

REPORT TO: East Lothian Council

MEETING DATE: 20 December 2016

BY: Depute Chief Executive (Resources and People Services)

SUBJECT: Update on Welfare Reform and Universal Credit

1 PURPOSE

- 1.1 To provide an update to Council on the rollout of various elements of the UK Government's welfare reforms and their impact on East Lothian Council Services.

2 RECOMMENDATIONS

That the Council:

- 2.1 notes the growing impact of welfare reform on individuals and families when taking decisions about service development and to consider as part of budget deliberations;
- 2.2 takes action to try to minimise any potential negative impacts of welfare reform by ensuring that Council service areas are optimally configured to continue to deliver high quality services to East Lothian residents;
- 2.3 continues to press the DWP to respond positively to the concerns raised by the Council about inefficient processes and poor communication with the Council, coupled with the lengthy delays experienced by claimants as they wait of Universal Credit payments;
- 2.4 asks the DWP to carry out an urgent investigation into the impact of Universal Credit in East Lothian on claimants and on the local authority and other social landlords;
- 2.5 asks the UK Government to suspend the housing cost element of Universal Credit until this investigation has taken place;
- 2.6 asks the UK Government to reconsider the proposal to exclude 18–21 year olds from receiving the housing cost element of Universal Credit (due to be implemented from 1 April 2017).

- 2.7 seeks financial recompense from the UK Government for the loss of Council Tax and Council house rent income as a result of Universal Credit;
- 2.8 asks the Scottish Government to take immediate steps to use its powers to have the housing cost element of Universal Credit paid direct to landlords;
- 2.9 asks the Scottish Government to take immediate steps to redesign the Council Tax Reduction Scheme to better align with Universal Credit; and
- 2.10 asks the Scottish Government to consider the implications of Universal Credit on the funding of the Scottish Welfare Fund, Discretionary Housing Benefits and Social Care budgets.

3 BACKGROUND

- 3.1 This report is the latest in a series of reports providing information on the UK Government's welfare reforms, the consequential changes to Council Services and the potential impacts for East Lothian residents.
- 3.2 Since early 2013 the Council's Welfare Reform Task Group has considered the service implications of the various welfare reforms and in response has produced a succession of Welfare Reform action plans which have provided a framework for Council services to deliver a concerted response. Since the introduction of the Welfare Reforms from April 2013, the Welfare Reform Task Group's strategy has been supported by the activities of the Welfare Reform Liaison Group and the Welfare Reform Reference Group. These groups have facilitated communication between Council services which have had to respond to welfare reforms and the Council's external partner agencies.
- 3.3 The current Welfare Reform Action Plan also seeks to establish an East Lothian Rights and Advice Network. It is envisaged that this will replace the current Welfare Reform Reference Group as a forum to share information, consult and engage with key stakeholder groups and support the development of an inter-agency referral system.
- 3.4 Since April 2013 the impact of Welfare Reforms has required responses from a range of Council services, (including Revenues, Benefits, Community Housing, Customer Services, Welfare Rights and East Lothian Works). Whilst these impacts have been diverse, the risks posed by Universal Credit to East Lothian residents' ability to maintain their rent and Council Tax payments have become a growing concern.
- 3.5 In addition to the financial risks associated with the rollout of Universal Credit (UC) the report also highlights additional risks associated with further welfare changes including the reduced Benefit Cap, (introduced 7 November 2016) and the exclusion of 18 to 21 year olds from receiving UC Housing Costs (1 April 2017).

- 3.6 It should also be noted that the UK Government devolved new powers to the Scottish Parliament on 5 September 2016 which will allow it to adapt the existing UK Welfare system more closely to Scotland's needs.

Universal Credit

- 3.7 East Lothian Council was initially involved as a partner agency to Musselburgh 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 23 March 2016. In partnering Musselburgh JCP the Council has assisted the DWP by providing help for UC claimants at local Council offices and libraries to make their claim online and have provided personal budgeting support (PBS) for UC claimants requiring assistance with budgeting. However, this partnership has also provided the overall framework for the administration of cases migrating from Housing Benefit to UC Housing Costs and the management of various interactions between the Council and UC Service Centres.
- 3.8 The 11-month period working in a UCLS environment helped establish the groundwork for the cooperative approach required to deliver UC locally. However, the introduction of the UCFS in March 2016 represented a significant step change. Whilst the Council recognised that UC would have a significant impact on East Lothian residents and households it was decided that the Council was better placed to influence outcomes as a signatory of the Delivery Partnership Agreement (DPA) than it would be operating out with an agreement.
- 3.9 From a Council services' perspective, the key impacts/points to note in respect of the UCFS rollout have been:
- A wider range of people in scope for claiming UC & higher volume of cases as a consequence
 - The reliance on UC claimants to make and maintain their claim online
 - The built-in 7-day waiting period for the majority new UC claims
 - Extended processing times for UC claims (min 32 days but potentially 42 days before first payment)
 - Additional demand for Scottish Welfare Fund, (SWF) Crisis Grants (20% in excess of profiled SWF expenditure as at 30 September 2016)
 - Consequential increase in the number of referrals to food banks
 - Level of deductions from UC first payments causing further hardship
 - The payment of UC Housing Costs direct to the claimant
 - The uncoupling of the well established joint claim for Housing Benefits and Council Tax Reduction (CTR). This has been a significant factor contributing to the reduction in those claiming CTR, contributing to an overall reduction in expenditure of £392k (7.6% reduction YTD as at 30 September 2016).

- The increased reliance on automated data transfer between DWP/JCP has seen many repeated experiences of errors, missing documentation and Data Protection breaches on the part of the DWP.
- Lack of consistency and knowledge amongst DWP Service Centre staff
- Lack of training of DWP staff in Service Centres dealing with vulnerable people
- Previously agreed data sharing protocols no longer apply under UCFS, curtailing Council officers' ability to make telephone enquiries about UC claimant's entitlement
- An increased reliance on the UC claimant providing information from their online UC Journal
- The growing reluctance of private sector landlords to let to UC claimants
- Increased risk of potential homelessness due to delays in UC Housing Costs being awarded and increased evictions for rent arrears with some choosing not to pay rent when they receive lump sum UC payment
- Impact on ELC Temporary Homeless Accommodation (General Services Budget) as a result of increased rent arrears
- Orchard and Shipman PSL temporary homeless accommodation management charges not covered by UC Housing Costs, meaning ELC (GS) will have to cover potential annual shortfall of approx £350k when UC migration is fully implemented
- Housing Associations operating in East Lothian experiencing similar issues and some taking legal action to evict tenants with UC related rent arrears
- Increased demand for Discretionary Housing Payments
- Insufficient Housing Costs information to facilitate DHP decisions, (increasing the burden of proof on the DHP claimant)
- Concerns raised by Council Services over Job Centre Plus' ability to support vulnerable claimants through the migration to UC
- Early indications of UC becoming an increasing factor associated in instances of petty crime.

3.10 The Impact of Universal Credit Full Service on mainstream Council house rent collection has been severe:

- **590** Council house tenants were known to be claiming UC at the end Q2 2016/17. The total value of rent to be collected from these tenants each fortnight was **£75,400.47**. This equates to **£1,809,611.28** over a 12 month period.
- Current tenant rent arrears reduced from **£1,295,782.60** at the end of 2015/16 to **£1,210,872.63** at the end of Q1 2016/17 - an **£84,909.97**

reduction (**6.55%**). This significant reduction was mainly due to the summer rent charge break at the end of June 2016. This is an expected reduction at this time of year as those in arrears continue to pay.

- Current tenant rent arrears increased from **£1,210,872.63** at the end of Q1 2016/16 to **£1,452,515.37** at the end of Q2 2016/17. – a **£241,642.74** increase (**19.95%**).
- This equates to a net in-year increase of **£156,732.77** (**12.09%** increase). The increase in rent arrears in Q2 2016/17, has almost entirely wiped out the reduction in rent arrears reported in both 2014/15 and 2015/16.
- Of the year-to-date increase of **£156,732.77 – £79,140.69** relates directly to debt associated with UC. The remaining **£77,592.08** remaining is the indirect impact, i.e. time spent dealing with UC claimants is detracting from the time officers are able to spend dealing with other tenants.
- By way of comparison, during the same period in 2015/16, current tenant rent arrears reduced by **£51,262.42**.
- **481** of these 590 tenants have rent arrears. **316** of these 481 tenants have **increasing** rent arrears.
- The average rent arrears for a UC claimant is **£898.89** – to put this into context, the average rent arrears against a non-UC case are £589.49.
- Overall, there has been a **12.09%** increase in current tenant rent arrears in 2016/17. However, for UC claimants, there has been a **22.40%** increase in rent arrears.

3.11 From the start of the UC rollout East Lothian Council recognised the need for good relationships to exist between Council Services, Musselburgh JCP, UC Service Centres and the UC Project Team. The Council and JCP have set up an Operational Delivery Group (ODG) in order to manage UC activities under the DPA and each organisation represented at the Group has also appointed a Single Point of Contact (SPOC) to deal with day-to-day operational matters that come to light. Whilst relationships between the Council and JCP Officers have generally been good, the fact that the ODG meetings have not been regularly attended by UC Project or Service Centre staff has at times limited the ability to escalate operational issues to the relevant people within the UC Project in order to rectify operational problems quickly.

3.12 As it stands, Council services are continuing to fulfil their responsibilities under the UC DPA. Whilst the UC rollout from Musselburgh Job Centre has not been publicised by the DWP, the Council has produced leaflets and online publicity to provide advice for prospective UC claimants. Council officers across a range of services have been advising and supporting residents in their dealings with UC and staff workload related to UC has increased considerably. Customer Services staff in Local Area

Offices and Libraries have been assisting UC claimants with limited digital skills in making their online claims as well as advising claimants how to use key information contained within their UC Journal.

- 3.13 Since September 2016 a JCP Work Coach has carried out UC surgeries in Local Offices and Libraries, recognising it is not always easy for people living in the eastern part of the county to travel to the JCP in Musselburgh. This has helped to augment the Council's capacity to provide digital support. The number of UC claimants seeking assistance from these surgeries has risen steadily, with over 100 enquiries being dealt with in October. JCP staff have also run a Job Club from Musselburgh Library. It is understood that 30 people who have used this service and that 14 have secured jobs.
- 3.14 Given that East Lothian has featured very early in the UCFS rollout, the Council has been keen to engage with the UC Project Team at the highest level in order to share its emerging findings. A summary report and recommendations was shared with the UC Director General on 26 July 2016. This was subsequently discussed at a meeting between the Director General and the ELC Chief Executive on 21 September 2016. Whilst it was acknowledged that many of the impacts related to UC policy matters, both the Council and UC Project Team are continuing to work (in conjunction with CoSLA) to help improve/develop UC processes (including data sharing and Alternative Payment Arrangements). Council officers are also liaising with other local authorities that are due to see UCFS rolled out in their area at some point in the future.
- 3.15 East Lothian Council also has a planned engagement with the DWP's Operational Excellence Delivery Team (OEDT). The OEDT will seek to examine the impact of UC Policy and processes. This work will be informed by a number of case studies which have been collated as part of a report entitled "Impact of Universal Credit on Revenues Services Q2 2016/17".
- 3.16 A future change to UC which could have significant implications for Housing Allocations and Rent Income is the exclusion of 18 to 21 year olds from receiving UC Housing Costs (due to be implemented on 1 April 2017). Whilst this change is initially expected to impact on new UC claimants, the ongoing migration of HB cases to UC may see existing HB claimants of this age group lose their Housing Cost, (at the point that a material change triggers a claim for UC).
- 3.17 For the past three years, the Scottish Legal Aid Board (SLAB) has provided funding for 1.5 Tenancy Support Officers (TSOs) to help address Welfare Reform issues being experienced by vulnerable social housing tenants. Since the introduction of UCFS, more of the TSO's time is being used to support UC cases. The current funding arrangement runs up to 31 March 2017. The Community Housing Service is awaiting confirmation from the Scottish Government if this is to be extended.

- 3.18 The “natural” migration of HB claims to UC will continue until July 2018 after which it is understood that the DWP will then commence a “managed” migration of remaining working age HB claims, leaving the Council’s Benefits and Financial Assessment Service to administer pension age HB claims and all CTR claims.
- 3.19 In summary, since the rollout of UCFS in East Lothian, there is growing evidence that the way that the service is being managed by DWP is causing major concern for the Council and for affected East Lothian residents. The Council is working closely with partners to support claimants through the transition into UC and to help manage rent arrears and prevent homelessness. However, inefficient DWP processes and poor communication with Council officers, coupled with the lengthy delays experienced by claimants in both mainstream and temporary accommodation as they wait to receive UC payments, is causing significant pressure on Council services and stress and financial hardship for claimants.

Benefit Cap

- 3.20 The Benefit Cap means there is a maximum amount of Benefit that a working age household (defined as an individual, their partner and any children they are responsible for and who live with them) can be entitled to. This applies to the combined income from the main out of work benefits plus Housing Benefit, Child Benefit and Child Tax Credits.
- 3.21 The initial cap was introduced in July 2013. However, as part of the summer 2016 Budget the Chancellor announced a reduction in the Cap which will mean that an increased number of households will be subject to a reduction in their combined income from Benefits.
- 3.22 Starting from 7 November 2016 the Cap was lowered as detailed in the table below:

Rates Applicable	Original Cap Levels, (July 2013)	Cap from (November 2016)
Couples with or without children and single parents with children	£500.00 per week (£26,000 per annum)	£384.62 per week (£20,00 per annum)
Single person or a single parent whose children does not live with them.	£350.00 per week (£18,200 per annum)	£257.69 per week (£13,400 per annum)

- 3.23 In July 2013 there were 33 East Lothian Households subject to the original Benefit Cap however this subsequently was reduced to 13 as alternative housing options were adopted by those affected.

- 3.24 The Council initially received information from the DWP which indicated that 90+ East Lothian households could be affected by the latest Benefit Cap. Subsequent changes have seen this reduce to approximately 75, (of which some will be affected for a second time).
- 3.25 The Benefits and Financial Assessments Team is continuing to work with Community Housing, Rent Income Teams and East Lothian Works to ensure that wherever possible residents exercise their housing and employment choices in a way that minimises their exposure to the Benefit Cap. The majority of affected households are larger families; Children's Wellbeing and Education Services have been kept advised of these changes.

Devolution of Social Security Benefits

- 3.26 Since 5 September 2016 the Scottish Parliament has the powers to:
- create new benefits in devolved areas
 - top up reserved benefits, (such as UC, Tax Credits and Child Benefit)
 - make Discretionary Payments and assistance
 - change employment support
 - make changes to UC for the costs of rented accommodation
 - make changes to UC in respect of the timing of payments and to whom the payments are made.
- 3.27 In addition, from 1 April 2017, the Scottish Parliament will take on the power to make Discretionary Housing Payments (DHPs). In recent years DHPs have been funded by DWP and Scottish Government/CoSLA funding streams. However, the transfer of the DWP element to the Scottish Government will be one of the first welfare powers to be devolved. Other welfare powers (including responsibility for carers and disability benefits, maternity payments and funeral payments) will transfer at a later date.
- 3.28 In preparing for the devolution of these powers, the Scottish Government undertook a 13-week consultation to help develop the Scottish Social Security legislation and inform its service delivery design. The Council submitted a response to this consultation. This response was included in a report to Council on 25 October 2016. Council Officers also gave evidence to the Scottish Parliament's Social Security Committee on 10 November 2016.
- 3.29 The timeline for the development and implementation of these devolved powers is uncertain at this point. However, Council officers are actively engaging with the Scottish Government and CoSLA to highlight the ongoing impacts of the UC rollout in East Lothian in the hope that the Council's experiences are considered as the Scottish Government lays its future plans for the delivery of its devolved welfare powers.

4 POLICY IMPLICATIONS

- 4.1 No policy implications at present. However current policies may need to be reviewed in light of further devolution of elements of Social Security.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 An integrated Impact Assessment is to be carried out into the implications of the roll out of Universal Credit in East Lothian. The results of this assessment will be shared with DWP and the Scottish Government and will inform the development of the services provided by the Council to support Universal Credit claimants.

6 RESOURCE IMPLICATIONS

- 6.1 Financial - a number of the reforms covered by this report are continuing to have a significant detrimental impact on the Council's income streams – notably the Housing Revenue Account (HRA) which relies on efficient rent collection to fund its landlord services to tenants. The ongoing migration of HC caseload to UC may have a further impact on the level of HB Administration Subsidy which the Council receives from the DWP.
- 6.2 Personnel – staffing resources within the Council have been stretched to support those individuals who require greater assistance due to the implementation of welfare reforms and the consequential issues which have arisen, as highlighted in this report. Staffing resources will have to be reviewed in light of continuing and increasing demand and/or further reductions in either funding or income.
- 6.3 Other – None.

7 BACKGROUND PAPERS

- 7.1 East Lothian Council Welfare Reform Action Plan (Sept 2015 to March 2017)
- 7.2 Chief Executive's letter to Universal Credit Director General (26th July 2016).
- 7.3 Report to Council by Depute Chief Executive (Partnership and Services for Communities) on the Consultation on Social Security in Scotland (25th October 2016).
- 7.4 Submission to The Scottish Parliament's Social Security Committee on East Lothian Council's Experience of the Rollout of Universal Credit "Full Service" In Musselburgh Job Centre (10 November 2016)
- 7.5 [Scottish Parliament Social Security Committee 10th November 2016.](#)

- 7.6 “The Impact on Scotland of the New Welfare Reforms” Report, Sheffield-Hallam University (7th October 2016)
- 7.7 Impact of Universal Credit on Revenues Service Q2 2016/17 Report, (including supporting case studies)

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