

## **Universal Credit in Midlothian - 2017 update**

**Report by Kevin Anderson, Head of Customer & Housing Services**

### **1 Purpose of Report**

This report provides an update to Council on the key issues related to the introduction of Universal Credit (UC) in Midlothian. It has previously been reported to Council of the Welfare Reform measures which resulted in significant changes introduced across a range of state benefits that have affected individual households from April, 2013.

### **2 Background**

Welfare Reforms have been introduced by the UK Government to simplify benefits and increase incentives to work.

There have been three main elements to the Welfare Reform changes implemented; in the replacement of existing benefits by another benefit; a number of reductions in benefit entitlements; and the localisation of some benefits.

Universal Credit has been introduced in stages to different groups of claimants over the past four years, with about 610,000 people now receiving it. Almost a quarter of all claimants have had to wait more than six weeks to receive their first payment in full because of errors and problems evidencing claims.

The UK Government recently approved a major extension of the programme to a further 45 job centres across the country, with another 50 to be added each month, however in the Autumn Budget, the deadline for the rollout of the major welfare reform will be delayed by three months to December 2018 to support UC system changes announced. The Department for Work and Pensions (DWP) maintains that this will not impact on the planned completion date of March, 2022.

DWP latest data, from September, 2017, indicates 81% of new claimants were paid in full and on time at the end of their first assessment while 89% received some payment.

### **3 Universal Credit**

Midlothian Council was initially involved as a partner agency to Dalkeith and Penicuik Job Centre Plus, (JCP) during the rollout of the Universal Credit 'Live Service' (UCLS) from 27 April 2015. The Council subsequently signed up to a

further Delivery Partnership Agreement, (DPA) for the full digital rollout of the Universal Credit “Full Service” (UCFS) from 22 March 2017.

Universal Credit aims to make the welfare system simpler by replacing six benefits and tax credits with a single monthly payment. It is administered by the Department for Work and Pensions (DWP). It replaces:

- Housing Benefit
- Income Support
- Income-Based Job Seekers Allowance
- Income-related Employment & Support Allowance
- Child Tax Credits
- Working Tax Credits

As it is for people of working age, Universal Credit does not affect pension age benefits.

In Midlothian UCFS is being rolled out by Dalkeith and Penicuik Job Centre and is currently part-way through a ‘natural migration’ phase which requires claimants of the above legacy benefits to transfer to UC as and when they encounter a significant, (trigger) change in circumstance.

#### **4 Impact of Universal Credit**

In preparation for the introduction of Universal Credit an Operational Group consisting of the Department of Work & Pensions (DWP), Council service teams and external partners established a framework of support for all Midlothian citizens.

Actions continue to be led by the Council and the Midlothian Financial Inclusion Network (MFIN) partnership to inform and support people about sources for those in hardship, such as foodbanks, Scottish Welfare Fund, Welfare Rights, Credit Unions and budgeting advice. Evidence indicates that claimants and the Council are experiencing effects of;

- Delays in payment to claimants
- Financial Hardship to households, with extra demand on the Scottish Welfare Fund and Discretionary Housing Payments
- Additional administrative burdens to the Council
- Increased rent arrears
- Impact on temporary accommodation for homeless households

While DWP funding was initially provided for additional administrative costs, the burdens in dealing with the process and complexities of claims is more than the resources received.

In projecting the rental income effects from Universal Credit, the available evidence from the universal credit areas is that the move to one monthly payment direct to these claimants resulted in a significant increase in rent arrears as tenants in social housing struggle to adjust.

As reported to Council in May, 2013, the Housing Revenue Account Financial Model has been updated to reflect the anticipated increase in rent arrears of £1.5 million per annum.

An increasing number of people in Bed and Breakfast accommodation are in receipt of Universal Credit rather than Housing Benefit (HB), consequently the level of income which the Council receives in relation to this accommodation has dropped significantly and that will be an increasing deficit trend.

Consequently, the subsidy budget for bed and breakfast will be reviewed as part of the 2018/19 budget setting process.

In Temporary Accommodation, provided by the Council in its statutory duties to homeless households, the housing costs of occupants who are currently paid by Universal Credit are restricted to Local Housing Allowance rates based on the age and size of the family unit, resulting in significant rent arrears for individual households. Discretionary Housing Payment is being used by the council towards mitigation of these costs meantime as it is reported DWP are now progressing plans to remove housing costs for emergency temporary accommodation. It is expected the housing element of a claimant's entitlement will be transferred back to local authorities to administer through Housing Benefit, although it will not be effective before April, 2018.

The Impact of Universal Credit Full Service on Council house rent collection has been severe.

At 3 April 2017 132 Midlothian Council tenants were claiming UC with total arrears of £97,808 and average arrears of £740.97. The average rent arrears at 3 April 2017 were £265.42 for those still in receipt of HB and £299.21 for those not receiving HB.

As at 6 November 2017 this had increased to 657 tenants with total arrears of £520,522 and average arrears of £792.27.

At 3 April 2017 current tenant rent arrears were £1,167,625 comprising £1,106,626 for mainstream properties and £60,999 for temporary accommodation. As at 6 November current tenant arrears has increased to £1,472,222 comprising £1,283,124 for mainstream properties and £189,098 for temporary accommodation.

Increased demand for Discretionary Housing Payments (DHP) with £828,492 being paid in 2016/17 and £966,368 paid and committed in 2017/18 as at 31 October 2017.

Additional demand for Scottish Welfare Fund, (SWF) saw a 20% increase in Crisis grant applications in the 7 month period to 31 October 2017 compared with the same period last year. Recent regulations require councils to make decisions on crisis grant applications no later than the end of the next working day.

## **5 Universal Credit Scottish Flexibilities**

The Scotland Act 2016 gave the Scottish Government powers to vary how Universal Credit is paid in Scotland. The Department for Work and Pensions (DWP) retains responsibility for the delivery of Universal Credit as it remains a reserved benefit. DWP will deliver the Scottish Government's policy.

The new Universal Credit choices were made available from 4 October 2017 to people living in Scotland making a new Universal Credit claim in full service areas.

Eligible claimants of Universal Credit will be offered the choice after they have received their first payment of Universal Credit. This means the offer will be made at the start of the second assessment period, when the expected Universal Credit award is known, and there has been time to assess the claimant's award, including housing costs if applicable.

The choice will be offered in the claimant's online account in two stages:

- one for choosing to be paid monthly or twice monthly; and
- one for choosing to have the relevant housing costs in the Universal Credit award paid to themselves or to their landlord.

The claimant can make either or both choices. If the claimant does not make a choice within 60 days of the offer being presented, then the offer will be removed from their online account, but they will still be able to request the new Universal Credit choice at any time. If the claimant does not make a choice, Universal Credit will continue to be paid as standard in a single monthly amount direct into their bank account.

Existing claimants cannot currently access this choice although it is expected to be available from January 2018.

## **6 Scottish Social Security**

A Scottish Social Security Agency has been established by the Scottish Government to administer the devolved benefits responsibilities.

Council Officers have met with the Scottish Government's Agency Implementation Team to provide them with an understanding of how services are delivered in Midlothian for people seeking assistance on social security and other related matters and to consider how the new social security agency will deliver its local services and explore local delivery options for the different communities in our area in places that people already visit.

Discussions shall continue in the different methods and partnership models of delivery in place for the Scottish Social Security Agency's development of an Overarching Partnership Agreement on specific types of assistance and wider service delivery input.

## 7 Report Implications

### 7.1 Resource

Digital access and assistance to claimants to make a state benefit claim is provided by the Council through our libraries and Personal Budgeting Support is also contracted for Universal Credit claimants, considering assistance in a combination of financial and other challenging factors e.g. homelessness, addiction, learning difficulties etc.

Significant support is also provided to claimants for Universal Credit by the Council's Welfare Rights Team. This includes assisting vulnerable clients with completing online claims, taking client referrals from adult health and social care and children and families staff. As UC rolls out the number of appeals, requests for reconsideration of decisions and representation at tribunals involving UC claims will grow.

In the first six months of this year the team has ensured £ 1,278,039.37 of entitlements have been brought into individuals in the overall benefits system, a return on Council investment of £17.70 per £1.00. An analysis of UC related activities within this figure is being undertaken.

Extensive training throughout Midlothian was delivered by the Council's welfare rights team in conjunction with DWP Job Centre Plus in preparation for Universal Credit full service roll out. Specific training on Universal Credit has now been provided to the Joint Mental Health Team and Social Workers for Marie Curie Care and continues to be offered as required to support internal and external colleagues.

Formalised training for the second half of 2017/2018 is underway to deliver a programme of Universal Credit training and briefings in Children & Families services.

Day Services at Marie Curie Hospice are developing an 8 week programme for carers and people living with cancer. One session every 8 weeks will cover Welfare Rights & Benefit Advice delivered by the Macmillan Welfare Rights Officer. Training on all other benefit areas will continue to be delivered when necessary.

Although Universal Credit is administered directly by the Department for Work & Pensions (DWP), Midlothian Council continues to administer Housing Benefit (HB) on behalf of DWP for the local authority and Housing Associations, and Local Housing Allowance for private sector landlords. Revenues Services continue to administer these residual legacy HB cases and also provides assistance for Universal Credit claimants.

Universal Credit is currently unable to deal with households which have more than 2 children and these will remain on HB or revert back to HB after the birth of a third child. Midlothian Council will also continue to administer HB for pensioners and Council Tax Reduction for all claimants.

While the need for local authorities to administer Housing Benefit for working age people will progressively reduce this uncertainty does not lend itself to effectively support any subsequent workforce planning and any planned reductions in staffing resource arising from anticipated increases in UC claim volumes.

Local authorities need to plan for the future and consider the implication for staff administering Housing Benefit. Forecasted reductions in HB caseloads in terms of timelines in particular are very difficult to achieve at a time when DWP's administration grant to local authorities is already reducing.

As a Local Authority in Universal Credit Full service there are limitations to the information we receive from DWP regarding our tenant's eligibility and entitlement. DWP pay Housing costs and any arrears value monthly on a collective four weekly submission schedule. We are not notified of incoming 4 weekly payments until the payment file is processed.

As a landlord, Midlothian Council have no means or influence in monies collected by DWP as they communicate directly to their claimant via an online Journal entry and the claimant has this responsibility to inform their landlord.

Any claimant may have variances due to part time working, non-dependant deductions, overpayments, payment advances, or sanctions etc. that can all influence DWP payment and ultimately any scheduled landlord payment without any notification the landlord, or being made aware.

Our staff aim to mitigate the effects and sign post to help and offer guidance. due to the complexity the changeover to UC brings, however, tenants have a responsibility to pay and maintain a clear rent account, and where Housing Cost assistance is eligible the tenant must make and maintain the conditions of their claim with DWP.

Where Tenants are vulnerable they are encouraged to engage with the support service we provide for further assistance in making and maintaining their claim with DWP otherwise rent recovery action is progressed for tenants where rent arrears accrue on their account.

## **7.2 Risk**

It was originally reported to Council in May 2013 that Welfare Reform will place pressure on the Council's financial resources and the hardship impact to households and income effects to the council has been referenced.

The financial loss to people in Midlothian, and to the Midlothian economy, as a result of welfare reform changes has been estimated to be £12.5 million each year from 2015. (*Research: People, Councils, the Economy; the Scottish Local Government Forum against Poverty and Rights Advice Scotland, 2013*).

There is a risk in withdrawing or reducing the Welfare Rights service, which is an option under consideration in the current Financial Strategy budget proposals, this will reduce the capacity to intervene earlier to prevent or reduce impacts on rent and Council tax debt.

Rent arrears can be complex but debt increases where there are delays in verification or other problems; the fact of the time lag in UC payments made monthly, the failure of claimants to pay the money received for housing costs onto the landlord and some claimants not identifying that they have housing costs because they may have been on Housing Benefit for some time and do not appreciate they are liable for rent.

Since 2011, the UK Government has sought to reduce the scope of state support to cover rents of those on benefits. While the Under-occupancy Charge (Bedroom Tax) has gained a lot of attention, there have also been a series of cuts to the Local Housing Allowance (LHA), which are the maximum rates of housing benefit payable in the private rented sector. Rates are currently frozen for the next 4 years. The cumulative changes to LHA rates mean that in many areas, LHA rates no longer have any real relationship to actual rents but limit the benefit expenditure.

The UK Government has recently announced that the intention to extend the LHA cap from 2019 to all social sector tenants and supported accommodation claimants on Universal Credit will not now take effect. However, continuing to limiting claimants aged under 35 to the Shared Accommodation Rate (SAR) ignores the restricted availability of this type of accommodation in the social sector.

There are financial risks that may impact Midlothian Council as the benefit system is complex and there are financial capability concerns that vulnerable people have in managing money. Consequently, the estimated financial impact was revised upwards and the risk status increased from a service level risk to a High Corporate Risk in the Risk Register.

## **7.3 Policy**

### **7.3.1 Strategy**

There is no change in the strategic approaches guiding Midlothian Council's response to Welfare Reform, which is to mitigate against the impact of the effects within the capability and resources of the Council and its partners.

- Preventative Approach – While there is an inevitability that some of the responses will be reactive wherever possible opportunities will continue to be sought to take a proactive approach to prevent crisis intervention
- Co-ordinated Service Provision – Opportunities to co-ordinate service provision continue so people can receive information and advice from as wide a range of professionals as possible.
- Build individuals own / community capacity – Consistent with co-production approach work takes a capacity building approach where possible.
- Protecting Financial Position of Midlothian Council – Welfare Reform creates a financial exposure to Midlothian Council. Actions continue to be taken to mitigate this exposure where possible.

The UK Government has announced significant changes to Universal Credit in the Autumn Budget of 22 November, 2017.

These include; legislating for stay in Temporary Accommodation to be paid through Housing Benefit. This change requires secondary legislation to be passed and is expected to be in place by April, 2018.

The initial seven-day waiting period from assessment before a person can apply for Universal Credit is to be abolished and effective from February 2018 after legislative change, which will reduce the total waiting time down from six weeks to five weeks.

A further change from April 2018 will be for a UC claimant who at the point of the claim receives support towards their housing costs, will be provided with a further two weeks of housing benefit to assist their transition to Universal Credit to address rent arrears.

Advance payment arrangements of Universal Credit have been announced by DWP, where an Advanced Payment can be made to claimants in 5 days if someone is in immediate need. This is deducted from subsequent payments. From January, 2018, claimants will be able to access 100% of their estimated UC entitlement in the form of a loan which includes the housing costs, instead of the 50% value at present. The period of repayment has been extended to 12 months which will relieve some of the financial pressure experienced, especially where claimants have third party deductions. In addition from the Spring of 2018, claimants will be able to apply for an advance online, with payment expected within 5 days.

Alternative Payment Arrangements (APA) are available for claimants who can't manage the standard Universal Credit payment. There are three types of APA available:

- direct payment of the housing cost element to landlords (known as managed payments)
- splitting of payment between members of a couple
- more frequent payment of benefit.

DWP should set up a managed payment for claimants if the following conditions are met:

- a claimant is in arrears with their rent for an amount equal to, or more than, two months of their rent.
- a claimant has continually underpaid their rent over a period of time, and they have accrued arrears of an amount equal to or more than one month's rent.

If the DWP does not set up a managed payment, landlords can request one.

The DWP Universal Credit telephone helpline has been chargeable to callers, but was made free of charge from December, to be followed by all other DWP helplines. The UK Government does not make any money from the phone charges, as the money goes to the phone providers.

### **7.3.2 Equalities**

At an individual level welfare reform impacts many people in the main equalities groups, including those affected by poverty which Midlothian Council recognised as a further protected characteristic grouping. Making



additional support available to equalities groups to mitigate the impact of welfare reform is therefore consistent with council policy.

### **7.3.3 Sustainability**

The sustainability of the Housing Revenue Account Capital Plan in the long term is at risk if mitigating actions are not undertaken to offset the effects of Welfare Reform on the level of arrears. The loss of benefits from the effects of the Welfare Reform Act and the changes in housing benefit will have a negative effect on the local economy. There is a risk that unsustainable demands may be placed on the council in respect to addition costs associated with Welfare Reform and reduced income from the current and proposed benefit changes. The actions outlined in this report seek to mitigate these risks.

### **7.3.4 IT Issues**

No IT impacts at present.

## **8 Recommendations**

Council is recommended to:

- Note the work done to date, and continuing, related to Universal Credit;
- Note the risks outlined in this report.
- Agree to re-establish the Welfare Reform Members Group following the local elections and nominate group representatives.

**Date:** 23 November, 2017

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