

COMMUNITY AND ENTERPRISE OVERVIEW & SCRUTINY COMMITTEE

Date of Meeting	Wednesday, 8 June 2016
Report Subject	Welfare Reform - Including Universal Credit
Cabinet Member	Cabinet Member for Housing
Report Author	Chief Officer – Community & Enterprise Portfolio
Type of Report	Operational

EXECUTIVE SUMMARY

The welfare reforms will, by 2020, have reduced expenditure on social security benefits available to low income working-age households by around £31¹ billion per annum.

Since 2012, Flintshire County Council together with its partners have attempted to mitigate the full impacts of the reforms from falling upon vulnerable Flintshire residents and the report considers how to manage the impacts of the reforms being introduced under the provisions of the Welfare Reform and Work Act 2016.

An update on the progress being made to implement Universal Credit is also provided, alongside a consideration of issues that are emerging with aspects of the administration of the Universal Credit scheme, which, if unresolved, may have negative impacts for an increasing number of Flintshire households as Universal Credit is rolled out across the County during the next few years.

RECOMMENDATIONS

1	That the Overview and Scrutiny Committee note the report and continue to offer their support to the ongoing work that is being undertaken by the Council, together with its partners, to manage the full impact of the present and future welfare reforms from falling upon Flintshire's most vulnerable households.
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¹ The Welfare Reform Act 2012 introduced reforms that reduced expenditure on social security benefits by £19 billion pa and the Welfare Reform and Work Act 2016 is introducing reforms which will reduce expenditure by a further £12 billion pa.

REPORT DETAILS

1.00	EXPLAINING THE WELFARE REFORMS & UNIVERSAL CREDIT
1.01	Welfare Reforms The details of the latest phase of welfare reforms were announced in the Government's 2015 Summer Budget and in their Spending Review and Autumn Statement, delivered in November 2015. The legislation needed to implement the majority of the reforms is contained within the Welfare Reform and Work Act 2016.
1.01.1	The welfare reforms being introduced during the next two years are listed below. Comprehensive information on the reforms is set out in the attached briefing paper. Please see appendix 1.
1.01.2	A Workshop for Members on the welfare reforms and their impacts, etc, will be held on the 8 July 2016. Further details on the Workshop will be provided to all Members.
1.01.3	<ul style="list-style-type: none">▪ Capping Housing Benefit payments for social housing tenants to Local Housing Allowance levels▪ Freezing most working-age social security benefits and tax credit at their 2015 payment rates for the next four tax years.▪ Reducing the benefit cap ceiling to £20,000 for lone parents/couples or £13,400 single claimants (£23,000 or £15,410 in Greater London)▪ Reducing the amount of earnings a claimant may earn before their Universal Credit award is reduced.▪ Limiting the amount of money provided by Universal Credit (and, until its abolition, Child Tax Credit) to meet the needs of children.▪ Increasing work related conditionality requirements for lone parents and responsible carers claiming Universal Credit.▪ Abolishing the additional payments included in Universal Credit and Employment and Support Allowance awards for some claimants who are assessed as being unfit for work.▪ Abolishing the automatic right for unemployed single people to receive money in their Universal Credit award to help them pay their rent.▪ Replacing current support for mortgage interest payments for benefit claimants with a recoverable interest-bearing loan.
1.02	Managing the Welfare Reforms – Flintshire's Response
1.02.1	Flintshire County Council and its partners are committed to preventing poverty and maximising opportunity within the County. In 2012, the Council recognised that some of the welfare reforms, would, if not effectively and

	proactively managed, have significant negative impacts upon households who are in, or at risk of poverty.
1.02.2	In response to these concerns, the Council, together with its partners, developed a range of proactive initiatives that aimed to protect vulnerable households from the full force of these impacts.
1.02.3	Flintshire's response to the welfare reforms has been seen as a model of good practice by other Welsh Local Authorities and the Welsh Government. For example, Flintshire was the first authority in Wales to implement a Programme Board to coordinate its welfare reform mitigation responses, an approach which was later adopted by the majority of Welsh Local Authorities. Also, in June 2015, the Welsh Government awarded a tender to Flintshire County Council to deliver one of its mitigation activities (raising awareness of the welfare reforms amongst front line staff) throughout Wales.
1.02.4	The Housing Benefit service have carried mitigation work including a coordinated approach with Registered Social Landlords in order to offer assistance in individual cases where there is either a high level of rent arrears or where the pattern of rent payments is causing concern. This work has included options for awarding discretionary housing payments to help reduce rent arrears or ongoing assistance towards rent payments and helps to recognise additional support or advice requirements and enable customers to access to this via the advice and support gateways.
1.03	Universal Credit – Update
1.03.1	Universal Credit (UC) is the Government's 'flagship' welfare reform. It is being introduced to address a number of problems inherent within the current social security system, which result in many workless households developing a culture of benefit dependency.
1.03.2	The major programme to introduce UC commenced in April 2013 within four pathfinder areas in the North West of England. UC is being implemented across the United Kingdom much slower than was originally projected in May 2016, UC is being claimed by just under a quarter of a million households (247,801).
1.03.3	A milestone in the implementation programme has recently been attained as the UC 'Live Service' is now being delivered from every single Jobcentre in England, Wales and Scotland. Within the Live Service though, access to UC is controlled by an eligibility gateway and the vast majority of UC claimants throughout the United Kingdom are single people with relatively 'uncomplicated lifestyles'. Therefore, perhaps a more significant development in the UC implementation programme is the commencement, in May 2016, of the phased roll out of the UC 'Full Service' across the United Kingdom. In a Full Service area, 'all' working-age claimants will be able to make a claim for UC and claimants, receiving one of the current range of means-tested benefits such as Housing Benefit or Working Tax Credit, whose circumstances change, may 'naturally migrate' across to UC.

1.03.4	Opening access to UC for all working-age claimants is a substantial step forward in the UC implementation programme as there will be a large increase in the number of claimants, with more complex life circumstances, claiming UC. Managing the challenges that will be generated by these claimants will robustly test the effectiveness of the UC administration and safeguard processes. However, in advance of the roll-out of UC to claimants with more complicated lifestyles, there are concerns that elements of the UC administration processes is already creating problems for claimants. The concerns include:
1.03.5	Housing Costs – as an integrated means-tested benefit, tenants will receive the financial help towards the rent liabilities within their UC award. There are reports of delays with the money for a claimant’s housing costs being included within their UC award. The problem seems to be linked to difficulties that UC Service Centres are experiencing with establishing that a claimant is ‘legally liable’ to pay rent and/or ‘verifying’ the amount of rent that they are required to pay. In some cases, claimants have not received any money in their UC award to help them pay their rent until two to three months after they first claimed UC. Whilst the housing cost payments may be backdated to the claim start date, the delay will be creating problems for some tenants with their landlords.
1.03.6	A growing number of Social Landlords have also been expressing their concerns that they are not being advised, in a timely manner, that one of their tenants has started to claim UC. This prevents the Social Landlord from being proactive and providing their tenants with appropriate advice and support to prevent any problems with their rent payments arising. The Department for Work and Pensions has recognised that the data sharing procedure is not operating as effectively as they had hoped and announced that, to rectify the problem, they will implement a redesigned system.
1.03.7	Alternative Payment Arrangements – the Department for Work and Pensions recognise UC will bring many challenges for claimants. To protect vulnerable UC claimants a framework of safeguards is available, these include, paying a claimant’s housing costs paid directly to their landlord. However, there are concerns over length of time being taken by the UC Service Centre to determine if an alternative arrangement payment will be permitted (the majority of such decisions are ‘discretionary’). A report from the Resident Landlord Association ² indicates that some Private Landlords, if the situation with requests for a claimant’s housing cost to be paid directly to their landlord is not significantly improved, will no longer be willing to rent their property to UC claimants.
1.03.8	As UC is becoming accessible to a wider group of claimants, many of whom will be vulnerable, it is important that the safeguard procedures are implemented effectively and efficiently, especially, housing cost payments directly to Private Landlords. It is equally important that the ‘Trusted Partner Status’, which is currently being piloted in areas of the United Kingdom, is rolled out to all Social Landlords, as soon as is practical. (As a Trusted Partner, a Social Landlord does not have to request that the UC Service Centre uses its ‘discretion’ to pay a vulnerable tenant’s housing

² Resident Landlords Association News Hub – 18 April 2016

	costs directly to the landlord, they are able to 'instruct' the UC Service Centre to make the payment.)
1.03.9	In-work conditionality - under the Working Tax Credit scheme, low paid workers, receiving money from the social security system to 'top-up' their earnings, do not have any requirement to try to increase their hours of work or find additional employment, etc. However, under the UC scheme, low paid workers, typically earning less than around £1,092pcm, will be subject to some level of 'in-work conditionality'. This means that they will be required to comply with reasonable job search activities to try to obtain more work hours, higher paid work, or a new job, etc. Low paid workers who fail to demonstrate that they are 'actively seeking' and 'available' for more work will have their UC award sanctioned.
1.03.10	However, anecdotal evidence is emerging from the Department for Work and Pensions (DWP) trials of the in-work conditionality scheme (in May 2016, around 15,000 people claiming UC are subject to in-work conditionality) that working people are having their UC award sanctioned for contentious reasons. For example, a working parent was sanctioned for taking their children on a holiday, outside of the United Kingdom. Other claimants have been faced with the prospect of sanctions for not being able to attend regular interviews with their Work Coach, due to their work commitments.
1.04	<u>Universal Credit – Preparing FCC Tenants</u>
1.04.1	There are 2,394 Flintshire County Council working-age tenants receiving Housing Benefit (HB) who will become Universal Credit (UC) claimants. The 'managed migration' of HB claimants across to UC is not scheduled to commence until January 2018 and will not be completed until 2021.
1.04.2	However, it is important to recognise that when Flintshire becomes a UC Full Service area (expected to be in 2017), some of the tenants receiving HB will, as a result of their circumstances changing, 'naturally migrate' across to UC. This is because in a UC Full Service area a law comes into force that prevents new claims being made for what are referred to as 'legacy' means-tested benefit. (For information: a legacy means-tested benefit is any of the six benefits being replaced by UC and this includes HB).
1.04.3	It is difficult to accurately predict how many of Flintshire's tenants, who are getting HB, will experience a change in their circumstances, which will mean they naturally migrate across to UC. For example, tenants will be affected if they are getting a sickness benefit and then are assessed as fit for work; or, if they have their first child; or, are unemployed and move into low paid work, etc.
1.04.4	Therefore, the Neighbourhood Housing Service, during this current year, will commence a programme of re-engagement with their tenants to refresh their understanding of the changes and challenges that being a UC claimant will bring. Additional training will also be provided to the staff within the Neighbourhood Housing Service to ensure that they have a good understanding of UC alternative payment arrangements and, perhaps more importantly, a knowledge of the UC conditionality

	<p>framework. Understanding the UC conditionality framework will enable Housing staff to begin to have conversations with tenants, particularly working tenants, around the work related requirements that they will be compelled to undertake when they are a UC claimant and, hopefully, lessen the likelihood of a tenant being sanctioned.</p>
1.05	<p>Housing Benefit Reforms</p>
1.05.1	<p>Expenditure on Housing Benefit (HB) significantly increased from £11 billion pa in 2000 to around £21 billion pa in 2015. In order to try to control and constrain the overall cost of HB, the Government is introducing further reforms to the HB scheme. These reforms aim to manage HB expenditure and as the Government consider the HB scheme for social housing tenants is more generous than the HB scheme for private tenants, to closer align the two schemes.</p>
1.05.2	<p>The ongoing reform of the HB scheme for social housing tenants is continuing to create financial problems for Flintshire County Council tenants and, may in some cases, put the long-term sustainability of their accommodation at risk. The impacts of the Spare Room Subsidy and the latest reform, the HB cap on social housing tenants are briefly outlined below. (For information, all reforms being introduced in the HB scheme for social housing tenants will be mirrored in the Universal Credit scheme.)</p>
1.06	<p>The Spare Room Subsidy (commonly referred to as the Bedroom Tax)</p>
1.06.1	<p>Flintshire County Council has 2,394 working-age tenants claiming HB, of which 863 (36%) are affected by the Spare Room Subsidy with 194 are under occupying by two or more bedrooms and 699 by one bedroom. In total these tenants are losing HB payments totalling £12,341pw (£617,097pa). The total outstanding arrears for those households under occupying at the end of April 2016 was £212,000.</p>
1.06.2	<p>From the date the Spare Room Subsidy was introduced the Council has supported its tenants affected by the reduction in their HB award and, attempted to mitigate the full impact of the reduction in Central Government HB payments from falling upon the Council's Housing Revenue Account. For example, the Council's Housing Benefit service has paid out, during this current year, Discretionary Housing Payments to tenants of registered social landlords (which include Flintshire tenants) impacted by the Spare Room Subsidy totalling over £97,000.</p>
1.06.3	<p>The council also amended its rent arrears policy to ensure it had a sensitive approach to those tenants who accrued rent arrears wholly as a result of the Spare Room Subsidy. In 2015/16 under the new Single Access Route to Housing (SARTH) policy, 75 applicants listing financial hardship as their housing need were assisted to move to more affordable accommodation.</p>
1.06.4	<p>In 2013, Elected Members recommended that the Council should attempt to allocate its stock on the basis of an applicant's housing need and individual circumstances rather than on a strict adherence to the Department for Work and Pensions household bedroom size calculation. Since the beginning of 2016, Housing services have been undertaking pre-</p>

	<p>tenancy assessments with applicants for social housing. Part of this assessment is to identify whether there will be any affordability issues in relation to a new tenancy. This is particularly important for people who will be affected by the spare room subsidy. In addition, as part of the Housing Solutions process, referrals are made to relevant support services to undertake work in relation to income maximisation and also assist with resolving any debt issues.</p>
1.07	<p>Restriction of HB Awards to LHA levels for Social Housing Tenants</p> <p>This reform will restrict the amount of rent that Housing Benefit will cover in the social housing sector to the tenant's relevant Local Housing Allowance amount.</p>
1.07.1	<p>The reform was introduced with the intent of applying to all social housing tenancies signed (or renewed) on or after 1 April 2016, with the HB entitlement being reduced from 1 April 2018. However, on 1 March 2016, the Government announced a delay of one year in applying the restriction to social housing tenants in 'supported housing'. Therefore, the restriction will only apply to a supported housing tenancy that commenced (or was renewed) on, or, after the 01 April 2017. However, the reduction in their HB award will still be implemented on the 01 April 2018.</p>
1.07.2	<p>Due to the higher rents, it has been very well documented that HB restriction will have the most significant impact upon more vulnerable tenants residing in 'supported accommodation'. The Government is currently undertaking a nationwide review of Supported Accommodation, though, there is no indication that the outcome of the review will be to exempt supported accommodation from the HB restriction.</p>
1.07.3	<p>However, what has been less well documented is the impact that the HB restriction will have for single people, aged under 35, whose social housing tenancy of a one-bedroomed property, commenced on, or, after the 1/04/2016. When the cap is applied from the 01 April 2018, their maximum HB award will be reduced to the Local Housing Allowance 'shared room rate'. For example, the average rent of a Flintshire County Council, one bedroomed property is £79.00pw and in Flintshire, the Local Housing Allowance shared room rate is £57.50pw. Thus, when the restriction is implemented an affected tenant can have their HB award reduced by up to £21.50pw.</p>
1.07.4	<p>All new tenants who will be under 35 on 01/04/2018 are being advised as part of the pre-tenancy assessment that their housing benefit will be significantly reduced from this date. Housing Services are currently undertaking work in relation to the number of people that will potentially be affected by this restriction and identifying support solutions in order to minimise the impact.</p>
1.07.5	<p>In advance of the restriction being introduced, a greater focus needs to be placed on a move towards employment and consideration given to planning alternative models for single people, aged under 35.</p>

1.08	<p>The Benefit Cap</p> <p>From the autumn of 2016, the benefit cap ceiling will be significantly lowered. The total amount of annual ‘out-of-work’ benefit income to which a ‘working-age’ household can receive will be set at (figures for households outside of greater London):</p> <ul style="list-style-type: none"> ▪ £20,000³ for couples and lone parents (£383.56pw) ▪ £13,400 for single claimants (£256.99pw)
1.08.1	<p>The benefit cap tends to impact upon a relatively small number of claimants. However, the financial consequences for these households is often severe and many become at a risk of becoming homeless, if they cannot implement strategies to manage the reduction in their Housing Benefit awards.</p>
1.08.2	<p>The impact of the lowered benefit cap ceiling also has the potential to weaken a key aim of the Welsh Government’s new homelessness legislation in the Housing Act (Wales) 2014, i.e., the power given to a Local Authority to discharge a statutory homelessness duty by offering a household a suitable and ‘affordable’ private rented property.</p>
1.08.3	<p>This is because out-of-work households, with three or more children, who are renting in the private sector could face having their welfare benefit income reduced by around £100pw. Hence, the private sector, for these households, will become an unaffordable housing solution.</p>
1.08.4	<p>In advance of the reduced benefit cap ceiling being implemented officers from Council’s Housing Benefit service will, in partnership with staff from the local Jobcentre Plus hold face-to-face meetings with the Flintshire households who will be impacted. At these meetings the household will be able to discuss the measures which can be put in place to ensure that they household can manage their reduced income and sustain their accommodation, etc.</p>

2.00	RESOURCE IMPLICATIONS
2.01	<p>The ongoing welfare reforms will generate additional financial problems for low-income Flintshire households, many of whom will have been impacted by the previous reforms of their benefit entitlements. These households will require appropriate advice and support to help them to manage the difficulties the reduction in their household budget will generate. In addition, the latest welfare reforms will impact on new Flintshire households, for example, working households, who may also seek advice and support on how to manage their loss of income.</p>

³ For information - in Greater London area the benefit cap is set at £23,000 for couples/lone parents and £15,410 for single claimants.

2.02	To manage the increased demand from Flintshire households experiencing social welfare problems, the Council has supported the development of the Flintshire Local Advice and Housing Support Gateways. Both Gateways aim to reduce pressures on internal and external providers by effectively triaging referrals to ensure a person is referred to the most appropriate service provider.
2.03	However, as the impact of the welfare reforms are felt by an increasing number of Flintshire households, particularly the roll out of Universal Credit, providers will be under increasing pressures. The Government has recognised that Local Authorities will require additional funding when Universal Credit is claimed by more vulnerable households. During the coming year, the Council will continue to work closely with the Department for Work and Pensions to ensure sufficient levels of funding is provided for the development and implementation of a support framework that can provide support to all Flintshire households who experience problems whilst claiming Universal Credit.
2.04	The homelessness legislation within the Housing Act (Wales) 2014, places a much stronger emphasis on Local Authorities preventing homelessness. Since the legislation was implemented on the 27 April 2015, the Council's Housing Solutions Service has effectively embraced its new duties, helping people to identify and address the causes of homelessness and make informed decisions on finding solutions to their housing problem.
2.05	However, it has to be noted that the impacts of the welfare reforms, especially the continued reforms of Housing Benefit and the introduction of Universal Credit to more vulnerable households, has potential negative implications for the ability of the Housing Solution Service to prevent homelessness with the same level of effectiveness in the future.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Not applicable with this report.

4.00	RISK MANAGEMENT
4.01	For some Flintshire households the financial impacts of the previous welfare reforms will be worsened by the next phase of reforms, It is not possible to cover all the impacts within the confines of this report (these will all be covered in the Member Workshop). Therefore, the main risks and the mitigating activities that will be implemented to attempt to manage the risk have been noted in the main report.
4.02	As part of the Capital Works Programme a small number of schemes have been remodelled to help mitigate the impact of Welfare reform and in particular bedroom tax issues. An ongoing budget provision of £100k has been made available each year within the programme to look at similar solutions.

4.03	A service review of Housing Management has been undertaken and a revised structure and delivery model agreed. A proposed structure has been designed which aims to transform service delivery making it more efficient, effective and better value for money by refocusing the service on letting homes, tenancy enforcement and sustainment, neighbourhood management and engagement. Within the revised model there is the addition of 2 new posts, to support the future development of the service. A Tenancy Sustainment Officer who will primarily be responsible for working with new customers supporting them to sustain their tenancy, which will have the long term benefit of reducing the 'high costs', often associated with tenancy failures. A Customer Inclusion Officer who will primarily be responsible for working with the Customer Engagement Officer to support digital and financial inclusion and supporting tenants back in to employment or training.
4.04	There is a need to test and evaluate a range of housing solutions in order to mitigate the impact of the next phase of reforms. Services are already considering opportunities for re-designation of stock and are working in partnership with local Housing Associations to scope other possible models including house sharing.

5.00	APPENDICES
5.01	Appendix 1 – Briefing Paper – Welfare Reforms

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>None.</p> <p>Contact Officer: Paul Neave; Advice and Homelessness Manager Telephone: 01352 – 703802 E-mail: paul.neave@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>Housing Benefit - helps tenants pay all, or part of their rent if they have a low income. Housing Benefit is administered by Local Authorities.</p> <p>Local Housing Allowance - is the maximum amount of housing benefit a claimant may get to help them pay the rent if they have a private landlord.</p> <p>Means Tested Benefit - acts as a safety net for people who have a low income. Entitlement to a means-tested benefit is based upon the claimant (and/or their partner) satisfying the basic condition of entitlement, such as being unemployed or a pensioner, etc, and satisfying the income and capital rules.</p> <p>Supported Accommodation - is an umbrella term which is applied to a whole range of housing based solutions for vulnerable people where housing, support and sometimes care services are provided as an</p>

integrated package.

Universal Credit (UC) – is an integrated means-tested benefit for people of working age whose income is below a specified minimum amount. UC can be claimed by working age people in and out of employment.

UC Alternative Payment Arrangements – alternative payment arrangements include, making weekly or fortnightly payments of a UC award, splitting an award between joint claimants and paying housing costs (rent) directly to a landlord - sometimes referred to as a managed payment.

UC Full Service – in a full service area, UC will be claimed by all working age claimants who make a new claim for a means-tested benefit.

UC Live Service - access to UC within a live service area is controlled by an 'eligibility gateway' which, predominantly, restricts new UC claims being made unless the claimant is a newly unemployed single person.

UC Managed Migration – a means-tested benefit claimant whose households circumstances do not change will be automatically transferred to UC by the DWP

UC Natural Migration - a claimant of a legacy means-tested benefit, who reports a change of circumstances which requires a new means-tested benefit claim to be made will be moved on to UC.

Working Age – for social security benefits 'working age' ends for both men and women at the female statutory retirement pension age. In May 2016 this is 63 years old The female statutory retirement age is gradually increasing to equalise with men (65 year old) in October 2018. The pension age for both men and women will then increase to 66 in 2020.

Welfare Reforms – changes being introduced to a range of social security benefits and tax credits, which aim to ensure that the United Kingdom has an affordable benefit system.