

EAST RENFREWSHIRE COUNCILCABINET26 JANUARY 2017Report by Deputy Chief ExecutiveDISCRETIONARY HOUSING PAYMENTS (DHP) AND  
IMPACT OF CHANGES TO THE BENEFIT CAP**PURPOSE OF REPORT**

1. This report provides an update on Housing Benefit changes through the benefit cap levels, which reduced in November 2016. The report seeks a view from the Cabinet on the need, if any, for mitigation of the effect of these changes and considers potential options to do so. Any mitigation would result in an extension of Discretionary Housing Payments (DHP) and would require a drawdown of funds from the Welfare Reform contingency provision to cover any resulting shortfall in DHP for 2016/17 and 2017/18.

**RECOMMENDATIONS**

2. It is recommended that the Cabinet:
- (a) considers the impact of the benefit cap changes on local residents and agrees whether to fully implement this national reduction or whether it is minded to mitigate some of the effects (in which case, options and costs are included at paragraph 16);
  - (b) select option (b) at paragraph 16, which is to award 100% relief for a period of 13 weeks for each case, if the Cabinet is minded to mitigate some of the effects of the benefit cap;
  - (c) approve the drawdown of related funds from welfare reform contingency resources to cover the costs associated with the selected option; and
  - (d) agree, in principle, to carry this policy choice into 2017/18, subject to sufficient funds being available from the welfare reform contingency resources, based on costs outlined at paragraph 16. A further report will be brought back to Cabinet in the event of any significant changes to national funding or caseload levels.

**BACKGROUND****Discretionary Housing Payments**

3. Until now, in line with the Scottish Government's policy choice, East Renfrewshire Council has mainly used Discretionary Housing Payments (DHP) to mitigate the effects of the spare room subsidy on local residents. We have also used local discretion to award DHP to individuals who are struggling with rent payments – in the main this is for a period of 13 weeks to allow individuals to review their circumstances and take financial advice. To date, all DHP awarded by the Council has been covered by funding from the Scottish Government and Department of Work and Pensions (DWP).

## Benefit Cap

4. From April 2013, the UK Government introduced a cap on the total amount of certain benefits that working-age people can receive. This was to ensure that households on out-of-work benefits would no longer receive more in welfare payments than the average weekly wage for working households. The DWP have stated that the best way to avoid the benefit cap is through employment and improving employability and hence residents should be encouraged to engage with the Work East Ren employability service.

5. The benefit cap was introduced in 2013 at a level of £500 per week for couples and lone parents and £350 per week for single people. The cap amounts were based on the average wage at the time. From 7 November 2016 the benefit cap levels were reduced to:

- £384.62 a week for a couple - with or without dependent children
- £384.62 a week for a lone parent with dependent children
- £257.69 a week for a single person without children.

6. The benefit cap applies to the combined income from benefits including:

- the main out-of-work benefits (Jobseeker's Allowance, Income Support, and Employment and Support Allowance except when the Support Component is in payment)
- Housing Benefit
- Child Benefit
- Child Tax Credit
- other benefits such as widow's pension, maternity allowance etc.

7. The full impact of this most recent change to the benefit cap was assessed at the end of November 2016 and this has been the first opportunity to bring a report to Cabinet on this issue.

8. At November 2016, East Renfrewshire Council had 32 households adversely affected by these changes to the benefit cap. These are a mix of social sector households; some in the Council's temporary accommodation; some in Connor Road and just under half live in private sector accommodation.

9. Councils across Scotland are taking various approaches to the issue of the reduced benefit cap, with some putting no mitigation in place and others seeking to fully mitigate the impact on residents, with a range of approaches in between. Given current caseload, if each of our 32 currently affected households applied for DHP to cover the shortfall in their Housing Benefit, the annual additional funding required would be £83,609.

10. This report seeks a view from the Cabinet on the best approach for East Renfrewshire for the remainder of 2016/17 and into 2017/18. No mitigation for the benefit cap has been in place since the changes in November 2016. If the Cabinet chooses to provide some level of mitigation there will be impact to the Council's welfare reform contingency funding.

## Welfare Reform Contingency Funding

11. A report to the meeting of the Council on 15 June 2016 gave background on welfare reform contingency funding provision in East Renfrewshire. The Council's welfare reform contingency provision for 2016/17 is £703,000.

12. Due to the significant degree of uncertainty and delays in national implementation of welfare reform changes, actual spend from the welfare reform contingency fund has always been lower than budget.

## **REPORT**

13. The Cabinet is asked to consider the impact of new benefit cap levels on local residents and to agree whether to implement these national changes fully or seek to mitigate impact on local residents to some degree. There are various approaches to this across Scotland currently.

14. The following section gives details of options available to the Cabinet should it be minded to mitigate some effects of the benefit cap.

### Options for Consideration

15. Any decision to mitigate the effects of the benefit cap would be backdated to November 2016 when this was introduced. Approaches being taken by other councils are discussed in the 'Consultation & Partnership Working' section below.

16. Our options are:

- a. Award 100% full relief to all affected households (this would require funding of £25,133 in 2016/17 and £137,177 in 2017/18)
- b. Award 100% relief for a shorter period of time -13 weeks (i.e. in line with usual DHP period) (this would require funding of £21,164 in 2016/17 and £30,393 in 2017/18)
- c. Award a lower percentage of relief (e.g. 50%) (this would require funding of £12,566 in 2016/17 and £68,588 in 2017/18)
- d. Award a lower percentage of relief (e.g. 50%) for a shorter period of time - 13 weeks (this would require funding of £10,582 in 2016/17 and £15,196 in 2017/18).

17. Given the need to assess uptake of any mitigation and also the links to current timescales for DHP funding (i.e. 13 weeks), if the Cabinet is minded to provide mitigation, officers recommend that option b) is selected.

18. It is also recommended that the Cabinet roll-forward the chosen policy option into 2017/18. To allow for further potential changes to the benefit system and shifting caseload volumes, the 2017/18 cost projections in paragraph 16 have been capped at an average annual caseload of 50 households, and also account for planned rent uplifts that year. A further report will be brought back to the Cabinet in 2017/18 if the resources required outstrip these estimates.

## **FINANCE AND EFFICIENCY**

19. The Council approved a contingency sum from 2013/14 to 'top up' government funding for welfare reform and administration of the Scottish Welfare Fund. In 2015, in line with Scottish Government policy, the Cabinet agreed to fully mitigate the impact of Housing Benefit changes through DHP – this report seeks to continue that arrangement for 2016/17 with drawdown from the welfare reform contingency to cover a shortfall in payments (see paragraph 16 for costed options).

20. There is general agreement amongst Scotland's revenues services that, given the recent impact of the benefit cap and the current levels of DHP funding, awarding 100% DHP to cover benefit cap shortfalls for the full year 2017/18 would be unsustainable, especially given that there may be further reductions in benefit cap levels, which could affect more East Renfrewshire Council residents in the future. We have not yet been notified of funding levels for 2017/18, but have projected full-year options based on an estimated caseload of 50 households. These costs are outlined at paragraph 16.

21. The Head of Accountancy has confirmed that these options can be accommodated within welfare reform contingency resources.

## **CONSULTATION AND PARTNERSHIP WORKING**

22. Through the Welfare Reform Strategic Planning Group, there is close contact between council services, the local Citizens Advice Bureau, local Housing Associations and the DWP. Colleagues in Housing and the Money Advice & Rights Team (MART) have been specifically involved in the development of this report.

23. We have consulted a number of councils on their approach to mitigating the impact of the benefit cap. A number of different scenarios emerged and these include:

- Clackmannanshire Council have no budget remaining for DHP and are not awarding DHP for benefit cap cases.
- Fife Council are awarding 50% DHP to temporary accommodation and homeless units affected by the benefit cap until 31 March 2017
- South Lanarkshire Council are awarding 100% DHP to all benefit cap cases until 31 March 2017 (i.e. option a)
- North Ayrshire Council are awarding 100% DHP relief for 13 weeks to social and private sector tenants affected by the benefit cap (i.e. option b). They are clear that not all those affected by a shortfall in benefit will apply and they will take a view on this when 2017/18 funding proposals are clearer.

## **IMPLICATIONS OF THE PROPOSAL**

24. Council departments and partner agencies continue to make good progress in mitigating the effects of welfare reforms which are currently being experienced.

25. The full extent of the impact of welfare reform and further tranches of Universal Credit will not be known for some time. Indeed, Universal Credit is not expected to be fully operational until 2021. The Council's Money Advice and Rights Team can evidence large increases in caseload as a result of the challenges faced by local residents, and the increased take-up of the Scottish Welfare Fund in East Renfrewshire also suggests serious hardship being faced by vulnerable individuals. The options set out in this paper are aimed at strengthening the Council's approach to supporting those most affected by the welfare reform changes and mitigating the impacts wherever possible.

26. There are no implications in relation to IT, legal, property or sustainability.

27. An equality impact assessment has been carried out and there are no adverse effects to report.

28. It will be important for East Renfrewshire Council's services to work together to consider the impact on households after March 2017, particularly the Work East Ren, MART, Housing and Revenues teams.

## **CONCLUSIONS**

29. The Council has been using Discretionary Housing Payments (DHP) mainly to mitigate the effects of the spare room subsidy and to provide other discretionary support on a 13 week basis. To date we have been able to cover these costs using national funding.

30. Benefit cap changes that took effect in November 2016 are currently affecting 32 households in East Renfrewshire. The Council has the option to put mitigation in place to ease the effects of these changes; this will however require a drawdown of funding from welfare contingency resources.

## **RECOMMENDATIONS**

31. It is recommended that the Cabinet:

- (a) considers the impact of the benefit cap changes on local residents and agrees whether to fully implement this national reduction or whether it is minded to mitigate some of the effects (in which case, options and costs are included at paragraph 16);
- (b) select option (b) at paragraph 16, which is to award 100% relief for a period of 13 weeks for each case, if the Cabinet is minded to mitigate some of the effects of the benefit cap;
- (c) approve the drawdown of related funds from welfare reform contingency resources to cover the costs associated with the selected option; and
- (d) agree, in principle, to carry this policy choice into 2017/18, subject to sufficient funds being available from the welfare reform contingency resources, based on costs outlined at paragraph 16. A further report will be brought back to Cabinet in the event of any significant changes to national funding or caseload levels.

Caroline Innes, Deputy Chief Executive

10 January 2017

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## **BACKGROUND PAPERS**

- Welfare Reform Contingency Fund & Update on Welfare Reform, Council 15 June 2016
- Welfare Reform Members' Briefing, 23 March 2016
- Welfare Reform Contingency Fund & Update, 17 September 2015
- Discretionary Housing Payments, Cabinet 25 June 2015
- Welfare Reform Act 2012 – Impact on Local Benefit Recipients & Local Service Agencies, published by Economic Development February 2014 and updated February 2015.
- Revenue Estimates 2013/14 and 2014/15, Council 13 February 2013