016, a Commons motion calling on the UK Government to reverse its decision to cut the universal credit work allowance was defeated. The changes to the work allowance are expected to save £3.2bn by 2020/2021 according to the Office for Budget Responsibility.

3.4.4 A written response on 7 January 2016 by the Secretary of State for Work and Pensions, confirmed the DWP will provide written notification to all Universal Credit claimants who are expected to be directly affected by the changes to their entitlement. DWP will offer tailored support for those impacted depending on the claimant's circumstances.

3.5 Universal Credit and Council Tenants

3.5.1 At 30 September 2015, 90% of all Universal Credit cases were in rent arrears with an average rent arrear for mainstream tenancies per household of £710.27. The table below details the breakdown of Universal Credit cases and arrears values by accommodation at 30 December 2015.

Impact on the Highland Council's Housing Rent Arrears: Live cases					
30 Dec 2015	Number of UC cases	Number of cases in arrears	Percentage of cases in arrears (%)	Cumulative rent arrears £	Average rent arrears per household £
All Highland Council Universal Credit Cases	241 (173)	195 (156)	80% (90%)	£142,366 (£113,871)	£730.08 (729.95)
Mainstream Tenancies	235 (166)	189 (150)	80% (90%)	£129,855 (£106,540)	£687.06 (710.27)
Temporary Accommodation	6 (7)	6 (5)	100% (71%)	£12,510 (£7,169)	£2,085.09 (£1,433.98)

(figures in brackets denote 15/16 position as at **30 September 2015**)

3.5.2 The Council remains concerned about the long term implications of Universal Credit and other welfare reform changes in relation to resource and cost implications of collecting rental income, including the implications on income collections. There is a 10% reduction in the percentage of mainstream tenancies in receipt of Universal Credit in arrears from 90% to 80% during quarter 3 of 2015/16 compared to quarter 2 2015/16. This is in comparison to **all** mainstream Council tenancies where in quarter 3, 3,647 households (27%) were in arrears compared to quarter 2 of 2015/16 where 4,379 (32%) households were in arrears.

3.5.3 Currently, the average rent arrear of a mainstream household in receipt of Universal Credit is £687.06. This is around 1.9 times higher than the average rent arrear of £365.30 per household for all other secure tenancies.

3.5.4 Alternative Payment Arrangements (APAs), the safeguard mechanism that

pays the housing cost element of Universal Credit direct to landlords, are resource intensive and therefore much less efficient to administer but are nonetheless proving to be an effective tool to help mitigate the impact of Universal Credit, lessen the risk to the Housing Revenue Account (HRA) and reduce rent arrears. Trends of Universal Credit cases will be closely monitored and will continue to be reported to Committees.

3.5.5 The table below details the number of APA applications and awards during the first 3 quarters of 2015/16.

Period	APA Applications	APAs Awarded	% of APAs Awarded
Q1 2015/16	28	26	93%
Q2 2015/16	45	38	84%
Q3 2015/16	52	31	59%
Cumulative	125	95	76%

3.5.6 The number of APAs awarded is determined by the claimant's circumstances and entitlement to Universal Credit at the time of the application. Therefore, although the tenant may have arrears or be deemed as vulnerable there are no guarantees that all APA applications will be approved.

3.5.7 At December 2015, 195 households (80%) in receipt of Universal Credit were in arrears with their rent. This compares to the national English figure published in December by the National Federation of ALMOs (NFA) and the Association of Retained Council Housing (ARCH) which shows that 89% of Universal Credit claimants have accumulated rent arrears, with 34% subject to an APA. The Council received 102 APAs during December 2015 which represents 42% of the known Universal Credit cases for Council tenancies. This indicates that the Council has a lower number of cases in arrears but a higher proportion subject to an APA than the average being demonstrated in England.

3.5.8 As a result of the combined impacts of increasing employment levels, Universal Credit cases and other welfare reform changes, the number of households in receipt of Housing Benefit is reducing.

3.5.9 The number of Highland Council tenants currently in receipt of Housing Benefit and Universal Credit are as follows:

	2015/16		2014/15	
	Total No of Households	% of Households	Total No of Households	% of Households
Overall HRA Stock	13,683	-	13,539	-
Housing Benefit	7,405	54.1%	7,657	56.5%
Known Universal Credit	241	1.8%	41	0.3%
Total	7,646	55.9%	7,698	56.8%

3.5.10 The table above shows that at January 2016, 7,646 (55.9%) of households are in receipt of Housing Benefit and Universal Credit compared to 7,698 (56.8%) this time last year.

3.6 DWP Project – Universal Credit Trusted Partner Pilot

3.6.1 The Council recently submitted an Expression of Interest to participate in a Universal Credit project that will trial the role of Social Landlords as a 'Trusted Partner' in the Universal Credit process. The Council has been shortlisted for the pilot and officers will meet with representatives from the DWP in February 2016 to discuss the project proposals further.

The purpose of the pilot:

- aims to test the proposal whereby social landlords make a recommendation to DWP that an alternative payment arrangement (APA) is appropriate for one of their tenants.
- The social landlord's recommendation will trigger an APA with immediate effect and will be implemented in good faith by DWP (without challenge).
- Trusted Partners will carry out reviews and notify the DWP when claimants are ready to receive their standard monthly UC payment.

3.6.2 Involvement in this pilot will enhance the Council's current arrangements with DWP, speed up the APA process and minimise the risk to the HRA through more effective arrears management of Universal Credit cases.

4. Impact of Future Welfare Reform Proposals

4.1 In July 2015 the Chancellor announced further changes to the benefits and welfare system as part of the summer budget. These measures will be phased in from April 2016 at the earliest, with many changes affecting only new claimants.

4.2 Benefit Cap

4.2.1 The Benefit Cap currently restricts benefit entitlement to £26,000 per year for families and £18,200 per year for single people. During 2016 the UK Government intend to reduce benefit to £20,000 and £13,400 for families and single people respectively.

4.2.2 This means a maximum amount of benefit that a household can be entitled to is capped. This applies to the combined income from the main out-of-work benefits, plus Housing Benefit, Child Benefit and Child Tax Credits. For this purpose, a household is defined as an individual, their partner, and any children they are responsible for and who live with them.

4.2.3 The cap is applied as a reduction to the amount of Housing Benefit or Universal Credit a claimant receives. Some households are exempt from the cap regardless of the amount of benefits they receive providing they are in receipt of working tax credit or a prescribed benefit, including Personal Independence Payments, Employment and Support Allowance, or War Widow's Pension. This list is not exhaustive.

4.2.4 The number of households that will be affected by the changes to the Benefit

Cap are currently unknown. Officers are liaising with local DWP colleagues to identify the households in the Highlands who may be impacted by the change in order that support may be targeted for those impacted.

4.3 Under Occupancy Rules – Discretionary Housing Payments

4.3.1 The Scottish Government has a policy of mitigating the impact of the Under Occupancy rules. The Scottish Government approach is to mitigate these rules by making contributions to local authority DHP funds.

4.3.2 The Scottish Governments will soon be confirming their funding arrangements for Discretionary Housing Payments in 2016/17.

4.3.3 The uncertainty of future Discretionary Housing Payment funding and the potential impact of Universal Credit on both tenants and Council house rental income present a risk to the Council.

4.3.4 The introduction of the Scotland Bill will see Discretionary Housing Payments devolved in full giving the Scottish Parliament the power to support Housing Benefit and certain Universal Credit claimants who need help with their housing costs.

4.3.5 On 27 January 2016, the Court of Appeal ruled that the DWP Under Occupancy rules are unlawful because of their impact on vulnerable individuals. The Court of Appeal dealt with two appeals together and in both cases ruled that the discrimination against victims of domestic violence and disabled children was not lawful.

4.3.6 The first appeal concerned the effect of the policy on women living in 'Sanctuary Scheme' homes – properties which are specially adapted because of risks to the lives and physical safety of resident women and children. The second appeal concerned the impact of the policy on seriously disabled children who need overnight care. In both appeals, the judges accepted that the Under Occupancy rule policy unlawfully discriminates against women and domestic violence victims, and against seriously disabled children requiring overnight care.

4.3.7 The Court of Appeal have granted permission to the Secretary of State to appeal to the Supreme Court against the finding that the discrimination caused by the Under Occupancy rules breaks the law, and to the first appellant to appeal against the finding that the needs of victims of domestic violence were not properly considered when formulating the policy. If the Secretary of State chooses to appeal to the Supreme Court, it is likely that these two cases can be heard together with another appeal concerning the Under Occupancy rules which is to be heard on 1 and 2 March 2016. That case concerns disabled adults who consider that they require an extra bedroom by virtue of their disabilities.

4.4 Housing Benefit backdates

- 4.4.1 The rules relating to the backdating of Housing Benefit are changing from April 2016. Currently working age claimants can be granted a backdated award of benefit for up to a maximum of six months, and pensioners three months where 'continuous good cause' has been demonstrated. From April 2016, the maximum time limit to backdate a claim will be reduced to four weeks. During 2015/16, 606 social and private tenants in the Highlands applied for a backdated award of Housing Benefit.
- 4.4.2 Officers in the Council and advisers in the Citizens Advice Bureaux continue to provide advice and support on a case by case basis to those affected by welfare changes.

5. The Scotland Bill

5.1 In December 2015 the Scottish Government announced Scotland's new social security powers will be founded on a set of principles that will treat people with dignity and respect and will be an important tool in tackling poverty and inequality.

5.2 The principles are:

- Social security is an investment in the people of Scotland
- Respect for the dignity of individuals is at the heart of everything we do
- Our processes and services will be evidence-based and designed with the people of Scotland
- We will strive for continuous improvement in all our policies, processes and systems, putting the user experience first
- We will demonstrate that our services are efficient and value for money.

The principles reflect feedback received by the Scottish Government from organisations that work across Scotland and with all sections of society.

5.3 Scottish Secretary David Mundell has outlined the devolved welfare powers that will be available to the new Scottish Parliament after its election in May 2016:

- the flexibility to determine what support is provided to carers and disabled people, including the power to scrap Personal Independence Payment and replace it with something else if it chooses;
- the power to tailor support that helps people struggling to meet certain one-off expenses, including winter fuel payments, cold weather payments, sure start maternity grants and funeral payments;
- the power to top up reserved benefits such as Jobseeker's Allowance;
- increased freedom to provide short-term discretionary payments to individuals such as those leaving prison or to support rent payments;
- the powers to create new benefits in devolved areas;
- a number of flexibilities over Universal Credit, which remains a reserved benefit, including varying the frequency of payments, making housing costs payments direct to landlords and splitting payments between couples; and

- the power to create its own employment programmes, including longer-term programmes for those furthest from the labour market.

5.4 The Smith Commission recommendations and introduction of the Scotland Bill provides the Scottish Government with the opportunity to design a system which has less bureaucracy, more flexibility and a move towards maximising resources to deliver and manage a successful social security system in Scotland. Within this system, there is the potential for local authorities to deliver a single point of contact service which can provide information, holistic support and benefit delivery for claimants.

5.5 For over 30 years, local authorities have demonstrated, through the processing of Housing Benefit and associated Council Tax schemes, the ability to provide and deliver effective and efficient local administration and decision making functions. More recently, following the abolition of specific parts of the Regulated Social Fund, Councils in Scotland have played a pivotal role in the successful implementation and delivery of the replacement scheme - the Scottish Welfare Fund.

5.6 Delivered locally, local authorities provide increased support accessibility for significantly vulnerable groups, as well as delivering innovative and joined up preventative solutions and services. Councils have achieved this despite challenging budgetary pressures. Although the following list is not exhaustive, it provides some examples of the proactive approach being taken by this Council:

- The Head of Revenues and Business Support:
 - o is a key member of COSLA's Welfare Reform Advisory Group which promotes local authorities and significantly influences the formulation of national policy
 - o provided evidence to the Scottish Parliament's Welfare Reform Committee
- Officers regularly provide comprehensive responses to national surveys. Most recently for example, officers responded to the Scottish Government's consultation relating to the Scottish Welfare Fund.
- A comprehensive response has been prepared in response to the Scottish Government's Tackling Poverty Local Authority Support Survey.
- Officers are actively involved in various local initiatives, including providing specialist advice at drop-in sessions and community events.

6. Foodbanks

6.1 During 2015, the Trussell Trust food banks in the Highlands provided 5,536 people including 1,590 children with a three day emergency food parcel. This represents a 5.4% increase in the number of people supported during 2014 (5,254 people including 1,340 children) and a 36.5% increase since 2013 (4,056 people including 1,103 children).

6.2 The Scottish Welfare Fund, administered by the Council, also provides assistance to applicants for food when awarding Crisis Grants and Community

Care Grants. Since the implementation of the fund on 1st April 2013, £377,602 has been awarded specifically for food, broken down as follows:

Period	Number of awards	Amount awarded £	Average award £
01/04/2013 – 31/12/2013	921	£47,156	£51.20
01/01/2014 – 31/12/2014	3,380	£174,202	£51.54
01/01/2015 – 31/12/2015	3,161	£156,244	£49.43

7. Changes to State Pension Age Increases

7.1 Equalising men and women's State Pension age at 65 was first introduced in 2010 to fulfil the UK Government's obligations under European legislation to ensure men and women are treated the same in social security systems.

7.2 Following an upward revision of official projections for average life expectancy, the UK Government has decided to speed up the increase to 65 and brought forward further increases to maintain future sustainability of the State Pension system.

7.3 Under the Pensions Act 2011, women's State Pension age will increase more quickly:

- from April 2016, to reach 65 by November 2018 instead of March 2020
- from December 2018 the State Pension age for both men and women will start to increase to reach age 66 by October 2020 instead of 2026.

7.4 The changes will affect:

- women born on or after 6 April 1953 will be impacted by the accelerated equalisation of State Pension age to 65;
- men and women born after 5 December 1953 but before 6 October 1954 will have a State Pension age between 65 and 66;
- men and women born on or after 6 October 1954 and before 6 April 1960 will have a State Pension age of 66.

7.5 Pension Credit qualifying age will rise in line with the accelerated increase in women's State Pension age to 65 and subsequently in line with the increase to 66.

7.6 Working age benefits such as Employment and Support Allowance, Jobseeker's Allowance and Income Support will now be available up to revised State Pension age. It will also affect all future claimants to other benefits with a link to the State Pension age threshold, for example Winter Fuel Payment, Attendance Allowance, Disability Living Allowance and Personal Independent Payment.

7.7 The Pensions Act 2014 brings forward the increase of State Pension age to 67 so that it is implemented between 2026 and 2028 instead of between 2034 to 2036.

7.8 New State Pension

7.8.1 The State Pension will change for people who reach State Pension age on or after the 6 April 2016. This means someone will be eligible to claim the new State Pension if they are:

- a man born on or after 6 April 1951
- a woman born on or after 6 April 1953

If somebody is born before these dates, they will get the State Pension under the current scheme which will be worth £119.30 from April 2016 plus any additional top ups e.g. Pension Credit.

7.8.2 The full new State Pension is £155.65 a week (2016/17 rate). The UK Government will use the qualifying years on the claimant's National Insurance contribution record, up to and including the 2015/16 tax year to work out their starting amount under the new scheme. A claimant's starting amount will be the higher of either:

- the amount they would get under the current State Pension rules (which includes basic State Pension and additional State Pension); or
- the amount they would get if the new State Pension had been in place at the start of their working life.

7.8.3 The new State Pension won't be the same amount for everyone. What a claimant will receive is based on their National Insurance record and the number of qualifying years they have. A claimant will usually need at least 10 qualifying years to be eligible.

7.8.4 People aged 55 or over and who reach State Pension age on or after 6 April 2016 can get a new State Pension statement. This will estimate what a claimant's new State Pension would be, based on their National Insurance contributions to date. This is their starting amount in the new system. In most cases, this is the lowest amount a claimant should get at State Pension age.

8. **“Shifting the Curve” Report on Poverty**

8.1 A report into what more the Scottish Government and others can do to tackle poverty was published in January 2016 by Scotland's Independent Advisor on Poverty and Inequality. The 'Shifting the Curve' report sought views from stakeholders across Scotland, including people with experience of living on a low income.

8.2 The report has made a number of recommendations to further tackle poverty around three main areas:

- in-work poverty;
- housing affordability; and
- young people's life chances.

8.3 *Recommendation: Do more to ensure that people claim the benefits they are entitled to.*

8.3.1 Hourly pay and number of hours worked are crucial factors in determining whether a household is in poverty or not. But how household incomes are topped up through tax and benefits systems is also crucial.

8.3.2 Members are very aware that some people living in the Highlands do not claim their entitlements for a variety of reasons. For example, they may be unaware of the existence of the benefit or their entitlement to it; they do not know how to apply; or the application process may be too complex or time consuming.

8.3.3 A range of benefit advice services are already in place in the Highland Council area through Council-funded advice and information services provided by the Citizens Advice Bureaux, the Council's customer income maximisation and money advice teams and various third sector organisations.

8.3.4 The report highlights that the Scottish Government and its partners should build upon the existing services in Scotland to develop a strategic programme of activity which would be based upon evidence on levels of uptake for the different benefits, the characteristics of those who do not claim but who could, particular barriers to uptake, and what can be done to address the areas identified to maximise household income.

8.4 *Recommendation: Ensure fuel poverty programmes are focused to support those on low incomes, and do more to tackle the poverty premium in home energy costs.*

8.4.1 Many people believe there is a 'poverty premium' in domestic energy costs (space and water heating). People on low incomes are paying more for their home energy simply because they are poor. Expensive pre-pay meters, reluctance to switch from current supplier in case the next supplier is more unhelpful, difficulties getting the best deal are some of the barriers which contribute to the difficulty of meeting energy costs.

8.4.2 The Scottish Welfare Fund accepts applications for support towards fuel costs through Crisis Grants and Community Care Grants. Each application is assessed on its own merits based on the applicant's personal circumstances.

8.4.3 Where an award is made the applicant will be provided with Paypoint Vouchers. These vouchers can be created as either a cash voucher or an energy voucher which can be directly credit towards gas or electricity.

8.4.4

Number of SWF applications* for assistance with payments towards fuel and heating bills – Highland Council
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	Council Tenant	Housing Association	Private Rented	Owner/ Occupier	Other	Total
01/12/13 – 31/03/14	684	187	82	16	77	1,046
01/04/14 – 31/03/15	1,840	519	233	54	215	2,861
01/04/15 – 31/01/16	2,012	558	215	98	213	3,096

**includes some applicants with multiple applications*

The above table details the number of applications to the Scottish Welfare Fund for assistance with fuel costs. Members will note an increase of 8% year to date after 10 months in 2015/16 compared with financial year 2014/15.

8.4.5

SWF financial assistance with fuel and heating bills for households within the Highland Council area.						
	Council Tenant	Housing Association	Private Rented	Owner/ Occupier	Other	Total
01/12/13 – 31/03/14	£14,642.16	£4,813.45	£1,914.79	£250.29	£818.46	£22,439.15
01/04/14 – 31/03/15	£36,808.74	£10,627.08	£ 825.77	£4,549.25	£2,527.69	£55,338.53
01/04/14 – 31/01/15	£23,348.89	£7,862.14	£ 363.34	£2,442.35	£5,085.75	£39,102.47

The above table details the total spend from the Scottish Welfare Fund towards assistance with fuel costs. Since the Scottish Welfare Fund was introduced £116,880 has been awarded year to date of which £74,800 (64%) has been awarded to Council tenants.

8.4.6

Members will wish to note the significant work undertaken to improve the energy efficiency of Council housing. In 2007, 16.1% of Council houses met the energy efficiency element of the Scottish Housing Quality Standard (SHQS). Many of those which failed were hard to heat/hard to treat and required multiple energy efficient measures to bring them up to standard. The current figure for energy compliance is 86.7% and the remaining stock will be brought up to standard by April 2016.

8.4.7

Between 2007/08 and 2014/15 the Council invested £59.3m on improving energy efficiency measures in the Council's housing stock. This has involved new heating systems to over 4,000 houses and insulation measures to over 4,500 Council houses.

8.4.8

The Scottish Government has announced a new Energy Efficiency Standard for Social Housing to be reached by 2020. Assessment of Council stock is taking place and will be reported to Community Services Committee. Improving the energy efficiency of the Council's stock and upgrading the oldest and most inefficient heating systems remain a key principle of the Housing Revenue Account Capital Plan 2016-2021.

9. Financial Monitoring Report

9.1

The financial monitoring report can be found at Appendix 2. At this stage of the financial year, an underspend of £0.623m is reported at Council Tax

Reductions. Members are reminded that the main reason for this reducing expenditure relates to the way in which DWP has increased benefits and other components used to calculate CTR entitlement. The impact of these measures is therefore to reduce the qualifying amounts on which CTR is calculated.

10. Implications

- 10.1 Resource and risk implications are set out in the paper. There are no legal; climate change/Carbon Clever; or Gaelic implications.
- 10.2 Rural Implications – the report highlights a range of issues that particularly impact on rural areas.
- 10.3 Equalities – the whole report seeks to consider and address the issues arising from welfare reforms that impact on poverty and vulnerability.
- 10.4 Poverty – the whole report aims to acknowledge current welfare issues which exacerbate the causes of debt and poverty within the Highlands.

Recommendations

The Committee is invited to:

- note the potential impacts of Personal Independence Payments and other welfare reform changes in Highland, including the new state pension arrangements from April 2016
- note the ongoing concerns regarding the impact of Universal Credit on rent arrears and the reductions to work allowances from April 2016
- note the new powers for Scotland's social security system
- support and promote the potential role of local authorities as experienced financial assessment delivery partners for Scotland's social security system and also the potential collaborative role of local authorities to support the development of that system
- note the management information and budgetary position detailed in the Appendices to this report.

Designation: Director of Finance and Director of Community Services

Date: 11 February 2016

Authors: Allan Gunn, Head of Revenues and Business Support and David Goldie, Head of Housing

Background Papers:

'Shifting the curve' report: <http://www.gov.scot/Publications/2016/01/1984>

Welfare Reform Report – February 2016**Under occupation rules - 25/12/15**

Summary – 14% reduction	
	No of Properties
Council tenants	1,380 (67%)
HA tenants	678 (33%)
Total	2,058

Summary – 25% reduction	
	No of Properties
Council tenants	311 (77%)
HA tenants	94 (23%)
Total	405

Summary – combined	
	No of Properties
Council tenants	1,691 (69%)
HA tenants	772 (31%)
Total	2,463

Number of tenants in arrears, value of arrears for Highland Council tenants only

Period	Total number of cases	Total number in arrears	Value £	Average Rent Arrear £	No receiving DHP	% in receipt of DHP
25-Dec-15	1688	547	£175,552	320.97	1478	87%
	49	37	28,567	772.06	49	100%
	1737	584	£204,119	349.52	1527	88%

Number of transfer applicants affected and movement in quarterly periods – for Highland Housing Register: Dec 15

Number of applicants	% Movement since Qtr. 4 14/15	Number +
228	-13.00%	-35

Benefit Cap at 10/01/16

Landlord type where cap has been implemented	HB reduction per week						
	£0 - £19.99	£20 – £39.99	£40 - £59.99	£60 - £79.99	£80 - £99.99	£100 - £119.99	£120 - £139.99
Local Authority	1	1		4			1
Housing Association	2						1
Private rent	1	1					1

Housing Benefit Appeals

Number of appeals received with a comparison to the previous financial year			
April 2014 Appeals/Reconsiderations	1 / 32	April 2015 Appeals/Reconsiderations	0 / 47
May 2014 Appeals/Reconsiderations	2 / 33	May 2015 Appeals/Reconsiderations	0 / 32
June 2014 Appeals/Reconsiderations	1 / 25	June 2015 Appeals/Reconsiderations	0 / 46
July 2014 Appeals/Reconsiderations	0 / 29	July 2015 Appeals/Reconsiderations	0 / 49
August 2014 Appeals/Reconsiderations	0 / 29	August 2015 Appeals/Reconsiderations	0 / 49
September 2014 Appeals/Reconsiderations	0 / 29	September 2015 Appeals/Reconsiderations	0 / 46
October 2014 Appeals/Reconsiderations	1 / 33	October 2015 Appeals/Reconsiderations	0 / 34
November 2014 Appeals/Reconsiderations	0 / 37	November 2015 Appeals/Reconsiderations	0 / 38
December 2014 Appeals/Reconsiderations	0 / 41	December 2015 Appeals/Reconsiderations	0 / 40

**Discretionary Housing
Payments**

	Qtr 1	Qtr 2	Oct-15	Nov-15	Dec-15	Year to Date
Number of awards made in-month	5,240	764	352	266	189	6,811
Award Reasons						
Under Occupation:	4,761	550	263	216	157	5,947
Benefit Cap:	7	1	9	0	-2	15
Other:	472	213	80	50	34	849
Total amount paid and committed in-month	#####	£66,003	£43,634	£11,701	£4,583	£1,890,966

Scottish Welfare Fund

	Qtr 1	Qtr 2	Oct-15	Nov-15	Dec-15	Year to date
Crisis Grant						
Application Approved	767	794	303	318	275	2,457
In month award total	£48,931	£53,192	£18,330	£19,127	£18,790	£158,370
Average CG award	£64	£67	£60	£60	£68	£64
Community Care Grant						
Application Approved	256	290	90	99	80	815
In month award	£116,220	£154,704	£44,829	£45,086	£46,885	£407,724
Average CCG award	£454	£533	£498	£455	£586	£500

FoodBank MI

Inverness & Nairn

Vouchers issued	Adults fed	Children fed	Total fed
1,852	2,252	931	3,183
Top 3 reasons why voucher issued: 1. Benefit delay 2. Low income 3. Benefit changes			

Data taken from Distributor report 1 January 2015 - 31 December 2015

Highland foodbanks (exc Inverness & Nairn)

Vouchers issued	Adults fed	Children fed	Total fed
1,388	1,694	659	2,353
Top 3 reasons why voucher issued: 1. Benefit delay 2. Low income 3. Benefit changes			

Data taken from available Distributors report 1 January 2015 - 31 December 2015

Appendix 2

WELFARE BUDGET 1 April to 31 December 2015	ACTUAL YTD £000	ANNUAL BUDGET £000	ESTIMATED OUTTURN £000	VARIANCE
Housing Benefits				
- Rent Rebates	19,545	26,174	26,174	0
- Rent Allowances	18,595	24,695	24,695	0
	<u>38,140</u>	<u>50,869</u>	<u>50,869</u>	<u>0</u>
Council Tax Reduction Scheme	11,664	12,287	11,664	-623
Scottish Welfare Fund				
- Community Care Grants	314	555	555	0
- Crisis Grants	164	246	246	0
	<u>477</u>	<u>801</u>	<u>801</u>	<u>0</u>
Discretionary Housing Payments	1,479	1,925	1,925	0
Advice Services				
- Money Advice	157	250	250	0
- Income Maximisation	180	240	240	0
- Citizens Advice Bureau	1,058	1,325	1,325	0
	<u>1,394</u>	<u>1,815</u>	<u>1,815</u>	<u>0</u>
GROSS WELFARE BUDGET	53,155	67,697	67,074	-623
Income				
DWP - HB Subsidy	(36,971)	(50,749)	(50,749)	-
DWP - Discretionary Housing Payments	(1,200)	(1,726)	(1,726)	-
	<u>(38,171)</u>	<u>(52,475)</u>	<u>(52,475)</u>	<u>-</u>
NET WELFARE BUDGET	<u><u>14,983</u></u>	<u><u>15,222</u></u>	<u><u>14,599</u></u>	<u><u>(623)</u></u>