

**BUSINESS SUPPORT
OVERVIEW AND SCRUTINY COMMITTEE
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**UNIVERSAL CREDIT AND WELFARE REFORMS
SIX MONTHLY PROGRESS REPORT**

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Summary

This report provides Members with a progress report regarding Universal Credit and welfare reforms as agreed by Cabinet in September 2014, including the work of the Welfare Reform Steering Group.

1. Budget and Policy Framework

1.1 The Welfare Reforms are seen as relevant to a number of Council policy documents, such as the Council Plan 2016-2021 and Sustainable Community Strategy 2010/26, and particularly relevant to the Council's strategic priorities that underpin all the Council's work in the delivery of services to the people of Medway.

2. Background

2.1 In 2011 Medway Council adopted a systematic approach to identifying and prioritising topics for in-depth review work by time limited Task Groups. This evaluated topics in line with potential impact, corporate priority, potential outcomes and timeliness.

2.2 Following consideration of a number of topics for 2013/14 the Business Support Overview and Scrutiny Committee in April 2013 selected the 'Impact of Welfare Reforms'. In particular, Members expressed an interest in reviewing the impact of Central Government's plans to radically reform the welfare benefits system on the Council and residents from April 2013.

2.3 The review document was presented to the Business Support Overview and Scrutiny Committee on 26 August 2014. It was subsequently presented and approved at Cabinet on 2 September 2014.

2.4 A copy of the review document can be viewed using the following link:
<https://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=24708>

2.5 The list of actions agreed by Cabinet on 2 September was turned into an action plan which has been managed, monitored and progressed by the officer led Welfare Reform Steering Group. Most of the actions have either been completed, superceded by events or become 'business as usual' and so it is probably appropriate to close the actions down and reset the expectations for the Welfare Reform Steering Group.

2.6 A six monthly update on progress was last presented at the Business Support Overview and Scrutiny Committee on 25 August 2016.

3. Update on the Impact of Reforms

3.1 Universal Credit (UC)

3.1.1 Since the start of universal credit, over one million claims have been made nationwide. As at 9 February 2017, there were 470,000 claimants in receipt of universal credit with 39% of claimants in employment and 61% subject to a 'searching for work' condition.

3.1.2 Universal credit full service started rolling out in May 2016 with a small number of jobcentre plus offices each month up to June 2017. This will gather pace and in July 2017 around 17 Local Authorities will go live. The roll out will break in August and September to review the progress made. Medway Council are due to move to full service from February 2018 and preparations for this will commence in Autumn 2017.

3.1.3 The Commons Select Committee have re-launched an inquiry into the rollout of universal credit following compelling evidence of the problems involved within the rollout.

3.2 Benefit Cap

3.2.1 From 7 November 2016, we saw the introduction of the lower benefit cap thresholds. The thresholds changed from £500 per week for lone parents and couples to £384.62 per week and from £350.00 per week to £257.69 per week for single people. As at 24 March 2017, Medway Council currently caps the housing benefit of 410 claimants with the highest reduction being £274.84 and the lowest £0.13. The table below shows the impact across the different rental sectors.

	All claim types	Social Sector	Homeless	Private sector
Number of caps	410	175	57	178
Avg. weekly loss	£68.16	£51.54	£121.67	£67.90
Min. weekly loss	£0.13	£0.46	£10.80	£0.13
Max. weekly loss	£274.84	£151.00	£274.84	£197.61

3.2.2 During the 2016/17 financial year, we have paid 80 discretionary housing payments due to the impact of the benefit cap with 75 of these starting on or after 7 November 2016. In January 2017, we undertook an exercise where we wrote to those who had been capped, offering them advice, support and the opportunity to apply for a discretionary housing payment.

3.3 Discretionary Housing Payments

3.3.1 In 2016/17 our discretionary housing payment fund was £588,910.00 and as of 24 March 2017, we have paid £486,719.72 from the fund. In 2017/18, we have been allocated a fund of £843,891.00 which shows a substantial increase and we must endeavour to ensure that these funds reach those who need it. Following a recent judicial review involving the London Borough of Hammersmith and Fulham, we will be looking to review our policy to take account of the recommendations within that case, up to date guidance from the Department for Work and Pensions and increase in the fund.

3.4 Council Tax Reduction Scheme

3.4.1 The number of both pensioners and working age adults claiming a reduction in council tax under this scheme has steadily reduced since 2013/14 reducing the cost to the Council. Furthermore the reduction in the maximum discount from 75% to 65% for 2016/17 appears not to have impacted adversely on the collection rate. The table below provides some key information relating to the period from April 2013 to January 2017.

Factor	Actuals as at 31/03/14 (Max CTRS 75%)	Actuals as at 31/3/15 (Max CTRS 75%)	Actuals as at 31/3/16 (Max CTRS 75%)	Actuals as at 31/01/17 (Max CTRS 65%)
Pensioner caseload	8,705	8,283	7,857	7,531
Working age caseload	13,261	12,336	11,939	11,183
Total caseload	21,966	20,619	19,796	18,714
Cost of scheme	£15,538k	£14,771k	£14,064k	£12,880k
Discretionary council tax relief awards	£8.9k	£7.7k	£4.8k	£6.1k
Council tax collection rate 2013/14	95.4%	97.7%	98.7%	98.9%*
Council tax collection rate 2014/15	N/A	95.3%	97.8%	98.4%*
Council tax collection rate 2015/16	N/A	N/A	95.5%	97.0%*
Council tax collection rate 2016/17	N/A	N/A	N/A	85.40% (as at 31/1/17 compared to 85.34% for 2015/16 as at 31/01/16)

3.5 Other changes taking place from April 2017:

- Personal allowance increased to £11,200;
- Higher rate tax threshold increased to £43,600;

- Family element, first child premium and child elements after third and subsequent children eliminated for new births or claims on UC;
- 18 to 21 year olds to lose automatic entitlement to housing support under Universal Credit;
- New Employment and Support Allowance Work-Related Activity Group claimants to receive the same rate as Job Seekers Allowance recipients;
- 18 to 21 year olds on Universal Credit to receive intensive support at the start of their claim and are expected to earn or learn after six months.

3.6 With effect from September 2017:

- Free childcare entitlement will double from 15 to 30 hours for parents of three and four year olds;

3.7 With effect from February 2018:

- Full roll out of Universal Credit for new claims commences in Medway;

3.8 With effect from April 2018:

- Support for Mortgage Interest is to become a loan;

3.9 With effect from April 2018:

- Personal allowance will be increased to £12,500;
- Higher rate tax threshold will be increased to £50,000;
- National Living Wage will be set at £9 per hour.

4. Work of the Welfare Reform Steering Group

4.1 The original action plan agreed by the Member Task Group delivered the following:

- A consistent understanding of the welfare reforms across the various partner organisations and a shared knowledge of the services available to provide advice and support to people affected;
- Briefings for Members on the welfare reforms;
- Partners working more closely to share intelligence about vulnerable sections of the community with a view to facilitating development of services;
- Supporting the establishment of the new community hubs, including the development of the assisted digital offer;
- A more co-ordinated approach to the development of advocacy, advice and support services, alongside other services, such as debt advice and homelessness prevention;
- Linking to the digital transformation programme in working towards a citizens portal and online resources for partner organisations and to support vulnerable people;
- Working with the DWP in relation to the successful roll out of Universal Credit to single claimants.

4.2 The steering group continues to meet and comprises colleagues from the DWP, Medway Voluntary Action and MHS, as well as Council officers from a broad range of service areas. Much of the work is delivered through sub

groups and over time the focus has changed and the sub groups and their memberships have evolved. There are currently three main areas of work and these will continue to be reported to Members through the six monthly reports:

- Information, Advice and Guidance for Vulnerable People;
- Communication and Digital Working;
- Roll-out of Universal Credit from February 2018.

4.3 Information, Advice and Guidance for Vulnerable People

4.3.1 The vulnerable people, debt advice and information and advocacy work has been brought together, with the main focus of the work being the 'garden gate' project, which whilst impacting across a range of Council services, is being led by the Partnership Commissioning team within Children and Adults.

4.3.2 This relates to the first 'conversation' in the 'three conversations' model being implemented within Adult Social Care. It would be based in the community, with the aim of keeping adults living independently at home, through information, advice and guidance and by encouraging people to access their local community resources in order to meet their needs; rather than defaulting to the Council. It is anticipated that the model will reduce long term costs to the Council by building community resilience, so that only those in most need of support are supported through statutory services.

4.3.3 Through the Welfare Reform Steering Group it has been recognised that people's needs do not fall neatly into silos and many will have a range of needs encompassing adult social care, housing, employment and financial support and therefore a corporate approach to this project is required.

4.3.4 An exercise has commenced, with contributions requested from all of the partner organisations and Council service areas, to better understand the vulnerabilities of the people coming into contact with our services, the type and quality of the services currently available and what support and advice they require in order to prevent them needing to access statutory services later on. This work will be considered by CMT and backed up with case studies to help officers to gain a shared understanding of the issues affecting people in Medway. The data collected will help to inform the specification for the 'garden gate' project.

4.3.5 The Council continues to offer a range of personal budgeting and debt advice support, primarily initial contact help and advice followed by signposting to more in-depth support provided by third sector organisations, some of which is supported and funded by the Council. These services will be included in the mapping exercise described above.

4.4 Communication and Digital Working

4.4.1 This work stream has two main strands. Firstly it's concerned with ensuring that information is available and accessible for vulnerable people, by facilitating communication between partner agencies to ensure that people receive consistent advice, support and sign-posting irrespective of where they make initial contact. Building on the Taktix concept, the sub group is tasked with creating a repository of information and advice.

4.4.2 Secondly, the sub group is tasked with linking the work of the Welfare Reform Working Group with the wider Transformation agenda, in particular around the Council's ambitions for a citizen's portal.

4.5 Universal Credit Partnership Agreement

4.5.1 The DWP continues to be the first point of contact for Universal Credit claimants, however the Council is committed to supporting those who simply want to get online to submit their claim and claimants can take advantage of the computers at our Community Hubs, Libraries and at Kingsley House, where trained staff are also on hand to provide help if required. In addition to this, the library service also provides computer skills training in partnership with UK Online and Medway Adult and Community Learning, for those wanting to enhance and gain confidence in their general use of computers.

4.5.2 Over the period from 12 October 2015 until the end of March 2017 2,374 Universal Credit claims have been taken by DWP from single person claimants across Medway. Figures for 2016/2017 show the following numbers of Claimants declaring some work:

- 16.7% claimants declared some earnings within 1 month of their claim;
- 37.5% claimants declared some earnings within the first 3 months of their claim;
- 77.9% claimants declared earnings every month for the first 3 months of their claim;
- 64.8% claimants declared earnings every month for the first 6 months of their claim.

4.5.3 Personal budgeting has been taken up by 4 claimants and 2 alternative payment arrangements (e.g. rent direct to landlord) have been set up for 2 vulnerable claimants.

4.5.4 As part of the preparations and a review of learning from other social housing landlords who have already seen UC introduced in their areas, the council as a stock retained Housing Authority moved towards a 52 week rent payment cycle from April 2016. Rent has previously been charged across a 52 week cycle but paid across 50 weeks. The move towards a 52 week rent payment cycle will ensure that the payment weeks fit more comfortably within the 12 monthly payment cycles where tenants will receive their benefit payments.

5. Local Welfare Provision

5.1 The specific grant that had been made available to local authorities in the short term (following abolition of the Discretionary Social Fund Scheme from April 2013) has in itself now ceased and since April 2015, local authorities have been expected to fund any discretionary welfare provision from the Revenue Support Grant. The 'garden gate' project will look at how making modest sums available to address immediate issues for vulnerable people, can prevent the need for more expensive interventions later.

6. HRA Housing Services

- 6.1 As a stock retained authority the income to the Housing Revenue Account (HRA) is ring fenced and all income generated from rent and service charges is restricted for use, to manage this part of the Council.
- 6.2 The impact of the Welfare Reform changes is and will continue to directly impact on a high percentage of our tenants and leaseholders.
- 6.3 Since April 2013, working age tenants who are in receipt of housing benefit and under occupy their home have had their benefit reduced by 14% if they under occupy by 1 room or 25% if they under occupy by two bedrooms. There were 292 tenants initially affected by these changes. As at 13 February, 194 tenants were affected by these changes which have impacted on the arrears.
- 6.4 Based on the under occupiers we had as at 13 February 2017; we have been exposed to a potential financial loss of approximately £147,278.20 due to the reduction in Housing Benefit payments. However the total arrears balance of those who are under occupying on 4 April 2016 (£20,470.20) and those under occupying on 13th February 2017 (£16,876.56) has decreased by £3,593.57.
- 6.5 In terms of Universal Credit as at 13 February 2017, there were 18 tenants recorded as being in receipt of Universal Credit.
- 6.6 With effect from April 2016, Medway Council and all social landlords were required to reduce their rents by 1%. This reduction was reflected in the new rent charges for the current financial year. This will have a detrimental effect on the HRA Business Plan. The HRA Business Plan when revised in December 2014 was based on an assumption of a 3% increase in rental income year on year. The new directive above means, in essence a 4% reduction to rental income each year for the next 4 years. The impact means a reduction of income of approximately £5.7m over that period. The second year of the rent reduction commenced on 3 April 2017 and rents have reduced across the HRA once again.
- 6.7 The Council is required to ensure that the HRA balance remains in credit. Therefore services and income will be regularly reviewed to ensure services are delivered in the most efficient way whilst ensuring the Business Plan can be sustained. The review of the HRA Business Plan has been completed and was reported to Members of Business Support Overview and Scrutiny Committee on 31 January 2017. The revised business plan shows that the financial capacity of the HRA as a direct result of the rent reduction will be challenging to sustain services and the capital programme. Officers are working to review all areas of the services to improve the financial capacity of the business plan longer term.
- 6.8 The Government had proposed to introduce a new scheme called "Pay to Stay" whereby tenants earning more than £31,000 per annum would be required to pay market rent as opposed to Social Housing Rent. In November 2016 the Government advised that it would not be making this compulsory and that stock retained councils would not be required to implement this on a compulsory basis. Medway Council already has a policy of charging higher rents for households living in HRA stock where their income is higher than £60,000. There are no plans to change this threshold.

7. Risk Management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Forecast cost of CTRS falls short of estimate	Claimants may have reduced benefits 'unnecessarily'	Use of data modelling tools and data analysis	Likelihood D Impact 3
Forecast cost of CTRS excessive	Cost of scheme exceeds budgeted amount	Use of data modelling tools and data analysis	Likelihood D Impact 2
Effect of CTRS on Council Tax collection	Increasing payment requirement on low income council tax payers could lead to an increase in arrears, and impact on collection of other council income such as housing rents	Quick and efficient recovery processes	Likelihood B Impact 2
Arrears increase and the rent reduction over the next four years leads to loss of projected income.	HRA Business Plan not sustainable	Continue to review operating model for the HRA to	Likelihood B Impact 2

8. Financial and legal implications

8.1 The work to identify and support families affected by the welfare reforms is important to prevent these vulnerable people from requiring more expensive statutory services later on. There are no direct legal implications arising from this report.

9. Recommendations

9.1 The Committee is requested to note the outcomes delivered to date, as summarised in section 4.1 of this report, and the refocusing of activity into three workstreams described in sections 4.2 to 4.5.

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Appendices:

None

Background papers:

Cabinet Report – Welfare Reform Task Group

<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=24708>.

