

Impact of Universal Credit to Midlothian Council – 2018 Update**Report by Jane Milne, Head of Customer & Housing Services (Acting)****1. Purpose of the Report**

- 1.1** The purpose of this report is to provide an update to Council on the key issues relating to the impact of Universal Credit (UC) to Midlothian Council during 2018.

2. Background

- 2.1** 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; the replacement of existing benefits by another benefit; a number of reductions in benefit entitlements; and the localisation of some benefits.

- 2.2** 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.

- 2.3** Universal Credit has been introduced through DWP, across the UK, in stages to different groups of claimants over the past five years, with 1.3 million people now receiving it as at 11 October 2018.
- 2.4** 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.
- 2.5** In Midlothian UCFS is being rolled out by Dalkeith and Penicuik Job Centre 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.

- 2.6** In Midlothian there are now 2963 people receiving UC from Dalkeith Job Centre and 1146 people from Penicuik Job Centre as at 11 October 2018.
- 2.7** All Scottish local authorities will now be experiencing the UC full service. Once Glasgow's three remaining job centres start operating UC full service in December, all job centres in Scotland will be included, with the 'transition' phase of UC completed by end of 2018.
- 2.8** It is noted that 'Managed Migration' of those on legacy benefits will now progress at a slower pace than was first agreed. Recent information from DWP in early November 2018 states that 2019 will be a year of consolidation for UC with the expectation of around 10,000 claimants currently on legacy benefits being 'managed migrated' to UC during 2019 as part of a pilot approach. In response to feedback on 'Managed Migration', HM Treasury announced as part of the Budget 2018, the implementation schedule for 'Managed Migration' has now been updated and will conclude in December 2023.
- 2.9** Changes to UC, announced at the time of the Budget 2017 have now been introduced. These include:
- Housing Benefit two-week transition payment introduced from April 2018.
 - Changes to advance payments. Repayment over 12 months rather than 6 months and advances up to 100% of estimated entitlement from February 2018.
 - Temporary Accommodation housing costs are now paid from Housing Benefit for new claims from April 2018.

3. Impact of Universal Credit to Midlothian Council

In order to support the delivery of UC in Midlothian, 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

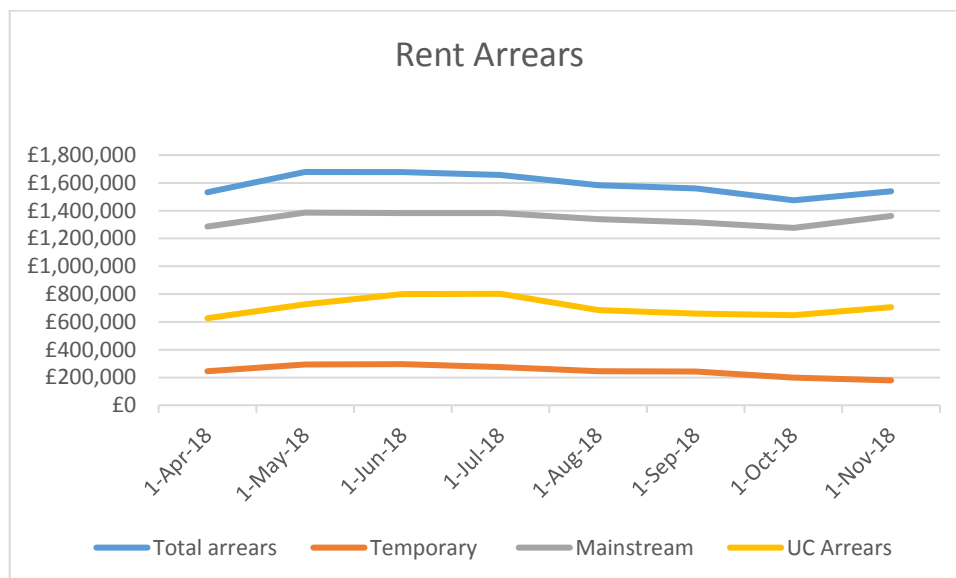
The impact of UCFS on Council house rent collection has been severe and there has been a significant increase in rent arrears since the introduction of UCFS in March 2017.

As reported to Council in May 2013, the Housing Revenue Account Financial Model has been updated to reflect this anticipated increase in rent arrears.

Evidence from 2018/19 has demonstrated that although there continues to be an impact on rent arrears, the impact has been reduced which is likely to have been as a result of temporary accommodation reverting back to Housing Benefit and a reduction in the pace of new claimants applying to UC.

The details are as follows:

- In 2017/18, one year after the introduction of UCFS, current tenant rent arrears increased from £1,167,625 to £1,531,575. An in-year increase of 31.17%.
- In 2018/19, up to 5 November 2018, current tenant rent arrears increased from £1,531,575 to £1,540,146. An in-year increase of 0.56%.
- In 2017/18, the number of Midlothian Council tenants claiming UC increased from 132 to 929 with total arrears of £626,541
- As at 5 November 2018, this had increased to 1151 tenants with total arrears of £706,395.
- Temporary accommodation housing costs are now paid from Housing Benefit for new claims from 10 April 2018, resulting in current tenants arrears for temporary accommodation reducing from £245,889 at 2 April 2018 to £178,967 as at 5 November 2018



There has been an increased demand for Discretionary Housing Payments (DHP) since UCFS launch with £1,122,194 being paid in 2017/18 and £1,077,598 paid and committed in 2018/19 (as per October 2018 data). It is noted that the level of demand has decreased from 2017/18 to 2018/19 as paid and committed above.

There has also been a significant increase in the numbers of Crisis Grant applications to the Scottish Welfare Fund. This increase has been measured across a six-month period from April to September each year as follows:

Year	Applications Received	Applications Granted	Total awards
2016/17	1478	893	£56,833
2017/18	1770	1115	£84,454
2018/19	1907	1159	£92,009

The Scottish Welfare Fund received an increase in funding allocation over the past three years and is currently within budget for the year to date.

4. Universal Credit Scottish Flexibilities

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 are 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 UC 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.

This choice was made available from January 2018 and the Scottish Government has reported in June 2018 that 2,500 UC claimants had opted to request some element of payment flexibility. DWP have advised the Council that take up data is not available at a local level.

5. DWP Landlord Portal and Trusted Partner Status

The DWP has developed an online Landlord Portal. Local Authorities who are now migrating to UCFS are automatically granted Trusted Partner status and are given access to the Portal. This means that from the outset of a UCFS claim, these Authorities can verify tenants' housing costs online so that DWP can pay them their UC entitlement as quickly as possible.

Local Authorities with Trusted Partner Status can also request an Alternative Payment Arrangement (an APA is a direct payment of rent to landlord)) via the Portal and this will automatically be approved by DWP, greatly speeding up the process by removing the need for a DWP decision maker to assess the application.

Midlothian Council has implemented this new way of working from June 2018. Other landlords who have experienced early adoption of the Portal have reported a far quicker turnaround in rent cost verification. It has also been reported that the ability to apply for rent to be paid direct earlier in the application process without further verification, has the potential to help with rent collection.

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 been meeting regularly 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.

Regarding the newly devolved benefits, Carers Supplement to those receiving Carer Allowance is being delivered through payments twice yearly and the baby and pregnancy elements of the Best Start Grant will be delivered from 10 December 2018. In future, payments for Funeral expenses grant will be launched in summer 2019.

7. Report Implications

7.1 Resource

Access to digital resources and support with digital access, is provided to claimants, by the Council through our libraries.

Personal Budgeting Support is currently contracted by Midlothian Council for Universal Credit claimants, considering assistance in a combination of financial and other challenging factors e.g. homelessness, addiction, learning difficulties etc. Local authorities have now been advised that, from 1 April 2019 they will no longer be funded by DWP to provide this support and instead DWP will provide this service through grant funding to Citizens Advice and Citizens Advice Scotland.

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.

Extensive training throughout Midlothian has been delivered by the Council's Welfare Rights Team in conjunction with DWP Job Centre Plus for Universal Credit full service roll out. Specific training on Universal Credit has also 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.

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 and consider the implication for staff administering Housing Benefit. Forecasted reductions in 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 support services 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

Universal Credit Full Service will continue to place pressure on the Council's financial resources and present a hardship impact to households and income effects to the council, specifically in relation to rent arrears as detailed earlier in this report.

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.

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. These risks are recognised in the Corporate Risk Register.

7.3 Key Priorities within the Single Midlothian Plan

The themes addressed in this report impact on the delivery of the Single Midlothian Plan outcomes particularly in terms of priorities in relation to:

- ☐ Community safety
- ☒ Adult health, care and housing
- ☒ Getting it right for every Midlothian child
- ☒ Improving opportunities in Midlothian
- ☒ Sustainable growth
- ☐ Business transformation and Best Value
- ☐ None of the above

7.4 Impact on Performance and Outcomes

The actions detailed in this report continue to act to mitigate the financial exposure for Midlothian Council where possible and also with regard to addressing financial hardship which could be experienced by households.

Further measures to support Universal Credit, were announced in the Budget on 29 October 2018. These include:

- From April 2019, work allowances in UC will increase by £1,000, which means that working parents and people with disabilities on UC will be £630 better off every year and allows households to keep more of what they earn by reducing the amount of their earnings that is subject to the UC taper rate.
- From July 2020, claimants will continue to receive the income-related elements of Jobseeker's Allowance and Employment and Support Allowance, and Income Support for the first fortnight of a UC claim.
- From October 2019 the rate that UC claimants repay overpayments and debt will reduce from 40% to 30% of the standard allowance.
- The Budget also confirmed enhanced transitional protection for people moving onto UC, including additional protection for people who receive the Severe Disability Premium.

7.5 Adopting a Preventative Approach

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.

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. Opportunities to co-ordinate service provision continue so people can receive information and advice from as wide a range of professionals as possible.

7.6 Involving Communities and Other Stakeholders

A partnership approach has been adopted between the Council and the Midlothian Financial Inclusion Network, involving a range of stakeholders and external partners, to inform and support communities and to establish a framework of support for all Midlothian citizens.

7.7 Ensuring 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.

7.8 Supporting Sustainable Development

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 and as evidenced in the reduced impact on rent arrears in the 2nd year of roll-out of UCFS from April 2018.

7.9 IT Issues

No IT impacts at present.

8. Recommendation

It is recommended that Council:

- a) Note the work done to date, and continuing, related to Universal Credit.
- b) Note the risks outlined in this report.

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