

**BUSINESS SUPPORT  
OVERVIEW AND SCRUTINY COMMITTEE  
26 OCTOBER 2017**

**UNIVERSAL CREDIT AND WELFARE REFORMS  
SIX MONTHLY PROGRESS REPORT**

Report from: Phil Watts, Chief Finance Officer

**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 April 2013 the Business Support Overview and Scrutiny Committee selected the 'Impact of Welfare Reforms' for an in-depth review by a Member task group. 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.

2.2 The review document was presented to the Business Support Overview and Scrutiny Committee on 26 August 2014. The document was subsequently presented and approved at Cabinet on 2 September 2014 and a copy can be viewed using the following link:

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

2.3 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 Most of the actions have either been completed, superseded by events or become 'business as usual' and at Overview and Scrutiny Committee on 13 April 2017 the action plan was closed and a new approach to reporting on the work of the Steering Group was agreed.

### 3. Update on the Impact of Reforms

#### 3.1 Universal Credit (UC)

3.1.1 Universal Credit (UC) Full Service goes live within Medway on 21 February 2018. From that date we will only be able to accept new claims for housing benefit if the claimant;

- is of state pension age;
- has more than two children;
- is a family living in specified accommodation.

3.1.2 Claimants currently claiming Income Support, income based Jobseekers Allowance, income based Employment and Support Allowance, Working Tax Credit, Child Tax Credit and Housing Benefit will remain on their benefits until their claim can migrate to UC. These benefits will be known as legacy benefits. These claims could naturally migrate if they report a qualifying change of circumstances to their legacy benefit. UC is a household benefit and the change would trigger the closure of all legacy benefits that UC is replacing for everyone in the household. This will continue until the DWP decides to initiate managed migration of an entire household from legacy benefits to one UC entitlement. Managed migration is currently scheduled to be completed by 2022.

#### 3.2 Benefit Cap

3.2.1 November 2016 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. The number of households affected by the benefit cap has reduced from 410 claimants as at 24 March 2017 to 365 by 8 October 2017, 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	365	168	40	157
Avg. weekly loss	£60.53	£47.11	£108.76	£62.61
Min. weekly loss	£0.22	£1.38	£15.69	£0.22
Max. weekly loss	£276.00	£151.00	£276.00	£197.61

#### 3.3 Social Sector Housing Size Criteria

3.3.1 We currently have 543 claims affected by under occupancy rules. The impact is shown in the table below.

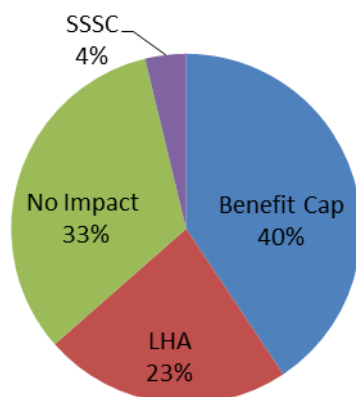
	14% Reduction	14% Reduction	Total
Council	160	37	197
Other Social Sector	293	53	346
<b>Total</b>	<b>453</b>	<b>90</b>	<b>543</b>

### 3.4 Two Child Limit

3.4.1 From 6 April 2017, the Housing Benefit regulations were amended to limit the child/young person allowance within the applicable amount to 2 children. This mirrored changes made to other welfare benefits and applied to both working and pension-age customers. Anyone with a housing benefit claim on 5 April 2017 with more than two children, were protected unless they have to make a new claim or they have a new child after that date. Medway Council currently has 93 claims affected by these new rules. 68 claims have lost the allowance for one child, 11 have lost the allowances for two children and one has lost the allowances for three children.

### 3.5 Discretionary Housing Payments

3.5.1 As at 5 October, we have paid out £393,589.19 and committed a further £55,759.06 of our total fund of £843,891.00. The chart below shows the distribution of the fund across the different welfare reforms.



3.5.2 Payments can vary from being ongoing weekly payments paid alongside housing benefit to one off payments to cover rent arrears and prevent eviction. Since 1 April 2017, we have received over 900 applications for assistance.

### 3.6 Council Tax Reduction Scheme

3.6.1 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. In particular, the number of working age adults has reduced from 13,261 to 10,882 mid-way through 2017/18. Furthermore the reduction in the maximum discount from 75% to 65% in 2016/17 still appears not to have had a major impact on the collection rate.

3.6.2 We have commenced consultation on potential changes to our CTR Scheme for 2018/19. We are looking to replicate recent national welfare reforms within our CTR scheme. We are consulting on a number of issues including the backdating of claims, loss of the family premium and replicating the two child rule. The consultation is due to end on 6 November 2017.

### 3.7 Future Changes

3.7.1 We are still waiting for the Government's response to the consultation which ran from 21 November 2016 to 13 February 2017. This will set out the proposals for the funding of supported housing after April 2019.

3.7.2 Apart from the roll out of UC, there are no significant reforms planned for 2018, however the following changes take effect from April 2018:

- Support for Mortgage Interest is to become a loan;
- 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 As reported at the last Committee, there are currently three main areas of work which 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.

4.2 In addition to these core work streams, Members have also requested updates on the following areas:

- Local Welfare Provision;
- The Work / Skills Programme;
- The Impact of the Single Fraud Investigation Service 18 months on.

#### **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 Council offering a range of personal budgeting and debt advice support. Primarily would be help and advice on initial contact, 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 have been included in the mapping exercise to formulate a more detailed specification for these services going forward.

4.3.2 As previously reported, we have been testing a new approach called “Three Conversations” that aims to help people to lead independent lives for as long as possible. An innovation team has been testing this new approach for 13 weeks for all new community contacts in one geographical area of Medway. The results from our innovation team have been really positive, with data and other evidence collected during the 13 weeks showing that we can support more people with alternatives to traditional packages of care. This is achieved by building on people’s own strengths, harnessing the support of their families and friends, and connecting people to resources in their local communities. We are now in the process of rolling this approach out as part of the launch of our new multidisciplinary locality based teams. Because health services are organised into the same localities, these changes also represent the first step towards better integration with community health services.

#### **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. Taktix has now been fully implemented as the Customer Contact team's repository and reference source for external organisations.

- 4.4.2 We will be carrying out a comprehensive communications campaign to ensure tenants affected by Universal Credit are made aware of the changes. The campaign will also encourage residents to take steps to ensure they are prepared for the introduction of Universal Credit, such as registering their details online, and will also offer advice to residents on a variety of topics, such as budgeting. The multi-channel communications plan, which will be in place until Universal Credit is rolled out in February 2018, includes producing printed materials, online content and social media messages. After February 2018, further communications will be published offering advice to tenants on how to use the new Universal Credit payment process.
- 4.4.3 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. There is a page on the Council's new website, providing advice and guidance in relation to Universal Credit.  
<http://www.medway.gov.uk/carehealthandsupport/benefitsandfinancialsupport/universalcredit.aspx>

#### 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 continues to provide 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 Help with council tax will remain within our administration and it has been shown that take up of council tax reduction can drop following the roll out of UC Full Service. This is caused mainly by the fact that two separate claims will need to be made, one with Medway Council and one with the Department for Work and Pensions. We need to ensure that we are encouraging take up and ensuring that our customers make prompt claims to avoid subsequent issues with council tax collection.
- 4.5.3 Other actions to support the Council's HRA tenants are detailed elsewhere in this report.

### **5. Local Welfare Provision**

- 5.1 The specific grant made available to local authorities, following abolition of the Discretionary Social Fund Scheme from April 2013, was itself ceased in April 2015. Since then local authorities have been expected to fund any discretionary welfare provision from the Revenue Support Grant.
- 5.2 Medway's discretionary welfare provision is now being delivered by a new service commissioned from IMAGO Community. This service started at the beginning of August 2017 and in the first month of operation the service has dealt with 17 requests for assistance, of which 10 met the criteria. Three of these were related to victims of Domestic Violence. Awards totalling £1,699

have been made, together with additional, non-cash support totalling £498 in the form of food, clothing from charity shops etc.

## **6. The Work Programme**

- 6.1 Since 2011, the DWP / ESF funded delivery of the Work Programme via two prime contract holders, G4S and Peopleplus. Peopleplus delivered the contract directly themselves, whereas G4S used a sub-contracted supply chain including Employ Medway. Over the past year Employ Medway were the highest performing supply chain partner in Kent, Surrey and Sussex, with 100% of all targets met or exceeded.
- 6.2 Between August 2009 and August 2017 Employ Medway has supported 1,900 long term unemployed people into work. The Work Programme alone has resulted in 14,647 months reduction in benefit payments (housing, council tax and DWP benefits) with an estimated value of £8.7million. These figures only include contractual tracking of a customer in work for two years and so would not reflect the full extent of savings achieved beyond this point.
- 6.3 Going forward, the Work Programme is to be superceded by the Work and Health programme. The DWP have awarded the contract to one prime contract holder in each area. Shaw Trust will be responsible for the home counties and whilst they plan to deliver part of the programme directly themselves, Employ Medway's performance has resulted in it being selected as the only supply chain partner in Kent. This sub-contract will be worth around £1.6 million over the next five years.

## **7. Update on the impact of the Single Fraud Investigation Service**

- 7.1 In February 2016, responsibility for investigating Housing Benefit fraud transferred to the DWP, under the Single Fraud Investigation Service. Twenty months on, it is appropriate to take stock of the impact that this has had.
- 7.2 One of the main challenges has been around communication. Housing Benefit officers no longer have anyone within the Council with whom they can discuss concerns over potential cases. Whilst our Internal Audit and Counter Fraud team do still investigate other types of fraud, a resource which many other authorities have lost completely, they are not in a position to determine whether the DWP might or might not investigate a particular housing benefit fraud referral. They also have no control over what the DWP prioritise and investigate and when there are concerns about a landlord for example, they would need to refer multiple claimants for investigation and cannot guarantee that the wider case would be subject to an assessment within the referral unit.
- 7.3 Information being fed back from the DWP, in particular the compliance teams is often inadequate and there is a concern that the compliance teams are not challenging customers explanations fully enough, if they do make it to an interview. They also feel that some DWP colleagues have a fairly limited knowledge of Housing Benefit and do not ask the right questions. One significant issue in relation to allegations of living together is that the compliance officers do not request alternative addresses for alleged partners and simply accept the customer's statement that they are not resident with them.

- 7.4 There's also been a significant drop in the number of cases requiring redetermination. Before the SFIS migration the fraud team produced enough cases for fraud related reassessments to occupy one full time equivalent post, however this is no longer the case and the main officer responsible for fraud related work has undertaken all work linked to the NFI. Over the last year we have only received three to five requests for decisions on Administration Penalties. Prior to SFIS, the investigation team would issue around 15 per year.
- 7.5 The feeling within the Internal Audit and Counter Fraud team is that SFIS has caused things to become very disjointed and resulted in duplication of work in a lot of areas. The Council retains responsibility for the investigation of CTR, but any matters under investigation would almost certainly impact on Housing Benefit too. In fairness DWP colleagues probably have the same issue in reverse. They are piloting joint working in some areas of the country, but have not planned a national roll out until April 2018, so there has to be two separate investigations linked to the same claim forms for the organisations to take criminal action, which would then also have to be separate as the DWP will not prosecute for CTR fraud. There is a similar issue with other types of fraud, such as tenancy fraud. If we are investigating sub-letting and the tenant receives Housing Benefit, there would potentially be Housing Benefit offences too, but they would have to be dealt with as part of a separate investigation by the DWP. This does not deal with the 'totality of the offence', which is what SFIS was designed to do. Instead we could potentially see people prosecuted for a CTR offence as the local authority is usually able to get a case before the courts more quickly and then at a later date find themselves in court for a Housing Benefit offence linked to exactly the same application form; where they could face a harsher sentence should they be convicted as they would have a previous conviction for a similar offence.
- 7.6 The DWP have recently asked local authorities for expressions of interest to pilot more joint working with the DWP around fraud and this may be of interest.

## **8. HRA Housing Services**

- 8.1 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.
- 8.2 As of 9 October 2017, there were 23 HRA tenants recorded as being in receipt of Universal Credit. With regards to the overall arrears figure as at the beginning of September, £3,264 could be directly attributed to claims waiting to be processed or approved by DWP. At a recent briefing at the House of Lords, officers heard from local authorities where UC had already been rolled out and one London borough advised that 20% of their tenants were in receipt of Universal Credit, which accounted for 60% of their arrears.
- 8.3 The impact of the Welfare Reforms will continue to directly impact on a high percentage of our tenants and leaseholders and in preparation for the full roll out of Universal Credit in February, officers are working hard to mitigate the risks and impact for both tenants and the HRA. The following actions are being undertaken:

- Officers are working closely with colleagues in MHS to develop a joint communications strategy for residents who make contact or raise concerns about forthcoming changes;
- Commencing 11 October, officers will be holding a series of weekly advice surgeries in the Twydall community hub;
- There are also plans to hold a series of road shows that may be undertaken jointly with MHS in the town centre and other key locations;
- Mail outs are being organised to those tenants that officers believe will be affected;
- A triage approach is being developed to support those tenants identified as at greatest risk.

8.4 Officers have attended an in depth briefing with the Department of Works and Pensions which informed Officers of the new working methods and processes once the full roll out of Universal Credit is launched from February. A concern is that tenants will be expected to fund their first weeks rent if they are a new claimant for Universal Credit. Currently Housing Benefit, where claims are approved, includes all rent. Under Universal Credit this is not the case and the potential impact on arrears is considered a significant risk.

8.5 As part of the application process there will also be additional administration for the Housing Teams via a verification process. The DWP service centre will email the claimants housing costs form to the HRA Team for verification that the housing costs (rent) are correct. The Housing Team will then need to cross check this and provide confirmation that it is correct. Failure to reply by the end of the assessment period will mean the housing costs might not be paid. This process will involve the Council providing detailed evidence.

## 9. 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



## **10. Financial and legal implications**

- 10.1 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.

## **11. Recommendations**

- 11.1 The Committee is requested to note the progress on the various work streams referred to within the report.

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### **Appendices:**

None

### **Background papers:**

Cabinet Report – Welfare Reform Task Group

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

