

Universal Credit in Midlothian**Report by Eibhlin McHugh, Joint Director, Health & Social Care****1 Purpose of Report**

Following the request at Cabinet on 3 March, 2015, this report provides an update to Council on the key issues related to the introduction of Universal Credit in April, 2015 as part of a tranche roll out. Midlothian Council is included in the first Tranche for roll out during February – May, 2015, with an implementation date of 27th April, 2015.

2 Background

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 impacted widely on individual households from April, 2013. There have been three main elements to the Welfare Reform changes being brought in. Transitions involving the replacement of existing benefits by another benefit; a number of reductions in benefit entitlements; and the localisation of some benefits.

3 Universal Credit

Midlothian Council administers Housing Benefit (HB) at present on behalf of the Department for Work & Pensions (DWP) and has been responsible for implementing changes and charges locally. Revenues Services will continue to administer the legacy HB cases for the local authority and Housing Associations, and Local Housing Allowance for private sector landlords and assistance for Universal Credit, although Universal Credit will be administered directly by DWP.

Universal Credit is a new single benefit that will apply to people of working age only. Only New Claimants will be affected who are:

- Single persons with no dependants
- Unemployed and considered fit for work
- Not in temporary accommodation
- Not owner occupiers

It replaces a number of existing benefits including:

- Income Support
- Income-based Job Seekers Allowance
- Income-based Employment Support Allowance
- Housing Benefit
- Child Tax Credit and Working Tax Credit

Claimants are expected to apply online for this benefit and it will normally be paid as a single monthly payment, in arrears. This transition will require Midlothian Council staff to prepare for the associated changes and work with service users in order that the transition to Universal Credit is carried out smoothly.

At a local level work is being undertaken to understand, prepare for and mitigate against these further effects of Welfare Reform, particularly to identify households impacted by the changes, to pro-actively offer advice and assistance.

A DWP Operational group of Council Teams and Partners are to establish a framework of support for all citizens before, during and after the implementation of Universal Credit.

Sub groups of DWP, Council and Partners are developing arrangements for:

- Communications Planning
- Training Plans
- Job Shadowing Activities
- Data Sharing options

The Council, DWP and key partners are continuing to collaborate over “Universal Support Delivered Locally” to

- Provide customers with digital advice and inclusion options
- Budgeting advice
- Support and training
- Employability Initiatives and support for those moving into work and up - skilling

4 Delivery Partnership Agreement

A Delivery Partnership Agreement will be entered into with DWP to ensure that UC claimants can readily obtain the support they need to access UC support services and move close to and into work where possible. Partnership working between agencies involved with providing services to claimants with complex needs is seen as an enabler.

DWP will work in partnership with the Council to deliver local support services that are sensitive to local needs and support national expansion of Universal Credit as an interim until the full Universal Support offer is in place.

Universal Credit will go live for newly unemployed single claimants, with or without housing costs, in Dalkeith and Penicuik Jobcentres from 27 April 2015. The eligibility criteria means that claim volumes are expected to be low.

5. DWP Operational Arrangements

The role of the work coaches in the local Jobcentres is to focus on employability. They do not have access to any information relating to claimants' UC assessments and do not know when managed payments are in place. Administration of UC claims and managed payments are undertaken by DWP staff deployed across 5 centres that make up a virtual Service Centre. This model is under review with a view to enabling IT capability to provide local Jobcentre staff with access to UC claim information. Since January 2015, work coaches in local Jobcentres have the authority to apply for managed payments.

From April 2015, new UC claimants will not receive any monies for the first 7 days of their claim ie. when they receive their first payment after 35 days they will only receive the equivalent of 28 day's money. This will bring UC into line with JSA/ESA 7-day's waiting time that was introduced in October 2014. The Council pay HB from day one for these claimants.

Although we are seeking clarification on this matter, it would appear that housing costs will not be payable for the first 7 days of UC claims. If it is confirmed that there is no payment in respect of any element of UC for the first 7 days of a claim, this will impact Revenues Services abilities to award DHPs and impact claimants' abilities to pay their rent.

6. Local arrangements

Money Advisers are located in Penicuik and Dalkeith through third party agency providers. This enables referrals to be made for those claimants requiring Personal Budgeting Support.

A UC Single Point of Contact (SPOC) has been created within the Council. The role of the SPOC is to receive queries and requests for advice from colleagues and Registered Social Landlords. When the SPOC is unable to resolve these queries/provide advice, they raise the matter with the SPOC within the local Jobcentre using Issue Resolution Templates. Customer specific issues have a response time of 5 working days whereas general issues and continuous improvement proposals should be responded to within 5-10 working days. DWP has recently reviewed this process to ensure that these timescales are satisfied.

7. Data Sharing arrangements

Currently, there is limited data sharing between DWP and Midlothian Council in respect of UC. The new data sharing legislation, scheduled for implementation during February 2015, should improve data sharing between DWP and the Council. The extent of improvement will be not be known until such time as DWP introduces this legislation and puts arrangements in place to enable more effective data sharing.

8. Council Tax Reduction Claiming process

It should be noted that UC claim volumes in Midlothian are expected to be low which makes it difficult to provide a meaningful assessment of the future

impacts that UC are likely to have on assessments of Council Tax Reduction, which Revenues Services will continue to administer.

When a claimant makes a claim for Universal Credit they are asked by their work coach in the local Jobcentre whether they have a Council Tax liability. If the UC claimant advises their work coach that they do not have Council Tax liability, or they do not give their consent to the DWP to share their Universal Credit information with Midlothian Council, then the DWP will **not** notify Midlothian Council of the Universal Credit award.

If the claimant gives their consent and confirms that they have a Council Tax liability, the DWP will notify Midlothian Council of UC entitlement at the end of the UC assessment period and inform the UC claimant at the outset of their UC claim that they must complete a Council-produced CTR claim form. Midlothian Council receives the UC decision letter by post rather than by electronic transfer. This creates an automatic delay in the Council's ability to process the CTR claim.

This delay in notifying Midlothian Council can place pressure on collections but with claim numbers so low, materiality is not yet an issue.

DWP has intimated that plans are in place to provide automatic notifications of UC to local authorities from October 2015. There is no automatic notification from DWP to the Council of an end of entitlement to UC where a customer has noted on their UC claim that they will claim CTR. This means that the Council doesn't know that a claimant is no longer eligible for CTR which can have an adverse impact on Council Tax collection.

DWP provide limited information to advise that UC with a Housing Element is in payment. However in most cases, no amounts will be given and no start/end date. This means that we have to contact the claimant which causes delay. There is a delay to contend with when requesting HB/CTR information from DWP via e-mail. This would not have occurred before when automatic notification was received. All correspondence with DWP is by e-mail. A dedicated telephone number and Single Point of Contact (SPOC) would also be beneficial.

9. DWP's Customer Information System (CIS)

The DWP has confirmed that access to CIS remains in place for Council Tax Reduction as it did for Council Tax Benefit but noted that Universal Credit only updates CIS after 30 days – ie. at the end of the claimant's assessment period. Therefore upon receipt of a CTR claim, when checking CIS, Midlothian Council's decision makers must be aware that UC could have been claimed but has not yet been input on to DWP's CIS. Reported changes of circumstances to Universal Credit operate in the same way. This creates delays with the assessment of CTR.

DWP has no arrangements in place at present for the Council to use CIS following receipt of a Discretionary Housing Payment (DHP) claim from a recipient of UC. Instead, Revenues Services has to complete a template to request this information, by secure email, from the UC Service Centre. This is a cumbersome process and can build delay into the DHP decision

making process. While low UC take-up means that this manual process can be accommodated at the moment, as UC volumes increase, an automated process will be necessary.

10 Up-rating

At the time of the 2015/16 up-rating processes for HB and CTR, DWP had not decided up-rating arrangements for Universal Credit as each element within UC may be up-rated by different amounts.

Because the volumes of HB/CTR claims that involve UC are very low, an automatic up-rating process, followed by manual checks, is manageable albeit it does have an impact on our resources. As UC volumes increase, an up-rating solution that doesn't involve manual intervention will be essential.

11 UC impacts on Housing Benefit

DWP has been explicit from the outset that once in UC, the claimant remains in the UC system. However, there would remain two benefit systems from which claimants can claim housing costs, which can create confusion for claimants and advisers.

Overall, there are many varying views as to when UC will be finally rolled out across the UK and all claim types, and the reductions and the removal of legacy benefits such as JSA. There is also the position for pensioner cases too as all plans for UC roll-out are very much focused on "non pensioners". This uncertainty does not lend itself to effectively support any subsequent workforce planning and planned reductions in staffing resource arising from anticipated increases in UC claim volumes. Forecasted reductions in HB caseloads in terms of timelines in particular are very difficult to achieve and at a time when DWP's administration grant to LAs is already reducing.

Social and private landlords will also be impacted as they will not know whether they are to receive HB or UC and whether the payment will be made direct to the tenant or switched to the landlord. There are also differences in payment frequencies between HB and UC.

12 Mitigation Activities

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.

13 Report Implications

13.1 Resource

It was reported to Council in May 2013 that Welfare Reform will place pressure on the Council's financial resources.

13.2 Rent Arrears

In projecting rental income effects from Universal Credit, the evidence from the universal credit pilot areas is that the move to one monthly payment direct to claimants will see 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.

13.3 Risk

There is no change in the 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 of the Under Occupancy Charge and potential Universal Credit introduction has been revised upwards.

13.4 Policy

13.4.1 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.

13.4.2 Consultation

Consultation continues to be carried out with stakeholders drawn from the Community Planning Partnership, managers within the council, with COSLA, with local and national third sector agencies. Universal Credit awareness events have been held to allow professionals who are providing services to individuals in Midlothian the opportunity to share information and influence the preparation and mitigation actions.

13.4.3 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.

13.4.4 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.

13.4.5 IT Issues

It is anticipated the online delivery mechanism for Universal Credit will require an increase in publicly accessible ICT to support residents to make claims. As many of the issues related to the implementation of Universal Credit have still to be finalised it is too early to conduct detailed planning for this element.

14 Recommendations

Council is recommended to:

- Note the update on the preparation work done to date related to Universal Credit;
- Note that a Delivery Partnership Agreement is in place with DWP to deliver advice assistance and personal budgeting support to claimants in Midlothian
- Note the resource implications and risks outlined in this report,
- Note that the Welfare Reform Working Group will continue to monitor and report to Council accordingly as more information becomes available regarding Universal Credit implementation and its outcomes.

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