



# Item No: 15

Meeting Date: Wednesday 18 January 2017

## Glasgow City Integration Joint Board

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### IMPACT OF UNIVERSAL CREDIT ON HOMELESSNESS BUDGETS

<b>Purpose of Report:</b>	To inform Glasgow Integration Joint Board of upcoming welfare reforms which will have a significant detrimental impact to the Homelessness budget, gradually escalating from 2017 to the full roll out of Universal Credit in 2021.
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<b>Recommendations:</b>	The Integration Joint Board is asked to:  a) note potential impact in Glasgow and consider what actions should be taken to minimise this; and  b) instruct officers to report back to the Integration Joint Board after June 2017 with an update.
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#### Implications for Integration Joint Board:

<b>Financial:</b>	Significant shortfall in Homelessness income.
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<b>Personnel:</b>	None
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<b>Legal:</b>	None
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<b>Economic Impact:</b>	None
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<b>Sustainability:</b>	None
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<b>Sustainable Procurement and Article 19:</b>	None
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<b>Equalities:</b>	None
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<b>Risk Implications:</b>	Potential reputational risks to the Council through the funding reduction impact on its ability to provide services.
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<b>Implications for Glasgow City Council:</b>	Lack of funding restricts ability to provide vital Homelessness Services to the citizens of Glasgow.
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<b>Implications for NHS Greater Glasgow &amp; Clyde:</b>	
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<b>Direction Required to Council, Health Board or Both</b>	Direction to:	
	1. No Direction Required	✓
	2. Glasgow City Council	
	3. NHS Greater Glasgow & Clyde	
	4. Glasgow City Council and NHS Greater Glasgow & Clyde	

## 1. Background

- 1.1 The Welfare Reform agenda has significantly impacted on Homelessness budgets since 2011/12. As a result, savings have been made, and budgets for temporary accommodation have reduced by £6m. A recurring shortfall of £1.4m has remained.
- 1.2 The shortfall is due to the maximum Housing Benefit (HB) subsidy being paid as 90% of the Local Housing Allowance rate + £60 management fee. (Average rent charge is £184.20 per week in Glasgow and the average subsidy is £166.60 generating a shortfall of £17.60).
- 1.3 Clients who are entitled to full Housing Benefit receive this to the value of their rent.
- 1.4 Universal Credit (UC) went live in Glasgow on 8th June 2015 in respect of new claims from single people who would otherwise have been eligible for Jobseeker's Allowance. This included those with existing Housing Benefit and Working Tax Credit claims.
- 1.5 Current Department for Work and Pensions (DWP) policy and legislation states that new homeless claimants are exempt from claiming Universal Credit until full roll out begins within the authority, which for Glasgow is September 2018.

- 1.6 There are two payment elements in Universal Credit which replace Housing Benefit subsidy. The first is the housing costs element. Current guidance states that the housing element is to be paid to the tenant and is calculated as the Local Housing Allowance rate for their household size, rather than their house size. The shared room rate is applied to all applicants under 35 (approximately £68 per week). Alternative payment arrangements are put in place for all homeless clients, enabling the housing costs to be paid direct to the Council.
- 1.7 The second payment element is the management fee which will be paid direct to the Council. The management fee is £45 per week per client. To date this has not been paid for any Universal Credit claims.

## **2. Issues linked to Universal Credit claimants**

- 2.1 Despite homeless clients being exempt from Universal Credit, there have been a number of homeless claimants entering the Universal Credit system in error. Once a homeless applicant is in receipt of Universal Credit, the DWP processing system does not allow this to be cancelled and reverted to Housing Benefit.
- 2.2 As there are no immediate changes planned for the DWP Universal Credit processing system, it is imperative that no additional claimants enter the UC system in error as once payment is made, they are locked in to Universal Credit with no way of transferring to another benefit, such as Housing Benefit. This has a negative financial impact on both the claimant and the Council.
- 2.3 This is also an issue when an existing Universal Credit claimant relocates to Glasgow. These claimants could be from a local authority area where UC was piloted, or they may not have been homeless in the area that they were initially claiming Universal Credit.
- 2.4 A marketing campaign is proposed by Glasgow City Council in conjunction with local DWP offices to mitigate against this situation. This is a short term solution, as, once the local authority area is fully live on Universal Credit, there will be no option to claim any other type of welfare benefit. Roll out in Glasgow commences in September 2018.

## **3. Services funded by rent charge**

- 3.1 There are 170 staff fully or part funded by rent charges (£4.9m). This includes community homeless teams, temporary accommodation team, allocations team and emergency services.
- 3.2 Other than staffing, the main costs for temporary accommodation are rent and repairs as detailed in the table below:

Expenditure	Amount	Additional Details
Rents	£7.1m	Rent paid to GHA and other RSLs for flats leased for use as temporary furnished flats
City Building	£3.2m	Paid to City Building for repairs, furniture and storage facilities for storage of clients furniture and belongings while in temporary furnished flats
Utilities	£438k	Gas/Electricity/Water for void properties
Council Tax/Rates	£281k	Costs for void temporary furnished flats
Cleaning	£38k	Building and window cleaning for Hamish Allan Centre
Other costs	£36k	Supplies for clients, equipment etc
Interpreting	£33k	
Insurance	£10k	

#### 4. Financial impact of Universal Credit

4.1 The financial impact on the homeless benefit system has been researched with a number of Universal Credit claimants entering the system due to the above issues. An indication of the impact of these 73 claimants who have been accommodated to date is shown below:

Type	Number of Claims	Total Value of Arrears
Current	21 claims	£48,225
Former	52 claims	£95,658
<b>Total</b>	<b>73 claims</b>	<b>£143,883</b>

4.2 The above figures are accurate as at 15<sup>th</sup> December 2016 and these figures will increase weekly based on the length of stay.

4.3 The arrears have built up over the period from June 2015 to December 2016, although the majority of arrears have accrued over the past year.

4.4 The current average arrears attributable to the Universal Credit caseload is £1,971 per person, and is increasing each month (average arrears £1,624 at 31<sup>st</sup> August 2016).

4.5 Arrears accrue as a result of any Discretionary Housing Payment awards and tenant contributions not covering the shortfall between the rent charge and the housing costs paid through Universal Credit.

4.6 Based on the current number of claimants (1670), rent costs for the year would be £16m with the housing cost element from Universal Credit £7.7m. Upon full roll out of Universal Credit, after housing costs have been paid, a further £8.3m will need to be funded by the management fee, Discretionary Housing Payments and the tenant.

- 4.7 The table below demonstrates the future annual shortfall in rental payments upon full roll out of Universal Credit compared to the current shortfall.

	Average Weekly Rent Charge	Average Weekly HB subsidy/UC Payment	Average Weekly Shortfall	No of Flats	Annual Shortfall
Current – HB	£184.20	£166.60	£17.60	1670	£1,528,384
Future – UC	£184.20	£134.00	£50.20	1670	£4,359,368

## 5. Discretionary Housing Payments

- 5.1 Discretionary Housing Payments is a fund managed by the Council, funded by the Scottish Government, to assist tenants in meeting their housing costs where there is a shortfall in their benefits. This fund is not exclusive to homeless tenants, is cash limited, and is to assist with all Welfare Reforms.
- 5.2 Although the fund won't fully mitigate the shortfall, it is anticipated that there will be a level of contribution of Discretionary Housing Payments towards arrears, however, there is not enough information available to do an accurate calculation at this stage.
- 5.3 In 2015/16, 24,000 Discretionary Housing Payments' applications were received in Glasgow and £8.6m was awarded.

## 6. Management Fee

- 6.1 From April 2017 the temporary accommodation management fee will no longer be paid through housing benefit subsidy from DWP.
- 6.2 This will be devolved from Westminster to the Scottish Government and paid direct to all Scottish Local Authorities through a new grant system.
- 6.3 A proposal on how this fund should be allocated has been submitted to the Scottish Government Settlement Distribution Group for approval. Rather than looking at the provision of temporary accommodation in each local authority, and paying £45 per client per week, the proposed formula combines 4 sets of weightings looking at housing pressure, deprivation, homelessness and a component for an equal share.
- 6.4 The fund devolved to Scotland in 2017/18 is estimated to be £22.5m. The report to the Settlement Distribution Group does not specify what the proposed allocations are for each local authority, however, based on various assumptions made from information contained within the report, it is assumed Glasgow will receive approximately £4.2m.
- 6.5 Assuming the fund is allocated per the proposal, the shortfall in the rent charge to be funded by Discretionary Housing Payments and client contributions would be £4.1m.

## **7. Future Reforms**

- 7.1 Hostels are a form of accommodation categorised as Specified Accommodation for Housing Benefit Subsidy.
- 7.2 Subsidy rules differ for local authority owned Specified Accommodation, full subsidy is paid for the rent charge and there is no shortfall.
- 7.3 A new funding model is proposed for Specified Accommodation from 2019/20.
- 7.4 It has been announced that the Local Housing Allowance rate will apply to the rent charge, however, as specified accommodation provides support to residents, resulting in these placements being higher cost, there will be a top up fund to ensure the sector continues to be funded at current levels.
- 7.5 An update will be provided to the Integration Joint Board when more information becomes available.

## **8. Impact on Homelessness Services**

- 8.1 Glasgow City Council Homelessness Services provides a range of statutory services under Housing Act legislation.
- 8.2 Glasgow deals with the highest number of homeless applications within Scotland with around 6000 applications in each of the past 2 years. This level of demand is anticipated in the period ahead.
- 8.3 Glasgow City Council Homelessness Services is currently under voluntary intervention by the Scottish Housing Regulator due to the occasional inability to accommodate homeless households at the point of need.
- 8.4 The city's Homelessness Services is dependent on housing benefit/rental income for a significant percentage of its front line staffing to manage operational demand.
- 8.5 The welfare reforms identified in this paper constitute a major risk to the delivery of statutory homelessness services in Glasgow, with particular concerns in relation to front line staffing, delivery of statutory services, provision of temporary furnished accommodation, which is also a statutory duty, and in relation to the existing recurring budgetary pressure of £1.4m as detailed at section 1.1.
- 8.6 Any reductions will have a subsequent impact on services detailed at 3.2, in particular City Building (£3.2m) and GHA (£3.7m), where the majority of the external spend occurs.

## **9. Conclusion**

- 9.1 Following on from the significant savings applied to budgets in the past 5 years, Homelessness Services can no longer absorb this level of impact and continue to operate a sustainable service that meets its statutory duties.

9.2 Officers will continue to work through the impact and seek solutions to mitigate the ongoing budgetary pressures within Homelessness Services and provide a further report to the IJB after June 2017.

## **10. Recommendations**

10.1 The Integration Joint Board is asked to:

- a) note potential impact in Glasgow and consider what actions should be taken to minimise this; and
- b) instruct officers to report back to the Integration Joint Board after June 2017 with an update.