

To: Leadership Board

On: 30th November 2016

Report by: Chief Executive

Heading: Update report on rollout of Universal Credit full service

1. Summary

- 1.1 On November 16th, the Department for Work and Pensions announced the schedule for the rollout of Universal Credit full service. This confirms that Renfrewshire will have Universal Credit full service in May 2018.
- 1.2 This paper outlines the preparations for Universal Credit to date, including steps taken to understand the potential financial risk to the Council.
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2. Recommendations

- 2.1 It is recommended that the Board
- Note the announcement of Universal Credit Full Service rollout in Renfrewshire in May 2018
 - Note the progress made in preparing Renfrewshire for Universal Credit full service
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3. Background

- 3.1 Universal Credit (UC) is a core component of the UK Government's welfare reform programme. UC combines all working age benefits and tax credit into one single benefit payment and pays it monthly to one person in the household.
- 3.2 Universal Credit was implemented by DWP in Renfrewshire in June 2015. So far in Renfrewshire, Universal Credit has been limited to new claims for single job seekers. There are currently 1,623 UC claimants in Renfrewshire, which only represents a small proportion of the total number of households which will be eligible for Universal Credit after full service.
- 3.3 On November 16th, the Department for Work and Pensions announced the schedule for the rollout of Universal Credit full service. This confirms that Renfrewshire will have Universal Credit full service in May 2018.
- 3.4 Since 2015, the Council has been providing a range of additional support for Universal Credit claimants, such as help with digital, personal budgeting and housing support. This support is designed to mitigate the risk to citizens moving on to Universal Credit by supporting people to adapt to key changes in the new benefit, such as online application and monthly payments.
- 3.5 Universal Credit full service also presents a number of risks to the Council, and significant work has been undertaken to understand the potential impact that Universal Credit full service could have on the organisation. This work has focussed on the potential impacts to the Housing Revenue Account, changes to funding of temporary and supported accommodation and implications for workforce planning across Customer and Business Services.

4 Potential financial impacts of Universal Credit on the Council

- 4.1 **Homeless Accommodation** - Universal Credit will be applied to claimants living in homeless accommodation. The challenges faced by homeless clients mean that claiming UC and receiving housing cost support has implications for the council's ability to maintain the current rental income received for the provision of council provided short stay facilities. This drives concerns in terms of how income levels could be affected by Universal Credit with regard to the potential for increased arrears and non payment of rent. In addition the move to devolve the management fee element currently included in housing benefit to the Scottish Government by April 2017 adds further uncertainty and complexity to the funding of short stay accommodation. Scottish Government is expecting that they will receive Scotland's share of the £225m of the current funding for the management fee element for 2017/18.

4.2 **Supported accommodation** - The Local Housing Allowance (LHA) cap that limits the amount of housing cost support available for the social rented sector will now not come into effect until 2019/20. At this point a new funding model will also be brought in for supported accommodation to ensure that the sector continues to be funded at current levels, taking into account the effect of Government policy on social sector rents. The new funding model will meet the core rent (up to the LHA rate) and pass the additional funding needed to local authorities and devolved administrations. Assurances given by Scottish Government to maintain funding levels are welcome, as is the further suspension of the LHA cap on supported accommodation, however uncertainty remains until the details of the arrangements are confirmed. It will be of crucial importance to ensure that Scotland, and Renfrewshire receives the full level of current funding through HB for supported accommodation. Work is ongoing to establish the current level of funding across Renfrewshire.

4.3 **Housing Revenue Account:** There is a significant risk that temporary rent arrears occur, as Universal Credit payments are made monthly in arrears. This means that four weeks rent will be due to the landlord before any payment is made to the tenant. Mitigating measures are in place for landlords, they can request an alternative payment arrangement if they have tenants who are more than 8 weeks in arrears. This allows landlords to receive the housing benefit element of UC direct until arrears have been fully paid.

4.4 Scenario planning has been undertaken to understand the potential increases in non payment of rent and rent arrears due to the end of direct payments of housing benefit to the council's HRA account.

4.5 It should be noted that Scottish Government have committed to delivering devolved Universal Credit flexibilities, and in particular ensuring that eligible claimants can have the rent element of their UC claim paid directly to their landlord if they choose, along with receiving payments twice monthly. Split payments (between household members) are still being considered by Scottish Government. There appears to be no timescale as yet for when these flexibilities may be available.

5. **Potential impacts of Universal Credit and wider welfare reform on citizens**

5.1 Assessing the impact of welfare reforms on citizens remains a key focus on an ongoing basis. There are a vast number of welfare reform changes that will come into force between 2016-2021, including various changes to tax credit payments and thresholds, changes to Universal Credit work allowances, a four year benefit freeze on most working age benefits, a lower benefit cap, changes to Mortgage interest support, and a Local Housing Allowance cap in the social

rented sector.

- 5.2 Recent research by Sheffield Hallam University on the impact of the post-2015 welfare reforms in Scotland estimated that the financial loss to Renfrewshire will be an additional £38 million by 2020-21. This is an average loss of £340 per working age adult, per annum. This is higher than the average loss of £300 across Scotland.
- 5.3 It is important to note that the biggest financial losses arise from the four-year freeze in most working-age benefits and reductions in work allowances from Universal Credit. Local activities will be unable to mitigate the worst impacts of these reforms.
- 5.4 The devolution of some welfare benefits to the Scottish Parliament means there is further uncertainty around the future administration of social security in Scotland. Scottish Government is still considering options for the delivery of the devolved benefits, including taking a 'split competency' approach where Holyrood may not take control of the delivery of some benefits until April 2020. It is not yet clear what the role of local government might be in the Scottish social security system.
- 5.5 Scottish Government have made a series of commitments relating to the devolved benefits, including using the Universal Credit flexibilities referred to in paragraph 4.5 of this report, along with an increase to Carer's Allowance, introducing a new Best Start Grant to replace the Sure Start Maternity Grant, introducing a new Job Grant for young people aged 16-24, and mitigating the removal of housing costs support for young people aged 18-21.
- 5.6 Renfrewshire Council submitted a response to Scottish Government's consultation on social security in Scotland in October 2016, following approval at Council.
- 5.7 Significant work has been undertaken to mitigate the impact of the lower Benefit Cap that was introduced in November 2016. This cap affects approximately 124 households across Renfrewshire. All households have been contacted directly through a number of channels, and wherever possible appointments have been made with Advice Works to provide advice and income maximisation where possible.
- 5.8 In response to preparation work for Universal Credit, the Council have recruited Claimant Support Officers who are now co-located in each JobCentre in Renfrewshire. This role will be able to provide a range of additional support to claimants such as digital and budgeting support, as well as providing a clear link between JobCentres and Council services.
- 5.9 A number of projects across the Tackling Poverty Programme also

seek to mitigate any adverse impacts of existing and forthcoming welfare reforms by improving local advice services, providing income maximisation support, and tackling financial and digital exclusion.

Implications of the Report

1. **Financial** - This report provides information on potential financial implications of Universal Credit full service for members to note.
 2. **HR & Organisational Development** – It is anticipated that there will be workforce planning implications that arise from the move to Universal Credit full service, due to the inclusion of housing benefit within UC. Workforce planning exercises are underway to understand potential impacts, particularly on the Revenues and Benefits Service
 3. **Community Planning** – Community Planning Partners are engaged in the Council's Welfare Reform work, and will be a key element of planning for full service.
 4. **Legal** - None
 5. **Property/Assets** – None
 6. **Information Technology** - None
 7. **Equality & Human Rights** – The rollout of Universal Credit could potentially have a number of implications for equalities and human rights. A full impact assessment will need to be developed as planning for full roll out is developed.
 8. **Health & Safety** – None
 9. **Procurement** – None
 10. **Risk** – There are a number of organisational and financial risks that could result from Universal Credit full service, and this paper details the Council's process so far in understanding and mitigating those risks.
 11. **Privacy Impact** - None
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