

Welfare Reform Update December 2016

Universal Credit Key issues

An announcement made on 16th November 2016 provided the Full (digital) UC Service roll out schedule¹ from April 2017 until September 2018, which will see UC rolled out across the whole of the UK.

There are two key routes through which COSLA officers are gaining information and identifying issues with regard to the implications for councils of UC rollout. Firstly, identification through feedback from councils, through a network of advisors and, where appropriate, through surveys and workshops. Secondly COSLA officers continue to engage with DWP through the UC Local Authority Partnership Forum and a UC Local Authority Steering Group. Additionally, officers also engage with DWP in Scotland through a Scottish Universal Credit Advisory Group. Officers are also in regular contact with the Scottish Government, who are also represented on the DWP engagement groups.

A joint DWP/ COSLA workshop was held on 10 November. This is one of a number of such workshops which are felt to be invaluable in identifying issues of concern to councils and for ensuring commitment from DWP to seek resolutions. The issues and COSLA's response to these are as follows:

Waiting days

- i. Issues around the fundamental design of UC both in relation to the 7 day waiting period at the start of the claim to Universal Credit and the 6-week delay in receiving the first UC payment are causing significant difficulties for UC claimants, landlords and Council Tax/rent collection.
- ii. Despite the fact applicants can apply for an advance of some of their first UC payment, many are finding themselves with inadequate income during this period and are applying to the Scottish Welfare Fund for a Crisis Grant. Many claimants are also starting off their UC claims with debts on their rent and council tax accounts.
- iii. COSLA officers are gathering information from Scottish Welfare Fund teams in both 'live' and 'digital' sites to evidence the impact the sustained delay in receiving first payments is having. The evidence will be provided to the Universal Credit program, along with evidence from other Local Authority Associations to highlight the impact this element of policy design is having.
- iv. COSLA also intends to highlight this information to the Scottish Government and discuss the impact felt by councils in relation to Scottish Welfare Fund resources and to assess the continuing likely impact as UC continues to roll out in the next financial year.

Council Tax Reduction

- i. Completion of information by DWP staff remains inconsistent or not on time to enable the correct calculation of Council Tax Reduction. It is also worth noting similar issues apply to the information being provided to councils to allow Discretionary Housing Payments to be made accurately. A number of councils have noted the drop in CTR claims now that the link with Housing Benefit has been broken
- ii. DWP are working to embed improved processes in the design of the 'digital' system. However, early experience from East Lothian Council suggest this area needs further development, as the experience suggests significant reductions in the number of claims being received given the number of UC cases coming on stream.

- iii. Suggestions for improvements have been made. Locally, to Job Centre Plus, to increase awareness amongst Work Coaches of the need to encourage applicants to make a claim for CTR. Centrally, at program level, to introduce claiming CTR as part of the applicant's tasks in their online claim journal. COSLA officers are continuing to pursue and monitor both these solutions.

Housing costs

- i. COSLA officers are continuing to express concerns around the effectiveness of UC in relation to the accuracy and timely payment of housing costs. Claimant groups involved in the 'live' service roll out thus far concentrated on those least likely to have housing costs and those least likely to be living in support/ temporary accommodation. The fundamental design of UC places more responsibility on the claimant and relies upon them having detailed knowledge of rent and service charges.
- ii. As 'digital' roll out continues it will be imperative robust processes are in place that accurately determine claimant tenure types and rent liabilities, where claimants cannot provide this information.
- iii. DWP have advised that they have introduced improvements following a complete review of the housing costs process which should lead to much quicker turnaround and significant improvements in housing costs being paid in the first payment. COSLA will monitor how this works across Scotland and will continue to push for improved processes as the 'digital' service continues to be designed.

Rent arrears and APAs

- i. Councils continue to highlight the potential for debts to accrue over rent for those claiming UC. The longer time for the first payment, payment of housing costs direct and the fact payments are paid monthly all potentially increase the risk of arrears. Local authorities and other social landlords are making intensive early interventions where possible to minimise the risk to collection. Alternative Payment Arrangements (APAs) which allow landlords to apply for the housing element of UC to be paid to them directly appear to have improved in recent months with applications being determined and communicated quicker than before. That said, landlords continue to highlight the additional administrative processes and costs involved in reconciling these direct payments against customers rent liabilities.
- ii. DWP have recently started its 'Trusted Landlord' pilots. These allow landlords to notify DWP directly of those tenants who are unlikely to be able to manage their payments. They are scheduled to run until next year with subsequent evaluation and learning being cascaded through the UC program as appropriate.
- iii. It is worth noting the percentages of tenants that landlords are in receipt of managed payments for in Scotland is running at just over 40%. This is almost double the initial estimates for UC customers and Scotland has some of the highest managed payment cases in the UK. Managed payments to landlords minimise the risk to rent collection. However, there are significant administrative burdens attached with applying for and receiving these payments.

Universal Credit and Scottish Flexibilities

LA Advisers will be aware part of the Scotland Act 2016, which received royal assent in March 2016, devolved powers to amend the housing costs within UC, alter the frequency of payments and amend rules around how payments within households will be paid. The Scottish Government, in their March 2016 paper [Creating a Fairer Scotland: A New Future for Social Security in Scotland](#), committed to enabling Universal Credit to be paid directly to social landlords, and to offer twice monthly payments to recipients rather than monthly payments. Information around these at present suggest these flexibilities can be introduced before many of the other powers in the Scotland Act however discussions have suggested it is still likely to be at least 2018 before these are up and running. COSLA will be pursuing discussions around this area as a matter of urgency given the roll out schedule and the likely impact on LAs.

Scottish Welfare Fund

The Scottish Government released official statistics on 25th October 2016 covering the period 1st April 2016 to 30th June 2016, which cover all aspects of SWF administration. During the first three months of 2016/17 £9.2 million has been spent of the annual budget (26% of the £34.8 million available for the year). Whilst there are still variations across Scotland in the amount spent in a given locality, against the available budget, these variations are smaller than in previous years and both COSLA and Scottish Government continue to monitor/discuss this area with Councils on an ongoing basis.

COSLA officers continue to monitor programme spend; review the impact of Universal Credit has on SWF in terms of any additional resource requirements created in managing the Fund and demands on the Fund from UC claimants; and continue work to ensure the SPSO processes and decisions for 2nd tier reviews do not adversely affect Councils' ability to deliver SWF policy locally.

Temporary Accommodation

As indicated in the previous update Scottish Government are expecting to receive in 2017/18 Scotland's share of the additional £225m of the 'Temporary accommodation impact of new funding mechanism' announced in the Autumn Statement 2015. A report of the proposed distribution of this funding will be considered by a forthcoming Settlement and Distribution Group and then put to COSLA Leaders meeting for approval. Nevertheless, unless Scottish Government chooses to top up the sum for distribution, this is likely to leave a considerable emerging funding gap, at least £20m annually, as housing benefit is phased out for working age claimants. COSLA's view is that the future provision and funding of temporary accommodation requires to be considered in the context of funding for affordable housing supply and we will continue to press this issue with Scottish Government.

COSLA along with other local authority associations have also been highlighting to DWP, through the UC Steering Group, the problematic issues arising in rent collection for temporary accommodation in Full UC rollout, arising from the long assessment period. The UC Programme recognise the significant issues now arising (which we highlighted earlier as risks in UC design) and have indicated that they are exploring the solution of changing arrangements for all short term accommodation and this is now covered in the Consultation on Funding of Support Housing referenced below.

Supported Accommodation

The LHA cap which has already been postponed for one year will now not come into effect until 2019/20, although this will then affect all UC claimants, not just those who took new tenancies from April 2016. At this point the UK Government will move to a new funding model to cover the core rent (up to the LHA rate) and pass the additional funding needed to local authorities and devolved administrations. Government has given assurances that current funding levels will be maintained.

On 21 November the UK Government launched a consultation on the Funding of Supported Housing beyond 2019 to close on 12 February 2017. While assurances on maintaining funding levels are welcome, uncertainty remains and a lot will rest upon the detail of new arrangements which have to emerge. It will be of crucial importance to ensure that Scotland receives the full level of current funding through HB for supported accommodation and that the sum transferring to Scotland is set on the basis of current projections of future need. In the longer term, the logical place following devolution of funding, is that it comes to local authorities who will lead future local commissioning. Updates will be provided as further information become available.

The Government has also now a substantial piece of evidence research on supported accommodation commissioned by DWP and DCLG to which Scottish local authorities contributed. The research confirms that there is currently a lot of Housing Benefit funding tied up with supported accommodation - c£4.15bn (GB) and c£410m in Scotland.

Housing Benefit Administration Subsidy

COSLA Spokespersons, Cllrs. McGuigan and Keenan wrote jointly to the UK Government seeking to protect the housing benefit administration subsidy from any further reductions for 2017/18, including any reduction as a result of claimants no longer claiming Housing Benefit and Universal Credit instead. Lord Freud, the Minister of State for Welfare Reform, replied saying that there was a need to remove what is considered to be 'double provision' and that the DWP would be working with local authorities regarding the funding for 2017/18. There was an offer in the reply to provide as much detail in advance and to look at streamlining wider funding streams, such as the proposal for Universal Credit funding referred to earlier in item 2.1.

The UK Government's reply is clearly disappointing and COSLA officers are therefore continuing to make representation on this issue. In particular discussions have been taking place through the Local Authority Association Steering Group, which is currently considering the allocation methodology for the HB admin subsidy funding for 2017/18.

Discretionary Housing Payments

For 2017/18 onwards, the funding which is provided by DWP for DHPs is being devolved to Scotland, as part of the Scotland Act. Scottish Government has been in discussion with the UK Government/ DWP on the funding to be transferred and COSLA recently received confirmation of the total funding to transfer and this was notified to Councils' Directors of Finance. The funding for the next 3 years has been confirmed as:

2017/18 £18.5m
2018/19 £20m
2019/20 £19.5m

The Scottish Government will also continue to provide funding of around £35m to fully mitigate the bedroom tax.

For the devolved funding and the bedroom tax funding, COSLA Leaders and Scottish Government Ministers have agreed a distribution of the funding for 2017/18. The devolved funding will be allocated based on DWP's existing methodology which notionally breaks down the total funding to different pots, core, LHA, RSRS, Benefit Cap. The bedroom tax funding will be allocated based on 80% of recent caseload, prior to 2017/18, and the remaining 20% allocated following the year end, to ensure each Council area's bedroom tax is fully mitigated.

Benefits Cap

The reduced benefits cap was introduced from 7th November 2016. Exemptions for people getting Guardians Allowance, Carers Allowance and the carers element of Universal Credit were introduced at the same time. Research by Sheffield Hallam University ¹ found that the new, lower Benefit Cap is likely to impact on 11,000 households in Scotland, with an average loss of more than £2,000 per year. The pre-2016 cap previously affected only 900 households in Scotland.

The reduced benefits cap was automatically applied to those already affected by the existing benefit cap on 7th November 2016. For non-Universal Credit claimants that were not previously capped at the existing levels, but will be capped under the new reduced threshold, DWP will be processing these cases and notifying LAs as appropriate over a period of 12 weeks. Local Authorities have been notified of the week they are likely to receive their 'new' cap cases, albeit this may be subject to change.

For Universal Credit claimants, DWP will be responsible for applying the reduced cap, these changes will apply for these claimants in the claimants first full assessment period which means the reduction will apply for Universal Credit claimants in January 2017. Estimates suggest less than 100 households are affected by the reduced benefits cap under Universal Credit and LAs have been notified of the indicative UC claimants affected in their areas.

COSLA Officers are collating information around the financial impact of the reduction in Benefits Cap across Scotland, and any subsequent impact on DHP funding to assist the most vulnerable applications locally. COSLA intend to use the information gathered to inform discussion with the Scottish Government moving forward and updates will be provided as and when they are available.

¹ [The Impact on Scotland of the New Welfare Reforms](#) by Christina Beatty and Steve Fothergill.

Personal Independence Payments

A recent COSLA Council Leaders meeting endorsed a follow-up to the initial survey on the impacts of PIP rollout and this is currently being progressed. **We would welcome any views about what information – which councils may have been monitoring – could usefully be gathered through the survey.**