

To: POLICY & RESOURCES (FINANCE & CUSTOMER SERVICES) SUB COMMITTEE	Subject: Welfare Reform - Update
From: HEAD OF REVENUE SERVICES	
Date: 14 AUGUST 2012	Ref: BC

1 Introduction

- 1.1 This report provides a summary of the changes being introduced by the government as part of the Welfare Reform programme with the introduction of Universal Credit (UC) and the anticipated impact on the Council.
- 1.2 At present the UC roll-out programme is still being developed and the detailed aspects of UC are still unknown. The Department of Works and Pensions (DWP) is currently engaged in developing the UC roll-out programme and continues to consult on a wide range of aspects of the delivery of UC.

2 Background

- 2.1 Universal credit is a new benefit that will be introduced to all new out of work benefit claimants from October 2013, replacing current means-tested benefits and tax credits for working-age people (16-60 years).
- 2.2 An outline of the proposals was contained in the White Paper, "Universal Credit: Welfare that Works", published on 11 November 2010, and the basic provisions are set out in the Welfare Reform Act 2012.
- 2.3 From October 2013 Universal Credit will replace the following benefits:
- o Income support
 - o Income-based jobseeker's allowance
 - o Income-related employment support allowance
 - o Housing benefit
 - o Child tax credit
 - o Working tax credit
- 2.4 Universal credit will be made up of personal amounts for a single claimant or couple with additional amounts for children (or qualifying young people), for disabled and severely disabled children, and an amount for housing costs. Housing Costs will not start to be included until April 2014.
- 2.5 The total payment will be capped at a proposed £ 500 per household per week. It is estimated that the cap could affect 127 families in North Lanarkshire.
- 2.6 It is proposed that there will be exceptions to the cap for households where
- o Someone gets disability living allowance,
 - o They have limited capability for work-related activity;
 - o There are war widows

- There are working families (it is likely that this must be at least 16 hours a week for lone parents or 24 hours a week for couples with children), or
- There are newly unemployed if the loss of the job is through no fault of their own (exempt from cap for a limited period).

- 2.7 Existing claimants will transfer to Universal Credit in a phased programme commencing October 2013 and scheduled to be completed by April 2017. It is intended that existing claimants will not lose out at the point of change with the introduction of transitional protection.
- 2.8 Universal credit will be administered by the DWP and applications will normally be made online with alternative access kept to a minimum. DWP expect initially 80% of claims will be online with 20% by other means, telephone or very limited face to face contact.
- 2.9 Subsequent contact will also be online, including claimants having access to an online account with details of their award and a facility for reporting changes of circumstances.
- 2.10 Universal credit will use HMRC's planned 'real-time' IT system to identify earnings when they are paid. Those paid through PAYE will have no need to report changes to their earnings.
- 2.11 Payments will change from the current fortnightly payments to monthly, in arrears; the amount paid will be based on the previous monthly income and will be paid directly into a claimant's bank account.

3 Impact on the Council

- 3.1 Currently the responsibility of the Council to manage the Housing and Council Tax Benefit Service (H/CTB) involves a range of different teams (e.g. Benefits, Fraud, Private Sector Benefits, First Stop Shops, HRA). The introduction of UC and the transfer of responsibility to the DWP will have an impact on these various services and the following sections outline the current position. In addition there will be an impact on certain systems and information management within the Council and with external agencies.

4 Staffing

- 4.1 The provision of the benefit service is achieved through a number of different teams which are summarised in the table below:

Team	Number of Staff	Function
Direct Staffing		
Area Benefit Teams	39	Provide a full benefit service to the RSL tenants
Private Benefit Team	15	Provide a full benefit service to Private Sector tenants
Fraud & Sanctions	16	Prevention and detection of Fraud
Appeals & Adjudications	6	Review and representation in respect of claims / challenges to benefit award.

Indirect Staffing		
Management	0.5 FTE	Management time allocation
FSS	5 FTE	Face to Face enquiries from the public
Debt Recovery	2.5 FTE	Recovery of Benefit Overpayments
Support Team	7 FTE	System maintenance & development, central processing (scanning, mail etc), training & development,

TOTAL	91 FTE
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- 4.2 These teams operate out of two primary locations (Motherwell & Coatbridge) however approximately 8 staff are located within the FSS network to provide access and support to the public where their enquiry is too complex to be completed by the Customer Service Officers (CSOs).
- 4.3 With the introduction of UC the provision of the Housing Benefit service will reduce over the period 2013 – 2017 as new claimants and existing claimants are migrated to the new benefit system which will be administered by the DWP. As a consequence the Council will require less staff as our caseload diminishes.
- 4.4 The Council will require staff to administer the replacement scheme for Council Tax Benefit as discussed in section 5. However the number of staff required will only be determined when the operational scope of the replacement scheme has been determined.
- 4.5 The DWP has indicated that in their initial assessment the introduction of UC will not involve a TUPE (Transfer of Undertakings - Protection of Employment) of the staff currently employed within LAs. This is an issue which will be progressed nationally through CoSLA / LGA recognising the impact on all Local Authority's staffing that UC will have.
- 4.6 The introduction of UC will reduce the level of staffing required and there will be a need to assess the options available to staff as part of our workforce development planning which will include consideration of:
- o Retraining
 - o Redeployment
 - o Transfer to DWP
 - o Redundancy

5 Council Tax Benefit

- 5.1 Council Tax Benefit (CTB) is an income-related social security benefit designed to help people on low incomes pay their Council Tax. It can be paid whether or not the claimant is available for, or in, full-time paid work and can be claimed by owner-occupiers.
- 5.2 Currently Local Authorities administer CTB in accordance with national criteria set by the Department for Work and Pensions and are reimbursed by subsidy from the DWP for the amount of CTB awarded. An application is made on a single form and the data used to calculate and award the entitlement to either/both HB & CTB.
- 5.3 The Welfare Reform Bill provides for the abolition of Council Tax Benefit with effect from April 2013 and the responsibility for the determination of a replacement scheme in support of Council Tax will be devolved to Local Authorities. The National Government has determined that their funding for the replacement scheme will be reduced to 90% of

the current level. This would increase the amount due from individuals and could lead to an increase in non-payment, recovery and arrears

- 5.4 The Scottish Government has indicated that they would seek a national scheme for Scotland. For 2013/14 an agreement has been reached between the Scottish Government and Local Authorities to fund the 10% reduction and essentially continue with a scheme, similar to the existing CTB, which will protect the level of CTB awards for 2013/14 at the same level as 2012/13 other than changes in claimant's circumstances, threshold changes, liability changes etc.
- 5.5 The Scottish Government will need to formalise, through legislation and/or statutory instrument, the legal basis and operational terms of the proposed scheme for 2013/14. This will then require to be specified and tested within the Civica Software.
- 5.6 In future years it is anticipated that the introduction of the replacement scheme will result in a change to the award criteria to achieve the management of the support awarded within the Government's 10% reduction in funding. The administration of the replacement scheme will also be an important issue as it will require consideration of the type of information needed and the means of obtaining the information, currently the DWP notify Local Authorities of changes however since the new support scheme is no longer a DWP Benefit this may discontinue.
- 5.7 In 2011/12, North Lanarkshire Council had an average Council Tax Benefit award of £620 per claimant (caseload of 42,900 claimants receiving an award totalling £26.623m). Of the total caseload, approximately 21,500 (50%) of the claimants were aged 60 or over.

6 Crisis Loans / Social Fund

- 6.1 With the changes proposed to the Social Fund the Council requires to consider the arrangements and administration of the successor scheme
- 6.2 The Social Fund is currently administered by DWP and is available to people on low incomes. The Social Fund has both regulated and discretionary elements. The regulated elements include funeral payments, maternity grants, cold weather payments and winter fuel payments, the regulated elements of the Social Fund are not being devolved. The discretionary elements of the Social Fund are Budgeting Loans, Community Care Grants and Crisis Loans. Crisis Loans can consist of three separate parts:
 - o Crisis Loans for Living Expenses
 - o Crisis Loan Alignments
 - o Crisis Loans for Items
- 6.3 As part of the Welfare Reform changes two of the discretionary elements (Community Care Grants and Crisis Loans for Living Expenses) of the Social Fund are being devolved to the Scottish Government in April 2013. It is possible that the Scottish Government will require LAs to administer these.
- 6.4 The administration of these elements of the Social Fund would need a management system within the Council (in-house or procured depending on requirements). Factors which would influence the decision within NLC would include:-
 - o Channels for delivery (telephone, face to face, web)
 - o Where will this function sit on the council(Advice Services, FSS etc)
 - o Links with other council and partner services
 - o Process Design (Approval Criteria, Timescales, Data Protection, Appeals, Fraud etc)
 - o Basis of payments e.g. BACS, cash, vouchers

- Reputational damage to North Lanarkshire Council

7 First Stop Shops

- 7.1 Detailed below are the enquiry volumes within the FSS network over the last two years which show an increasing trend for Benefit enquiries. The increase can arise from the increase in unemployment due to the current economic climate as well as welfare changes already implemented in the calculation and administration of Council Tax, Housing Benefit and Local Housing Allowance.

2010/11

Private Benefit (LHA)	17,158
Council Tax / Housing Benefit	40,955

2011/12

Private Benefit (LHA)	18,262 Increase of 6%
Council Tax / Housing Benefit	47,701 Increase of 14%

- 7.2 It is estimated that around 7,000 (19%) council tenants will see a reduction or lose entitlement entirely with the introduction of UC when it replaces HB. This will occur as claimants migrate to Universal Credit on a phased basis over the period from October 2013 to April 2017.
- 7.3 Whilst UC will be administered by the DWP it is likely that claimants will continue to seek advice from NLC and partner organisations for an undetermined period during the transitional period. In addition discussions between CoSLA and DWP continue to consider the feasibility of handling face to face enquiries by the Local Authorities, which could be handled in the First Stop Shops, if an agency arrangement is introduced between the DWP and LAs.
- 7.4 As UC will make payment directly to the individual there may be an increase in the volume of tenants making payment of their rent to the Council through the FSS / Cash Offices.
- 7.5 As a consequence the level of footfall within the FSS network over the period will be affected in the following way:
- Reduced due to migration of actual caseload over 13/14 – 16/17
 - Increased due to advice services role on behalf of DWP
 - Increased due to additional tenants making payment of rent

8 Single Fraud Investigation Service

- 8.1 The DWP has consulted upon the introduction of a Single Fraud Investigation Service (SFIS) which would be responsible for preventing and detecting fraud within the UC framework along with other DWP benefits.
- 8.2 An initial decision by the DWP has been to introduce the SFIS with effect from April 2013 through the secondment of staff from LAs to work within the DWP procedural model and potentially enable such staff to redeploy staff to meet targets on corporate fraud. The DWP have now indicated that the go-live date has moved to being during 2013/14.
- 8.3 The practicalities and responsibilities of the organisations (DWP and LA) have yet to be determined and there are a number of pilots that are being operated over the summer. The evaluation of these pilots in autumn 2012 will provide the DWP the means to determine the proposed model and operating basis for the SFIS.

- 8.4 There has been no reference to the SFIS role in preventing / detecting fraud within the replacement CTB system / process. It is assumed that this may be achieved through the flexibility in redeploying staff to meet targets on corporate fraud, as referred to in 8.2. There has been no indications of the means or ability to exchange information between SFIS and LAs in respect of corporate fraud exercises nor how the authorisation / powers of the staff involved will be available to both organisations
- 8.5 There is no indication of how, when or indeed if, ultimately the fraud staff will be incorporated into SFIS. DWP have recently announced that TUPE will not apply to benefit processing staff as a result of the introduction of UC, there has been no confirmation if this will also be the case for the fraud staff.

9 System

- 9.1 The Council currently utilises the Benefits module within the Civica system for the operation of the Benefits and this is integrated with the Council Tax system.
- 9.2 As the benefit caseload migrates to UC there will be a reducing need for the system for active cases. The Civica system will require to be amended to develop a separate facility / module to deal with the replacement CTB system in conjunction with continuing the operation of the existing HB system to deal with the legacy caseload during the transition to the UC.
- 9.3 The Council currently has access to a range of data within the DWP to allow confirmation of benefit status of claimants directly. Under UC this access is likely to be restricted and less extensive as the Council will have a reducing number of cases and no locus to access other records. This will impact on the ability and usefulness of the information for other passported benefits e.g. Travel Cards, Free School Meals, Clothing Grants, Blue Badges etc.

10 Administration Subsidy

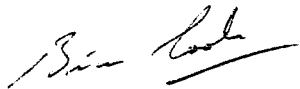
- 10.1 Currently the DWP provides an administration subsidy of approximately £3.3m per annum contributing towards the cost of providing the full range of services involved in the running of the H/CTB service e.g. Benefit staff, Fraud & Sanctions, Appeals, training, system costs, enquiries etc.
- 10.2 The administration subsidy covers the costs of processing for applications and awards for both Housing and Council Tax Benefit. With the introduction of UC funding for the replacement CTB scheme would then become a Scottish Government responsibility, rather than DWP, and it is unlikely that funding will continue at the same levels to LAs. The concern would be whether the principles of the replacement CTB scheme would allow LAs to reduce their cost-base.
- 10.3 Over the period from 2013 – 2017 with the introduction of UC it is likely that the DWP will reduce the administration subsidy for the Housing Benefits as cases / claims migrate to UC. The Council would need to manage the cost-base and endeavour to align it to the reducing funding.
- 10.4 Consideration would be needed to be given by the Scottish Government and the DWP as to the level and funding of the one-off change costs (system, staffing etc) to be borne by LAs for implementing UC and managing the run-down of the remaining caseload.

11 Housing Rent Accounting

- 11.1 At present the payment of Rent Rebates (i.e. the payment of HB to tenants of the HRA) is made directly to the landlord and the tenant is only liable where they do not receive a full rebate (approximately one-third of cases receive partial rebate). In total the award of CTB makes payment of approximately £66.9m per annum towards the rent liability (66% of the liability) for approximately 23,000 households (62% of the tenancies).
- 11.2 The intention for UC is to make payment direct to the claimant and the tenant is then responsible for making payment to their landlord of the full amount for the rent each period. The effect on the HRA may be that the recipient of UC will not make payment to their rent liability and create an increase in the level of arrears and the workload for recovery.
- 11.3 Of the 23,000 households approximately two-thirds were in receipt of full HB and have no habit or experience of paying their rent. It is reasonable to assume that there will be a greater number of households who need recovery activity and management by the HRA teams to assist them in keeping their rent account up-to-date.

12 Recommendations

- 12.1 The Committee is asked to note the report.



Head of Revenue Services

Members wishing further information please contact Mr Brian Cook, Head of Revenue Services, Tel:- 01698 - 40 3929.