

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Chief Executive

to
Cabinet

on

8 November 2016

Report prepared by: Veronica Dewsbury, Benefits Manager

Procurement of Remote Processing for Housing Benefits

Policy and Resources Scrutiny Committee
Executive Councillor: Councillor Moring
A Part 1 Public Agenda Item

1. Purpose of Report

To detail the need for flexible, external resources to maintain service levels within Housing Benefits during the full roll out of universal credit.

2. Recommendations

Cabinet to approve a tender process to appoint a provider of third party remote processing to support the Housing Benefit Team during the transition to Universal Credit.

3. Background

The Welfare Reform Act was the biggest change to the welfare state system for over 60 years. It received royal assent on the 8th March 2012. The major initiative under this Act is the replacement of 6 mainstream means tested benefits with Universal Credit. Housing Benefit is administered by Local Authorities, Tax Credits by Her Majesty's Revenues and Customs and the rest by the Department for Work and Pensions.

In the original planned roll out of Universal Credit it would have been fully implemented by October 2015 for working age claimants, with pensioners fully rolled out by 2018. There have been a number of delays, and a reduction in the planned pilot areas, because of system issues. The roll out plan was revised and Southend Jobcentre went "live" with the first universal credit claims in April 2015. This was expected to deliver relatively rapid reductions in the housing benefit caseload over an 18 month period.

Based on these plans the service has limited recruitment of new permanent resources as the training is costly and it would ultimately add to the inevitable redundancy costs following the full roll out of Universal Credit.

Due to further issues, although Southend Jobcentre is officially a live area for Universal Credit, only single people are included at the moment. Only a small number of housing benefit claims have transferred to Universal Credit to date.

A new delivery system for universal credit has now been developed and is live in a few pilot areas. A revised roll out to the rest of the Country has now been announced.

The digital system allows all claim types to make an application for Universal Credit instead of any of the legacy benefits it replaces (Housing Benefit, Tax Credits, Income Support, Income Based Jobseekers Allowance, Income Related Employment and Support Allowance).

Once a jobcentre is on the digital system anyone who is working age and wishes to make a new claim for any of the legacy benefits will have to claim Universal Credit. There would be no new claims for Housing Benefit to the Local Authority for working age people, though they would still have to claim Council Tax Reduction from the LA if applicable.

Apart from a few test sites in November 2015, the main rollout to jobcentres is happening in stages as below:

- 5 a month from May 2016 to July 2016
- 5 a month from October 2016 to December 2016
- 5 a month from February 2017 to June 2017
- 30 in July 2017
- 55 a month from October 2017 to December 2017
- 65 a month from February 2018 until last 57 in September 2018

All the jobcentres due to switch up to and including March 2017 have been named. Southend is not amongst those named and will therefore be in one of the phases from April 2017 to September 2018. The DWP have stated that the remainder sites for 2017/2018 will be announced by November 2016.

The migration of existing working age Housing Benefit caseload will start in July 2019 and will conclude by March 2022. The specific of how this will be operated is not yet known. The plan to incorporate Housing Benefit for pensioners into Pension Credit will not be looked at until the completion of the above Universal Credit timetable in 2022. The pensioner Housing Benefit caseload will stay with Local Authorities until at least then.

These delays and changes have had a continued impact on our internal delivery plans, particularly the need to extend the additional burdens from the welfare reform programme such as the Fraud and Error Incentive Scheme and right time interventions which have increased the workload within the department despite a slight drop in caseload.

Following a restructure of the service in April 2016 and a full service review covering these and other challenges, the need for additional, external and flexible resources was identified.

At the point that Southend Jobcentre go live on the new universal credit solution the housing benefit caseload will start to reduce. There is no data available to quantify how rapidly this will happen so accurate planning is problematic. The overall working age project will not be complete until March 2022 but we could be managing a much smaller working age caseload by then.

One of the outcomes from the service review was that the best way to manage the caseload through these uncertain times would be with the assistance of a third party provider to provide flexible extra resources between now and when the caseload has reduced to a point where the service can manage it internally. The proposal is to tender for this support for a 3 year period with an option to extend for 1 further year.

4. Other Options

- Recruit staff on temporary contracts. The difficulty with this approach is that we cannot recruit trained staff and it takes up to a year to train a new starter.
- Try and cover the work using overtime. This will not be sufficient and will lead to significant delays in processing which will result in subsidy qualifications and increased overpayments.
- Recruit specialist agency staff direct. This would be more expensive than the recommended option and does not deliver the flexibility required.

5. Reasons for Recommendations

The option recommended will assist the service in ensuring a maximum subsidy claim each year in the most reliable and cost effective manner. It will allow reduction in resource year on year, in line with Universal Credit roll out, through the life of the contract.

6. Corporate Implications

6.1 Contribution to Council's Vision & Corporate Priorities

6.2 Financial Implications

If this transition is not managed effectively, the risk of loss of housing benefit subsidy is significant. The annual subsidy claim is in excess of £90 million and claims with delays or errors do not attract full subsidy from the Government leaving the cost to be met from the general fund.

In addition, delays lead to increased overpayment which attract only 40% or 0% subsidy leaving the onus on the Council to recover the overpayments from the created debt. These debts are difficult to recover due to the level of income of the debtors. Whilst recovery is sought, it is resource intensive collection.

The cost of engaging a third party provider for remote processing will be met from the existing budget of the Service and will also assist in reducing overtime and agency costs. The contract will be used to deal with peaks and troughs being experienced in caseload and workload and will provide a flexible, efficient and cost effective approach for the Service over the next three years.

6.3 Legal Implications

Extensive delays to processing housing benefit payments could lead to claimants applying for Judicial Review.

6.4 People Implications

Delays to prompt benefit payments can lead to rent arrears and evictions for the most vulnerable residents.

6.5 Property Implications

None

6.6 Consultation

Not required

6.7 Equalities and Diversity Implications

Covered by the service EIA

6.8 Risk Assessment

None

6.9 Value for Money

The potential loss in subsidy, reputation and the increased cost of homelessness would exceed the cost of the proposed contract.

6.10 Community Safety Implications

None

6.11 Environmental Impact

None

7. Background Papers

None

8. Appendices

None