

Report of the Assistant Director of Revenues and Benefits
Housing and Homes Overview and Scrutiny
12th December 2017

1. Purpose

- 1.1 To provide an update to the Committee on the impact of Universal Credit and how the Council is supporting its tenants.
- 1.2 To provide analysis of rent arrears and the planned mitigations to limit the impact on the Housing Revenue Account.

2. Background

- 2.1 The Department of Work and Pensions (DWP) is responsible for Universal Credit (UC). It replaces a number of other benefits (Income Support, Job Seekers Allowance, Working and Child Tax Credits, Employment and Support Allowance and Housing Benefit). Importantly, it is paid in arrears with the default payment made direct to tenants. Up until now most social sector tenants in receipt of housing benefit have their housing costs paid to their landlords (including council tenants). The other significant issue for tenants and landlords is a delay of payment for around six weeks at the start of UC claims. Changes to the waiting period have been announced in the November 2017 budget which will mean the initial seven 'waiting days' will be abolished from February 2018.
- 2.2 A key stated Government aim for UC is to help people into work. UC has a more generous 'taper' (people can earn more before losing benefit) which the Government states will make work more accessible. This links to the overall role of Jobcentre Plus to help citizens find employment.
- 2.3 A limited number of working age people started receiving UC in Birmingham from 13th April 2015 – this phase of the rollout is referred to as 'live service' by DWP. Typically, the people claiming UC up until now have been the more straightforward cases (single people aged under 35). The number of council tenants currently receiving their housing costs through UC in Birmingham (who would have previously claimed Housing Benefit) has slowly risen to around 1,500. A similar number is likely in Housing Association properties and private tenants. However, the next phase of the rollout commenced on 8 November 2017 – referred to as 'Full Service'. This will see the numbers of working age people receiving UC rise significantly. Recent budget announcements from the DWP on the speed of the rollout are being assessed by the Council.
- 2.4 Of the twelve job centres in Birmingham, six will start to implement 'Full Service' in November 2017 with the remaining further six starting implementation in December. The rollout (by postcode) will continue through to March 2018. The 'Full Service' will include all new claims for housing costs and many changes in circumstances. This will include families with up to two children. Although there are some exclusions, it will impact on people whose circumstances can make them vulnerable. Remaining working age HB claims will gradually migrate to UC from around 2019 to 2022 (subject to confirmation by the DWP).
- 2.5 As a result of this significant change, the Council has needed to review its position. A number of issues have needed to be considered in order to continue to ensure that income to the HRA is maximised and that tenants interests are taken into account.

3. Implications and mitigations for the Council and the City

- 3.1 There are significant issues for Birmingham. The Council has around 62,500 properties with 'landlord' responsibilities. There are 42,400 of these households which rely on housing benefit to assist with payment of their rent. The big change (with the introduction of UC) is the issue relating to UC payments being made (with some exceptions) directly to the tenant and not the Council
- 3.2 This, coupled with the delay in payment at the start of the claim will cause additional pressure to the Council due to the impact on rent arrears. In preparation for this change, a pilot initiative is being undertaken to examine existing cases in receipt of UC. The pilot will look to identify the positive examples where people have claimed UC and not gone into rent arrears. Similarly, it will examine cases where arrears have built up, and look at what interventions may have prevented this situation arising. The outcome will give the Council clarity around which interventions are most helpful. This will help to mitigate the impact of the change on tenants and the HRA.
- 3.3 Universal Credit has been in Full Service at other councils before Birmingham. Close working with these councils has helped to identify the likely key issues for Birmingham on Benefits administration, these include:
- delays in the receipt of information;
 - duplication of information;
 - inconsistent and contradictory paperwork;
 - information for other Councils; and
 - ineffective escalation routes.
- 3.4 From a housing rent collection perspective, other councils report much lower levels of rent collection. Arrears on UC claims appear to be a relatively high proportion of all rent arrears.
- 3.5 Registered Social Landlord partners in the City will be facing the same pressures as the Council in terms of potential delays (in rent payment) and lack of direct payments. Tenants in privately rented accommodation are probably the most vulnerable group and there is a risk that some private landlords will cease renting to people claiming UC. All landlords will be able to request 'alternative payment arrangements' where citizens are identified as vulnerable, or in significant rent arrears. In the main, these will be direct payments to landlords, although there is also provision to split at UC payment within the same household.
- 3.6 The Council has put in place a 'task and finish group' specifically to help to manage the impact of UC full service. Chaired by Councillor Chatfield, the group meets monthly and it is made up of representatives from the Council and stakeholders (including DWP, third sector, and Registered Social Landlords). The purpose of the group is to work collaboratively to see how best to mitigate the impact the Government changes have on Birmingham residents. The composition of the group includes membership from the Financial Inclusion Partnership which feeds in to the developing issues and mitigations of UC impact. The partnership has already been undertaking campaigns and events to provide advice and information to Birmingham residents about UC.
- 3.7 There are a number of issues which will require close working between the Council and its partners to support people on UC. The ongoing work of the group will assist this process and help to ensure that the needs of Birmingham residents are fully taken

into account. This will include working closely with Job Centre Plus on related issues to getting people into work, which is a key priority for the Council.

- 3.8 The DWP has already taken a more proactive approach to offering citizens an advance on their first UC payment. Changes to the repayment period have just been announced in the Budget spreading repayments over a longer period. The seven 'waiting days' for which no UC is currently paid are also to be abolished. The Council will assess the impact these changes, and other proposals announced in relation to UC, during the coming weeks (as the detail behind the announcements are clarified).
- 3.9 Work is underway to examine the impact the changes could have for the Council. This includes modelling of existing tenants payment patterns while in receipt of UC and extrapolating this to inform the Council of the expected numbers going forward. This will help the Council's financial planning and the pilot will determine the associated structural and behavioural changes needed.

4. The Council's Universal credit pilot

- 4.1 The debit for council rents is raised weekly. The Rent Service collects rent by a range of payment methods on a weekly, fortnightly or monthly basis. Universal Credit will be paid directly into the bank accounts of eligible households, monthly in arrears. This marks a notable and fundamental change at the centre of which is a new and as yet largely, uncharted tenant/landlord relationship for tenants who are claiming benefit (or now UC).
- 4.2 The Rent Service will no longer have access to a computer system that will inform it of current housing costs or payment details (there is full access to Housing Benefit IT system information). DWP guidance advises that under 'Full' or 'Digital' UC the citizen has access to all their data via a secure online claimant account. This will allow tenants to check payments and award details and alert the DWP of any changes.
- 4.3 The DWP guidance advises landlords to speak to their tenants to obtain information about their UC claim. The Rent Service can receive information from the Benefit Service in terms of Housing Benefit being cancelled due to a UC claim being made. This will be used to inform the Rent Service and help identify which tenants to offer support to. Three way telephone conversations with the tenant and the DWP can be arranged to resolve queries. However, this is resource intensive and a known frustration for landlords currently operating in UC Full Service areas. Nonetheless, it is required to reach query resolutions in some situations. This support is also particularly required by vulnerable tenants who may need assisted digital support or Personal Budgeting Support.
- 4.4 In order to identify the financial implications the Rent Service completed a UC modelling exercise. The modelling identified that since 15/16 we received about six UC cases a week, this increased to an average of 15 cases per week in 2017/18. The numbers are expected to increase to 30 cases a week (1.59% of the overall caseload) with Full Service UC. The impact on HRA by year end 2017/18 is an estimated increase in arrears by an additional £838,000. Based on the caseload assumptions provided by the DWP, these arrears will increase by another £1.84m over a 12month period if the service does nothing to mitigate the potential increase.
- 4.5 A pilot initiative has therefore been developed to enhance the council's knowledge of the impact UC full service has on its tenants. The main objective is to reduce the additional potential arrears of £1.84 million over a 12 month period due to the impact of UC. The project will also:

- understand the behaviour of customers in receipt of UC to establish the critical risk areas in relation to rent arrears;
- consider strategies to support customers who are having difficulty managing their UC payments and paying their rent;
- minimise the impact of Universal Credit on rent collection rates, court prevention and tenancy sustainment; and
- assess the effectiveness of strategies for council tenants on UC.

4.6 In 2018/19 the caseload is expected to increase by a further 3.53% based on the current trend. The modelling has also identified that the arrears increased after about six weeks from the date the UC code was applied by an average of £267. However, the arrears then stabilised by an average decrease of £5 per week.

5. Discretionary Housing Payments (DHP)

5.1 Discretionary Housing Payments (DHPs) help to protect tenancies where people face a shortfall between their housing benefit and their rent. They can also be used to help people move to a more affordable property by using it as a 'bond' or 'rent in advance'. It is not intended to be a long-term form of support, but can be used to help ease a short term problem – such as temporary assistance once people first have their benefit 'capped'. The Government gives councils an annual grant for this purpose.

5.2 The DHP budget for 2017/18 is around £5.3 million. The strategic use of DHP is a key priority of the sub group of the Welfare Reform Task and Finish group. There is an increased pressure on this fund due to Universal Credit and the full effects of the Benefit Cap, which is now fully rolled out. It is important to maximise this limited fund to ensure the right people get the help they need to retain their tenancy, or move to somewhere more sustainable.

6. Local Welfare Provision (LWP)

6.1 From 1 April 2013, under the provisions of the Welfare Reform Act 2012, central government abolished two elements of the discretionary Social Fund — Crisis Loans and Community Care Grants. Responsibility for providing this type of emergency hardship support was passed over to councils, and became known as Local Welfare Provision (LWP). LWP is funded from the Councils general fund. The budget has seen a number of reductions since it was introduced. For 2017/18 the budget is £1.3 million. This was a reduction in the provision from the £1.85 million (which included an underspend of £245,000 from the previous year).

6.2 The Scheme provides support for some of the most vulnerable members of the community following a disaster, emergency or during a period of financial difficulty. Support is typically provided to help purchase emergency provisions (food vouchers). It is also used to help support people set up their homes with very basic emergency 'white goods'.

7. Personal budgeting support (PBS) and Assisted Digital Support (ADS)

7.1 DWP provide funding to councils to help people who may need support with the move to UC. This includes help with their budgeting and digital access. UC claims and claim management is all 'on line'. Many people will not have access to the internet, or the skills needed to manage their UC accounts. The Council has put in place arrangements (ADS) to assist people with this support, in the main through the Library service.

- 7.2 The Neighbourhood Offices (NAIS) will provide the PBS until at least April 2018. Assisted Digital Support is provided through the Council's library network. This will help to support people who do not have the access or skills to help them with their claims. Future provision will be considered as part of a procurement process over the coming months. NAIS receives referrals from the DWP work coaches and provides two hour PBS sessions. For the first quarter (April to June) 2017 a total of 95 referrals were received from DWP work coaches and 84 people were supported with PBS. (11 failed to attend – and this was reported back to Jobcentre Plus staff).
- 7.3 It is too early to assess the impact of Full Service UC on PBS and ADS. Projected numbers are expected to rise significantly.

8. Conclusion

- 8.1 The coming months will see a significant change for many people in the City. There are many issues for the Council to consider. As a 'landlord', there are important issues in relation to rent arrears and the impact on the council's housing budget. For working age Birmingham residents (in receipt of housing benefit), the Government changes to the benefits system means a fundamental change in the way their housing costs are dealt with. Related issues with social housing and private tenants need to be considered in order to ensure affordable tenancies are maintained and the associated costs of homelessness are minimised.
- 8.2 Very recent changes announced in the November 2017 budget need to be fully considered. Further guidance is awaited from the DWP and the impact can be reassessed as needed.

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