



**BUSINESS SUPPORT  
OVERVIEW & SCRUTINY COMMITTEE  
25 OCTOBER 2018**

**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 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 Most of the actions have either been completed, superseded by events or become 'business as usual' and at Overview and Scrutiny Committee on 13 April 2017 the action plan was closed and a new approach to reporting on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 Full Service went live within Medway on 30 May 2018. From this date, we have only been 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 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 are 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 Department of Work and Pensions (DWP) decides to initiate managed migration of an entire household from legacy benefits to one UC entitlement. Managed migration is currently scheduled to start in 2019 and will be completed by 2023.

3.1.3 When a customer makes a claim for universal credit, we are sent a stop notice which effectively tells us to cease paying housing benefit and consider the 2 week transition payment for the customer who is moving onto universal credit. When UC went live we had 17527 active claims for housing benefit and in the 4 months since full service went live, our caseload has reduced by 1083 claims leaving our housing benefit caseload at 16,444 as of 25 September 2018. 555 of those claims have stopped because of a migration to UC and the receipt of a stop notice. The remainder can be accounted for in the reduction of new claims that we are now allowed to receive. The table below shows the changes to the housing benefit and council tax reduction caseloads since the introduction of universal credit.

Date	30/04/2018		31/05/2018		30/06/2018		31/07/2018		31/08/2018		25/09/2018	
	Total	Total	Change	Total	Change	Total	Change	Total	Change	Total	Change	
HB (all)	17512	17527	15	17436	-91	17136	-300	16738	-398	16444	-294	
HB - Working-age only	12886	12912	26	12840	-72	12542	-298	12173	-369	11896	-277	
CTR (all)	17679	17710	31	17688	-22	17643	-45	17483	-160	17360	-123	
CTR - Working-age only	10641	10700	59	10707	7	10680	-27	10546	-134	10454	-92	

3.1.4 However, workloads within the team remain high mainly due to the increased amount of correspondence received in respect of universal credit. The team receive monthly income updates for claimants in receipt of council tax reduction and universal credit and also have to award transition payments for those moving from housing benefit to universal credit. Additionally, the new claims we have been left to deal with are the most complex cases and can take longer to process.

3.1.5 As stated above, we receive stop notices from the DWP to inform us to cease paying housing benefit and since July, the average amount received is 675 per month, however on average half of these notices are duplicate notifications which still require manual checking.

3.1.6 At a national level, there are now 1.1million universal credit claimants with that number increasing by 6% each month. The average award is £630 per month and only 30,000 received a monthly award of over £1,500. On 7 June 2018, we received a letter from Neil Couling, Director General of the Universal Credit Programme stating that there were to be some national changes to universal credit. It was found that claimants in receipt of a severe disability premium were financially worse off following the transition from legacy benefits. The DWP are currently not migrating people with this premium on to universal credit.

3.1.7 Managed migration is due to commence in January 2019. The draft Universal Credit (Transitional Provisions) (Managed Migration) Amendment Regulations 2018 have been published and the Social Security Advisory Committee has undertaken a public consultation on the draft regulations and are now due to submit their response to the DWP. The draft regulations requires all existing claimants of legacy benefits to make a new claim for universal credit online. The customer will receive a migration notice which informs them if they want to continue to claim benefits after a specified date, they must apply for universal credit. The notice period will generally be one month before the deadline date and the customer will receive two reminders within that period. Entitlement to legacy benefits will stop on the deadline date if the customer fails to make a universal credit claim. There are circumstances in which the deadline date can be changed by the DWP if the customer can show good reason why they cannot claim by that date.

## 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 30 September 2018, we cap the Housing Benefit of 323 claimants with the highest reduction being £246.03 and the lowest £0.79. The table below shows the impact across the different rental sectors.

	<b>All claim types</b>	<b>Social Sector</b>	<b>Homeless</b>	<b>Private sector</b>
Number of caps	323	142	43	138
Avg. weekly loss	£57.57	£49.45	£77.22	£59.80
Min. weekly loss	£0.79	£2.06	£0.92	£0.79
Max. weekly loss	£246.03	£154.44	£246.03	£203.55

3.2.2 This is a reduction in the figures reported in April 2018 when 352 Housing Benefit claims were capped; 159 within the social sector, 50 homeless households and 143 in the private rental sector.

## 3.3 Social Sector Housing Size Criteria

3.3.1 We currently have 486 claims affected by under occupancy rules. The impact is shown in the table below. This represents a reduction from the figures reported in April 2018 when 549 claimants were deemed as under occupying

their home, and had the eligible rent figure used in the calculation of their benefit award reduced by 14 or 25%.

	14% Reduction	25% Reduction	Total
Council	136	36	172
Other Social Sector	258	56	314
<b>Total</b>	394	94	486

### 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 252 claims affected by these new rules. 205 claimants have lost the allowance for 1 child, 21 have lost the allowances for 2 children, 2 have lost allowances for 3 children and 4 have lost the allowances for 4 children.

### 3.5 Discretionary Housing Payments

3.5.1 In 2017, we were allocated a DHP budget of £843,891 and in 2018 this has been reduced to £726,411. Despite the funding reduction, we have seen a 31% increase in applications. In the period from April to August 2017, we received 578 applications and in the same period in 2018, we received 757. As at 30 September we have decided 654 applications, 326 have been paid and 328 have been refused. There are 176 applications currently either being assessed or waiting for assessment.

### 3.6 Council Tax Reduction Scheme

3.6.1 We knew that once an area had moved to universal credit full service, the caseload for council tax reduction could be affected by that change. This is commonly because people used to make a claim for housing benefit and council tax reduction together and most now have to make separate claims. We are monitoring the caseload and whilst we have seen a drop in numbers, we also have outstanding new claims for council tax reduction where the income is universal credit. We are unable to accurately assess the claim for council tax reduction until the universal credit is awarded which can take on average 6 weeks.

3.6.2 We have seen a rise in the number of claims with universal credit as the main income. At the end of May, we had 176 claims and as of the 25 September we had 611 claims.

### 3.7 The Future of Supported Housing

3.7.1 The Government had announced proposals following a consultation on supported housing funding, a Select Committee inquiry and Task and Finish groups. The changes would have seen a sheltered rent for sheltered and extra care schemes funded through the welfare system. Long term supported accommodation would have remained within the welfare system however, short term supported accommodation would have been paid for with a local

grant. This three-pronged approach to funding supported housing needs was due to start in April 2020. On 9 August 2018, it was announced that these plans had been scrapped and that housing benefit was being retained to fund supported housing. It was also announced that they will introduce a new oversight mechanism to ensure quality of provision and value for money across the sector.

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

4.1 The work of the Welfare Reform Officer Group comprises the following 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.

#### **4.2 Information, Advice and Guidance for Vulnerable People**

4.2.1 Medway have just commissioned a new Voluntary Community Services (VCS) 'Better Together' services, which is now in the 10 day procurement stand still, with the awarded start date of 1 January 2019.

4.2.2 The consortium will form a (VCS) Leadership Team, comprised of, providers of the VCS "Better together" services, Medway Council Commissioners and key stakeholders from Adult Social Care, Public Health and the CCG. It will work collaboratively to a common set of values, goals and to one set of whole systems, outcomes, with one governance, and reporting structure that will share opportunities and responsibilities, risks and issues. It will:

- Improve reporting mechanisms, with an outcome focused approach, to measure successes and evidence value for money and address council priorities;
- Address health inequalities and social determinants of health;
- Prevent people entering the care system and a reduction in the need for long term packages of care;
- Tackle social isolation and loneliness and improve mental health and wellbeing;
- Inform stakeholders and service users with comprehensive understanding of available services, information and advice.

4.2.3 The services will support care navigation, social prescribing and other community services and the joining up of the 3 conversations approach in health and social care and address the changing needs of our population.

4.2.4 The commissioned services will include the provision of statutory services through five lots and specifications, three of which will directly support vulnerable people affected by the welfare reforms, such as people; fleeing domestic abuse, in financial crisis, adult and young carers and the visually impaired residents of Medway: These three lots consist of:

- The Welfare, Debt and Advice Support Service;
- The Carers Information, Guidance and Support, Young Carers and Carers Support Payments services have been combined into one service lot;

- The Visually Impaired Support and Information service.

4.2.5 The Welfare, Debt and Advice Support lot, includes the Local Welfare Provision (LWP) in one lot that will enable eligible and non-eligible vulnerable residents' access to support at a time of financial emergency and information and guidance on: benefits, housing, financial management and future avoidance through self-management.

#### 4.3 Communication and Digital Working

4.3.1 This work stream has two main strands. Firstly it is 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 The project element of this work stream has now concluded and is essentially embedded in 'business as usual' for the Communications team.

4.3.4 In May wide ranging staff briefings were held for staff across the Council led by DWP to prepare staff for the roll out of UC and to brief them on frequently asked questions from residents and ensure they had a full understanding of the processes and were able to support and assist residents. Approximately 200 staff attended these sessions.

4.3.5 Additionally in July a Member briefing was held led once again by DWP to update them on the roll out, impact and advice they could give to their constituents.

4.3.6 As part of the preparations for UC there was a major publicity campaign throughout Medway to raise the profile of this with residents. This has been highly commended by DWP themselves. As a result the all Members of the Strategic Welfare Reform Group were nominated and won in September the Partnership of the Year award for working together and prepare Medway for Universal Credit.

#### 4.4 Universal Credit Partnership Agreement

4.4.1 Since the introduction of universal credit, local authorities have been asked to provide universal support. Universal support is comprised of two parts, personal budgeting support and assisted digital support. In preparation for the roll out of full service we put arrangements in place to handle the increased demand for the service. Personal budgeting support has been delivered by either staff within Revenue and Benefits or by a service specific welfare advisor. Assisted digital support has been provided throughout the libraries and hubs. On 1 October, it was announced that the funding was being withdrawn from local authorities and the contract was being given to the Citizen's Advice Bureau from 1 April 2019.

#### 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 IMAGO Community until 31 December 2018, after which it will be delivered by the newly commissioned VCS "Better together" service, under the Welfare, debt and advice lot.
- 4.5.3 The yearly allocation was approximately £27,500, an average of £2,280 per month. Since July 2017, 163 residents have been provided with assistance, of which 74 of those have been since March 2018, this could be as a result of the Universal Credit roll out.
- 4.5.4 The largest award being £450, with the average spend per person of £168 over the year. 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 and year to date value of £4,647.

#### 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 59.2% 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 2,150 long term unemployed or disadvantaged locals into work. The Work Programme alone has resulted in 15,946 months reduction in benefit payments (housing, council tax and DWP benefits) with an estimated value of £9.5 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 From January 2018, the Work Programme was superseded by the Work and Health programme. The DWP awarded the contract to one prime contract holder in each area. Shaw Trust is responsible for the home counties and whilst they deliver part of the programme directly themselves, Employ Medway's performance resulted in it being selected as the only supply chain partner in Kent. This sub-contract is worth around £1.6 million over the next five years and will support those furthest from the labour market.

### **5. HRA Housing Services**

- 5.1 Universal Credit is one of the most significant challenges faced by the HRA Landlord Service. The main impact is that tenants whose rent was previously paid to the HRA directly, automatically and weekly by Housing Benefit, will be

responsible for paying the rent themselves using the Housing Element of their Universal Credit payment which is paid to the tenant, monthly.

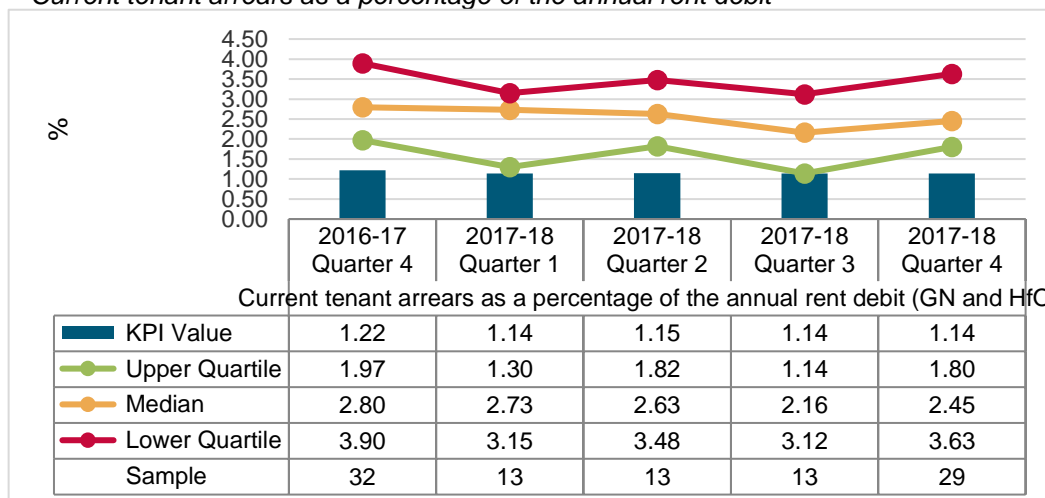
5.2 Housing Benefit is a key component of HRA income. As reported on the 30 January 2018 in the Overview and Scrutiny Report to Business Support on Housing Revenue Account Budgets report 2017/18 at the HRA received approximately 65% of rental income via Housing Benefit, of which 40% was in respect of working age tenants, and 25% of which was in respect of state pension age tenants equating to income of £5,631,733 and £3,519,833,059 respectively for the year.

5.3 As reported in previous O&S reports, the HRA team have worked closely with other partners to prepare for Universal Credit, including:

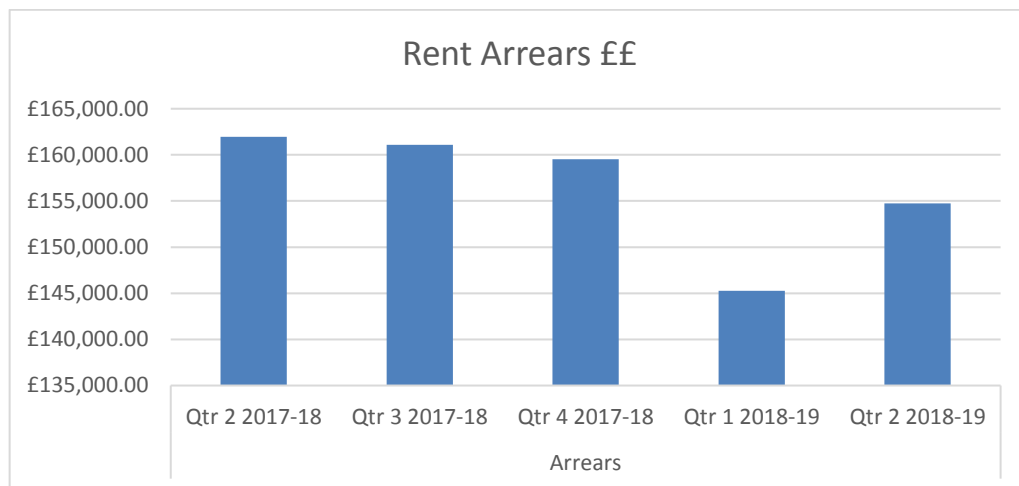
- Working with the Communications team to develop information and publicity for tenants;
- Regular updates on Social Media;
- Weekly advice surgeries at the Twydall Hub – since October 2017 over 120 tenants have benefitted from face to face advice and assistance. This financial year alone these surgeries, coupled with direct referrals from the Income Team have assisted 52 tenants, resulting in lump sum benefit payments (backdated claims to tenants) of £71,000, and additional ongoing income for tenants of approximately £4,000 per week;
- A series of ‘road-shows’ were held at locations convenient for tenants, and Welfare Reform Officers have attended other events including the Summer Event held at St. Margaret’s Primary School during the summer holidays.

5.4 A key aspect of preparation for UC is for the Council to be in a strong position regarding rent arrears performance generally. Medway Council HRA has been successful in this area with performance consistently in the top quartile when compared to peer group landlords. The graphs below illustrate this:

Current tenant arrears as a percentage of the annual rent debit







- 5.5 Full roll-out of UC in Medway began in May 2018. Since then 115 tenants have moved over to UC. If roll-out continues at the same rate, then it is expected that approximately 300 tenants will be on UC by the end of this financial year, rising to approximately 650 by the end of 2019/20.
- 5.6 In common with other landlords where UC has ‘gone live’, the HRA is experiencing a higher level of arrears from tenants who are UC claimants, as compared with the tenant population as a whole. As at September 2018 arrears for UC tenants only was at 5.75%, compared with 1.2% for all tenants. This is estimated to have added approximately £35k to the overall rent arrears total (although this figure should be viewed with some caution as it is not possible to quantify the impact of UC with 100% accuracy).
- 5.7 As well as the fact that tenants – on low incomes and often with competing financial pressures – who previously had rent ‘paid for them’ by direct paid Housing Benefit now are responsible for making sure the rent is paid themselves, another key challenge for HRA Income Team is the lack of easily available information about the progress of claims, problems with payments and so on. Relationships with the DWP are good, but the system does not allow for the same level of communication as enjoyed with Housing Benefit colleagues. In response to this changing environment the HRA are taking action including:
- Recruiting an extra Income Officer on a short-term temporary basis to ensure the extra workload is well managed;
  - A review of the team structure to take account of predicted increases in workload;
  - Exploring the procurement and use of specialist predictive software to enable the team to work as efficiently as possible;
  - Regular liaison with the DWP to ensure communication is as good as possible and to make sure officers are aware of and using all available ‘tools’ such as Alternative Payment Arrangements, appropriately.

## 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. Recommendation

- 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>.