

## COMMUNITY & ENTERPRISE OVERVIEW & SCRUTINY COMMITTEE

<b>Date of Meeting</b>	Wednesday 8 <sup>th</sup> March 2017
<b>Report Subject</b>	Welfare Reform Update – Universal Credit Roll Out
<b>Cabinet Member</b>	Cabinet Member for Corporate Management / Cabinet Member for Housing
<b>Report Author</b>	Chief Officer – Community and Enterprise
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

The UK Government has been implementing its radical programme of Welfare Reforms over the last 5 years. Flintshire County Council has been working together with its partners, to attempt to mitigate the full impacts of these reforms for its most vulnerable residents.

Flintshire County Council was notified in November that Universal Credit “Full Service” will be introduced into the three Job Centres in Flintshire (Shotton, Mold and Flint) from April 2017. This report provides an explanation of the main changes to the benefit system for those in work and out of work and explains the actions the Council is taking to support households who will be affected by this significant change and challenge.

### RECOMMENDATIONS

1	That Overview and Scrutiny Committee note the report and the impact that ongoing Welfare Reforms will have on Flintshire residents, and the actions being taken to support residents where possible.
---	--

## **REPORT DETAILS**

<b>1.00</b>	<b>EXPLAINING THE WELFARE REFORMS &amp; UNIVERSAL CREDIT</b>
1.01	The UK Governments Welfare Reform and Work Act 2016 received Royal Assent in March 2016. The Welsh Government has no devolved powers for Welfare Reform.
1.02	Many of the Welfare Reforms covered in the act have already been introduced with the remainder being introduced over the next few years. Detailed information about each of the reforms can be found in the attached briefing paper at Appendix 1.
1.03	A workshop for members on welfare reforms and more specifically the introduction of Universal Credit (UC) Full Service has been arranged for 9 <sup>th</sup> March 2017 and details of the workshop have been circulated to all members.
	<b><u>Managing Welfare Reforms – Flintshire’s response</u></b>
1.04	Flintshire County Council and its partners are committed to preventing poverty and maximising opportunity with the County. This was first recognised in 2012 when it became clear that some of the welfare reforms had the potential to have significant negative impacts upon households who are in, or at risk of poverty, if not proactively supported.
1.05	A range of initiatives have been implemented since then by the Council and its partners, with the aim of protecting vulnerable households from the full force of these impacts.
1.06	Some of the mitigation work has included coordinating approaches with Registered Social Landlords in order to offer assistance in individual cases where there is a high level of rent arrears or where the pattern of rent payments is causing concern.
1.07	Proactive use and promotion of the Discretionary Housing payments (DHP) budget has also helped to mitigate impacts and as a result for 2016/2017 Flintshire has committed the entire budget from the Department for Work and Pensions to assist households who are in financial difficulty.
1.08	Work has also been ongoing to identify customers who may present with a need for discretionary housing payments who may also benefit from accessing support or advice services. The award of DHP provides a flexible time bound solution to be put in place whilst more specific advice and support services can be accessed to enable a more stable situation for the customer in the longer term.
	<b><u>Universal Credit (UC) - Update</u></b>
1.09	The UK Governments major programme to introduce UC started in 2013 and has been implemented slowly across the UK since then. Initially, the

	implementation was restricted to households with relatively uncomplicated lifestyles and this has been predominantly single newly unemployed people.
1.10	From May 2016 the UK Government commenced the national roll out of Full Service. This is significantly different to the current process and has no gateway that limits the types of claimants that will access the new benefit. This means that, with the exception of families with three or more children, all working age households who need to make a claim for financial assistance from the means-tested welfare benefit system will be claiming Universal Credit.
1.11	Opening up access to all working-age claimants means that there will be a large increase in the number of claimants with more complex life circumstances claiming UC. Managing the challenges that will be faced by these claimants will robustly test the effectiveness of the UC administration and safeguard processes. There are several elements of UC full service that could create problems for people with complicated lifestyles. Some of the concerns are described below:
1.12	<b>Housing Costs</b> – as an integrated means tested benefit, tenants will receive financial help towards their rent liabilities within their UC award. There are still many reports of delays in payments for a claimant’s housing costs being included in their UC award. The problems appear to be linked to difficulties that the 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, experience in other areas is that claimants have not received any money in their UC award to help them to pay their rent for as long as two to three months after they first claimed UC. Whilst the housing cost payments may be backdated to the claim start date, this delay is creating problems for tenants and landlords.
1.13	Many Social landlords have raised concerns with the Department for Work and Pensions about the lack of information that is shared with them when a tenant claims UC. This is preventing Social landlords from being proactive and engaging with their tenants at the earliest opportunity to prevent any problems arising. This has been recognised and the Department for Work and Pensions are working on a data sharing protocol and a “trusted partner status” to alleviate some of these issues and improve communications.
1.14	<b>Alternative Payment Arrangements</b> – the Department for Work and Pensions recognise that UC will bring many challenges for claimants. To protect vulnerable UC claimants a variety of safeguards are available. These include paying a claimant’s housing costs directly to their landlord. There have been some issues around this in relation to reported delays in the UC Service Centre processing these requests and determining if the alternative payment will be permitted (as most of these decisions are discretionary). There is a risk that if these problems are not addressed that some private landlords may no longer be willing to let their properties to UC claimants.
1.15	As UC is claimed by a wider group of claimants, (many of whom will be vulnerable) it is important that the safeguard procedures are implemented effectively and efficiently, especially around housing cost payments direct to private landlords. It is equally important that the “Trusted Partner Status” is

	in place for all Social Landlords as soon as possible.
1.16	<b>In-work conditionality</b> – Low paid workers (typically those who earn less than £1,092 pcm) will be subject to some 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 do not demonstrate that they are “actively seeking” and “available” for more work may have their UC claim sanctioned.
	<b>Universal Credit – Preparing in Flintshire</b>
1.17	The UK Government Department for Work and Pensions (DWP) selected Flintshire as the first local authority area in Wales to implement UC in April 2014 when the “live service” was implemented in Shotton Jobcentre. This was rolled out to Mold and Flint Jobcentres early in 2015.
1.18	From April 2017 (5 <sup>th</sup> April 2017 in Shotton, and 12 <sup>th</sup> April 2017 in Mold and Flint) UC Full Service will be implemented in Flintshire, by the DWP.
1.19	From April 2017 Households needing to claim UC in Flintshire will be responsible for managing their own Universal Credit claim via an online account, and will receive a single monthly household payment which will include an amount towards their housing costs (if they are in rented accommodation).
1.20	In addition to new claims, residents who are currently receiving other benefits and then have a change of circumstances, will naturally migrate onto universal credit at the point of a change.
1.21	The Council is expecting a significant increase in the numbers of people claiming and with that it is also expecting a significant increase in service demands for support and advice to residents to enable them to make and manage their UC claim on line (digital support) and also to assist with managing a single monthly household payment (personal budgeting support). However, it is not possible to predict volumes at this stage.
1.22	The Housing Benefit Service is working very closely with internal colleagues to prepare for UC implementation as quickly and effectively as possible.
1.23	An internal operational board has been created with a clear focus on: <ul style="list-style-type: none"> <li>• Supporting affected households</li> <li>• Empowering Customer facing staff</li> <li>• Communication</li> </ul>
1.24	A training and awareness programme will commence during March for all front line staff in Flintshire (including Connects and Contact Centres) to prepare them to be able to assist customers from day one. This programme will include practical workshops and information sessions.
1.25	The work of the operational board will be explained in full detail during the member’s workshop on 9 <sup>th</sup> March.

1.26	<p>Work is currently ongoing to assess the likely extra cost and increase in demands on the council with a primary focus on homelessness; rent arrears; council tax collection and temporary accommodation. Consideration is being given to understanding:</p> <ul style="list-style-type: none"> <li>• The number of and financial impact to households with significant reductions in income</li> <li>• The potential extra demand for support services from the council</li> <li>• The estimated negative impact to rent and council tax collection</li> <li>• The potential total extra cost to the council</li> </ul>
1.27	<p>The outcome from this will enable the council to consider whether sufficient resource is available to meet the demand for support required and also to consider if extra resources are required and can be found to mitigate the impacts.</p>
	<p><b>Housing Benefit Reforms</b></p>
1.28	<p>Due to the rising expenditure in Housing Benefit (HB) the UK Government has, since 2013, introduced a range of reforms in order to constrain the overall cost of HB. The reforms aim to manage HB expenditure. The Government consider the HB scheme for social tenants to be more generous than the HB scheme for private tenants, and intends to align the two schemes more closely.</p>
1.29	<p>The ongoing reforms of the HB scheme for social housing tenants continue 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 (Bedroom Tax) and the impact of the Benefit Cap on social housing tenants are briefly outlined below. (For information these reforms will be mirrored in the UC scheme)</p>
	<p><b>The Benefit Cap</b></p>
1.30	<p>From November 2016 the Benefit Cap ceiling significantly lowered. The total amount of “out-of-work” benefit income which a working age household can receive was set at:</p> <ul style="list-style-type: none"> <li>• £20,000 for couples and lone parents (£383.56pw)</li> <li>• £13,400 for single claimants (£256.99pw)</li> </ul>
1.31	<p>Up to November 2016 there were 28 households in Flintshire that had their HB restricted due to the Cap. From November 131 households have been affected and the financial consequences for some of these households are severe and many become at risk of becoming homeless if they cannot implement strategies to manage the reduction in their HB/UC award.</p>
1.32	<p>There are currently 26 families being supported with a DHP. All households affected have been offered support via several communications and events at job centres and work is continuing to try to identify those who have not taken up the offer of support who are in rent arrears to attempt to engage with them again.</p>

	<b>The Spare Room Subsidy (Bedroom Tax)</b>
1.33	Flintshire County Council currently has 5851 working age tenants claiming HB, of which 1105 (18.85%) are affected by the Spare Room Subsidy with 208 under occupying by two or more rooms and 897 by one bedroom. In total these tenants are losing HB payments totalling £16,144.36 per week (£839,506.72 pa).
1.34	There are currently around 720 council tenants impacted by the Spare Room Subsidy of which 181 (or 25%) are in rent arrears over £300.
1.35	From when the Spare Room Subsidy was introduced the Council has supported its tenants affected by the reduction and attempted to mitigate the full impact of the reduction falling on the council's Housing Revenue Account.
1.36	The council's rent arrears policy also includes a sensitive approach to those tenants who have accrued arrears wholly as a result of the Spare Room Subsidy. 40 numbers of tenants have been assisted to move during 2016/17, via the Single Access Route to Housing (SARTH) policy to more affordable accommodation.
1.37	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 of Work and Pensions household bedroom size calculation. Since the beginning of 2016, Housing Services have been undertaking pre-tenancy assessments with applicants for Social Housing. Part of this assessment is to identify whether there will be any affordability issues in relation to the new tenancy. This is particularly important for people who will be affected by the Spare Room Subsidy.
	<b>Restriction of HB/UC awards to Local Housing Allowance levels for Social Housing Tenants</b>
1.38	This reform will restrict the amount of rent that HB or UC will cover in the social housing sector to the tenant's relevant Local Housing Allowance amount.
1.39	This reform has been subject to a delay of 1 year and will now apply to tenancies signed (or renewed) on, or after, 1 <sup>st</sup> April 2017. The restriction will take effect and the HB/UC will be restricted on 1 <sup>st</sup> April 2018.
1.40	This reform will have a significantly higher impact on single people under the age of 35, whose social housing tenancy commences on or after 1 <sup>st</sup> April 2017. The cap for these tenants will be applied from 1 <sup>st</sup> April 2018, when their maximum award of HB/UC will be restricted to LHA shared room rate. As an example, the current average rent for a 1 bedroomed council flat is £76.53 and, in Flintshire area the LHA shared room rate is £57.50, therefore when the restriction is applied the tenant will have their award reduced by £19.03 per week.
1.41	All new tenants who will be under 35 years of age on 1 <sup>st</sup> April 2018 are being advised as part of the pre-tenancy assessment that their HB/UC will be

	significantly reduced from this date. An affordability assessment will be completed with an applicant before an offer of accommodation is made. This will provide the prospective new tenant with an opportunity to assess their means to take on a tenancy and review their outgoings to consider how they will budget in the future. Housing Services is currently working with tenants who will potentially be affected to identify solutions in order to minimise the impacts
1.42	A greater focus needs to be placed on supporting tenants to gain employment and consideration also needs to be given to alternative housing models for single people, aged under 35, in advance of the restriction being introduced.
	<b>Conclusion</b>
1.43	A presentation which provides details of welfare reform impacts on Flintshire households will be delivered at the meeting

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	The ongoing welfare reforms have and will continue to generate additional financial problems for low-income households in Flintshire many of whom have already been impacted by previous reforms of their benefit entitlement. 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 have an unprecedented impact on new and existing Flintshire households as not only is UC a new type of claim, it is also a new culture of self-management that many residents will not have experienced before.
2.02	To continue to manage demand from Flintshire households experiencing social welfare issues, the Council continues to support Flintshire Local Advice and Housing Support gateways. These gateways aim to reduce pressures on internal and external advice and support provides by effectively triaging referrals to ensure a person is referred to the most appropriate provider who has the capacity to take on the customer at the earliest opportunity.
2.03	As part of the work being carried out by the UC Operational board a review is underway to identify current provision within the council to ensure that we eliminate duplication of support/advice and then to identify any gaps in provision with proposals to address these gaps
2.04	However, as the impact of the welfare reforms are felt by an increasing number of Flintshire households, providers will be under increasing pressure. The UK Government has recognised that Local Authorities require additional funding for this and during the coming year Flintshire will work closely with the Department for Work and Pensions to try to ensure that the funding provided accurately reflects the increasing workloads and support required by our customers.
2.05	It has to be noted that the impacts of the welfare reforms, especially the reform 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 without additional resources.
--	--

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	Not applicable with this report

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	For some Flintshire households the financial impacts of the current reforms will be worsened by the next phase and in particular the implementation of UC full service from April. It is not possible to cover all of the impacts within this report, however, the main risks and mitigating activities that are planned or underway have been noted in the main report.
4.02	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 into employment or training.
4.03	There is a need to test and evaluate a range of housing solutions in order to try to mitigate the impact of the next phase of reforms. Services are considering opportunities for re-designation of stock and are working in partnership with local Housing Associations to scope other possible models including house sharing.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – Briefing Paper Welfare Reforms

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None  <b>Contact Officer: Jen Griffiths – Benefits Manager</b> <b>Telephone: 01352 702929</b> <b>E-mail: <a href="mailto:jen.griffiths@flintshire.gov.uk">jen.griffiths@flintshire.gov.uk</a></b>



<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<b>Discretionary Housing Payment</b> - Discretionary housing payments (DHPs) are extra payments to help who need extra financial assistance with their housing costs (rent). DHPs can be awarded to people receiving Housing Benefit or the housing costs element of Universal Credit and they are paid in addition to Housing Benefit or Universal Credit entitlement
7.02	<b>Housing Benefit</b> – financial assistance to help tenants pay all or part of their rent if they have a low income. Housing Benefit is administered by local authorities
7.03	<b>Housing Costs</b> - The amount a tenant is due to pay in rent, it also includes some eligible service charges
7.04	<b>Means Tested Benefit</b> – acts as a safety net for people on low income. Entitlement to a means tested benefit is based on 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.
7.05	<b>Supported Accommodation</b> – is a term which applies to a whole range of housing based solutions for vulnerable people where housing, support and sometimes care services are provided as an integrated package.
7.06	<b>Trusted Partner Status</b> – this means that a Social Landlord does not have to request the UC Service Centre to use its discretion to pay a vulnerable tenant’s housing costs directly to the landlord, instead they are able to “instruct” the UC Service Centre to make the payment.
7.07	<b>Universal Credit (UC)</b> – is an integrated means tested benefit for people of working age whose income is below a specified minimum amount. UC can be claimed by people in and out of employment and with or without a disability. UC will eventually replace six current means tested benefits – Housing Benefit; Income Support; Employment Support Allowance; Job Seekers Allowance; Working Tax Credit; and Child Tax Credit
7.08	<b>UC Alternative Payment Arrangements</b> – different payment methods that are available within UC if a person is struggling to manage their UC payments or have fallen behind with their rent payments. They can also consist of splitting a household payment between joint claimants or paying housing costs (rent) directly to a landlord (this can also be referred to as a managed payment)
7.09	<b>UC Full Service</b> – in a UC full service area UC will be claimed by all working age claimants who make a new claim for a means-tested benefit.
7.10	<b>UC Live Service</b> – 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.
7.11	<b>UC Managed Migration</b> – this is the process that will apply to a person whose household circumstances do not change and they will automatically

	be transferred to UC at the appropriate point in time in line with the overall UC timetable (please note this has been subject to significant change and the current prediction of starting this process is 2019/20)
7.12	<b>UC Natural Migration</b> – this is the process that will apply when a person who is receiving means tested benefits, who has a change in their circumstances which would mean a new means tested benefit claim was required will move on to claim UC.
7.13	<b>Working Age</b> – for social security purposes working age is up to (for both men and women) the female statutory retirement pension age (as at May 2016 this was age 63). By October 2018 the female retirement age will increase to equalise with men (65 years old). From 2020 the pension age for both men and women will increase to 66.
7.14	<b>Welfare Reforms</b> – changes being introduced to a range of social security benefits and tax credits