
WELFARE REFORMS UPDATE

SUMMARY REPORT

Purpose of the Report

1. To provide an update on the roll-out of Universal Credit in Darlington, in addition to changes to Local Housing Allowances and the potential impact on residents and Council services.

Summary

2. Universal Credit will replace a number of existing means tested benefits for working age people, including Housing Benefit administered by the Council.
3. Universal Credit began roll out in Darlington in November 2015, but has only been available to residents in limited circumstances.
4. The full roll-out of Universal Credit in Darlington will commence in June 2018, which will mean that everyone making a new claim to benefit or reporting a significant change in their circumstances will claim Universal Credit.
5. The migration of existing claims for Housing Benefit to Universal Credit will take place between 2019 and 2022, although the exact timetable has not yet been published.
6. In October 2017 the Government announced that it had abandoned its proposals to introduce the Local Housing Allowance (LHA) cap on Housing Benefit and Universal Credit for Social Housing.

Recommendation

7. It is recommended that Scrutiny Members note the contents of this report.

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Background Papers

No background papers were used in the preparation of this report.

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S17 Crime and Disorder	There are no issues
Health and Well Being	There are no issues relating to health and well-being which this report needs to address
Sustainability	There is no environmental impact in this report
Diversity	There are no diversity issues
Wards Affected	All wards are affected, but in particular those with higher numbers of households on low incomes
Groups Affected	Universal Credit only applies to working aged people. People who have reached the qualifying age for state Pension Credit are not affected. Anyone in Supported Housing is unaffected.
Budget and Policy Framework	There is no particular impact
Key Decision	This is not a key decision
Urgent Decision	This is not an urgent decision
One Darlington: Perfectly Placed	The report has no particular implications for the Sustainable Community Strategy.
Efficiency	There may be negative impacts on the Council's ability to collect rent for Council Tenants receiving Universal Credit
Impact on Looked After Children and Care Leavers	Those who may need to live in supported housing as part of their transition to independent living.

MAIN REPORT

Information and Analysis

Background

Universal Credit

8. Universal Credit (UC) will replace six existing (legacy) means tested benefits currently administered by the DWP, Her Majesty's Revenues and Customs (HMRC) and Local Authorities. These are:
 - (a) Income based Jobseekers Allowance
 - (b) Income Related Employment and Support Allowance
 - (c) Income Support
 - (d) Housing Benefit
 - (e) Child Tax Credit
 - (f) Working Tax Credit

9. The key features of UC are as follows:
 - (a) It only applies to working aged people. It does not apply to people who have reached the qualifying age for state Pension Credit, who will continue to

receive Housing Benefit.

- (b) UC includes a housing costs element, which replaces the amount currently paid via Housing Benefit.
 - (c) People in supported housing can claim UC, but will continue to have their housing costs met by Housing Benefit. Separate funding for short-term supported housing, to replace Housing Benefit from 2020, is being proposed by the Government.
 - (d) From April 2018, people placed in temporary accommodation by the Council as part of their statutory homeless duties can claim UC, but will continue to have their housing costs met by Housing Benefit.
 - (e) There is one single award of UC for each household (currently one person can receive Housing Benefit, for example, and their partner can receive Tax Credits) and UC is paid monthly in arrears.
 - (f) UC payments, including the housing costs element, are paid to the applicant. In some limited circumstances, an Alternative Payment Arrangement can be made, including paying the housing costs element to the landlord.
 - (g) UC can be awarded to people in work and out of work. The idea is to make the transition into work as easy as possible, with no reclaiming of benefits or rules about the number of hours worked.
 - (h) UC is applied for on-line. The applicant then has to attend the Job Centre to sign their claim and agree a "claimant commitment". Failure to comply with the work-related part of the claimant commitment may result in a sanction.
 - (i) UC is administered by the DWP, but recipients still have to claim Council Tax Support (CTS) separately from the Council.
 - (j) The Council will continue to operate a Discretionary Housing Payment scheme to top-up payments of Housing Benefit and UC to those experiencing shortfalls in their rent.
 - (k) Once person applies for UC, they cannot go back onto one of the legacy benefits (including Housing Benefit) unless they move into supported housing, temporary accommodation or reach the qualifying age for state Pension Credit.
10. UC has been rolled out nationally to all Job Centres from June 2014, but only to certain applicants in limited circumstances. These have generally been single people who would otherwise have claimed Jobseekers Allowance.
11. The roll-out of the full UC service has already commenced in the North East. Once the full UC service goes live in a Job Centre area, everyone making a new claim to benefit or reporting a significant change in their circumstances will claim UC. This will mean that new Housing Benefit claims can only be made by pensioners, or certain working aged people in supported and temporary accommodation. Existing Housing Benefit recipients will continue to receive assistance from the Council until

they have a break in their claim or a significant change in their circumstances, such as a change of address.

12. The migration of existing claims for Housing Benefit to UC will then take place between 2019 and 2022, although the exact timetable has not yet been published.
13. The timetable for the roll-out of the full UC service in the North East is as follows. This has recently been amended in the November budget:

Local Authority Area	UC Full Service Live Dates
Hartlepool	December 2016
Newcastle	May 2016 to March 2017
Gateshead	October 2017 to November 2017
Durham County	October 2017 to June 2018
North Tyneside	May 2018
South Tyneside	May 2018
Darlington	June 2018
Stockton	July 2018
Middlesbrough	July 2018
Sunderland	July 2018
Northumberland	November 2018 to December 2018
Redcar and Cleveland	November 2018

Current position

14. UC went live at Darlington Job Centre on 23 November 2015. As at October 2017, 1,162 Darlington residents are receiving UC, with 452 in employment (or 39%).
15. However, the Government has recently announced that, for those Job Centre that have not yet gone live with the full UC service, from December 2017 the DWP will stop taking new UC claims until the full UC service goes live (which is June 2018 for Darlington). Therefore, the numbers of people claiming UC in Darlington is now likely to decrease until June 2018.
16. We currently have 309 people in Darlington receiving UC and also receiving CTS. This represents 3.0% of all the CTS recipients and 5.1% of all working aged recipients.
17. As at November 2017, we have 95 Council Tenants in Darlington who have applied for, or are in receipt of UC.
18. Of the 95 Council Tenant UC applicants:
 - (a) The balance of 36 rent accounts has increased in the past 3 months.
 - (b) The balance of 59 rent accounts has reduced in the past 3 months.
 - (c) From August 2017 to November 2017, the combined rent arrears for the 95 UC applicants have reduced from £59,822 to £58,382.
 - (d) The average level of arrears for Council Tenants in receipt of UC is £459.11 compared to £202.90 for all Council Tenants.

(e) Rent arrears for Council Tenants in receipt of UC are currently 8.36% of the rent due, compared to 2.25% for all Council Tenants.

19. Of those 95 Council Tenant UC applicants:

- (a) 29 tenants have clear rent accounts
- (b) 20 tenants are at the notice or pre-notice stage
- (c) 29 tenants are at the court or pre-court stage
- (d) 17 tenants are at the eviction or pre-eviction stage
- (e) 21 tenants currently have their rent paid directly to Darlington Borough Council by an Alternative Payment Arrangement.

20. Since April 2017, 9 Council Tenants in receipt of UC have attended appointments for Personal Budgeting Support with Housing Services staff:

- (a) One tenant is now working and no longer claiming UC
- (b) One tenant has moved out of Darlington
- (c) 2 tenants have low level arrears
- (d) 2 tenants are at the pre-eviction stage with one Alternative Payment Arrangement in place and one pending
- (e) 3 tenants have reduced their arrears.

Issues and actions

National issues with UC

21. The national issues with the administration of UC are well publicised. One of the main problems for new applicants has been the minimum 42 day wait for a first payment (which in practice has been often up to 60 days). The Government has recognised the widely held concerns about the long payment wait and has committed to ensure that all new applicants are able to access advance payments of UC within 5 days, and in extreme cases within hours.

22. However, these advance payments are loans that must be repaid. Applicants can only get an advance for a proportion of the amount they are owed as a first payment, and must repay it within 12 months. Currently, 48% of all new UC applicants receive an advance payment. In addition, the Government has also recently announced that it is removing the current 7 day waiting period for new UC claims from February 2018. Those people making the transition from Housing Benefit to UC will receive an additional 2 weeks' Housing Benefit, and this change is being introduced in April 2018.

23. Landlords have expressed concerns about the increasing level of rent arrears for tenants on UC and the possibility of an increase in evictions. Some private landlords have been reported as saying they will no longer take on tenants receiving UC because the risk of arrears is too high, and the bureaucracy involved in tackling problems with the DWP too difficult. Housing associations have warned that the accumulated bad debts run up by tenants as a result of UC could affect their house building plans. UC applicants frequently complain that UC is complex, unreliable, and difficult to manage, particularly if they do not have internet access.

24. In response to these concerns, the Government has been rolling out a new landlord portal to make it easier for landlords to make enquiries about UC payments and apply for Alternative Payment Arrangements on-line.

Council Tenant rent arrears

25. For the 95 Council Tenants who are currently receiving UC, Housing Services has managed their rent arrears successfully, considering the national issues with UC payments delays. However, the accelerated roll-out of UC from June 2018 is likely to increase arrears and impact on collection rates, in line with other housing providers operating with a full UC service. Typically collection rates in these areas have fallen from around 98% to 94%.
26. For Darlington Borough Council, the level of arrears for current Council Tenants is around £588,000 as at November 2017. Based on the UC cases we have seen so far and the average increased level of arrears for those tenants on UC, we estimate that these arrears could increase to £1.54 million by the time UC has fully rolled out in 2022.
27. However, some of these arrears will be artificial given that our rents are charged weekly in advance and UC is paid monthly in arrears. The level of arrears will therefore change depending on the date in the month the tenant receives their UC payment (which will be different for every person). This makes it difficult for the Council to accurately identify the genuine level of rent arrears (as opposed to tenants waiting for their next payment of UC before they can pay their rent).
28. In preparation for the full UC service, the Council are currently consulting Housing Income Management staff on a number of changes including:
- (a) Changes to job descriptions to reflect the challenges of the roll-out of UC
 - (b) Directing more staffing resource to the collection of current rent arrears
 - (c) Creating additional staffing resource to provide more advice and support to tenants during the transition to UC.
29. In addition, the Housing Income Management team are also trialling a new suite of system reports to enable staff to monitor rent arrears for tenants receiving UC to ensure that any recovery action reflects individual UC payment cycles.
30. From June 2018, the Housing Income Management will aim to:
- (a) Undertake an affordability check for all prospective new Council Tenants.
 - (b) Ensure every Council Tenant who migrates to UC is contacted and offered personal budgeting support to ensure they can manage their monthly UC payments and ensure they budget for their rent.
 - (c) Consider applying for Alternative Payment Arrangements for tenants in arrears or at risk of being in arrears.

- (d) Remind tenants of their responsibility to pay their rent when they receive their monthly UC payment.

Migration of Housing Benefits claims

31. Currently, the Housing Benefit caseload is reducing at a rate of 25 claims each month. This will be partly due to the current roll-out of UC. The total number of people receiving Housing Benefit as at October 2017 is 8,723. 59% of these are working aged and will therefore move to UC by 2022. This reduction in the caseload will increase significantly from June 2018 to approximately 100 claims each month. Hartlepool Borough Council, who have been with the full UC service since December 2016 has seen a reduction in their working age Housing Benefit caseload of 31%.
32. There will be significantly less new claims for Housing Benefit from June 2018, although we will still receive the same number of new claims for CTS. However, feedback from both Hartlepool and Newcastle Councils has indicated a significant increase in workload, despite the reductions in new Housing Benefit claims. This is mainly due to the work in migrating the cases over to UC and the manual notification of UC changes for CTS claims.
33. The experience of other Councils during the transition to the UC full service has been retaining and recruiting experienced staff.

Council Tax Support

34. The CTS scheme operated by the Council since 2013 works on the principle that any changes in a customer's income affects their entitlement to CTS. As UC entitlement can change monthly for many customers, this will mean CTS entitlement having to be manually recalculated on a monthly basis. Apart from the additional work for Council staff, the customer will be receiving a new Council Tax bill each month with different amounts to pay. In addition, there is a risk that if these customers default on their Council Tax payments, the recovery process will never progress as it resets every time a new bill is produced. Again, this is the experience of other Councils who are already working with the UC full service.
35. The CTS scheme for 2018/19 has already been approved. However, in response to these issues, the Council will need to consider whether to change its CTS scheme to a banded system from 2019/20. This will mean that CTS entitlement could be based on a number of bands (or ranges) of income.
36. The advantage of this type of scheme is that small changes in income won't trigger a new CTS entitlement or a new Council Tax bill. The disadvantages are that some reductions in income won't be taken into account and the scheme can result "cliff edges" where a small change in a customer's income can move them into a different band resulting in a large change to their CTS.
37. A number of other Councils are already preparing to change their CTS schemes to a banded system. During 2018 the Council will test a number of different options to strike the right balance between making the scheme fair and responsive to customer's circumstances, whilst making it easier for the Council to administer and

for customers to manage their Council Tax payments. These options will be subject to a public consultation before Council approval.

Local Housing Allowance

38. In October 2017 the Government announced that it had abandoned its proposals to introduce the Local Housing Allowance (LHA) cap on Housing Benefit and UC for Social Housing. There had been considerable opposition to the LHA cap including critical comments in four independent Task and Finish Group reports that were sponsored by the Government. The Government has subsequently published a consultation on proposals to introduce new funding methods for supported housing. The proposals do not affect support or care funding in supported housing.
39. The proposals place a diverse range of supported housing into three elements:
- (a) Sheltered and extra care housing which is mainly but not exclusively for older people;
 - (b) Short-term supported housing (for those in crisis such as those fleeing domestic violence and homeless people with support needs, or shorter term transitional help for those with substance misuse problems or vulnerable young people, such as care leavers); and
 - (c) Long-term housing (for those with long-term needs, such as people with learning or physical disabilities, or mental ill health).
40. The proposal is that funding for sheltered housing will continue through the welfare system but with new controls on rent levels while short-term supported housing will be administered by Local Authorities via the provision of a grant. Long-term housing is left unchanged.

Conclusion

41. Council Officers have proved typically resilient in dealing with these issues, but the expected efficiencies UC will deliver are unlikely to be realised for a number of years. Staffing resources will be required for the foreseeable future to ensure residents are supported through the UC application and transition process, whilst ensuring that Council Tax and rent arrears are kept to a minimum where possible.