

<b>Subject:</b>	<b>Welfare Reform update</b>		
<b>Date of Meeting:</b>	<b>3 July 2017</b>		
<b>Report of:</b>	<b>Executive Director of Finance and Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>John Francis</b>	<b>Tel: 01273 291913</b>
	<b>Email:</b>	<a href="mailto:John.Francis@Brighton-Hove.gcsx.gov.uk">John.Francis@Brighton-Hove.gcsx.gov.uk</a>	
<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE**

**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The purpose of this report is to update the committee on the progress of the government's welfare reform programme and in particular the roll-out of Universal Credit in Brighton & Hove and the council's response.

**2. RECOMMENDATIONS:**

- 2.1 That the committee endorse the response to welfare reform and the introduction of Universal Credit being taken by officers.
- 2.2 That the committee note and comment on the work being done with advice services and other organisations in the city to support outcomes for citizens.

**3. CONTEXT/ BACKGROUND INFORMATION**

**Welfare reform 2010 – 2015**

- 3.1 The current programme of welfare reform began under the Coalition Government formed in 2010. The overall policy aims of these changes were to simplify the benefits system, reducing error and fraud, and increase incentives for people to work in order to reduce poverty and to reduce costs.
- 3.2 The primary legislation which created these changes was the Welfare Reform Act 2012. The changes in this Act included the introduction of Universal Credit, as well as changes to Housing Benefits, Council Tax Benefits, Tax Credits and sickness benefits, including Disability Living Allowance and Employment Support Allowance.
- 3.3 The changes themselves included reductions in the levels of support available from welfare benefits through restrictions on the rates at which most working age benefits were increased each year, the ending of some benefits to be replaced with new benefits with either less budget or tighter criteria, and an overall cap on the amount of benefit available to some working age families.

- 3.4 It is estimated the overall impact of these measures in Brighton and Hove was a reduction in benefits of £59million per year, affecting 25,400 households with an average reduction of £2,300 per year or £44 per week (rounded).

### **Welfare Reform since 2015**

- 3.5 Further changes to welfare benefits were announced by the current government in 2015. The main legislation which created these changes was the Welfare Reform and Work Act 2016 and the Universal Credit (Work Allowance) Amendment Regulations 2015 and include:

- A freeze in a number of working age benefits for four years from April 2016
- A change in the Benefit Cap from £26,000 per year to £20,000 per year for families in areas outside London. (£18,200 to £13,400 for single people).
- Reductions in Work Allowances under Universal Credit
- The ending of the family element in tax credits (and corresponding first child premium in Universal Credit) for new claims from April 2017
- Limiting the child element of tax credits and UC for two children for new claims and births after April 2017
- Limiting the amount of Housing Benefit available to social sector tenancies to the equivalent of that in the private sector from April 2019.

- 3.6 An analysis of the impact of these measures in Brighton and Hove is contained in Appendix 1.

### **Intervention and Support**

- 3.7 The council has a programme (the Welfare Reform Programme) of work in place to support people affected by these changes and to manage policy options which have been devolved from central to local government around issues of welfare.
- 3.8 Support is provided through a range of measures to form an overall package of support for an individual or household where needed.
- 3.9 Financial support through discretionary schemes is provided to cover emergency costs and to provide extra help with housing costs and council tax through the Discretionary Help and Advice Team (DHAT).
- 3.10 DHAT are co-located with the Welfare Rights Team, which provides training on a range of welfare benefit issues to council services, voluntary and advice services and social landlords. They also provide direct advocacy support for citizens facing complex issues with benefit entitlement including providing a city resource for representation at tribunals, and mentoring support to colleagues dealing with citizens affected by lower level welfare issues.
- 3.11 Also aligned with these two teams is a case working team which provides support for families most significantly affected by benefit changes, usually those affected by the Benefit Cap. The team work with individuals to help them move

towards work or, with assistance from the Welfare Rights Team, to claim some disability related benefits which mean they are no longer affected by the cap. Whilst this support is ongoing where needed households are supported through Discretionary Housing Payments. A local Jobcentre Plus work coach is also co-located with this team which provides significant extra support and access to resources. Significant use is made of community resources that provide employment and other support in this area, particularly Community Education Centres.

- 3.12 Between them, these teams have supported 603 cases to move away from being affected by the Benefit Cap including helping 217 into work, and advocated on behalf of 56 households in respect of their benefit issues, increasing benefit entitlement by £450,000 per year. Over the last two years they have made 1,293 payments for emergency funds through the Local Discretionary Social Fund, totalling £305,000, and made 3,476 payments of Discretionary Housing Payments and Discretionary Council Tax Reduction payments totalling £1,707,000.
- 3.13 This approach also involves working with third sector providers to create resilience in the city around these issues and to try to maximise the value of relationships between the council and third sector, avoiding an adversarial approach where possible.
- 3.14 The Welfare Rights Team provide training to statutory organisations, and third sector advice agencies across the city to ensure there are sufficient skills in place to support people affected more broadly. In the last financial year 582 places were filled on these courses.
- 3.15 Working with other stakeholders and partners agreements have been set up with Money Advice Plus (a local money advice charity) so that if they deal with a customer who has multiple debts to the council, then services within the council will default to accept a payment proposal that is within certain agreed parameters. Similarly the council has agreed a trial with advice services over the use of a shortened version of the Discretionary Payments form in order to facilitate take-up on Discretionary Council Tax Benefit.
- 3.16 Until the introduction of the new level of the Benefit Cap in November 2016 analysis shows that compared with national trends the intervention work undertaken in Brighton and Hove resulted in a 55% drop in Benefit Cap cases, compared with around 25% nationally.
- 3.17 Since the introduction of the Benefit Cap, funding has been provided by the local Jobcentre Plus (JCP) but due to changes in the administration of JCP grants this funding stream will end in May 2017. Since November 2016 a Work Coach from the JCP has been co-located with the support team allowing a more comprehensive service to be provided.
- 3.18 The Welfare Reform Programme also manages a commission, funded by the Department for Work and Pensions but owned by the council, with Moneyworks Brighton and Hove to provide online and budgeting support for people on Universal Credit. As part of the third sector investment programme the Community Banking Partnership was commissioned in November 2016 as part of

the prospectus. The evaluation panel included members of the Communities Equalities and Third Sector Team, Welfare Reform, Housing, Public Health and Economy, Environment and Culture.

- 3.19 Other services are also crucial in terms of providing support to customers affected by welfare reform. Housing have undertaken support and outreach to tenants affected by the Social Sector Size Criteria, the Benefit Cap and people who are claiming Universal Credit. Housing also hold a commission with Money Advice Plus to provide budgeting support to their tenants. This work ties in very closely with the work of the Trailblazer Homeless Prevention programme being run by the Temporary Accommodation Team. It also links in with other work streams across the council including corporate debt, rough sleepers and the Neighbourhood Hubs project.
- 3.20 In addition to this direct support, work is undertaken with colleagues across the council via regular meetings to join up support across services. Work is also undertaken across the city more broadly to make sure the changes are well understood by non-council services who work with people likely to be affected by these changes. For example a booklet setting out three key changes during 2016 was developed and circulated around teams and networks including front line mental health workers and the Advice Services Network.
- 3.21 Regular meetings are also held with a broad range of stakeholders across the city including representatives of private landlords, social landlords, advice agencies, community groups and the DWP. This provides the opportunity to get a broad understanding of these impacts from a city wide perspective as well as providing routes for disseminating information.
- 3.22 Third sector organisations, including foodbanks and advice services within the city are also key to providing support. There are currently 15 foodbanks in the city. A report by the Brighton and Hove Food Partnership 'Brighton & Hove Food Poverty Action Plan – Progress Snapshot one year in – April 2017' reported that these foodbanks gave out on average 298 food parcels a week. A member of staff from the Welfare Reform Team regularly attends relevant meetings including the Advice Services Network and the Emergency Food Providers meeting hosted by Brighton and Hove Food Partnership.

### **Universal Credit**

- 3.23 Universal Credit is due to roll out for all types of households from 4<sup>th</sup> October for people who come under Hove Jobcentre Plus and 29<sup>th</sup> November for people who come under Brighton Jobcentre Plus. This will be for people making new claims or for some changes of circumstance so take up will be graduated over a number of years.
- 3.24 Universal Credit initially started in Brighton and Hove for single people in straightforward circumstances from December 2015.
- 3.25 For cases that have not moved onto Universal Credit through making a new claim or having a change of circumstance, a process of migration will take place between 2019 and 2022 so that anyone on working-age benefits will be in receipt of Universal Credit.

- 3.26 Universal Credit combines six existing benefits including Housing Benefit, Working and Child Tax Credits, Jobseeker's Allowance, Employment and Support Allowance and Income Support. By the time Universal Credit is fully established in the city around 20,000 households will be affected. The likely distribution of households which receive support from Universal Credit is set out in Appendix 1.
- 3.27 The main other differences between Universal Credit and the previous benefits are:
- Universal Credit will default to be paid once a month in arrears to one member of a household
  - Universal Credit will have to be claimed and maintained online
  - The rent element will default to be paid to the tenant even if they wish it to be paid to the landlord. (Exceptions will apply to vulnerable people and people in arrears with rent).
  - Conditionality will apply to people even when they are in work
  - The Council will no longer administer Housing Benefit for working-age cases.
- 3.28 The Universal Credit White Paper – 'Universal Credit: welfare that works' set out five key intentions behind Universal Credit. They were to make work pay by reducing the rate at which benefits are withdrawn when someone enters work; to establish strict conditions that must be satisfied for a person to claim, called the claimant commitment; to move to a standard monthly payment with the intention of benefits mirroring a monthly salary from work; to make the system more responsive to changes in earnings so people feel the financial benefits of moving into work more quickly; and, to pay the rental element to social tenants rather than directly to the landlord.

## **Risks**

- 3.29 A risk analysis undertaken by the council and information from areas where Universal Credit has already gone live has identified a number of key risks. These risks may impact on both citizens and service providers, including the council, within the city. The key risks identified are:
- Financial risk – this is largely driven by the default position for the rental element of UC to be paid directly to the tenant rather than the landlord. Evidence from areas in the country where UC has already rolled out has shown that levels of arrears to landlords have increased under Universal Credit. For example in evidence to the Works and Pensions Committee, London Borough of Croydon Council set out that collection fell from 98% to 72% for Universal Credit customers.
  - Housing risk – a survey of members of the National Landlords Association has shown that the percentage of landlords willing to rent to UC tenants (and/or at the local housing allowance rate) has fallen to 18% compared to 46% in 2010.

This in turn may result in greater pressure on housing services within the council and the city.

- Structural risks within UC – this relates to details of the differences in the way UC will work compared to current benefits and includes housing costs being unavailable to some under 22 year olds; a default 6 week wait until the first payment of UC is made; housing costs not being paid if a person does not have a liability in the monthly anniversary of the date they made a claim (for example if they are in temporary or emergency accommodation for 1-29 days); and, a change in the way that DWP will deal with representatives of claimants.
- Administration of UC – at present benefit claimants receive a variety of payments from the DWP, HMRC and the council. Under UC claimants will receive one payment. Although this will simplify the situation for customers it does mean that if that payment stops for any reason it could cause greater hardship. Brighton and Hove are due to go live in October and November 2017. During each of these months 50 Jobcentre sites will be going live compared to none in August and September, 30 in July and around 5 a month before that.
- Vulnerable people – the requirement for people to claim UC online, manage monthly payments and to pay their own rent may present particular risks for vulnerable people. Specific cohorts identified include rough sleepers; people with drug, alcohol, gambling or other dependencies; people with some health conditions including mental health problems; and, people who may be at risk of financial theft or abuse if other associates/residents know they are receiving large monthly amounts.

### **Opportunities**

- 3.30 A report commissioned by the DWP and published in in December 2015 compared employment outcomes for people on Universal Credit who would have otherwise been on Jobseeker's Allowance. This study found that 71% of people on Universal Credit moved into work within the first nine months of their claim compared with 63% for Job Seekers Allowance.
- 3.31 Under Universal Credit, claimants will only have to deal with one organisation in respect of their main working age benefits. (Council Tax Reduction will still be administered by local authorities though.)
- 3.32 The design of Universal Credit is intended to create far greater fluidity for people who have change of circumstances, for example moving into work, than the current system of interrelated benefits. The intention of the system is to remove part of the perceived risk around problems with benefit payments that moving into work may currently be seen to create.

### **Support and readiness for Universal Credit**

- 3.33 A cross service approach is being taken with the council to prepare for these changes. Services involved include Revenues and Benefits, Housing, Children's Services, Adult Social Care, and the Communities and Equalities Team. A

significant programme of work underpins this approach and has been put in place to mitigate as far as possible the risks presented by the change to Universal Credit and to maximise the opportunities.

- 3.34 The move to Universal Credit is a significant change for many services within the council. Services are changing processes, training staff, re-prioritising resources, developing new relationships and providing support in different ways. Services and organisations who provide front line support to people who may claim Universal Credit are having to ensure staff are familiar with the new system and the lines of support available.
- 3.35 The Welfare Reform Programme meets regularly with stakeholders across the city including representatives of private landlords, social landlords, advice agencies and DWP. These organisations have been asked for information to help with the planning for the change to Universal Credit in the city.
- 3.36 With funding provided by DWP, the council will be commissioning both support for people to claim Universal Credit online and for budgeting support for people who need help managing a monthly payment and their own rental costs.
- 3.37 The commissioning will be aligned with the Neighbourhood Hubs programme, particularly around digital support hubs. Three out of four of the neighbourhoods being focussed on in the Neighbourhood Hubs programme will be amongst the most impacted by the rollout of Universal Credit. They are East Brighton, Hangleton and Knoll, and Moulsecoomb and Bevendean. Linking together these two programmes will also allow information about Universal Credit to be fed both into those neighbourhoods but also provide a structure to feed information from those communities about the impact of the change to Universal Credit into the council.
- 3.38 The third sector advice sector in Brighton and Hove report that, in terms of work to support people on benefits, the majority of resources are being used to support people in receipt of sickness and disability benefits. In particular supporting people who were on Disability Living Allowance to claim Personal Independence Payments and supporting people on Employment Support Allowance to dispute the outcomes of the work capability assessment. Claimants currently on Employment Support Allowance will move onto Universal Credit so the focus of advice will shift. If Universal Credit creates additional demand in this area the sector reports the impact could be critical.
- 3.39 Commissioners of services within the council recognise the potential impact of this change. A commissioners network is in place within the council which together with procurement will ensure that the commissions which are in place/are to be commissioned, are joined up, that there is effective oversight and understanding of any gaps in provision; and, that priorities are understood and work done to ensure outcomes optimised for the levels of resources available.

#### **4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 4.1 At present the council's approach to dealing with welfare reform and the introduction of Universal Credit is to undertake a programme of work to prepare

the council for these changes, and to work with individuals and households affected to minimise their risk of falling into significant crisis, for example becoming homeless.

- 4.2 The council also works with partners and stakeholders across the city to understand the impact of Welfare Reform and the introduction of Universal Credit across the city.
- 4.3 An alternative option would be not to prepare for these changes or to support families affected. This approach would require a reactive approach to negative consequences. This would mean ad-hoc shifting of resources with a subsequent impact on business as usual and individual variable levels of support being provided rather than a consistent approach.

## **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 As mentioned in section three, the Welfare Reform Programme holds a six weekly Citywide Welfare Reform meeting. This meeting is attended by representatives of private sector landlords, social landlords, advice agencies, wider community organisations and the DWP. This network is used to both get a proper understanding of how the impact of welfare reform is manifesting in the city and to gather information from partners about the risks and opportunities these changes present. It also provides a conduit for providing detailed information about the changes out to city organisations.
- 5.2 A member of the Welfare Reform Team regularly attends the Advice Services Network meeting. This is a meeting of advice services and agencies in the city. In addition a member of the team responsible for administering the Local Discretionary Social Fund also attends the Emergency Food Providers meeting hosted by the food partnership so that support in this area is joined up.
- 5.3 Staff involved in supporting people affected by these changes also hold a number of informal relationships with city organisations allowing information to be shared on an ongoing basis and particular issues, including case support, to be addressed quickly.

## **6. CONCLUSION**

- 6.1 The government's welfare reform agenda has been ongoing since 2010.
- 6.2 Most of the changes that have formed a part of this agenda since then have been changes to existing benefits, often reductions or freezes in the amounts available – for example as is the case in Housing Benefit; or, it has been the case that some benefits have been ended and replaced with an alternative – for example Disability Living Allowance and Personal Independence Payments.

- 6.3 The introduction of Universal Credit however represents a fundamental shift in the way benefits are paid. This is at an organisational, technical and cultural level. Benefits will be paid once a month from one organisation; in most cases the housing element will be paid to the tenant not the landlord; and, conditionality will apply to people who are working, not just people who are out of work.
- 6.4 A larger number of households in the city will be affected by this measure than any other single reform. The 18,000 working-age households that currently claim Housing Benefit will move to Universal Credit, and other households who are just in receipt of Tax Credits or DWP benefits but not Housing Benefit will also be moved onto the new benefit. It is expected the overall number of households impacted in the city will exceed 20,000 (just under 1 in 6 in the city).
- 6.5 The information in this report shows how important it is for the council and the city as a whole to be as prepared as possible for the introduction of Universal Credit.

## **7. FINANCIAL & OTHER IMPLICATIONS:**

### Financial Implications:

- 7.1 It is estimated that for 2017/18 the council will pay out approximately £43m in rent rebates, most of which is in respect of properties where the council is the landlord. Over the next five years as housing benefit transitions to Universal Credit payment will be made directly to the tenant rather than directly to the council. This could potentially lead to a pressure on rent collection rates in both the HRA and General Fund although at this stage it is very difficult to quantify this. This will be closely monitored and any impact will need to be reflected in future years' budget setting.

The 2017/18 budget includes continued recognition of the potential impacts of changes to the Council Tax Reduction Scheme and national Welfare Reform changes. As well as a wide range of support and advisory services including Financial Inclusion, Housing and Welfare Rights the council also provides one-off resources and grants to support those suffering short term hardship including:

- Discretionary Housing payments (DHP) - £1.133m.
- Welfare Reform and Social Fund reserve - £0.613m; planned use includes a one-off allocation of £0.295m to continue the Social Fund in 2017/18, £0.95m for discretionary Council Tax Reduction support and £0.144m to support the Welfare Reform programme. A contingency of £0.079m is also set aside for any residual issues in 2018/19.
- Recurrent discretionary Council Tax Reduction support of £0.055m in addition to the £0.095m provided from the Welfare Reform reserve above.

*Finance Officer Consulted: Name Jeff Coates*

*Date: 21/06/2017*

### Legal Implications:

- 7.2 The actions being taken by the council, described in this report, are incidental to the council's powers and responsibilities around administering Housing Benefit, Council Tax Reduction, Local Welfare Provision and homelessness prevention.

*Lawyer Consulted: Liz Woodley*

*Date: 02/06/17*

### Equalities Implications:

- 7.3 The government published an equalities impact assessment on Universal Credit in November 2011 (prior to subsequent changes announced in 2015) and other areas of policy - Benefit Cap, social sector housing under-occupation, and on Disability Living Allowance reform in 2012. A further impact analysis was published in 2016 around the changes to the Benefit Cap amounts. It found that around 64% of claimants likely to have their benefit reduced by the cap will be single females but only around 12% will be single men. Data on current benefit cap numbers in Brighton and Hove show that 257 (76%) of 340 capped households are single parents and of those 251(74%) were female single parent households and 6 (2%) were male single parent households. Based on current Housing Benefit data, of the 18,389 households likely to be impacted by the change in the city 9,102 are single people who live alone, 2,010 are couples with no children, 4,906 are single parent families, and 2,371 households affected are couples with children. As a part of the planning for Universal Credit an Equalities Impact Assessment will be undertaken by the council on the impact of Universal Credit on vulnerable groups.

### Sustainability Implications:

- 7.4 No sustainability implications have been identified.

### Any Other Significant Implications:

- 7.5 Other implications are set out in the main body of the report

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Appendix 1- Impact of 2015 reforms and rollout of Universal Credit