

For General Release

REPORT TO:	20 February 2017
AGENDA ITEM:	9
SUBJECT:	Impacts of Welfare Reform
LEAD OFFICER:	Mark Fowler - Director of Gateway and Welfare services
CABINET MEMBER:	Councillor Hamida Ali, Cabinet Member for Communities, Safety and Justice
WARDS:	All
<p>CORPORATE PRIORITY/POLICY CONTEXT: Changes from welfare reform have increased financial and housing pressures for our residents. These challenges have increased the risk of instability for people and have put Council services under stress. We need to plan thoroughly to support people in overcoming these difficulties by providing high quality information, advice and guidance to people so that they can live independently and have healthier lives. We need to support people, young and old, into employment by implementing our new Pathways to Employment programme and building on the success of the Gateway Service by extending the range of households who receive an integrated whole household approach.</p>	
<p>AMBITIOUS FOR CROYDON & WHY ARE WE DOING THIS:</p> <p>Independence - helping people to be as, independent as possible; Financial resilience - Provide a more joined up approach to helping households to become financially stable and personally resilient, to access training and employment, reducing homelessness and the number of people living in temporary accommodation: Fairness – Equalities, Open & Accountable Include Growth, Independence and live ability.</p>	
<p>FINANCIAL IMPACT</p> <p>The paper sets out the financial risks and implications for the Council and families.</p>	
<p>KEY DECISION REFERENCE NO.: Not a key decision</p>	
<p>The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below</p> <p>1. RECOMMENDATIONS</p> <p>The Cabinet is recommended to:</p> <p>1.1.1 Note the impact and associated risks for people arising from the ongoing and future changes of welfare reform and the expanding roll out of universal credit;</p> <p>1.1.2 Note the support the Council has offered to families as detailed in the report.</p>	

2. EXECUTIVE SUMMARY

- 2.1 The report is an update on the last cabinet report in July 2016, outlining changes that impact people and the council with a particular focus on universal credit and benefit cap.
- 2.2 Welfare reform commenced in April 2013 with further measures introduced in April 2016. There are 3 major changes that need to be considered.
- Universal Credit (UC)- Emergency Accommodation
 - Benefit Cap
 - Freeze in Benefit rates and Local Housing Allowance (LHA) rates
- 2.3 The above changes affect over 26,000 people in Croydon, losing a total of over £31 million in welfare benefits from April 2013 to April 2017. To assist people the Council has set up a number of different support mechanisms working with partners. This included a multi-disciplined function that assists people with income maximisation, budgeting, housing, finding work and training for work.
- 2.4 The Council and residents have responded well to the initial phase of reforms. Previously, working even on low income provided a solution, as did assisting people with budgeting to meet the difference they experienced. However, the changes from April 2016 and beyond have increased significant pressure on those already on marginal income and those on low earnings
- 2.5 This report reflects the numbers of people affected the monetary impact and in turn some of the associated risks along with the action the Council has and will take to assist residents.

3. DETAIL

- 3.1 The Chancellor of the Exchequer set out in his statement in the July 2015 budget the next phase of changes in relation to welfare reform.
- 3.2 £12bn savings in welfare spending will be made over four years from 2016/17 to 2019/20 through a number of measures. These present local government with major challenges around both increased demand for services and the discharge of its housing responsibilities.
- 3.3 **Main changes and impacts for 2016/2017**

Universal Credit

Emergency Accommodation (EA): Families placed in emergency accommodation have previously claimed housing benefit from the council for their housing costs. This was paid directly to their rent account two weeks in advance. With the introduction of UC, this ceases and housing costs are claimed from Department for Works and Pension (DWP) with payment being made to the resident, a calendar month in arrears. There are policy and

operational issues with Universal Credit that have an undesirable impact on vulnerable people that require emergency nightly paid accommodation (EA). People claiming UC must have a rental liability on the 5th week of their claim. Due to the transient nature of these families, people may have been moved to more suitable accommodation before the 5th week. 35% of people in EA do not receive any housing costs from UC as they have no liability at the 5th week. The average weekly loss for this cohort of people is £155 per week.

Previously, under housing benefits, single people aged under 35 in temporary accommodation living in shared/or 1 bed accommodation were awarded the 90% of the 1 bedroom local housing allowance (LHA) rate. Under UC this cohort are entitled to share room rate only. This is a difference of £73 per week and the forecasted impact for 2016/17 is a loss of £329k.

Emergency Accommodation arrears: At Croydon we have 1400 EA tenants, of which 695 are now in receipt of UC. Prior to roll out of UC our collection levels stood at 91%. However our collection has dropped to 59%.

Council tenant arrears: At Croydon we have over 14,000 council tenants, of which 1,250 are now in receipt of UC. Prior to roll out of UC our collection levels stood at 98%. However, our collection rate has dropped to 72% for UC claimants, which in total now contributes to 38% of our overall arrears although it is only 8.92% of our tenants.

Decrease in Work allowances: Working households claiming universal credit currently have a work allowance of £222 per month for a couple with children and £263 for a single parent. The allowances have fallen to £192 from April 2016, lowering the threshold at which the benefit is withdrawn.

Housing Benefit overpayments: Any overpayment of Housing Benefit, the council can deduct from on-going entitlement. Currently we recover £3.5m from on-going benefit. Once a resident claims UC, this deduction ceases and the council has to collect the debt directly from the resident. The council is working through the financial and resource requirements as this is additional financial and resource pressure on the Council

There is the opportunity to apply to DWP for deductions to be taken from entitlement to UC although overpayment of HB is not considered a priority debt for deduction

3.4 **Benefit Cap**

From November 2016, the Benefit Cap has been reduced from £26,000 to £23,000. This has impacted 1044 people of which 599 are on Housing Benefit and 445 are on Universal Credit. We have no data on UC Benefit Cap people. Out of 599 people claiming Housing Benefit, the average loss is £74.19 per week, maximum loss is £343.88 and the minimum loss is £0.50. 162 people are losing more than £100 per week and are facing a significant risk of eviction. 90 of these will require a move to homes outside London and the South East; the remainder will need other interventions to prevent homelessness. 526 households with 1604 children in Croydon will be affected by the cap.

3.5 Freeze in Benefit rates and Local Housing Allowance rates

Working age benefits (including tax credits and local housing allowances) will be frozen for four years from 2016/17 to 2019/20. Statutory payments and disability benefits will continue to increase by the Consumer Price Index (CPI) rate. Support through Child Tax Credit will be limited to two children for children born from April 2017. Equivalent changes will be made to Housing Benefit. Local housing allowance (LHA) is the maximum amount of housing support residents can receive from welfare benefits. This is worked out by area (broad market area) Croydon has 2 BMA's and the number of rooms a family is allowed, which varies on the number and age of the household. As we know there are increasing housing pressures in London which aligns to increasing rents. For example the LHA for a 2 bedroom property in Croydon is £900 pcm although the average rent is £1,200 pcm.

3.6 The table on the next page confirms the predicted impacts of different welfare changes, the average weekly income reductions and the total yearly income reduction. It highlights the overall financial loss.

The main impacts of individual welfare reforms			
	Number of households affected	Average weekly income reduction for those affected	Total yearly income reduction
The impact of previous welfare reforms			
Under-occupation	1,416	-£22.82	-£1,679,937
LHA Cap	7,137	-£58.99	-£21,891,973
Benefit cap (£26k)	333	-£92.58	-£1,603,054
The impact of the summer budget from April 2016			
Benefit cap (£23k)	1044	-£74.18	-2,310,558
Worse off under Universal Credit (after protection ends)	10,177	-£45.41	-£24,032,352
Better off under Universal Credit	9,286	£31.41	£15,166,358

4. SUPPORT OFFERED and MAKING THE ARGUMENT FOR CHANGE

4.1 Since April 2016, the Gateway Service has helped people by engaging with them and monitoring their progress to sustain their finances and housing. We have allocated resources to make optimum use of the demand and supply in services. The dynamics of this group has changed and there are conscious decisions made by officers to mitigate risks. We work closely with colleagues in the Job Centre plus who are co-located to provide employment support is provided to people out of work. Owing to the numbers affected by the reforms we segment people in line with possible risk, considering the amount of money lost and

whether they were previously known to us through social care and or already have arrears, monies outstanding. This way we aim to pick up those with more acute issues, supporting others with a lighter touch, sign posting and encouraging on line services.

4.2 Financial Support: Since April 2016 to January 2017, the Gateway service has helped over 5,403 households with range of different financial and housing support.

Income maximisation: We maximised income for 2062 Croydon residents by £7.8 million by ensuring people are claiming welfare support to its maximum.

Discretionary Support: We have prevented homelessness and sustained housing for 1761 households by awarding discretionary payments of £2,132,541.

Benefit cap: 229 households have been supported through budgeting, employment, income maximised and sustainable housing options

We are actively supporting people through our intervention targeting people to receive budgeting support and short term financial help. This is to help them with long term goals in training, employment and move to affordable housing.

We have supported 1,580 people with personal budgeting support (PBS). This is a process Croydon has developed with JCP that identifies people at high risk of eviction and or high levels of debts. (Owing to its success JCP have rolled this approach out nationally)

4.3 The council has commenced work in supporting people by increasing financial resilience and has embarked on plans to increase financial inclusion. The principles agreed are:

Principle	What does this mean
Ensuring people have access to financial products; such as bank accounts and insurance	Allowing people to maximise the most of financial products; receive faster payment, direct debit cost savings (and to assist budget management) and cover for unexpected events
Educate and develop the skills for all people to allow them to budget and manage money, or plan for the unexpected	Through budgeting each resident can understand the reality of their income and expenditure, ways to maximise their income, prioritise debts, make lifestyle choices, understanding ways of saving money – food banks, charity shops, energy suppliers, transport etc.
Enabling people to make the most of their money through digital services	Each resident to recognise and have access to the financial benefits of using digital services (paying rent online, requesting benefits) and opportunities to save money through internet deals; uSwitch, shopping deals, ways to eat healthily for less
Ensuring there is access to affordable credit	People can source the credit that is required for unplanned unexpected events and what impact does this have on their

	budget. Promotion of Credit Unions, or social fund as an alternative to high interest credit (pay day lenders etc.)
Provide skills and opportunity to enter and own their future in employment	People understand their capability and the skills required to realise their ambitions. Having access to employment opportunities that match their skills, and keenly recognise the value of employment to them and society.

Our results so far have seen us:

- Train over 300 Council employees in welfare, housing, resident services and benefits to provide basic budgeting support to people
- Explore key services to provide money saving support and debt guidance, after which the aim is to agree joint approach/sign posting
- Review self-serve options regarding budgeting, consider usage, functionality and promotion
- Worked with the Credit Union (Croydon plus). Over the last 12 months we have seen a 17% increase in the number members, the extension and increase usage of online services, and December the commencement of debit card facilities available to more vulnerable people. With support from Go on Croydon – the credit union has reached out to local community groups to provide support around financial resilience and digital inclusion (both tend to affect vulnerable members of communities on benefits etc.)

4.4 Lobbying Government in relation to the impacts of Universal Credit: A number of the issues especially with regard to universal credit reflect core policy issues which the council has actively changed. Including work with other authorities and London councils

- We received £400,000, after successfully lobbying against the removal of management fee from UC emergency accommodation tenants.
- We witness testimony at the works and pensions Parliamentary Select Committee on impact of Universal Credit
- In light of the committee we have written to them setting out evidence of the impacts, this is to be used when the committee meet with Lord Freud.
- We are continuing to work with the London boroughs of Sutton and Southwark, in co-ordinating the issues, risks and options. This also includes working with London Councils
- We have written to senior officials in the DWP regarding the impact of Universal Credit on emergency accommodation tenants and strongly recommended the housing costs for these people to be moved to Housing Benefit.

5. RISKS

- UC policy and operational matters are creating a number of issues. Huge increase in rent arrears in emergency accommodation and council tenants-projected rent arrears are £3.6 million for the year.
- Reduction in Housing benefit administrative grant and universal support grant for 2017/18 will create further pressure on the Council.
- Discretionary Housing Payments (DHP) can be used to mitigate some of the effects while claimants work to attain a sustainable solution. The DHP budget allocated to Croydon for 2016/17 is £1,465,383. There is an unknown additional pressure on Discretionary Housing Support as the DWP indicate that 445 people are affected by Universal Credit Benefit Cap, however we have no data. The complication of the entitlement calculations in Universal Credit means that people will be impacted at the end of each assessment period at different times. Some of these impacts will not be seen for a number of months.
- Adverse impact on collection of Council tax and rent as more people will be unable to afford regular payments.
- While CPI inflation is low and not expected to reach 2% until 2020, housing costs are rising. Between 2011 and 2015 rents of one bedroom flats in Croydon rose by 14% and rents of two, three and four bedroom homes rose by 20%. Thus the 13,781 housing benefit claimants of working age renting privately in Croydon will face difficulties in remaining in their homes.
- Landlords could be less likely to accept housing benefit claimants as new tenants, as the Local Housing Allowance only enables them to afford rents in the bottom 25% of the market, and for one and two bedroom homes even less. The loss of private tenancies is already the fastest rising cause of homelessness. This benefit freeze impedes the Council's ability to procure housing to temporarily house homeless households and it is likely that this will mean that the options for an increasing number of households will be restricted to an out of borough offer in a more affordable area.
- Household sized housing association homes let at 'affordable rents' may no longer be affordable to applicants on benefits. According to a report by the Smith Institute, some housing associations are more reluctant to house poor and vulnerable people. This makes it harder for Councils to discharge their housing duty to homeless households.
- Increased impact on third sector providers with regard to resident demand at a time whilst funding arrangements are reduced.
- Market rent continues to increase in Croydon at around 3.2% per annum whilst the Local Housing Allowance (LHA) is frozen until 2020. There is increasingly a shortfall in supply at the 30th percentile and Croydon is increasingly unaffordable for procurement of adequate temporary accommodation.

5.1 Mitigations and actions

Lobbying to Central Government regarding Welfare changes including UC:

- The removal of emergency accommodation and therefore administered locally by the council under HB
- For automatic data sharing for all customers in receipt of UC.
- For the automatic referral of vulnerable people group – for example those in arrears, at risk of eviction, known to social services, out of work for more than 2 years
- For automatic payment arrangements APAs for temporary accommodation families.
- For housing overpayment debt to be higher in the hierarchy of priority debts to secure a higher rate of deductions from UC entitlement
- Paper to DWP for indicative 2017/18 funding for HB administrative subsidy and UC support grant.
- Seek further funding for DHP to support people at risk of losing their accommodation.

Operational response:

- On-going partnership working with DWP and Job Centre Plus (JCP). Move forward the relocation of JCP to Bernard Weatherill House so that council support officers and work coaches co-locate.
- Continue to monitor impacts, proactively identifying those more affected and case manage
- Reviewing online self-serve options for people, budgeting tools, income maximisation, better off approach,
- Work with third sector partners, ensure outcomes based funding is delivered
- Continue to support people by providing personal budgeting support to those moving onto UC. Review approach to personal budgeting support to ensure all options are maximised
- Negotiate with private sector landlords to either keep people in their current homes or facilitate managed moves to affordable accommodation.
- Utilise bid from DLCCG, £1m over 3 years, to support people's increase community offer and work with credit union
- Continue collaborative approach towards employment/employability support/employability options with an outcomes framework for people.

6 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

6.1 The table below reflects the risks to revenue due to the expansion of universal credit. If Universal Credit and Welfare issues continue we will experience additional pressure in our bad debt provision for council tenants, tenants in emergency and temporary accommodation and in our housing benefit subsidy return. The projected financial impact to the 31st March 2017 is shown in the table below. The council tenant arrears will impact directly on the Housing

Revenue Account (HRA).

Impact	Est annual loss in revenue
<u>Bad debt</u>	
Increased rent arrears for emergency accommodation	£1.1m
Increase in council tenant arrears	£1m
Loss in housing benefit overpayment income	£700k
Total estimated loss in revenue	£2.8m

* As the above reflects a pressure on income, this will present a pressure in the council's future provision for bad debt.

6.2 Housing benefit subsidy grant for 2017/18:

Housing Benefit Administration grant has significantly reduced from £1,980,335 to £1,666,594. This is not in line with the caseload drop of 7%, increase in contact and manual processes due to universal credit on council tax support.

Universal Credit support has reduced from £234,128 to £147,619. Based on our current figures we anticipate the support grant needs to be in the region of £551,000.

We are writing to the DWP as our funding for 2017/18 will be significantly reduced. If our request for the right level of grant is not approved this will create additional pressure on finances and staffing resources. If funding is not increased this will create a pressure in general fund.

6.3 Emergency accommodation

Owing to pressures referenced within the report there is an expected increase in our homelessness numbers and in-turn the costs of emergency accommodation. To assist in meeting these expected pressures the council has increased our budget for the next year, with a further £3.1m allocated.

Approved by Lisa Taylor – Director of Finance, Insurance and Deputy S151 Officer

7 THE EFFECT OF THE DECISION

7.1 The report is for information and comment and does not require a decision.

8 COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

8.1 The Acting Council Solicitor comments that while there are no direct legal comments arising from this report, the actions detailed above will be relevant in mitigating demand on the Council's duties relating to housing and children

Approved by – Jacqueline Harris Baker - Corporate Solicitor on behalf of the Acting Council Solicitor

9 HUMAN RESOURCES IMPACT

- 9.1 There are no direct Human Resources considerations arising from this report as such; however, the content of this report may have an impact on the future development of the new gateway & welfare division, which may have HR implications. Where that is the case, the Council's existing policies and procedures must be observed and HR advice sought.

(Approved by: Debbie Calliste, HR Business Partner, on behalf of the Director of Human Resources)

10. EQUALITIES IMPACT

- 10.1 The Welfare Reform changes are all led by Central Government and the impact of the changes is national. The following links show the various assessments completed by DWP which we have incorporated in our risks and mitigations.

<https://www.gov.uk/government/publications/universal-credit-impact-assessment>

<http://www.parliament.uk/documents/impact-assessments/IA15-006.pdf>

We have completed the first stage of the Equalities Analysis to determine if a full Equality Analysis is needed and/or further monitoring needs to be undertaken.

11. ENVIRONMENTAL IMPACT

- 11.1 There are no environmental impacts

12. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 12.1 Please refer to 3.12/Risks and 3.13 and 3.14 for comments.

13. OPTIONS CONSIDERED AND REJECTED

- 13.1 There are various options within section 4, that are being reviewed and to be better understood. At this point we are not considering options to reject.

CONTACT OFFICER: Mark Fowler- Director of Gateway & Welfare

BACKGROUND PAPERS - LOCAL GOVERNMENT ACT 1972

- Welfare Reform Act 2012 and 2015 <http://www.legislation.gov.uk/ukpga/2012/5/contents/enacted/data.htm> and <http://services.parliament.uk/bills/2015-16/welfarereformandwork.html>
- **Debt and food banks:**
http://gu.com/p/4km4p?CMP=Share_AndroidApp_Gmail
- <http://www.insidehousing.co.uk/policy/welfare-reform/universal-credit/three-in-four-universal-credit-tenants-in-arrears/7015512.article>

- Appendices

- Letter to Frank Field following Parliamentary Select Committee
- Paper to DWP regarding Administration grant for 2017/18

The RT Hon Frank Field MP
Chair – Work and Pensions Select Committee
House of Commons
London
SW1 0AA

Date: 3rd February 2017

Dear Frank

EVIDENCE AT THE WORK AND PENSIONS SELECT COMMITTEE

Thank you for inviting me to give evidence at the select committee hearing on Monday 23 January 2017. I enjoyed and appreciated the opportunity to participate in the process, also allowing us to raise some of the emerging concerns we have found.

During the committee we discussed particular problems with regard to the vulnerability of customers that require emergency nightly paid accommodation (ETA). Whilst we are experiencing considerable arrears among those of the council's own tenants claiming UC, it is customers in this type of accommodation where we are experiencing the biggest impact. Those impacts call into question the future financial sustainability of fulfilment of the Council's statutory duties under current homelessness legislation.

Impacts and risks for emergency temporary accommodation (ETA)

Prior to the roll out of universal credit full service in Croydon, rent collection levels for this type of accommodation had stood at 91% with the great majority of that accounted for by housing benefit. However, since the implementation of UC we have seen levels of rent collection among those customers needing help through benefits to meet the costs of their accommodation, and required to claim UC, drop to just 59%. The majority of those placed in ETA require help through the benefit system to meet their rent and our total arrears for ETA now stands at £791k with a full year affect across all post codes in UC steady state estimated at £2.5m. We believe that it is non-payment of benefit to meet housing costs, under new UC arrangements, that accounts for the vast majority of these losses

For context, UC full service in jobcentres serving Croydon residents went live for all post codes and customer types in April 2016. Since then, approximately ten thousand Croydon residents have claimed UC – including housing costs - of which 672 are, or were, in ETA (as @ 6 January 2017). The deterioration in rent collection levels among those claiming UC, compared with position under legacy benefit arrangements serves, in our view, to highlight the incompatibility of UC policy and design with the needs of those who are homeless and placed in ETA

To better understand the impacts of UC full service for ETA, Croydon has been working closely with its neighbouring London boroughs; Sutton and Southwark. LB Sutton was the first place anywhere in GB to see UC full service roll out, starting from early 2015, while LB Southwark saw UC full service roll out across all jobcentres serving residents of the that borough, in phases, between November 2015 and November 2016. Significantly, we think, all forms of temporary accommodation had been specifically excluded from *UC live* that was gradually rolled out in all part of GB from 2013: so the rollout of UC full service to Sutton, Croydon and then Southwark marked the first time that UC was exposed to temporary accommodation, of any kind, anywhere in the country.

Whilst we appreciate factors can vary somewhat from locality to locality, all three Councils are agreed on the nature of the issues arising from UC for their provision of ETA. As we have sought to evidence these impacts and to ensure a consistent approach, the three Councils agreed to monitor the elements set out below, starting from autumn last year.

1. The % of arrears for those customers in receipt of UC
2. The number and % of customers that are affected by the single room rate for under 35's reducing from £155 per week to £72 per week
3. The number and % of customers that did not receive any housing support as they move in and out of emergency accommodation within 6 weeks. Customers are not able to claim housing support on UC if their rental liability is less than 6 weeks, although council's are expected, under housing legislation, to move customers in shared facilities within this period of time

The table below confirms the results so far:

Measure	Croydon	Sutton	Southwark
Collection levels prior to UC	91%	93%	92%
Collection levels for UC customers	59%	44%	51%
Drop in collection	32%	49%	41%
Number of customers on UC	672	357	757
% of customers moved within 6 weeks, therefore receiving no housing support. Total number in brackets	12% (81)	28% (103)	12% (94)
% of customers under 35 therefore restricted to £72 per week housing support. Total number in brackets.	19% (128)	10% (35)	15% (115)

*The table above confirms the period from 14 October 2016 to 6 January 2017, although had a starting caseload - Croydon 461, Sutton 298, Southwark 62

Whilst the case load each authority varies the % impact is reflective concluding:

- We have each seen a reduction of over 30% in collection on average this reflects a 40% reduction.
- At least 10% of our customers are not receiving any support as they are in the property for less than 6 weeks, on average this is 17%
- At least 10% of our customers are affected by the restriction of under 35's to a single room rent, on average 15%.

All three Councils continue to gather evidence of impacts of UC for rent income collection for ETA. Nonetheless, the evidence available at this time supports the Councils' shared view that UC policy and design are simply not compatible with the effective discharge of those Councils', or indeed any Council's responsibilities to homeless households. While homelessness is the policy responsibility of DCLG in England, the great majority of the costs to local authorities of housing homeless households have actually been met by Department for Work and Pensions (DWP), through the housing benefit scheme which is now being replaced by UC. As the three boroughs investigate the reasons why income collection in respect of ETA has fallen so sharply among those required to claim UC, the evidence trail leads us again and again to key features of UC policy and design.

Our shared view is that housing cost support through the benefit system for those living in such accommodation should be provided through the housing benefit scheme until at least 2019. We note that the DWP have already excluded supported and exempt accommodation (supported housing) from Universal Credit until 2019 and made interim provision for costs of that accommodation to continue to be met through housing benefit. Supported accommodation includes provision such as women's refuges and hostel type accommodation for those with support needs.

Our ask of the Department, at this time, is for all forms of short term, emergency, temporary accommodation to be excluded from Universal Credit until 2019.

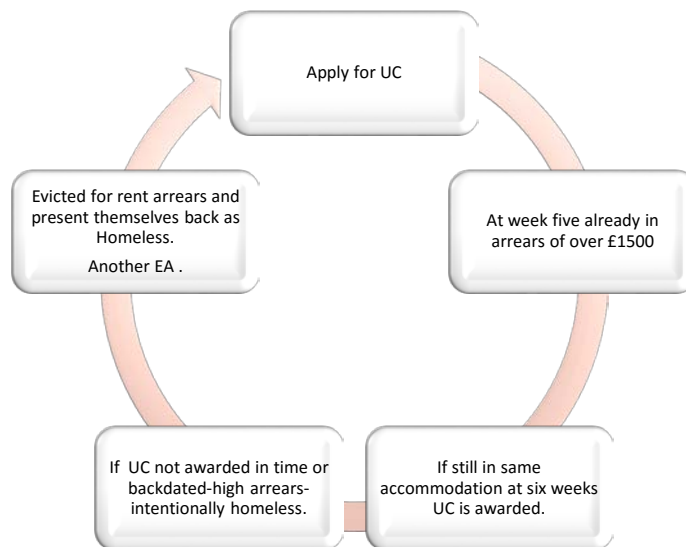
None of the three local authorities believe that the incompatibility we have observed may be remedied or significantly ameliorated by changes within the existing UC policy and design. While safeguards such as APAs, Universal Support or greater information sharing may be appropriate for most UC claimants, we do not expect they will be effective for this relatively small group – likely numbered in tens of thousands annually, and mostly in London – compared with more than eight million UC claimants expected, in steady state, across GB as a whole. Homelessness and use of temporary accommodation are particularly acute issues in London and we would strongly urge Government to rethink its existing plans for UC rollout before UC is introduced more widely across London.

We believe the UC design does not suitably accommodate the particular vulnerability of the customers that require EA. Generally the following are the customer groups in EA/TA are:

- Lone Parents
- Families with Children

- Suffer from mental Health
 - Fleeing domestic violence
 - Physical and Mental Disabilities
- 80% are families with children
 - 60% are lone parents
 - 64% are from BEM communities which has implication with regards to language issues.

These customer groups often approach the council at a point of crisis. Our first point of action is to ensure the safety and wellbeing of these families and customers, which can often lead to delays in claiming and not completing claims for UC, this is in addition to issues such as length liability to claim housing costs and single people under the age of 35. The results of such issues leave customers with considerable arrears creating the revolving front door we set out below:



If councils sought to evict in many cases this would be at the expense of separating families creating increased costs and pressures in particular in children’s service which over the longer term would no doubt affect family relationships. However, if councils do not evict customers we need to carry the clear financial burden jeopardising general collection activity as you would need to develop a varied approach which would be challenged from a point of equity.

Owing to the clear risks we have raised, the impacts that are being consistently felt across 3 high performing authorities we ask that the committee raises these with the department and the UC director general, Neil Couling.

Our recommendation is that EA is removed from UC full service and returns to the administration of housing benefit, a system that has historically proven to better suit the vulnerability of this customer group. Administration of supported exempt accommodation

(SEA) remains within the remit of housing benefit owing to vulnerability and review of this customer group. We would therefore suggest, again for the reasons of vulnerability, that EA customers form part of the wider SEA review affording us more time to review the best approach in this area. We do not feel this recommendation would detract from the core policy deliverables of UC and would reduce the increasing pressures from the scale and pace of the wider roll out.

Council tenant arrears

At Croydon we have over 14,000 council tenants, of which 1,250 are now in receipt of UC. Prior to roll out of UC our collection levels stood at 98%. However, post implementation of full service we have seen levels drop to 72% for UC customers, which in total now contributes to 38% of our overall arrears although it is only 9% of our tenants.

We are experiencing issues with the below:

- It is taking on average 10 weeks for cases to be assessed
- The service centres have refused to speak to landlords directly stating they cannot use implicit consent. The rationale for this is unclear as implicit consent can be used for all other benefits
- Claimants are not informed when deductions are made, how the repayment period has been calculated, or for what reason. Deductions can and are being routinely reclaimed at up to 40% of benefit entitlement.
- The escalation route for landlords being the same as for claimants, even when there is a real risk of eviction. Some of the positive elements of the Live Service are not mirrored for the Full Service, such as the provision of a dedicated landlord line.
- Local jobcentres can only act as an intermediary for landlords. The jobcentre can't resolve most of the issues and are merely escalating these with the service centre.
- APA process has been insufficiently tested/thought through. There are potential significant savings to be made by DWP through reducing the number of enquiries and associated administrative costs

Our recommendations:

1. Slow down the rollout of UC to ensure DWP continue to apply their 'test and learn' approach rather than just pursuing an artificial timetable.
2. Acceleration of the rollout of the landlord portal (currently scheduled for October 2018) in conjunction with a review of the Trusted Partner Status.
3. A simplified electronic payment system from DWP to both claimants and landlords
4. Reduce the maximum overall deduction from claimants from 40% to 20% and ensure reasons for all deductions are notified to claimants.

Thank you again Frank for the opportunity to attend the committee. If you require any further information please do let me know.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Mark Fowler', with a stylized, cursive script.

Mark Fowler

Director of Gateway & Welfare

London Borough of Croydon

CC:

Dominic Cain Director of Exchequer - LB Southwark

Racheal Mounsey Head of Service - Property Management, Temporary Accommodation & Finance –
encompass - LB Sutton

Housing Benefit Administration Subsidy and Universal Credit Support funding 2017/18

Introduction: The paper below sets out Croydon Council's response to the recently published Indicative Housing Benefit Administration (HBA) funding and Universal Credit Support funding (UCSF) letter. Both these funding have been cut disproportionately compared to the fall in the Housing Benefit caseload, the increase in UC caseload, the level of support vulnerable residents are requiring and the ever increasing demand Croydon is experiencing. Our experience since our roll out of full service since June 2015 has been that we have experienced no reduction in workload and in fact have seen the introduction of additional work streams. We have the highest caseload of UC full service customers nationally of 12,929 cases as at December 2016.

Executive Summary: HBA funding has reduced from £1,980,335 (2016/17) to £1, 549,148 (2017/18). Based on our current caseload, contact from customers and additional work load we believe our HBA subsidy should at least remain the same.

Our UCS funding has reduced from £234,128 (2016/17) to £147,619 (2017/18). Based on our current caseload, contact from customers and additional work load to support the roll out of full UC we believe our funding should be **£580,141**.

Main changes and impact

At Croydon we actively sought efficiencies and a number of approaches to improving residents' ability to support themselves in order to manage the demand on the council. Key changes and impact on Croydon Council and its residents is highlighted below.

- UC full service system is not fully automated, leaving lots of manual processes still to be carried out by LA e.g. LCTRS. The
- Customers needing help and support with digital assistance has increased creating additional demand
- Huge rent arrears due to poor UC policy, operational issues (SRS and APA processes), poor data sharing has increased financial and administrative pressures. Rent arrears in the region of £2.5 million by the end of March 2017 if the trend continues.
- Collection of rent was 92% pre UC. This has now reduced to 58%.
- Private landlord's engagement extremely difficult making it almost impossible for Council to retain properties both in private and social sector with UC and LHA freeze for four years.
- Data sharing on Ben Cap for UC customers has added to additional pressures.
- Increased pressure on prevention of homelessness
- Increased pressure on discretionary housing fund and local assistance fund (old social fund)
- Increased pressure on social services to maintain family resilience.

Any further reduction in HBA and UCSF will have a significant impact on the council being able to continue to deliver the required level of service to our customers and will result in some of our most vulnerable residents being unable to retain accommodation or manage their finances sufficiently to support themselves and their families. Ultimately this will result in further significant cost to the authority and government services to them assist them in even more acute circumstances.

Housing Benefit Administration (HBA)

The release of the HBA funding figures for 2017/18 has seen a 22% reduction on the funding from the previous year and an overall reduction of 52% from 2013/14.

Housing Benefit Administration funding							
Housing Benefit subsidy	2013/14	2014/15	2015/16	2016/17	2017/18	Change (£)	Change (%)
Croydon	3,215,742	2,581,564	2,135,859	1,980,335	1,549,148	1,666,594	52%

However the reduction in caseload has not declined at the same rate with an overall reduction of 7% from April 2013 to April 2016:

Housing Benefit caseload					
Apr-13	Apr-14	Apr-15	Apr-16	Change	Change (%)
36,515	36,594	35,735	34,134	-2,381	-7%

Effects of the introduction of Universal Credit on Housing Benefit Administration

Caseload -Initial estimates provided from the DWP indicated that the introduction of Universal Credit Full Service in to Croydon would see a reduction in our Housing Benefit caseload of 11,000 between April 2016 and March 2017. The period from April 2016 to January 2017 has in fact only seen an overall reduction on Housing Benefit caseload of 5,113. This reduction is not solely as a result of the introduction of Universal Credit but also other factors such Real Time Information work being carried out within the service and the natural reduction that has been a trend over the past few years.

These figures raise concerns regarding the calculations carried out to determine the final reduction in Housing benefit Administration funding to Croydon. Whilst we are aware of the nationwide reduction of 4.89% the additional reduction attributed to the introduction of Universal Credit has not been explained.

Given that the initial estimate in caseload reduction for 2015/16 looks to have been overstated by up to 100%, if the reduction in subsidy has been based on similarly inaccurate estimates the level of the reduction would not represent the actual amount the housing benefit caseload is likely to reduce.

Whilst there have been provisions made for Local Authorities to retrospectively apply for additional funding if there is a delay in the roll out dates for Universal Credit in their area, there is no similar provision covering the scenario where their caseload has not reduced by the level expected.

Increase in caseload for HB: A further concern relates to a recent statement made by Damian Green with reference to the policy to limit the child element of tax credits and universal credit to two children. In the statement made on 20 July 2016 he indicated that any new claims for universal credit made by families with more than two children after April 2106 will be directed to claim Tax Credits. The implication is that as these customers will not transition on to Universal credit any existing Housing Benefit claim will remain open. From this it can also be implied that if they require assistance with their housing costs they will be directed to claim Housing Benefit rather than universal credit.

This will impact the reduction in Housing Benefit caseload and it is unclear if this has been considered when calculating the reduction in Housing Benefit Administration funding

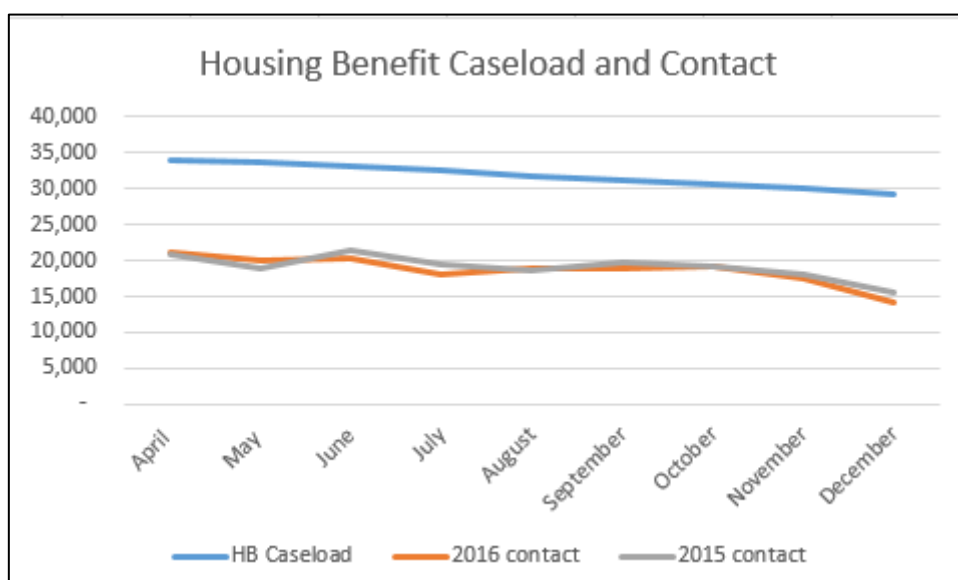
Contact for Housing Benefit.

Croydon transitioned to Universal Credit Full Service from April 2016 for all but 2 of the boroughs postcodes. We have monitored closely the impact this has had on customer contact and workload in to the service and have seen a negligible reduction in telephone contact and post on the same period last year.

For the period of April 2015 – December 2015 a total of 57,889 pieces of post and emails were received in to the Housing benefit department, for the same period in 2016 a total of 56, 450 were received, this is a reduction of only 2%.

It is a similar picture when looking at telephone contact for the same period, in 2015 a total of 114,092 calls were received and in 2016 that number was 111,575, again a reduction of only 2%.

The chart below demonstrates that year on year there has been no significant reduction in contact in to the Housing benefit service.



In addition to the contact streams referenced above the introduction of Universal credit has seen a new work stream introduced in to the service. For every Universal Credit Claim where the customer has a current Housing Benefit claim at least 3 notices are received by the local authority from the DWP. Additionally we will receive a further notification each time a customer's entitlement to Universal Credit changes.

Since November we have seen a stark increase the volumes of these notifications

	July	Aug	Sep	Oct	Nov	Dec
Stop	255	299	127	116	419	502
LCTR	550	608	812	1010	4230	3848
Total	805	907	939	1126	4649	4350

We have received additional funding of £35,316 for 2017/18 to process these additional notifications however at the current volumes it would require 8.6FTE assigned to this work.

Universal Credit (UC)

UC full service is available to all Croydon residents except SE19 and SW16 which are on UC Live. Croydon was the first large London authority on full service since 10/06/2015. UC full service has meant that there are no gateway conditions. This has meant that any tenure type and any circumstances of the customer can claim UC in Croydon.

Volumes

Croydon has the highest volumes of UC customers on full service nationally as we went live in June 2015. Our caseload with Housing Costs increased significantly since April 2016 when majority of our postcodes went live with full service.

	December 2016	Estimated @31st March 2017
Current caseload in Croydon (DWP data for Croydon)	12,929	17,238
Cases with Housing Costs (DWP data for Croydon)	7757	10,342
Cases in Private/HA Accommodation (DWP data)	5838	7783
Cases in Emergency Accommodation (Croydon LA data)	643	857
Cases in HRA/Council Accommodation (Croydon LA data)	1276	1701

The current estimates for a full year affect have been based on the trend so far. However, looking at customers in Emergency Accommodation (EA) Croydon's full year affect is around 1400 customers. If UC was claimed by 1400 customers the rent arrears in EA would be £2.5 million.

Current funding and expected volumes for 2016/17

The table below illustrates Croydon's current funding position for 2016/17 and the indicative funding for next year. The current funding is insufficient and we are already raising this with our local district manager.

The DWP have not given any estimates on the volumes they are anticipating in 2017/18, so unsure how the indicative figures for below have been derived. Whilst we have an increase in demand and the anticipated volumes will increase, the indicative figures do not add up.

Funding	UC Volumes DWP 2016/17	UC est Volumes Croydon 2017/18	£ Funding 2016/17	£ Indicative funding 2017/18	£ Change in funding
On line supported access	655	2000	£37,927	£37,774	£-153
PBS (2 hours from April 2016)	1269	2400	£65,137	£35,316	£-29,821
Support for UC Service Centre	10154	10342	£65,137	0	£-65,137
Support on complex cases	508	1400	£3,257	£10,152	£6,895
Management (0.5)	0.5	1.00**	£17,098	£17,098	0
LCTRS for the year	3552	5000	£45,572	0	0
HB stop notices	New	New	0	£35,316	£35,316
Payment deduction programme	New	New	0	£11,963	£11,963
Total	16,138 cases	21,142 cases	£234,128	£147,619	-£86,509

*Support for complex cases includes EA customers, vulnerable customers with high complex needs- health, domestic violence, complex family needs, disability, drug and alcohol abuse.

(A further detailed calculation of our estimates for 2017/18 has been captured later in the paper)

Increase in Contact

DWP-For Universal Credit cases, we have to contact the DWP for every UC claim due to SRS verification. For APA requests as well that are made after SRS is sent if tenant is in arrears, another contact has to be made to DWP.

So far 1919 UC applications have been made with Croydon Council as the landlord. This includes successful applications only, customers who did not qualify for UC/HB still contact Croydon due to rent liability and no housing costs been paid. To chase claims, APA 's (payment information), duplicate SRS's on an average we are contacting DWP four times per claim i.e. for 1919 claims we made over 7000 which does not include visits to DWP service centre/local JCP with customer.

Customers- On an average the customer is contacted six times for their claim with UC. This does not include the assisted digital help that we give customers. This includes contacts from the initial claim submission to evidence gathering to receiving payment. For 1919 claims we have made over **11,000 calls/face to face contacts** to customers.

JCP-As we are in a test and learn environment the local JCP and Croydon LA staff support each other. There is lots of cross training and understanding of procedures and operational learning. To support this all three JCP's are supported by LA staff once a week costing the LA 0.6 FTE @ £18,000 p.a.

Personal Budgeting Support

Croydon has the highest number of PBS referrals based on percentage of total claims. Current assumptions for PBS we are supporting on an average 141 customers. 55% of customers who need PBS are customers with very high needs. PBS cases on an average are taking 5 hours and not 2 hours. Part of this is because of data sharing with the DWP/JCP and LA. A PBS referral means the LA has to collate all information about the customer's circumstances again. This frustrates the customer taking twice as long. Customers often have to provide evidence twice. There are administrative issues where for one JCP we still have to collect the PBS referrals manually.

(Increase in PBS since May 2016 as most postcodes are full service UC)

Based on our current estimates we are assuming that approx. 200 customers per month (2400 per year) will be supported in 2017/18.

If we do not have the right level of funding we are unable to support the customers with PBS. This is increase rent arrears, evictions and homelessness.

Assisted digital-With the number of cases coming to us for digital support has increased dramatically over the last six months. On an average we are seeing **150 customers per month** requesting our help and support-not only in the first six weeks but also ongoing requesting help with journals, querying payments including income, child care and housing changes in awards. Our estimates currently for 16/17 is 1800 and for 17/18 our estimates are 2000.

LCTRS- As mentioned earlier the amount of contacts from customers and DWP have increased three fold for UC cases. Receiving no funding at all for 2017/18 is unacceptable as there is no current fix for any automation for full service sites.

Temporary accommodation and rent arrears: Croydon has 643 customers in emergency accommodation (nightly paid). Our current rent arrears for this cohort of customers in £752,927 at the end of December. This cohort of customers need lots of attention due to their vulnerability and circumstances. These are customers with complex needs and situations that is not compatible to UC policy and payments. No payments for six weeks, under 35's, huge rent arrears leaves Croydon chasing customers for debts and helping them through the most difficult.

LHA caps and Ben cap: The four year cap on LHA rates and Benefit cap has increased contact from private tenants on UC with Croydon's Housing needs team, Discretionary Support team and our welfare rights team. Negotiations with landlords, helping customers with budgeting, debt and employment are taking their toll on resources and time.

Funding:

Key points that DWP we would like need to consider carefully for Croydon:

- 1) We have the highest volume of cases to conduct proper test and learn. We are constantly feeding into this and our contribution and resource to this needs recognition from the programme.
- 2) PBS takes 5 hours on average, however DWP only calculate it at 2 hours. Our estimates are based on 5 hours.
- 3) The calculation includes support to service centre which has been removed from 17/18 for Croydon. There has been no explanation for this. Indeed our belief is on the contrary as we are also aware of Croydon cases moving to new service centre recently.
- 4) Support for complex cases is £6.41. This is unacceptable when you consider the contacts staff have to make with DWP and customers as mentioned above.
- 5) We currently have one FTE for management of UC operational issues.
- 6) LCTRS-had no funding in the indicative amounts in spite on no automated solution and contact from DWP relatively very high as mentioned above.
- 7) The figures do not include any resources we are utilising for contacts and our presence at JCP for 0.6. Based on our current estimates for 18,000 calls/visits we are utilising 10 extra staff for which we have no funding for.

Below is the table showing the comparatives for 2016/17 and 2017/18

Funding	2016/17	Indicative 2017/18
On line supported access	37,927	37,774
PBS (2 hours from April 2016)	65,137	35,316
Support for UC Service Centre	65,137	0
Support on complex cases	3,257	10,152
Management (0.5)	17,098	17,098
LCTRS for the year	45,572	0
HB stop notices	0	35,316
Payment deduction programme	0	11,963
Total	234,128	147,619

The calculations for 2017/18 are not acceptable on the basis on reasons mentioned above. How these amounts have been calculated is unclear as no volumes or descriptors are clarified. Based on our current volumes below we estimate:

Funding	Estimated till 31st March 18	DWP-Unit cost per category 2016/17	Croydon estimates for 2017/18
On line supported access	2000	£25.69	£51,380
PBS (5 hours from April 2016)	2400	£51.32	£307,920
Support for UC Service Centre	10342	£6.41	£66,292
Support on complex cases	1400	£6.41	£8974
Management (0.5)	1.00	£17098	£34,196
LCTRS for the year	5000	£12.82	£64,100
HB stop notices	new	new	£35,316
Payment deduction programme	new	new	£11,963
Total			£580,141

Conclusion

Our current caseload and contact volumes, the highlighted risks and predictions conclude that Croydon needs the funding requested. If this is not accepted there is a huge risk to the local authority to support the most vulnerable customers at risk of losing their home.