

Report

Report to:	Housing and Technical Resources Committee
Date of Meeting:	20 March 2019
Report by:	Executive Director (Housing and Technical Resources)

Subject:	Update on Welfare Reform Legislative Changes
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide an update to Committee on the impact of key aspects of the Welfare Reform programme on landlord and homelessness services.

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the content of the report, be noted; and
- (2) that the ongoing management and services arrangements, be noted.

3. Background

3.1. This report forms part of routine reporting on the impact of the Welfare Reform programme on landlord and homelessness services.

3.2. Housing Services support Council tenants and other service users affected by the Welfare Reform programme providing support, assistance and advice to those affected by the Under Occupancy (UO) provisions, the Benefit Cap and those in receipt of Universal Credit (UC). The work to date has made a significant contribution in terms of supporting those affected to deal with the impact of the changes and minimise the impact upon customers, the Council budget and services.

3.3. Universal Credit is the most significant of the welfare changes, and its introduction in South Lanarkshire commenced in October 2015. However, a significant expansion of Universal Credit within the area commenced two years later on 4 October 2017, when UC moved to the "Full Service" (FS) model. Since this date, new claimants within South Lanarkshire who would previously have been eligible for Housing Benefit (HB), Working Tax Credit, Child Tax Credit, Income Support, Employment Support Allowance and Job Seekers Allowance have moved on to UC.

4. Impact of Welfare Reform on Landlord and Homelessness Services Universal Credit (UC)

4.1. Despite extensive resources being deployed in supporting tenants to minimise UC payment errors and delays, the impact on rent arrears under UC continues to be significant.

- 4.2. As at January 2019, a total of 4065 Council tenants were in receipt of Universal Credit of which 3233 (79%) were in arrears. This is in comparison to 32% of all tenants who are in rent arrears. Rent arrears accumulated by tenants on UC since their claim commenced totalled £845,384 as at January 2019.
- 4.3. As at the end of January 2019, an average of 199 additional tenants per month were receiving housing cost support through UC.
- 4.4. To gain a better understanding of the broader impact of Universal Credit on tenants during the first year of "Full Service", analysis has been carried out within the Resource (using internal and DWP on-line data) for the period between October 2017 and September 2018. The analysis highlights:-
- ◆ From the point UC full service was introduced in October 2017 to the end of September 2018, the number of UC claims in South Lanarkshire had increased from 2,894 to 11,662 (403%).
 - ◆ For the same period, from October 2017 to the end of September 2018, the number of Council tenants claiming UC increased from 958 to 3,455 (361%). This equates to 18% of all working age Council tenants.
 - ◆ 59% of all claimants on Universal Credit were in receipt of housing entitlement (this includes Council, RSL and privately rented sector tenants).
 - ◆ 67% of all claimants were single with no child dependents and 21% were single person households with child dependents.
 - ◆ By the end of September 2018, Council tenants in receipt of UC had accrued rent arrears of £629,401 since the start of their claim, with 84% of tenants in receipt of UC in arrears.
 - ◆ Arrears relating to UC accounted for 51% of all Council tenant arrears, despite claimants only representing 14% of all Council tenants.
 - ◆ The average rent arrears for Council tenants in receipt of UC was £469, compared with an average of £128 for all Council tenants.
- 4.5. A report has been prepared which provides a wider range of information, including the services being provided to tenants, and case studies showing the difference which these services are making. Copies of this have been placed in the Members Services library.

Under Occupancy (UO)

- 4.6. As at the end of January 2019, there were 2585 Council tenants affected by the UO deduction.
- 4.7. Tenants affected by this provision qualify for a Discretionary Housing Payment (DHP) to mitigate the shortfall. Where a newly affected tenant is identified, they are required to apply for DHP to make up the shortfall. When known, each tenant who becomes affected by the provisions is contacted by the Resource to provide support and help progress the payment of DHP.

Benefit Cap

- 4.8. The Benefit Cap was initially introduced in July 2013 and places a maximum amount of benefit entitlement that a working age household (defined as an individual, their partner and any children they are responsible for and who live with them) are entitled to. The cap has now been reduced from £26,000 to £20,000 for a couple and from £18,200 to £13,400 for single people.
- 4.9. As at the end of January 2019, 112 households across South Lanarkshire were affected by the Benefit Cap with a total weekly housing benefit reduction of approximately £6,113.
- 4.10. The Resource continues to work with households affected to provide advice and support and signpost to partner agencies for services such as money and benefit advice.

5. National and Local Developments

- 5.1. The wider roll out of the UC full service model was completed across the UK in December 2018.
- 5.2. The process of moving remaining legacy benefit and tax credit claimants on to Universal Credit is termed “Managed Migration”. The UK Government recently announced that this will initially be progressed on the basis of a small scale pilot scheme involving 10,000 people in July 2019. It is expected that following evaluation of the pilot, further evaluation will be undertaken prior to a revised programme of dates for completing managed migration across the UK being presented to parliament. The UK government has confirmed that they still anticipate full roll-out of UC by 2023.
- 5.3. The Resource continues to work with customers to further develop understanding of the nature and issues around UC housing costs and to ensure tenants are effectively supported.

6. Employee Implications

- 6.1. There are no employee implications associated with this report.

7. Financial Implications

- 7.1. The Housing Revenue and Capital Account Budget 2019/2020 report presented to Committee on 6 February 2019 provides for the potential impact on rent collection and arrears as a result of welfare reform, by including a provision of £7.327 million in relation to bad debts. This represents an additional £1.669 million when compared to the existing 2018/2019 budget. The budgeted provision within the HRA Business Plan is based on the current rate of Council tenants moving on to Universal Credit and the level of rent which is being recovered.
- 7.2. The impact of the welfare reform provision will continue to be monitored and reported to Committee on an ongoing basis, including managed migration.

8. Other Implications

- 8.1. The potential financial impact and risks of the above changes have been built into the Resource’s risk register and actions are being taken to mitigate these risks where possible.
- 8.2. There are no issues in terms of sustainability contained within this report.

9. Equality Impact Assessment and Consultation Arrangements

- 9.1. No equalities impact assessment was undertaken in relation to the content of this report as the proposals are outwith the control of the Council.

Daniel Lowe

Executive Director (Housing and Technical Resources)

20 February 2019

Link(s) to Council Values/Ambitions/Objectives

- ◆ Support our communities by tackling disadvantages and deprivation and supporting aspiration
- ◆ Improve the availability, quality and access of housing

Previous References

- ◆ Housing and Technical Resource Committee, 31 October 2018
- ◆ Housing and Technical Resources Committee, 23 May 2018
- ◆ Housing and Technical Resources Committee, 7 March 2018
- ◆ Housing and Technical Resources Committee, 18 January 2018
- ◆ Housing and Technical Resources Committee, 9 August 2017
- ◆ Housing and Technical Resources Committee, 4 October 2017

List of Background Papers

- ◆ Universal Credit (Managed Migration Pilot and Miscellaneous Amendments) Regulations 2019
- ◆ House of Commons Briefing Paper Number 6547- Housing Costs in Universal Credits
- ◆ Scottish Government - Response to the Consultation on Universal Credit (Claims and Payments) (Scotland) Regulations 2017

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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