

**BUSINESS SUPPORT
OVERVIEW AND SCRUTINY COMMITTEE
12 APRIL 2018**

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

Report from: Phil Watts, Chief Finance Officer

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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 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 Most of the actions have either been completed, superceded by events or become 'business as usual' and at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 30 May 2018. The date was changed from 21 February 2018 following changes to the roll out of Universal Credit Full Service. The changes were announced by the Chancellor of the Exchequer as a part of the 2017 autumn budget. From the 30 May 2018, we will only be able to accept new claims for Housing Benefit if the claimant is;

- is of state pension age;
- has more than two children;
- is a family living in specified accommodation;
- is placed in temporary accommodation by Medway Council.

3.1.2 The inclusion within Housing Benefit of people placed in temporary accommodation was a part of changes introduced by the Chancellor within the autumn budget. The legislation for this change comes into effect from 11 April 2018 and will remain in place until a long-term solution for funding temporary accommodation is developed. The legislation changes will ensure that we continue to be reimbursed for the costs of temporary accommodation as we are now, enabling us to support the most vulnerable people in Medway.

3.1.3 Claimants currently claiming Income Support, Jobseekers Allowance (Income Based), Employment and Support Allowance (Income Based), 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; 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.

3.1.4 In addition to the changes made in respect of temporary accommodation, on 11 April 2018 the legislation comes into effect that introduces a transition to UC housing payment. This payment extends the end date of Housing Benefit when a claimant migrates onto UC. The payment acts as an extension to the current Housing Benefit claim by adding two weeks of Housing Benefit entitlement, based on the claimant's new circumstances of receiving UC.

3.1.5 From January 2018, the amount a claimant receives from an advance payment of UC has increased from up to 50% of their estimated entitlement up to 100%. Claimants are able to receive an advance payment within five days of applying. The repayment period for the advance has been increased from six to twelve months.

3.1.6 The Government also ended the previous Universal Credit Live Service from 1 January 2018, Live Service was available to single jobseekers only and since the cessation of Live Service, claimants have had to apply for legacy benefits until UC Full Service starts on 30 May 2018.

3.1.7 From February 2018, the Government also abolished the seven day waiting period for UC, so the claims will now start from the date of application.

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 £500.00 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 23 March 2018, we cap the Housing Benefit of 352 claimants with the highest reduction being £276.00 and the lowest £0.05. The table below shows the impact across the different rental sectors.

| | All claim types | Social Sector | Homeless | Private sector |
|------------------|------------------------|----------------------|-----------------|-----------------------|
| Number of caps | 352 | 159 | 50 | 143 |
| Avg. weekly loss | £61.21 | £48.80 | £105.90 | £59.37 |
| Min. weekly loss | £0.05 | £0.84 | £4.02 | £0.05 |
| Max. weekly loss | £276.00 | £156.01 | £276.00 | £197.61 |

3.2.2 This is a slight reduction in the figures reported in October 2017 when 365 Housing Benefit claims were capped; 168 within the social sector, 40 homeless households and 157 in the private rental sector.

3.3 Social Sector Housing Size Criteria

3.3.1 We currently have 549 claims affected by under occupancy rules. The impact is shown in the table below.

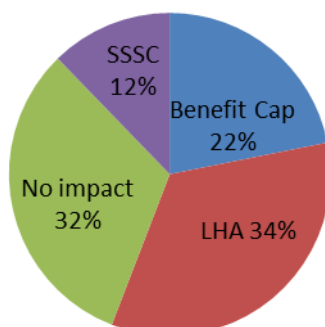
| | 14% Reduction | 25% Reduction | Total |
|---------------------|----------------------|----------------------|--------------|
| Council | 159 | 40 | 199 |
| Other Social Sector | 292 | 58 | 350 |
| Total | 451 | 98 | 549 |

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 two 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 140 claims affected by these new rules. 125 claimants have lost the allowance for one child, 14 have lost the allowances for two children and one has lost the allowances for four children.

3.5 Discretionary Housing Payments

3.5.1 As at 28 March 2018, we only have £1,827.05 of our total fund of £843,891.00 left. The chart below shows the distribution of the fund across the different welfare reforms.



3.5.2 In this financial year we have assessed over 1600 requests for assistance with approximately 60% of cases being awarded a payment from the fund. The payment can form a one off payment or an ongoing weekly award. For the financial year 2018/2019 the fund will be £726,411. The fund can be used to assist customers who are in receipt of Housing Benefit or housing costs for rent under Universal Credit.

3.6 Council Tax Reduction Scheme

3.6.1 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 are looking to do a CTR take up campaign following the roll out of UC to minimise the effects on council tax collection.

3.6.2 A new scheme has been agreed by members on 25 January 2018 for the 2018/2019 financial year which mirrored changes made to the Housing Benefit scheme, other welfare reforms and also introduced a de-minimus limit which would prevent our residents being receiving a new bill for minor changes that reduced their weekly award by less than £1.00. This will become a common occurrence under Universal Credit due to the monthly income assessment periods.

3.7 The Future of Supported Housing

3.7.1 The Government has announced proposals following a consultation on supported housing funding, the Select Committee inquiry and Task and Finish groups. This three-pronged approach to funding supported housing needs is due to start in April 2020.

3.7.2 The first option is a Sheltered Rent – for those in sheltered or extra care housing. This is primarily aimed at older people but also now includes working-age tenants. The sheltered rent will be a type of social rent which will keep funding for sheltered and extra care housing within the welfare system. This will allow of better cost control as the social housing regulator will use existing powers to regulate eligible rents.

- 3.7.3 There will be a Local Grant Fund which will support short-term and transitional supported housing. This is aimed at supporting homeless people with support needs, people fleeing domestic abuse, people receiving support for drug and alcohol misuse, offenders or young people at risk. 100% of this provision will be commission at a local level, funded locally through a ring-fenced grant and will be underpinned by a new local planning and oversight regime. Short term accommodation costs are removed from the welfare system and will provide us with more oversight and control over the provision of short-term accommodation within Medway.
- 3.7.4 The welfare system (Housing Benefit/Universal Credit) will also provide for long-term supported housing which includes housing for those with learning disabilities, mental ill health and physical disabilities as well as highly specialised supported housing. 100% of housing costs will continue to be funded as it is now through either Housing Benefit or Universal Credit. The Government are planning to work within the sector to develop and deliver improvements to cost control, quality and outcomes.
- 3.7.5 There were two consultations on the key design components of the funding models which closed on 23 January 2018 followed by a further consultation within 2018 about the specific details for the design of sheltered and extra care provision. Officers from MRBS and Housing compiled a response to the questions posed by the consultations.

3.8 Support for mortgage interest (SMI)

- 3.8.1 This will no longer exist as a benefit from 6 April 2018 and is being replaced with an interest bearing loan. This means that owner-occupiers who require help with their housing costs from this date can take out a loan and have a charging order placed on their property. It is voluntary however; there is no other help available. The changes affect both new and existing claimants.

4. **Work of the Welfare Reform Officer Group**

- 4.1 The work of the Welfare Reform Officer Group comprises the following broad areas:

- Information, Advice and Guidance for Vulnerable People;
- Communication and Digital Working;
- Roll-out of Universal Credit from February 2018;
- Local Welfare Provision;
- The Work / Skills Programme;
- The Impact of the Single Fraud Investigation Service 18 months on.

4.2 Information, Advice and Guidance for Vulnerable People

- 4.2.1 Various Council services offer a range of personal budgeting and debt advice and support, some delivered in-house and others through signposting to more in-depth support provided by third sector organisations. With the roll out of the UC full service, a modest amount of grant funding has been made available from the DWP to support this work. Colleagues from Revenues and Benefits, Housing, Customer Contact and Adult Social Care to consider how best to use this additional funding.

- 4.2.2 The Local Welfare Provision is currently spot purchased but will form part of the wider VCS recommissioning that will include *Welfare, debt and advice support services* as a separate lot.
- 4.2.3 The service will provide independent, impartial advice and assistance, enabling and empowering people to work through their welfare, debt, employment and housing issues. It will also provide assistance and support for the vulnerable people in crisis situations in Medway.
- 4.2.4 The provider will:
- Provide debt, financial management and budgeting skills, to tackle financial exclusion, or signpost to Financial Conduct Authority(FCA) approved advisors where appropriate;
 - Provide advice to help solve legal and social welfare problems;
 - Provide benefit advice, including assistance with benefit claims, appeals and sanctions;
 - Run the statutory Local Welfare Provision service, which supports individuals facing crisis, on Medway Council's behalf;
 - Provide independent advice on employment and worklessness;
 - Provide independent consumer advice;
 - Provide independent housing advice and support to prevent homelessness;
 - Challenge discrimination and hate crime where appropriate.

4.3 Communication and Digital Working

- 4.3.1 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.
- 4.3.2 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.
- 4.3.3 A working group is finalising a Communication Strategy and weekly meetings are being held with key internal partners including Housing and Medway Revenue and Benefits Team.
- 4.3.4 The group is also aiming to develop two communications streams one for residents and one for landlords across Medway.
- 4.3.5 The group are also devising easy to understand literature and posters promoting forthcoming information and advice events.
- 4.3.6 A series of staff briefings being held across two full days in May 2018 and led by DWP are also being arranged. The purpose of these is to ensure as many front line staff who come into contact with residents are sufficiently informed on basic information regarding UC in the event residents seek advice. This approach will also ensure staff are provided with the necessary correct information to assist residents.

4.4 Universal Credit Partnership Agreement

4.4.1 The DWP continues to be the first point of contact for Universal Credit claimants, however, under a Partnership Agreement with the DWP the Council is committed to supporting those who simply want to get online to submit their claim. The DWP has provided a list of the activities that it would expect claimants to be assisted with:

- Security awareness, to ensure claimant keeps (log-in) credentials safe;
- Setting and managing their own email account;
- Accessing, navigating and understanding the information required to gather data and complete online UC claims;
- Navigating and updating online diaries, 'to do' lists, and journals;
- Uploading documents, including curriculum vitae (CVs) and medical certificates;
- Notifying changes of circumstances;
- Using online account for enquiries;
- Printing documents.

4.4.2 These tasks are very similar to the assistance that library staff commonly help customers with now. The DWP do not expect a claimant to be supported right through the application. For anyone who does not have the digital capability and cannot (and may never be able to) self-serve online, even after digital training, the DWP have indicated that claimants should be directed to the UC Helpline where they will be provided with the appropriate support.

4.4.3 The take-up of assisted digital support will be closely monitored to comply with the DWP requirements for the supply of management information, and to monitor the impact on library staff time.

4.4.4 Other actions to support the Council's HRA tenants are detailed elsewhere in this report.

4.5 Local Welfare Provision

4.5.1 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.

4.5.2 Medway's discretionary welfare provision is now being delivered by a new service commissioned from IMAGO Community.

4.5.3 The monthly allocation varies but is usually around £1,500 per month although January 2018 was heavier at nearly £2,400 with the largest award being £445. In addition IMAGO provide "added value" to this work through allocating donated clothing and other items through their charity outlets, this usually amounts to an added value of £400 per month. In January this was just under £800.

4.5.4 In spite of the larger than usual January allocation this budget is still within budget.

4.6 The Work Programme

- 4.6.1 Since 2011 the Work Programme has been funded via two prime contract holders, G4S and Peopleplus. Peopleplus delivered the contract directly, whereas G4S used a sub-contracted supply chain including Employ Medway. From the start of the contract Employ Medway has been one of the highest performing providers in Kent, Surrey and Sussex with 56% of all starts on programme achieving job start and 80% of these remaining in work past six months.
- 4.6.2 Between August 2009 and January 2018 Employ Medway has supported 2,100 long term unemployed or disadvantaged locals into work. The Work Programme alone has resulted in 15,447 months reduction in benefit payments (housing, council tax and DWP benefits) with an estimated value of £9.2 million. 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.
- 4.6.3 Going forward, the Work Programme is to be superseded 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 and will support those furthest from the labour market.

4.7 Update on the impact of the Single Fraud Investigation Service

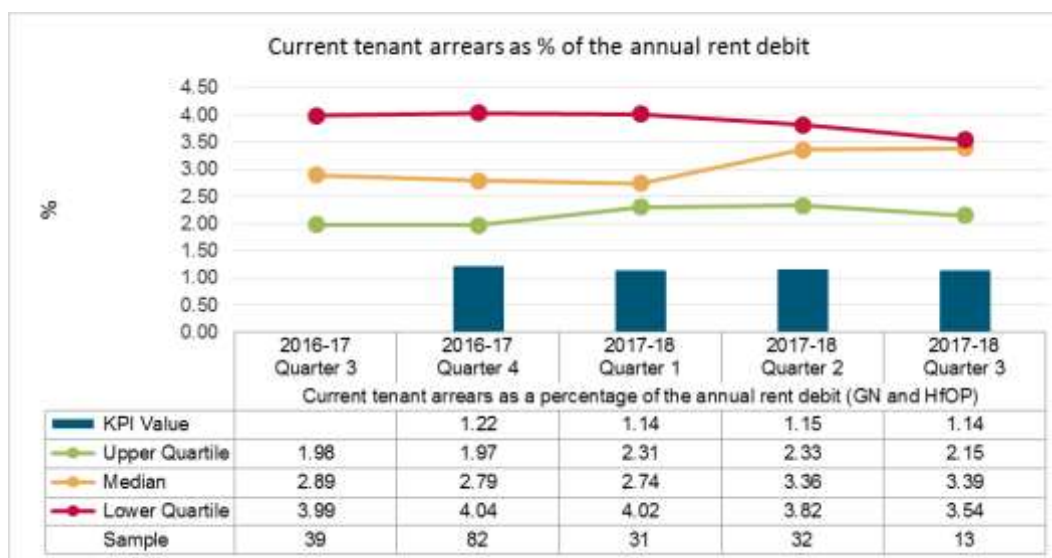
- 4.7.1 The Audit and Counter Fraud team continues to liaise with local DWP colleagues to try and resolve as many issues as possible at local level. Work is ongoing to improve lines of communication and the flow of information needed for the redetermination of claims, witness statements and other areas where the DWP are reliant on information from the Local Authority.
- 4.7.2 Following the Council's expression of interest in piloting more joint working with the DWP, there has been no further communication regarding when this might be taken forward. There is at present only scope to joint work on matters relating to council tax reduction fraud. Tenancy fraud is being considered as a possible area for joint working.

5. **HRA Housing Services**

- 5.1 Universal Credit is one of the greatest financial challenges the Housing Revenue Account will face over the coming years and robust preparations for the full roll out are being made within the HRA Landlord Service.
- 5.2 As of 25 March 2018, there are 22 HRA tenants known to be in receipt of Universal Credit. These cases have combined rent arrears of £5,609.22 against the overall total of £161,854.57.
- 5.3 Full roll-out of UC is scheduled to take place in Medway from 30 May 2018. This will be a gradual process initially, only affecting new claims, but experience from the recent roll-out in a neighbouring Kent local authority is that the process does gather speed rapidly. It is therefore possible that the

number of affected HRA tenants moving to Universal Credit may rise significantly during the year. Experience from social landlords in areas where UC has already been implemented, is that it will have a negative impact on overall rent arrears levels.

5.4 It is important to ensure that the Council's housing rent accounts are as well managed as possible and the Income Team has been very successful in this. Performance is in the top quartile when compared to peer group landlords and HRA general needs rent arrears continue to reduce. The graphs below illustrate this trend:



5.5 Some specific issues have been identified, which are manageable at the moment, owing to the low numbers, but which will need to be resolved as full roll out progresses. These include the manual 'case by case' verification process and difficulties identifying claimants where an 'alternative payment arrangement' is in place.

5.6 Council staff, DWP colleagues and other partners are working closely in preparation for full roll out, including the following:

- Working closely with colleagues in the Communications Team to develop a communications strategy for tenants, to inform them of the changes, to publicise the various advice services on offer, and to encourage people to contact the Income Team with any concerns;
- Working with our Resident Estate Champions to make sure they are aware of the upcoming changes, and the services that the Council can offer so they can cascade this information out to neighbours;
- Regular updates on Facebook and Twitter, posting about the changes, and publicising the advice services available to tenants;
- Since October 2017, specialist Welfare Reform Officers have been holding weekly advice surgeries in the Twydall community hub. These have been well attended to date, and over 70 tenants have benefitted from face to face advice or assistance. As well as providing specific UC advice and information, these meetings have identified and assisted tenants who were entitled to, but not claiming, other benefits;
- Between March and May 2018, the Income Team have been holding a series of 'road shows' at convenient locations for council tenants. These are being publicised via local leaflet drop, and by bulk text message to local tenants. So far, over 20 tenants have attended including one tenant who has recently found herself unable to work (due to serious health problems) for the first time in her working life. She was extremely anxious and unfamiliar with the welfare system, and our Welfare reform Officers have been able to provide practical support as well as reassurance;
- General information about UC and the services on offer was sent to all 3,000 tenants with the 2018 rent review notices. Earlier, in late 2017, officers wrote to the 900 tenants that were considered most likely to be affected by UC with more specific advice. A similar exercise is planned to coincide with the May roll-out;
- Welfare Reform officers have been on hand at various other events including an Easter event held in Twydall on 6 April, to promote HRA Housing services to tenants;
- Officers are developing a system for identifying tenants most at risk of being impacted by the new UC regime, so they can be provided with support to try and prevent any problems before they arise;
- Officers and Managers are attending regular partnership meetings to share knowledge and experience at both a strategic level and at the operational level.

6. 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 |

7. Financial and legal implications

- 7.1 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.

8. Recommendations

- 8.1 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>.