



CAERPHILLY HOMES TASK GROUP – 16TH MAY 2019

SUBJECT: UNIVERSAL CREDIT – HOUSING UPDATE

REPORT BY: CORPORATE DIRECTOR OF SOCIAL SERVICES AND HOUSING

1. PURPOSE OF REPORT

- 1.1 This report is seeking the views of members prior to its presentation to Regeneration and Housing Scrutiny Committee and thereafter Cabinet. The purpose of this report is to recommend to members that Cabinet agree to receive regular updates on the roll out of Universal Credit and its impacts and ratifies the approach being taken to manage the roll out of Universal Credit (UC) and the support being offered to tenants of Caerphilly Homes

2. SUMMARY

- 2.1 This report focuses upon the impact of UC on both Council tenants and Caerphilly County Borough Council. The report explains how the roll out of UC operates and the issues this creates, resulting in an increase in rent arrears. The level of rent arrears is significantly higher than that of tenants not in receipt of UC and it is quite clear that many tenants struggle with the complexity of UC and are at risk of not receiving their full benefit entitlement.
- 2.2 In recognition of the issues being experienced as a consequence of the roll out of UC the report also explains the additional resource implications for Caerphilly Homes in delivering the extensive support mechanisms that are considered necessary for our tenants to sustain tenancies, maximise incomes, improve living conditions and also maintain our rental income.

3. RECOMMENDATIONS

- 3.1 Cabinet agree to a regular update on the roll out of UC and its impact.
- 3.2 Cabinet ratifies the approach being taken to manage the roll out of UC and the support being offered to tenants.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 Universal Credit is one of the biggest changes to the welfare system since its inception, bringing together six existing benefits. Members will note the growing impact of Universal Credit on Caerphilly's Housing service and its tenants.

5. THE REPORT

Universal Credit

- 5.1 Universal Credit (UC) was initially introduced in the Caerphilly County Borough in May 2015 for new claims by single persons who would previously have been eligible to claim job seekers allowance (JSA) only. Initially UC claims by Caerphilly tenants were slow with only around 3 to 5 per month believed to be making a claim. This "live" service remained in place

in Caerphilly until September 2018 and during this time 120 Caerphilly tenants were known to have made a successful UC claim.

5.2 In September 2018 roll out of the “full service” commenced in Caerphilly for single claimants, couples and families, combining six means tested benefits, the so called “legacy benefits”

- Job Seekers Allowance, income related
- Employment Support Allowance, income related
- Child Tax Credit
- Working Tax Credit
- Housing Benefit
- Income Support

5.3 The eligible tenant will directly receive one monthly combined lump sum payment covering each of the various benefits they are entitled to receive, which could include housing benefits to cover some or all of their rent. Previously housing benefit would have been paid by the Department of Work and Pensions (DWP) direct to the social landlord; during the period April 2018 to March 2019 we received £29 million in housing benefit payments directly to Caerphilly Council. As tenants move to UC this figure will reduce as payments are made directly to tenants, who become responsible for paying the rent to their landlord. Arrangements have to be made to collect these payments from tenants.

5.4 Tenants in receipt of UC will receive one lump sum payment which includes their personal allowance as well as their housing costs (rent). It is clear from our early experiences of roll out of UC that some tenants are using the housing costs element of their UC payment for other things and not paying their rent. At Christmas we noted an increase in rent arrears of tenants in receipt of UC.

5.5 Tenants move on to UC if they are a new claimant or if there is a change in their circumstances which triggers the changeover from the legacy benefits (detailed in 5.2). In practice this means a “change of benefits”. Examples of changes in benefits include:

Universal Credit claim required	A tenant who has come out of work or has reduced their hours and doesn't have an existing housing benefit claim would be required to claim UC
	A person moves from a neighbouring borough and had a live housing benefit claim would need to make a claim for UC once they move to Caerphilly County Borough
	A single person working part time and claiming working tax credits who moves in with a partner would have to claim UC.
Universal Credit claim not required	A tenant currently claiming housing benefits moves within the County Borough to another property would not be required to make a claim for UC
	A couple working part time and claiming working tax credit who have their first child would not need to make a claim for UC for the child element

5.6 There are further exceptions and the following groups would still continue to claim the legacy benefits (detailed in 5.2) above.

Universal Credit exemptions	Anyone who has reached the qualifying age for state Pension Credit. Pensioners will claim Pension Credit from the DWP and Housing Benefit from the Council.
	Anyone living in supported accommodation (such as sheltered accommodation). People in supported accommodation who have not reached the age for state Pension Credit will claim UC to meet their personal costs and Housing Benefit from the Council to meet their housing costs
	Anyone placed in temporary accommodation by the Council. People in temporary accommodation will claim UC to meet their personal costs and Housing Benefit from the Council to meet their housing costs
	Anyone who is already claiming the Severe Disability Premium. People who qualify for Severe Disability Premium will continue to claim the legacy benefits listed in 5.2.

- 5.7 Full service UC is digital by default with the initial application being made online and once in place all further interactions with UC are carried out via the claimants “digital journal.” This means any instructions or requirements for additional information from the DWP are notified to the claimant via the journal “to do” list.
- 5.8 Any changes in circumstances experienced by the claimant also need to be communicated digitally using the online journal. UC uses a texting service to advise claimants when a new request has been added to their journal. It is therefore vital that tenants inform the DWP, using the online journal, whenever they change their telephone number.
- 5.9 Once a claim has been completed claimants have to verify their identity either online using photo identification (passport or driving licence) or, as is often the case, if photo identification is not available by making an appointment at the local Job Centre. Once the claimant’s identity is verified then the UC claim enters a 5 week assessment period. The claimant should at this time make a separate application to the Council for Council tax Reduction as this process is completely separate to UC. Tenants not in receipt of UC and claiming Housing Benefit only need to complete one application used for both rent and Council tax reduction.
- 5.10 Generally, payments of UC are made each calendar month in arrears to one member of a couple, into the claimant’s bank account. If a claimant doesn’t think they will have enough to live on while they wait for their first payment (during 5 week assessment period) they are able to request an advanced payment of UC. The advanced payment is a loan and it has to be paid back within one year as a deduction out of their UC payments but no interest is charged.
- 5.11 An additional two week payment of Housing Benefit is paid during the assessment period, this is additional benefit and not repaid by the tenant. The DWP have recently announced that from July 2020 an additional 2 weeks non repayable legacy benefits (detailed in 5.2) will also be paid during the assessment period.
- 5.12 Alternative payment arrangements are available for claimants who can’t manage their monthly payment. The landlord or claimant can apply for an Alternative Payment Arrangement (APA) Managed Payment to Landlord (MPTL) at any time, which will be considered by the DWP on a case by case basis. An APA can also include more frequent than monthly payments or a split payment of an award between partners. The decision whether to award an APA takes account of numerous factors and using the Tier 1 and Tier 2 guidance detailed below

Tier 1 factors – Highly likely/probable need for Alternative Payment Arrangements
Drug/alcohol and/or other addiction problems, such as gambling
Learning difficulties including problems with literacy and/or numeracy
Severe/multiple debt problems

Homeless
Domestic violence and abuse
Mental health condition
Currently in rent arrears/threat of eviction/repossession
Claimant is a 16 or 17 year old and/or a care leaver
Families with multiple and complex needs

Tier 2 factors – Less likely/possible need for Alternative Payment Arrangements

Third party deductions in place (such as for fines or utility arrears)
Claimant is a refugee/asylum seeker
History of rent arrears
Previously homeless and/or in temporary or supported accommodation:
Other disability (such as physical disability or sensory impairment)
Claimant has just left prison
Claimant has just left hospital
Recently bereaved

The DWP intends the change of payment to the landlord to be a short term and temporary arrangement and subject to review. Experience to date has demonstrated that this process is not straight forward for the landlord and is particularly problematic when there is a change in claimants' circumstances.

- 5.13 A significant issue is the delays that can be experienced in processing requests for MPTLs (i.e. when the landlord requests for the housing costs (rent) and arrears to be paid directly to the landlord). For information purposes the payment schedule received from the DWP dated 16/04/19 included £95,000 worth of housing costs and arrears deducted from tenants and paid to the Council directly. This schedule showed that some of the payments included had been deducted from claimants UC accounts as long ago as February 2019. This means a tenant's rent account will show they are in arrears but the DWP have deducted the monies but not yet paid it over to their rent account.
- 5.14 At 23/04/19 25% of Caerphilly council tenants in receipt of UC have a managed payment i.e. the housing costs are paid directly to the Council. UC is an in work and out of work benefit. A tenant could gain employment and, dependant on their level of income, their entitlement to UC may cease or reduce. Landlords are not made aware of this and would assume their normal payment from their UC will be deducted by the DWP and paid to the landlord direct. As shown in 5.1.11 the delay in payments being direct to rent accounts by the DWP adds further complications for both the tenant and the Council.

Impacts of UC on the Housing Service

- 5.15 As at 23/04/19, 933 Council tenants were recorded as being in receipt of UC for housing costs, equating to 8% of all Council tenancies. Of these 933 cases, 783 were showing arrears at this date, amounting to a total debt due of £569,490. Of the 783 tenants in arrears 35% owed more than 8 weeks rent.
- 5.16 A geographical split of the 933 Council tenants claiming UC is shown by housing area below:-
- | | |
|-----------------------------------|-------|
| Upper Rhymney Valley housing area | - 46% |
| Eastern Valley housing area | - 32% |
| Lansbury Park neighbourhood | - 11% |
| Graig Y Rhacca neighbourhood | - 11% |
- 5.17 The average level of arrears for tenants on UC on this date amounted to £609.73. In context the average rent arrears for all Council tenants at this date was £375.15. Due to the nature of Universal Credit, with claimants receiving payments on differing dates depending on when their claim was accepted, and in four weekly schedules for receiving managed payments, it should be noted that these figures can only represent a snapshot of the position at the relevant date in question.

5.18 UC has been designed specifically with system change in mind – and many of the areas that are causing difficulties for Council tenants are those that are explicitly deliberate in the design of UC. These include:

- It is digital by default and therefore applications must be made online and once accepted, the customer must actively maintain their online journal
- Applicants must budget monthly to prepare them for the world of work
- Requirement for ID to make an initial claim although appointments can be made at the job centre to verify
- Requirement for monies to be paid into a bank account
- No payment for one calendar month (plus up to a week for payment to transfer) after a claim is made
- Ending of system referred to as 'implied consent' which enabled advisors to discuss clients cases with the DWP without the client being present.
- Tenants receive their Housing Costs (rent) direct and are responsible for paying rent to landlord

5.19 Support to new and existing council tenants affected by UC is provided by Tenancy Support Officers. The underlying economic climate and the introduction of the Welfare Reform Act 2012 which brought about wholesale reform of the benefits system, including the development of UC, led to the creation in 2012 of a tenancy support team within the Rents section. This team (5FTE), together with the Specialist Benefits Advisor, provide invaluable assistance to tenants in sustaining their tenancies, including:

- Supporting tenants with new and existing benefit claims (including UC)
- Providing budgeting and basic debt advice
- Warm home Discount scheme applications
- Subsidised water tariffs (Help U)
- Applications to relevant charitable trusts and Discretionary Assistance Fund
- Energy advice (staff trained to level 3 City and Guilds)
- Personal Independence Payment applications
- Food parcels
- Benefit better off calculations
- Referrals to employability programmes.

5.20 During the period April 2018 to March 2019, the tenancy support staff made 2035 home visits to council tenants which resulted in an additional £628,000 additional income for those tenants. This came from a variety of sources including additional benefits, preferential water tariffs, written off utility debts, and grants. In addition to the financial savings the staffs were successful in applying for 92 free white goods items for tenants (e.g. cookers, fridge freezers and washing machines) from the Discretionary Assistance Fund. The support staff ensure the service is as accessible as possible by visiting tenants in their own homes and offering appointments at Council Offices and premises e.g. Hafod Deg and community spaces. Assistance is often provided at short notice, ensuring crisis situations can be avoided and tenants are able to sustain their tenancies.

5.21 The established tenancy support team at Caerphilly has been integral in supporting tenants moving onto and maintaining UC claims. The staff have received in depth UC training and the broader knowledge they have gained since 2012 is enabling them to provide focused support to tenants. The team also work in partnership with other teams within Housing who also support tenants e.g. Floating Support, and the Community Regeneration Team for tenants who require ongoing digital or employment support.

5.22 During February to April 2019 the Housing Service undertook a survey of council tenants who had recently moved to UC and made a claim directly with the DWP, to seek their views of the whole claim process. Although the sample was small the following highlights the key results from the survey:

- 48% did not find it easy to make a claim for Universal Credit
- 80% were informed by the DWP they could apply for an advance or more frequent payments
- 85% felt they could cope with managing their online journal (with possible assistance from families)

5.23 Comments from tenants about their claims included:

“I didn’t understand how to make claim, would have liked 1 to 1 support at home. Not confident to challenge how much the DWP gave me. I had help from the Council to check calculation”

“Had issues setting up the account but had help from JCP staff”

“Initial claim was easy but very little support after claim. DWP staff not helpful”

“Had support from daughter as do not have internet. Unable to use computer due to epilepsy. Daughter helps manage claim”

“Verification a problem due to no photo ID, advised of advance but not more frequent payments”

5.24 Appendix 1 details four case studies where the support staff have given assistance to tenants in relation to UC. In some instances it can financially benefit tenants to move to UC however due to the highlighted issues e.g. digital by default and monthly budgeting, many of our tenants are reluctant to move to this benefit which means they are losing out on additional income.

5.25 From September 2018 to March 2019 Caerphilly County Borough Council Rent Section received funding from the DWP to provide budgeting and digital support to tenants. During this period £7750 was received. From April 2019 the DWP announced that this funding is to be provided nationwide to Citizen Advice and removed from local authorities. The estimated cost of the actual provision of this support to Caerphilly Homes tenants for this period was considerably higher i.e. £50k.

5.26 Demand for the Tenancy Support Service continues to grow and we are constantly monitoring and reviewing resource and capacity levels.

5.27 Central Government recently announced that the roll out of UC was to be slowed down. It is not anticipated that this will reduce the numbers of new claims being submitted each week as a UC claim will still be made when there is a change of circumstances (as detailed in 5.1.3). The roll out being slowed down relates only to the migration of long term claimants of legacy benefits from their existing benefit to UC.

5.28 The Welsh Government has recently commissioned a study to assess the impact of UC on the Council Tax reduction scheme and rent arrears in Wales. They want to understand how UC is affecting families in Wales. Findings are not expected to be available until early next year.

5.29 **Conclusion**

The impact of UC is a strategic risk that, although mitigated by the advice and support we provide, remains a high risk to the Housing Service with critical impact. Mitigating the impact of UC comes at a significant additional cost to the Service but the alternative would be an even greater impact on tenants and their ability to sustain their tenancies, leading to an increase in homelessness and tenancy turnover, and rent arrears.

6. ASSUMPTIONS

- 6.1 No assumptions have been made in proposing the recommendations in the report.

7. LINKS TO RELEVANT COUNCIL POLICIES

7.1 Corporate Plan 2018-2023

The report content contributes towards or impacts the Corporate Well-being Objectives within The Caerphilly We Want (2018-2023) Well Being Plan which are:

Objective 1 - Improve education opportunities for all - by supporting the improvement of digital skills for tenants

Objective 2 - Enabling employment through providing relevant support and the enhancement of knowledge and skills of Housing staff and tenants thereby supporting better employment prospects.

Objective 3 - Address the availability, condition and sustainability of homes throughout the county borough and provide advice, assistance or support to help improve people's well-being – by helping to reduce fuel poverty and preventing tenancies from failing by providing a range of housing related support to tenants, including those affected by financial hardship

Objective 6 - Support citizens to remain independent and improve their well-being – by supporting tenants to help themselves by providing comprehensive advice and information, including signposting to other services, and having meaningful conversations to help people identify what matters to them. Providing support to reduce the need for statutory interventions.

7.2 Caerphilly Homes Service Plan (2018-2023)

Priority Objective 6 – Prevent homelessness and tackle rough sleeping - by providing tenants threatened with homelessness advice to mitigate the impact of UC.

Priority Objective 7 - Sustaining tenancies by providing a range of housing related services:-

- Providing help to tenants to enable them to budget effectively, to claim the correct welfare benefits and to mitigate the impact of welfare reforms.
- Referring council tenants in need of money and debt advice to the right agencies.
- Providing advice to tenants on energy usage and other measures to help save money.
- Providing assistance to tenants requiring help with benefit claims and appeals including Employment Support Allowance and Personal Independence Payment.
- Closely monitoring the impact of the full role out of Universal Credit on tenants, resources and homelessness.
- Raising awareness amongst elected members and staff of the full role out of Universal Credit and the potential impacts.

8. WELL-BEING OF FUTURE GENERATIONS

- 8.1 Housing Services and our outlined priorities, contribute to a minimum of 6 out of the 7 well-being goals within the *Well-being of Future Generations Act (Wales) 2015*, including:

- A prosperous Wales
- A resilient Wales
- A healthier Wales
- A more equal Wales
- A Wales of cohesive communities
- A globally responsible Wales

- 8.2 This report contributes to the Well-being Goals as set out in Links to Strategy above. It is consistent with the five ways of working as defined within the sustainable development principle of the Act in that:

Long Term – supports the sustainability of cohesive communities for tenants and residents; providing a fair and transparent service for tenancy support and sustainment.

Prevention – supports tenants and assists in the prevention of eviction and homelessness. It supports the health and well-being of tenants and residents.

Integration – improved standards of housing support which contribute to stable community environments.

Collaboration – The service focuses on internal collaboration and wider partnerships. Joined up working arrangements within the organisation and with outside agencies support tenant engagement and tenancy sustainment.

Involvement –The engagement of tenants, residents and support agencies in relation to sustainment of tenancies.

9. EQUALITIES IMPLICATIONS

- 9.1 An EIA screening has previously been completed in accordance with the Council's Strategic Equality Plan and supplementary guidance. No potential for unlawful discrimination and/or low level or minor negative impact was identified therefore a full EIA has not been carried out to date.

10. FINANCIAL IMPLICATIONS

- 10.1 In 2012 additional resource was necessary to support tenants with Welfare Reform Changes, and 5 additional posts were created within the tenancy support team at a cost of £190k.
- 10.2 Despite the positive impact of this increase in support provision over the last 3 years the level of tenant arrears has increased sharply from 2.67% in 2016/17 to 7.52% in 2018/19. Although these arrears include all charges to tenants (e.g. rent, service charges, water and fuel charges) officers are confident that the increase is as a direct result of the introduction of Welfare Reform.
- 10.3 Furthermore, due to the increase of tenants' arrears, it is necessary to ensure sufficient Bad Debt Provision is accounted for within the HRA. This is a reserve for future recognition of certain accounts being uncollectable and is an accounting requirement within the HRA. This level of provision has also risen over the past 3 years from 3.58% in 2016/17 to 10.73% in 2018/19. The current level of Bad Debt Provision is £1.6m which equates to 2.99% of the rent debit.
- 10.4 The level of write offs have also increased from £267k in 2016/17 to £283k in 2018/19 although the percentage of this against the total rent charges has remained around about 0.5%.
- 10.5 The above are clearly significant costs to the HRA resulting from Welfare Reform.
- 10.6 There is a Welfare Reform Provision that has been set up within the HRA of some £398k over the past few years. The Chief Housing Officer reports to PDM on a quarterly basis due to concerns over UC linked to rent arrears, tenancy support and the potential for increasing homelessness. Whilst resources have increased there will probably be a need to increase further, with the unknown impact of Brexit adding to concerns, along with the likelihood of increased fuel poverty, foodbank use, and living costs generally. We are already seeing increased levels of persons presenting as homeless and we are obviously keen to avoid evictions which will only add to the homeless problem. The Welfare Reform Provision has therefore been set up to assist with this.

11. PERSONNEL IMPLICATIONS

- 11.1 The roll out of UC is ongoing with an average of 15 tenants per week moving over to this benefit. If we are to be able to offer the same level of support to future tenants moving on to UC it may be necessary to increase the number of support staff.

12. CONSULTATIONS

- 12.1 The report reflects the views of the consultees.

13. STATUTORY POWER

- 13.1 Not applicable.

Author: Sandra Isaacs, Rents Manager
(Tel: 01443 811409, Email: issacs@caerphilly.gov.uk)

Consultees: Cllr Dave Poole - Leader of the Council
Cllr Lisa Phipps - Cabinet Member for Homes and Places
Cllr Sean Morgan - Deputy Leader & Cabinet Member for Economy, Infrastructure, Sustainability & Wellbeing of Future Generations Champion
Christina Harrhy - Interim Chief Executive
David Street - Corporate Director of Social Services and Housing
Shaun Couzens - Chief Housing Officer
Robert Tranter - Head of Legal Services & Monitoring Officer
Steven Harris - Interim Head of Business Improvement Services
Fiona Wilkins - Housing Services Manager
Lesley Allen - Principal Accountant
Amanda Main - Benefits Manager
Mark Jennings - Housing Strategy Officer

Appendices:
Appendix 1 Universal Credit case studies

Case Study 1

Single tenant and non-dependant daughter both made a claim for Universal Credit the same day. Tenant wasn't able to access the online journal as she had forgotten her email address and rang to request a TSO visit to assist as she had used the service previously.

- Completed a discretionary housing payment application as tenant and daughter were in a 3 bedroom house and affected by the bedroom tax. **This additional income was granted**
- Completed a water tariff reduction form with tenant **reduced by £6.50 per week**
- Assisted tenant to set up a new email and added it to the Universal Credit claim to enable tenant to manage claim online. **Tenant could now manage her claim online with the assistance of her daughter**
- Tenant receiving incorrect amount of housing costs, contacted the Universal Credit service centre and resolved this. **Backdate received of correct housing costs**

Case Study 2

Single tenant, with mental health issues, not digitally literate and with no access to online/internet services. Tenant had contacted the Universal Credit service centre who told her to go to her local Job Centre Plus to make a claim. She was advised by the Job Centre Plus that due to her vulnerabilities and lack of digital skills she could make a claim by telephone. At this time her phone had been disconnected

TSO visited – contacted Universal Credit and a claim was made using the TSO's telephone. Request made for the DWP to carry out a home visit to verify ID **Universal credit now in payment**

Case Study 3

Tenant claiming Job Seekers Allowance found not fit for work and informed he should claim Universal Credit. Tenant attempted to complete his own claim but did not finalise this as he did not complete the verification process

Support officer visited to assist tenant to claim Personal Independence Payments and found he was not in receipt of UC. Tenant had selected he preferred to be contacted by email but was not digitally literate

Tenant assisted to make a new claim for Universal Credit and contact was made to book a verification interview. A request was made for a backdate of UC due to vulnerabilities and a request was made for the tenant to manage his UC manually and not online – **Universal credit now in payment and tenant manages claim manually. Backdate of universal credit successful. The tenant was signposted for digital support at their local library**

Case Study 4

Tenant in receipt of job seekers allowance two working non dependants living with her. Struggling to cover rent as was not entitled to Housing Benefits due to the amount that the non-dependants were earning. Non dependants were not contributing towards rent which led to rent arrears on account.

The tenancy support officer visited and carried out a "better off" calculation which showed she would be £60.00 per week better off on Universal Credit. The nondependent flat rate charge entitled her to help opposed to the Housing Benefit non dependant charge that disqualified her. Tenant was supported to make a Universal Credit claim

Tenancy support officer followed up this initial visit a month later to see how the tenant was coping with her new benefit claim and she advised me that she was unable to manage her money monthly and was left with nothing by the end of the month, she had attended a budgeting class with the Job Centre but this had done very little in helping her. **Tenancy support officer applied for more frequent payment which amended her payment from monthly to fortnightly**