

Report

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Report to:	Housing and Technical Resources Committee
Date of Meeting:	23 May 2018
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
- ◆ provide an update on the roll out of Universal Credit “Full Service” within South Lanarkshire

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 for Universal Credit Full Service, be noted.

3. Background

3.1. Over the past 4 years Housing and Technical Resources have provided regular reports to Committee on the background to the changes brought about by the Welfare Reform Act 2012 and the challenges presented to the Council.

3.2. Housing Services support Council tenants 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 the Council budget and services.

3.3. As previously reported, Universal Credit Live Service began on a phased basis in South Lanarkshire Council in October 2015. However, the significant expansion of Universal Credit in the area commenced 2 years later on the 4 October 2017, when it moved to the “Full Service” (FS) model. Since this date, claimants within South Lanarkshire who would previously have claimed Housing Benefit (HB), Working Tax Credit, Child Tax Credit, Income Support, Employment Support Allowance and Job Seekers Allowance have moved on to UC.

3.4. Sections 4, 5 and 6 of this report provide an update in relation to the key changes brought about by the ongoing Welfare Reform programme and the steps taken to mitigate the impact for tenants and support effective rent collection.

- 3.5. As noted in previous reports to this Committee, the environment in relation to UC remains extremely dynamic. Housing Services continues to take a flexible approach to meet the requirements of UC. Landlord and homelessness service arrangements continue to evolve to meet the requirements of UC FS specifically.

4. Under-Occupancy in Social Housing

- 4.1. At the end of March 2018, there were 3094 Council tenants affected by the UO deduction.
- 4.2. Tenants affected by this provision qualify for a Discretionary Housing Payment (DHP) to mitigate the shortfall. When known by the Service, each tenant who becomes affected by the provisions is contacted and provided with support to progress the payment of DHP.
- 4.3. The availability of DHP within Scotland has in effect meant funding has been available to fully mitigate the impact of the provisions. The Council received an initial DHP allocation for 2017/2018 totalling £2.821 million from the Scottish Government. To date £2.290 million has been received with the balance of the actual spend for 2017/2018 claimed at the end of the financial year.
- 4.4. The Scottish Government has confirmed that during 2018/2019 under occupancy will continue to be fully mitigated by DHP.

5. Benefit Cap

- 5.1. 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.
- 5.2. At the end of March 2018, 167 households across South Lanarkshire were affected by the Benefit Cap with a weekly housing benefit reduction of approximately £9,211.20.
- 5.3. 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.

6. Universal Credit

- 6.1. The move to UC FS from 4 October 2017 was the most significant change brought about by the Welfare Reform Act in the South Lanarkshire Council area. It operates as a single payment to working age claimants and is paid monthly, in arrears. Currently, claimants can expect to wait around 5 weeks before they receive a first payment. In most circumstances claimants are responsible for paying their rent direct to their landlord.
- 6.2. Over the past 6 months a number of significant developments and changes have taken place at both a Scottish and UK level in relation to UC.
- 6.3. As previously reported to Committee on 7 March 2018, as part of the UK Budget statement in November 2017, the Chancellor set out a number of key changes to Universal Credit. The latest of these changes took place on 11 April 2018, from which point people moving into temporary accommodation are, once again, eligible to access support to meet their rent through the Housing Benefit system.

- 6.4. In April 2017, the UK Government introduced regulations which restricted people aged 18 to 21 from access to support through the benefit system to meet housing costs. On 29 March 2018, the Work and Pensions Secretary announced the intention to remove these restrictions and allow people within this age group to once again access support through the benefit system, subject to agreeing a “youth obligation” with their work coach. While this announcement is welcome, the impact of the provision locally had been limited due to support and assistance provided to individuals affected.
- 6.5. As part of the process for establishing the Scottish Social Security system, the Scottish Government introduced 2 flexibilities from 4 October 2017, namely:-
- ◆ the option of UC being paid twice a month rather than monthly
 - ◆ the option of any UC housing cost element being paid direct to landlords
- 6.6. The Scottish flexibilities “Universal Credit Choices” are only offered to claimants once the first payment has been made during the second assessment period. As at 31 March 2018, a total of 54 tenants have opted to have their UC paid twice monthly and 239 tenants have opted to have their UC housing costs paid direct to the Council.
- 6.7. Officers continue to promote both choices to eligible claimants following their first payment of UC.
- 6.8. A key focus of work during March and April 2018 was to support customers to access the increased UC housing cost element to which they are entitled due to the annual rent increase. Requirements vary significantly for tenants on UC FS, who were required to update their claim on an individual basis, compared to the simpler arrangements for tenants on UC “live service” where social landlords could directly advise the DWP of the relevant rent increase. The arrangements for FS cases involved significant additional work for the service, as the additional rent charge had to be verified electronically through the “landlord portal”. The service undertook a programme of direct contact with tenants on UC FS to remind them of the requirements and highlight the support available.
- 6.9. As anticipated, over the first 6 months, the average number of tenants claiming UC each month has been 274. At the end of March 2018, a total of 2131 Council tenants were in receipt of Universal Credit.
- 6.10. The impact on rent arrears under UC is already significant, despite extensive resources being deployed in supporting tenants and minimising the impact of UC payment errors and delays. As at 31 March 2018, 1678 (79%) tenants who were in receipt of UC were in arrears (374 on live service and 1304 on full service). This is in comparison to 28% of all tenants who are in rent arrears. Rent arrears accumulated by tenants on UC since their claim commenced totalled £312,148 at the end of March 2018, impacting upon the overall position in relation to rent collected during 2018/2019.
- 6.11. Given that South Lanarkshire is one of a limited number of Scottish authorities to move to UC “full service” it means that any comparison of year end performance on rent collection and arrears has to be qualified. The negative impact of UC full service

on rent arrears, widely noted by other authorities, has been borne out by experience over the first 6 months in South Lanarkshire. The service is currently working with national representative and benchmarking bodies to develop a suite of key UC indicators.

- 6.12. Further changes are expected, with the DWP advising that claimants, living in South Lanarkshire, who are currently “live service” will transition to “full service” from May 2018. It is anticipated that this process will be completed across all 5 Job Centre Plus (JCP) offices by the end of June 2018. The Service will continue to work closely with the DWP to ensure claimants are aware of their responsibilities in relation to their on line claim including housing costs.
- 6.13. The Resource continues to work closely with the DWP maximising opportunities to support tenants and other claimants and highlight service development areas.
- 6.14. The Resource will continue to work with partners locally and nationally, including other local authorities, Registered Social Landlords, the DWP, CoSLA and the Association of Local Authority Chief Housing Officers (ALACHO), to share experiences and consider opportunities for collaborative working. A focus continues to be placed on working with tenant and other customer groups to support effective customer engagement and communication.

7. Employee Implications

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

8. Financial Implications

- 8.1. A specific bad debt provision for the impact of welfare reform and the roll out of Universal Credit has been included within the HRA Business Plan. The Plan currently assumes an increasing caseload of 300 per month up to the total volume of tenancies estimated to be 9,600 by financial year 2020/2021 and a recovery rate of 75% of the annual rent for each tenant affected. For financial year 2018/2019, this provision is estimated to be £4.076 million and rises to £9.080m by 2020/2021.
- 8.2. A small additional provision of £0.267 million has also been made for the impact of welfare reform on rent collection and the associated impact on the staffing resources required to manage the increased caseload.
- 8.3. The level of provision will continue to rise as roll-out continues. The impact of the welfare reform provision will continue to be monitored and reported to Committee on an ongoing basis.

9. Other Implications

- 9.1. 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.
- 9.2. There are no implications in terms of sustainability noted within this report.

10. Equality Impact Assessment and Consultation Arrangements

10.1. 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)

26 April 2018

Link(s) to Council Values/Ambitions/Objectives

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

Previous References

- ◆ Housing and Technical Resources Committee, 7 March 2018
- ◆ Housing and Technical Resources Committee, 13 December 2017
- ◆ Housing and Technical Resources Committee, 4 October 2017
- ◆ Housing and Technical Resources Committee, 9 August 2017

List of Background Papers

- ◆ House of Commons Briefing Paper Number 6547 - Housing Costs in Universal Credit
- ◆ 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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