CCPS Brief on the changes proposed by the Welfare Reform Act

August 2012
Welfare Reform Act

Background

The Welfare Reform Act received royal assent in the UK on 8 March 2012. However, the Scottish Parliament was required to ratify elements of a Legislative Consent Memorandum to enact certain parts of the UK Welfare Reform Act in Scotland.

The Scottish Parliament decided that it will enact the Westminster legislation only in part, which means that legislation, in the form of the Welfare Reform (Further Provision) (Scotland) Bill, has been drawn up to enable the Scottish Parliament to create the powers required to run its own system for certain areas of welfare benefit provision, such as new systems for passported benefits, and local administration of the new Social Fund and Council Tax Benefit.

A Welfare Reform Committee was created by the Scottish Parliament to keep under review the passage of the UK Welfare Reform Bill and monitor its implementation as it affects welfare provision in Scotland, and to consider relevant Scottish legislation and other consequential arrangements. The Committee has produced its own scrutiny report of the Stage 1 report on the Welfare Reform (Further Provision) (Scotland) Bill which can be read here - http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/50744.aspx

It is anticipated that regulations which will flow from the UK Welfare Reform Act, will give enough further detail to enable the Scottish Parliament to write its own regulations relating to the enactment of the Welfare Reform (Further Provision) (Scotland) Bill. However, since the criteria for Universal Credit is currently only available as a draft consultation, and the regulations for Personal Independence Payment (PIP) are not available from the Westminster government yet, it is not expected that this detail in Scotland will be available until Autumn 2012.

References to more information sources are given at the end of this briefing, and there is a Timeline and Assessment of the proposed changes within the attached Annex to this document.

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## Contents

1  Implications and possible impacts ................................................................. 4
  1.1 Impact overall .............................................................................................. 4
  1.2 Impact on voluntary care providers ............................................................... 4
  1.3 Impact on individuals .................................................................................... 6
  1.4 Impact on housing providers ......................................................................... 6
  1.5 Impact on other providers within the voluntary sector ................................. 6
  1.6 Impact on Local Authorities ......................................................................... 7
  1.7 DWP Equality Impact Assessment .................................................................. 7
2  Further Information ............................................................................................ 8
     Appendix 1 - Timeline ....................................................................................... 9
     Appendix 2 - Explanation of proposed changes ................................................. 10
Implications and possible impacts

We have put together some of the likely impacts that we think the Welfare Reform Act could have upon care providers and individuals who use services.

Impact overall

- More disabled people are likely to be on lower benefit incomes. The Institute for Fiscal Studies has warned that while the changes could benefit 2.5 million households, a further 1.4 million (including many people diagnosed with sudden illness like strokes or cancer) face being worse off.
- More young people are likely to be in need (children's charities are estimating between 50,000-100,000 young people in Scotland will fall into poverty because of the changes.)
- It is estimated that more young people could be referred to social work services due to inability to stay with their families in the face of increased unemployment and lack of adequate benefits, as a result of the changes.
- There is a greater likelihood of people struggling with debt issues – particularly as Universal Credit will be paid monthly in arrears as a lump sum, to include living costs and housing costs, which will make budgeting increasingly difficult. (There are some exceptions to receiving monthly payments, but these are very limited.)
- More people struggling to pay for their housing due to the changes to Housing costs, which will restrict payments in cases of underoccupancy (This is likely to be an issue in Scotland where there is less privately rented housing available and fewer 1-2 roomed properties).
- Greater number of people at risk of homelessness if they lose benefits and fall into rent arrears.
- There could be an impact on the Scottish Government’s ‘prevention’ agenda if people cannot be supported at an earlier stage within the community because of financial and housing difficulties – may see more people at risk, greater levels of escalating need for care and support etc.

Impact on voluntary sector care providers

- More demand from people with housing and homelessness issues, as it is possible that, with more people at risk of losing their tenancies, the need for housing related support, to enable people to maintain their tenancies/stable accommodation and independence, will increase.
- Likelihood that increased demand could increase operating costs.
- Less revenue income from tenants/ individuals in need of care as their benefit income drops, which will mean that the individual’s ability to pay towards their care provision will drop.
- More administration costs incurred as providers seek to collect charges needed to pay for care (the new letter of entitlement for Universal Credit will need checking and clarification to work out how much individuals can actually afford to contribute to their care & housing costs)
• The tight timescale being proposed for many of the changes is going to mean that providers will have to adapt services and systems very quickly to provide advice and support, which could be difficult with budget constraints in an already difficult funding climate. Some of the benefit changes proposed will mean that there will be greater complexity in the system overall, as well as different benefit systems running simultaneously for a while. However, it is likely that a number of providers will start to receive more questions about the impact of the welfare benefit changes, in particular these may be directed at support workers, who may be asked to explain the changes or may be asked to give assistance with an individual’s benefit application. This may happen particularly in areas where frontline advice centres and CABx have either already closed down or cannot handle the large numbers of referrals they are receiving (something which is already being reported). Already community mental health teams are saying that they are being called upon to assist with benefit applications and queries, where they have never done so before. The Scottish Parliamentary Welfare Reform Committee has called upon the Scottish Government to allocate the additional resources it received from the UK Government (of £1.7m, for each year of the next 3 years) to be allocated to the voluntary sector in Scotland to enable them to cope with the numbers of people that are likely to need advice and representation.

• Impact for providers as employers – if disabled people of working age are part of paid workforce/volunteers, and receive DLA which helps them to pay for their transport to work, loss of DLA (and not being able to qualify for PIP might mean that travel to work may become more difficult/impossible.

• There is no permitted work scheme under Universal Credit so some providers, who previously offered supported permitted work to people with long-term disabilities, will notice this change. Instead Universal Credit will expect everyone to do some work, at minimum wage, even if only for a few hours a week, although the DWP have said that they will work closely with people who have high support needs, to make sure that they will not be expected to work over a sustained period if they have limited capability to undertake work. It is not clear yet whether a sick or disabled person on Universal Credit would be able to do voluntary work, as they can currently under Income Support/Employment Support Allowance/Incapacity Benefit. This may be an issue for providers who rely on volunteers, or provide volunteer support programmes.

• Sources of financial help such as Crisis Loans & Community Care Grants through the Social Fund will be reduced by the changes proposed by the Welfare Reform Act, and transferred to local authority provision. However, the Scottish Parliament has opted out of the UK plans and from April 2013, the Scottish Government in conjunction with COSLA, will be running an interim successor scheme with plans to further develop this scheme in subsequent years. This successor scheme is still under discussion, but it will be a grant scheme (either money or goods) rather than a loan scheme. It is possible though that providers may see a larger number of people seeking emergency financial help.

• Third sector organisations may need to link up with local authorities in some cases to orchestrate provision of services (especially where their local authority may already have a strategy set up to mitigate some of the problem issues).
Impact on individuals

- Loss of equivalent benefit to DLA for new claimants will mean people who are disabled will be on much lower income, and have less money available to pay for their leisure, mobility and care needs. (Inclusion Scotland have estimated that around 55,000 people in Scotland will lose entitlement to DLA.)

- Loss of DLA will mean that some people who were previously passported onto certain forms of financial assistance e.g. Road Tax exemption for disabled drivers, Motability scheme to pay for a vehicle etc will find that they will lose these entitlements at the same time as they lose their benefit. The Scottish Parliament Welfare Reform Committee has been considering this issue and, according to the Stage 1 Report of the Welfare Reform (Further Provision) (Scotland) Bill, has agreed that in the short-term the Scottish Government will have responsibility for making sure that entitlement to passported benefits for current claimants is maintained during the transition to the new benefit system. However in the long-term, a new system will be required to create regulations for new claimants, which the Welfare Reform Committee will consider when it meets in the next Parliamentary session.

- Disabled people who are currently working, and lose their DLA & do not qualify for PIP, may find that they can no longer work (e.g. if they can no longer afford transport to work) and may need to access employment services, or claim other benefits for people out of work. (Currently it is proposed that the DWP-funded Access to Work scheme will assist people back into work.)

Impact on housing providers

- Could struggle to allocate appropriate size of housing, to avoid people being penalised by underoccupancy rule or ‘bedroom tax’.

- Will need to collect housing payments direct from individual, who will receive their benefit directly, on a monthly basis in arrears.

- Likely to find that individuals will struggle to keep up with rental payments, as housing payments being paid a month in arrears direct to a tenant could put them behind. (Research evidence from London & Quadrant Housing Trust showed that when Housing Benefit was paid direct to tenants, rent arrears increased from 3% to 7%).

- Housing Benefit subsidies have, in the past, been used to fund housing for homeless need. The new system of housing payments will not provide those subsidies if a person is housed through a housing association or private landlord. Therefore some councils who have transferred their housing stock to the private sector e.g. Glasgow may have to find other routes to rehouse.

Impact on other providers within the voluntary sector

- Providers of advice services e.g. welfare rights advice, money and debt advice etc. will be in increased demand.

- Providers of employability and supported employment schemes are likely to be in increased demand.

- Providers of Self-directed Support (SDS) schemes will find that individuals who have lost DLA (& not qualified for PIP) would have less money to contribute towards their individual budget.
Impact on local authorities

• Have previously taken benefits such as DLA into account to pay towards care charges, such as care at home, Direct Payments, and care home charges, loss of any disability benefit (such as PIP) will mean loss of payments towards care charging. This will impact upon budgets for care, meaning that local authorities will either have to raise charges for other individuals on higher incomes, or source income from other non-ring fenced budgets (possibly funding from former Social Fund and Council Tax Benefit monies which are now being paid to LAs could be used, as it is not clear that these new payments will be ring-fenced).

• It is anticipated that some local authority areas are likely to be hit harder than others – research from Sheffield Hallam University shows that Glasgow, Inverclyde, West Dunbartonshire, North Lanarkshire (see below) and Dundee are at least twice as vulnerable as other areas, due to the amount of welfare spending in relation to local economic output. Will struggle to allocate appropriate size of housing, to avoid people being penalised by underoccupancy rule or ‘bedroom tax’.

Already North Lanarkshire Council are estimating that residents in their area will lose up to £40-£47million in annual benefits income when the welfare reforms take effect. They are putting a 2 year strategy into place to mitigate the losses on their budget, and the increase in demand upon council housing, and homelessness advice and provision, as well as impacts upon employability schemes, training for jobs and skills, education and childcare.

The scrutiny and petitions board of Renfrewshire Council investigated the impact on Renfrewshire of the economic downturn. The local chambers of commerce estimated that welfare reform would cost Renfrewshire and the town of Paisley £1 million a year, because people who are on lower incomes tend to use local shops and high streets rather than to go to out-of-town shopping centres.

DWP Equality Impact Assessment

• The Department of Work and Pensions (DWP) equality impact assessment shows the clear majority of the reforms have a negative impact on the main equality groups, and that the scale of these impacts are felt differently within those groups e.g. women compared to men, or disabled people compared to non-disabled people. The DWP work implies that;

• only Universal Credit shows a positive impact for the main equality groups;

• all other welfare reforms have a negative impact on all main equality groups (with the exception of the Social Fund and child maintenance changes where there is insufficient information);

• disabled people are negatively impacted by all but the Universal Credit reforms and the strength of the impact is always stronger than the impacts for non-disabled people;

• apart from Universal Credit, women who rely on benefits will largely experience stronger negative impacts than men; and

• the negative impacts on ethnic minorities compared to the negative impacts of the white population is mixed, with reforms having a broadly balanced relative impact.
Further Information

Appendix 1 - Timeline

April 2013 – Disability Living Allowance (DLA) to be replaced by Personal Independence Payment (PIP)

April 2013 – Social Fund (Community Care Grants and Crisis Loans) operating systems to be transferred to the Scottish Government (but which will be operated on an interim basis by Local Authorities, in agreement with COSLA)

April 2013 – Cap placed on Housing Benefit, based on property size and underoccupying tenants of working age

April 2013 – Localisation of both Social Fund payments for living expenses and Council Tax benefit

October 2013 - Universal Credit to be phased in gradually, to be fully in place by 2017. Universal Credit benefit will ultimately provide a single replacement for all of the following;

• Job Seekers Allowance – income based (JSA)
• Employment and Support Allowance – income based (ESA)
• Income Support
• Housing Benefit
• Child Tax Credit
• Working Tax Credit
• Council Tax Benefit

There will be scope for transitional protection for some groups of people, as the benefit is phased in, for example, you will only be moved on to Universal Credit between October 2013-April 2014 if you are making a new claim for the benefit.

From April 2014, people should only be moved on to Universal Credit if it is thought that they would benefit from it (as it is intended that changing to Universal Credit should mean that someone will not lose out financially if their circumstances have not changed).

From late 2015-late 2017, anyone not already receiving Universal Credit will be moved across. If this would mean receiving a lower income than previously, there is a fund available to top up the Universal Credit amount to make sure the claimant is not worse off as a result.
Appendix 2 - Explanation of proposed changes

• Benefit uprating - Benefit uprating each April has previously been linked to the inflation rate in the preceding September as measured by the Retail Prices Index. However since April 2011, most benefit levels have been set by reference to the Consumer Prices Index which in September 2010 stood at 3.1 per cent, whilst the Retail Prices Index is running at 4.6 per cent.

• People who are sick and disabled who are currently on Employment Support Allowance (ESA) will be moved gradually on to Universal Credit. They will still be expected to undergo a Work Capability Assessment under the new system.

• There will be a benefits cap for people on Universal Credit. People who are lone parents, or part of a couple will be able to receive maximum benefits of up to £500 per week. People who are single will be able to receive maximum benefits up to £350 per week. However, not all benefits are included in the cap e.g. Bereavement payments, Council Tax Benefit and certain Social Fund payments, and some groups of people will be excluded from the cap e.g. if there is anyone in the household receiving either AA, DLA, PIP or War Disablement benefits.

• People on Disability Living Allowance (DLA) will be tested against new criteria for PIP, and passported across if they qualify.

• For any new disabled claimants, PIP will not be available immediately. People who suffer sudden illness — such as a diagnosis of cancer or a stroke — can currently claim DLA after three months. But following the introduction of PIP in 2013, they will have to wait six months before they may become eligible.

• Pension Credit will be amended to include housing costs, to take account of the fact that Housing Benefit has disappeared. However, it is not clear how pensioners with child care responsibilities will manage as they will no longer be able to receive child tax credit (as they cannot qualify for Universal Credit which will only be available for working age people).

• Council Tax Benefit is being abolished, to be replaced by a new rebate scheme administered locally by Local Authorities. Currently it is not clear whether the budget for the new payment will be ring-fenced. It is however known that the funding from the UK Government for this budget will be 10% less than previously under Council Tax Benefit. However the Scottish Government and COSLA have agreed to cover the £40 million deficit for Scotland from 2013-14 (the Scottish Government will provide £23 million and COSLA will provide £17 million).

• Proposed changes to the letter of entitlement for Universal Credit means that it is likely to be more difficult for people to check they are receiving the correct amount of money. It may also mean that housing providers could find it harder to separate out the housing cost element that an individual should be able to pay towards their rent.
Appendix 2 - Explanation of proposed changes (cont’d)

- Changes to Social Fund, which will remove Community Care Grants and Crisis Loans from the existing system, and place a new fund of money within local authorities to provide these discretionary payments. The new system proposes to provide a system of ‘payments on account’ i.e. an advance of benefit payment, but it appears that this money will not be ring-fenced and although there is no statutory duty in place for the local authority to deliver this provision, the Scottish Government has agreed with COSLA that the new system will be operated by Local Authorities in the short-term. A joint Scottish Government/COSLA Design and Implementation Group (DIG) has been created to develop the successor arrangements for Community Care Grants & Crisis Loans.

- There are intended changes to the appeal system, which, it is thought, will provide fewer routes for an individual to take an appeal and could make the system more time-consuming. It is estimated that appeals against decisions about PIP could take up to a year to be resolved.

- This paper does not cover all the range of changes which will impact upon housing costs. Some of the bigger changes will involve an ‘underoccupancy charge’ for people who are in a larger home than meets their housing need, monthly payments in arrears direct to tenants, non-dependent deductions will increase, and changes to the local reference rent structure. For more detailed information, see the HSEU website.

- Child benefit will only be paid for up to 3 children per family.
About CCPS
Coalition of Care and Support Providers in Scotland is the national association of voluntary organisations providing care and support services across Scotland. In 2009-10, CCPS members managed a total annual income of over £1.2 billion, of which an average of 73% per member organisation related to public funding.

Over this period, members supported approximately 270,000 people and their families, and employed around 45,000 staff.

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