

EXECUTIVE

Date: Tuesday 9 January 2018

Time: 5.30 pm

Venue: Rennes Room - Civic Centre

Members are invited to attend the above meeting to consider the items of business.

If you have an enquiry regarding any items on this agenda, please contact Sarah Selway, Democratic Services Manager (Committees) on 01392 265275.

Entry to the Civic Centre can be gained through the Customer Service Centre, Paris Street.

Membership -

Councillors Edwards (Chair), Bialyk, Brimble, Denham, Gottschalk, Leadbetter, Morse, Packham, Pearson and Sutton

Agenda

Part I: Items suggested for discussion with the press and public present

1 Apologies

To receive apologies for absence from Committee members.

2 Minutes

To sign the minutes of the meetings held on 14 November and 12 December 2017.

3 Declarations of Interest

Councillors are reminded of the need to declare any disclosable pecuniary interests that relate to business on the agenda and which have not already been included in the register of interests, before any discussion takes place on the item. Unless the interest is sensitive, you must also disclose the nature of the interest. In accordance with the Council's Code of Conduct, you must then leave the room and must not participate in any further discussion of the item.

Councillors requiring clarification should seek the advice of the Monitoring Officer prior to the day of the meeting.

4 Local Government (Access to Information) Act 1985 - Exclusion of Press and Public

RESOLVED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of item 10 on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 1, 2, 3 and 4 of Part I, Schedule 12A of the Act.

5 Impact of and Preparation for Universal Credit Roll Out

To consider the report of the Director (BA).

(Pages 5 - 32)

People Scrutiny Committee considered the report at its meeting on 4 January 2018 and its comments will be reported.

6 Housing Rents and Services Charges 2018/19

To consider the report of the Chief Finance Officer.

(Pages 33 - 38)

People Scrutiny Committee considered the report at its meeting on 4 January 2018 and its comments will be reported.

7 2018/19 Council Tax Base and NNDR1

To consider report of the Chief Finance Officer.

(Pages 39 - 44)

8 Report on the Laings properties to approve additional budget or consider alternative options

To consider the report of the Director (BA).

(Pages 45 - 52)

9 Pyramids Pool and Leisure Facility

To receive a verbal update from the Director (JY) on the Pyramids Pool and Leisure Facility.

Part II: Item suggested for discussion with the press and public excluded

No representations have been received in respect of the following items in accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

10 Re-organisation within the former Public Realm, to re-balance skills to meet Service Demands

To consider the report of the Director (DB).

(Pages 53 - 66)

Date of Next Meeting

The next scheduled meeting of the Executive will be held on **Tuesday 13 February 2018** at 5.30 pm in the Civic Centre.

A statement of the executive decisions taken at this meeting will be produced and published on the Council website as soon as reasonably practicable.

Find out more about Exeter City Council services by looking at our web site <http://www.exeter.gov.uk>. This will give you the dates of all future Committee meetings and tell you how you can ask a question at a Scrutiny Committee meeting. Alternatively, contact the Democratic Services Officer (Committees) on (01392) 265115 for further information.

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REPORT TO: PEOPLE SCRUTINY COMMITTEE

Date of Meeting: 4 January 2018

REPORT TO: EXECUTIVE

Date of Meeting: 9 January 2018

Report of: Bindu Arjoon - Director
Title: Universal Credit Full Service (UCFS) rollout

Is this a Key Decision?

No

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

Is this an Executive or Council Function? Executive**1. What is the report about?**

Universal Credit (UC) is a new benefit which is replacing means-tested social security benefits and tax credits for people of working age. The Government's intention is to simplify and streamline the benefits system, improve work incentives, tackle poverty among low income families, and reduce the scope for fraud and error. Around 7 million individuals and families are expected to receive UC when it is fully introduced.

This report is presented to inform members regarding the Full Service rollout of Universal Credit in Exeter from September 2018. From that point on, all claims to legacy benefits will instead be claims to Universal Credit.

Legacy benefits are:

- Income-based Jobseekers Allowance
- Income-related Employment and Support Allowance
- Income Support
- Working Tax Credit
- Child Tax Credit
- Housing Benefit

Universal Credit only applies to customers of working age; that is, those below the age at which they become eligible for State Pension Credit – currently around 64 years old.

Universal Credit Live Service has been in Exeter since November 2015 for single jobseekers with no dependent children. The rollout of Full Service will vastly increase the rate at which households move onto Universal Credit and will expand the groups who will be affected.

2. Recommendations:

- 2.1 That Members note the contents of this report and the background information paper attached.
- 2.2 That Members recognise that the support that can be given to customers impacted by Universal Credit via the Discretionary Housing Payment (DHP), and Local Welfare Support (LWS) budgets, as currently administered, is limited, and may need to be reviewed.

2.3 Without reliable predictions of the amount of extra demand that will be placed on affected services as a result of Universal Credit rollout, no further resources are requested at this present time. However Members are asked to note that there may be a need to request additional resources in the future. If evidence shows such a need, this data will be presented to Members for their decision.

2.4 That Members agree that the Council will deliver digital and budgeting support to Universal Credit claimants as a delivery partner for the Department for Work and Pension's Universal Support scheme for 12 months from April 2018.

3. Reasons for the recommendation:

3.1 The Council is already spending our full DHP allocation each year, (£167,000 in 2016/17, £239,000 in 2017/18). There is therefore little capacity to meet extra demand caused by Universal Credit. Legally, we are able to spend up to 2.5 times our yearly DHP allocation, however the cost of all spend over the allocation has to be met by the Council. We are legally unable to refuse an award on the grounds that the DWP allocation has been spent if we are still below the 250% limit. Based on our 2017/18 allocation, the theoretical maximum liability for DHP for the Council would be £358,500 based on a total spend of £597,500.

3.2 Local Welfare Support has been used to provide support on a yearly basis from funding previously received from Devon County Council. This funding stopped in 2015 and we have been using the small reserve to provide crisis support only. Much of the current demand for crisis help comes from people experiencing benefit decision or payment delays, benefit sanctions and clients of the Housing Advice service. Demand for crisis support is likely to increase for all of these groups after Universal Credit Full Service roll out.

3.3 There is likely to be an increase in demand on already stretched resources, as set out in paragraph 4.2 below. Without being able to predict at this point the extent of the impact on demand, where this extra demand will be felt or how the staff skill base needs to change, no permanent change in resources is recommended until there is further data available.

3.4 Although there is no legal requirement to deliver digital and budgeting support to Universal Credit claimants, we will need to assist our UC claimants anyway in order to collect revenue due to the Council. The agreement to deliver Universal Support runs for 12 months beginning each April. Volumes will be closely monitored after Full Service roll out begins to inform the decision for future years.

4. What are the resource implications including non-financial resources?

4.1 Forecasting the impact Universal Credit Full Service will have on Exeter City Council is extremely problematic. Highlighted here are the main financial risks to the authority. Where figures are given for estimated impact they are provided to give Members a sense of the relative scale of each impact. Estimates are based on the best available information from experience elsewhere and our caseload data.

4.1.1 Rent collection – there is general acceptance that rent arrears for local authority landlords will increase under Universal Credit. Estimates for how much this will amount to vary. During the small scale rollout in Exeter so far, the value of arrears per tenant has increased by 27% after moving to Universal Credit. If this experience is repeated, additional HRA arrears could amount to £425,000.

4.1.2 Council Tax collection – both reduced take up of Council Tax Support (CTS) and less available income for households on Universal Credit will reduce Council Tax collection from affected households. If lower CTS take up and reduced income for this group reduces Council Tax collection rates by 10% this could amount to an extra £310,000 annually.

4.1.3 Housing Benefit overpayment recovery – Universal Credit will make recovery of our £2.5m overpayment debt slower and more difficult. Between raising little new debt and recovering less old debt this could eventually add up to £1m each year.

4.1.4 Housing Benefit Administration Grant –worth £423,000 in 2017, authorities that are already full service have seen their DWP grant initially reduced by 20 - 25%, so we expect to see at least a 20% reduction in grant in 2019-20 and beyond as rollout continues.

4.1.5 Demand for support from discretionary funds – the implementation of Universal Credit is likely to put more households into financial hardship. Demand for assistance from the funds we have available – Discretionary Housing Payments, Local Welfare Support, Exceptional Hardship for Council Tax Support and Housing Spend to Save – is likely to put existing budgets under severe pressure.

4.1.6 Temporary accommodation rent collection – if this is not removed from Universal Credit before rollout reaches Exeter, there is likely to be a significant impact on our collection rates for temporary accommodation rent. Even on a positive projection, where we manage to collect 80% of the amount currently paid direct by Housing Benefit, we could be faced with an extra £211,000 non-HRA arrears in 2018/19. It was announced in Budget 2017 that temporary accommodation costs should be removed temporarily from UC by April 2018.

4.2 There could be an increased demand on staffing resources within Customer Services, Payments and Collection, Benefits and Welfare, Housing Advice, and Housing Customer Relations due to the following:

- Assisting customers to make their Universal Credit claim online
- Supporting customers to maintain their online journal
- Explaining the differences in Universal Credit rules compared to Housing Benefit and how this will affect their need to budget and pay their rent
- Triaging new Housing Benefit claims and changes of circumstances received every day and contacting customers where they need to claim UC to avoid overpayments and minimise benefit lost for customers
- Chasing and monitoring direct payments of rent, rent arrears and overpayment recovery from DWP
- Chasing increased levels of debt to the Council which can no longer be recovered from ongoing Housing Benefit
- Assisting customers with budgeting and money management, and utilising discretionary funds for crisis support

- Assisting single people aged 18-21 with no dependent children, who have no automatic right to have their housing costs met
 - Supporting more households being threatened with eviction and finding the private rented market harder to access when receiving Universal Credit
- 4.3 Exeter City Council has been asked to sign up as delivery partners for the Department for Work and Pension's Universal Support scheme, delivering digital and budgeting support to Universal Credit claimants. There is no legal obligation to deliver this support, and the grant funding offered by the DWP for this is small, however as a landlord and creditor, officers will need to be assisting our UC claimants anyway in order to try and collect revenue due to the Council.

5. Section 151 Officer comments:

Although there are no immediate financial implications contained in the report, there are significant financial risks arising out of the implementation of Universal Credit. Reductions have, as yet, not been factored into the medium term financial plan and could require significant savings across the Council in order to enable the Council to balance the budget. The section 151 Officer will work with the Benefits section to try and identify the appropriate risks and what, if anything, needs to be included in the medium term financial plan for 2019-20 onwards.

6. What are the legal aspects?

The Universal Credit Full Service rollout timetable is set by Statutory Instrument. The rules governing Universal Credit claims and payment are similarly set by Parliament. Both are therefore subject to change if the Government wishes. Delivery of Universal Support is not a legal requirement.

7. Monitoring Officer's comments:

No comment other than legal aspects set out above.

8. Report details:

- 8.1 The fully digital Universal Credit service is rolling out in Exeter Jobcentre from September 2018. It will eventually replace Housing Benefit for most working age customers.
- 8.2 The attached report, **Universal Credit Full Service rollout from September 2018**, details the background to this rollout, the effect on households, the effect on Exeter City Council and stakeholders, and the approach we intend to take to mitigate the impact.
- 8.3 Although officers are working closely with Exeter Jobcentre to raise awareness, initially amongst social and private landlords, the Department for Work and Pensions (DWP) has been unable to provide projections on how quickly cases will transfer to UCFS, which makes proper planning difficult.

- 8.4 Of the 6,294 working age households in Exeter receiving Housing Benefit and/or Council Tax Support, who are expected to transfer to Universal Credit, 40% could be financially worse off under the scheme.
- 8.5 Universal Credit Live Service has been in Exeter since November 2015, however it is a very different scheme to Full Service which is administered on different systems with different rules and affects different customer groups.
- 8.6 Under the current Housing Benefit (HB) scheme, all HB payments to Council tenants are made directly to the tenants' rent accounts. However under UCFS, direct payment can only be made when the tenant has built up eight weeks of arrears, or where there is an identified vulnerability.
- 8.7 A claim for UCFS is made exclusively online and requires claimants to set up and regularly maintain an online account. All instructions and meeting appointments will be sent through the online journal, requiring a good level of digital literacy and engagement. Failure to complete claims correctly, meet deadlines or provide evidence will result in delays, lost entitlement or claims being closed.
- 8.8 Lessons learned from authorities already live with UCFS include:
- A big decrease in people claiming Council Tax Support (CTS) which becomes a council tax recovery problem. Under the current system a claim for CTS is taken at the same time the customer claims HB, however under UC, the customer has to make a claim for CTS directly with the local authority, and often doesn't do so until recovery action has been taken.
 - New claims made for HB need to be checked promptly. Paying a customer HB when they should be claiming UC results in overpayments which cannot be recovered and carry a significant risk of affecting our HB subsidy claim. The customer also has to be directed to claim UC as soon as possible as new claims will not be backdated.
 - Although caseload numbers drop as customers migrate from HB to UC, the volume of work for Benefits Officers remains due to the volume of changes notified each day via the DWP data hub, and the need to now assess CTS separately. (Taunton Deane have seen a 20% reduction in caseload but a 260% increase in notifications of changes).
 - Currently, under Housing Benefit, we award HB in advance of an accommodation move meaning that we are able to use Discretionary Housing Payments for deposits and rent in advance. This enables people to access more suitable accommodation and is a useful tool in preventing homelessness. However legally under UCFS, we cannot make an award of DHP until DWP have awarded the Housing Costs element of UC. So no DHP can be paid until after a claimant has moved in, and this will inevitably prevent people from moving or finding a home.
 - The design of the local CTS scheme will need to be reviewed. Firstly to make it simpler to assess as HB administration funding reduces. Secondly to work with the high volume of UC change notifications received daily under Full Service.
 - The need to review the suitability of current processes and rethink the recovery of debts.
- 8.9 We believe that our response to UCFS should protect Council income, work to prevent homelessness and mitigate the worst effects of the reform for vulnerable customers. In order to do this, initially a team will be formed from existing staff with expertise in Benefits & Welfare, Customer Support, Collection, Housing Advice and Housing Customer Relations. As demand grows, the team will grow with additional officers

coming from the areas where experience shows the greatest need exists. We will continue to work with internal and external partners to ensure that we are making best use of resources to achieve these aims.

- 8.10 As a landlord we also need to be considering what actions can be put in place to mitigate the threat to our income stream. Currently 60% of Council tenants are in receipt of Housing Benefit with their payments going direct to the rent account. The Payment and Collection team will be working as part of the Universal Support group outlined in 8.9. They will be able to intervene early with new Universal Credit claimants to minimise resulting rent arrears. Ahead of rollout, Universal Credit training will also be given to officers within the Housing Customer Relations, Lettings and Leasehold, and Housing Advice teams. The Universal Support group will work with these teams on any changes to processes that can be adopted in support of the group's aims. The majority of landlords (18 out of 21) within Devon Home Choice charge their tenants rent in advance. As the impact of UC on rent arrears becomes known Members may wish to consider introducing this for new tenants. Meantime the working balance for HRA has been increased from £3m to £4m in response to the higher value assets levy. Although not initiated by the rollout of UC, the higher working balance does give a contingency for changes introduced by Government such as Universal Credit. No increases in bad debt provision for the general fund or HRA have been made as yet.

9. How does the decision contribute to the Council's Corporate Plan?

Exeter City Council has committed to providing services that meet customers' needs. The needs for those customers affected by UC roll out are going to change and in some cases become more complex. This report highlights our intention to ensure our services are flexible and robust enough to meet that demand.

10. What risks are there and how can they be reduced?

There is a risk that the rollout as currently announced will be altered in major ways before September 2018, or that Universal Credit rules will be changed before (or after) rollout begins. By not making permanent changes to structures and staffing at this point, any temporary resources can be reassigned or ended at short notice. The financial risks are detailed in 4.1.

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

Universal Credit will affect most of our vulnerable low-income working-age households including sick and disabled, large families and the long-term unemployed. Any support we put in place will be of direct benefit to these groups, helping to reduce the risk of homelessness, minimising debt and financial hardship with the associated social costs.

12. Are there any other options?

Council can opt not to sign up to provide Universal Support from April 2018. DWP will then have to advise alternative sources for this support.

Council could introduce charging rent in advance, or assess income levels prior to awarding tenancies. This could potentially lead to more refusals, delays in lettings and increase void times, and therefore less rental income. Members may wish to explore these alternatives once actual impact on rent arrears is known.

Bindu Arjoon
Director

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

See attached appendix – Universal Credit Full Service rollout from June 2018

Contact for enquires:
Democratic Services (Committees)
Room 2.3
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Exeter
City Council

Full Service rollout

Universal Credit

From September 2018

Chris Buckman – Benefits & Welfare Lead

November 2017

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Background

Rollout

Universal Credit is now available in every Jobcentre across the country, covering all Local Authorities, and supported by 22 Service Centres. UC is being introduced gradually, and was initially introduced from April 2013 in certain areas of the North West, known as Pathfinder sites. Initial eligibility criteria focused on single, unemployed, non-home-owning claimants without any children. In February 2015 the service started national rollout to new single unemployed claimants across Great Britain. By April 2016 Universal Credit was available for new claims from single unemployed claimants in all jobcentres across the country and also for couples and families in 96 sites across the North West of England. This phase of UC rollout was known as UC Live Service.

In May 2016 DWP started expansion of Universal Credit to a wider range of claimants, as with the rollout to single jobseekers, DWP have been doing this in a gradual, safe and secure way and the new Full Service is now available in 101 jobcentres around the country. From October 2017 DWP will begin to scale up to more than 50 jobcentres a month and the intention is that all cases are migrated, and a Full Service is available nationally, by March 2022. After the expansion process is complete, DWP will begin migrating claimants on other benefits to the Universal Credit Full Service from July 2019. This phase of UC rollout is known as UC Full Service.

Source: DWP, Universal Credit Statistical Ad Hoc: Payment Advances, October 2017

Universal Credit Full Service (UCFS) is due to arrive in Exeter Jobcentre in September 2018¹. From that point on, all claims to legacy benefits will instead be claims to Universal Credit (UC). This will vastly increase the rate at which households move onto Universal Credit and will expand the groups who will be affected.

Legacy benefits:

- Income-based Jobseekers Allowance
- Income-related Employment and Support Allowance
- Income Support
- Working Tax Credit
- Child Tax Credit
- Housing Benefit

Universal Credit only applies to customers of working age; that is, those below the age at which they become eligible for State Pension Credit² – currently around 64 years old.

This report is prepared on the assumption that both the rollout timetable and UCFS rules continue as announced³ up to 19 October 2017. Changes to either are possible, even probable, and will affect the assumptions made herein. Please see Appendix 1 for changes announced up to 23 November 2017.

¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/662099/universal-credit-transition-rollout-schedule.pdf

²<https://www.gov.uk/state-pension-age>

³<http://researchbriefings.files.parliament.uk/documents/CBP-8096/CBP-8096.pdf>

The scale of the reform

Exeter has 6,294 working age households receiving Housing Benefit (HB) and / or Council Tax Support (CTS) who are expected to transfer to Universal Credit. Modelling⁴ indicates that 40% of these will be financially worse off under the new scheme. 2,066 Council tenants or those in temporary accommodation are expected to end up on Universal Credit. Of the 6,294 total cases who will move across, 4,774 (76%) currently receive Council Tax Support.

Department for Work and Pensions (DWP) have been unable to provide us with projections for how quickly cases will transfer to UCFS. We have used experience from similar local authorities, including those in Somerset who went live earlier this year, to generate our own estimates. The rate of transfer will depend on how frequently households have a change which triggers the move to UCFS.

Examples of changes triggering a UCFS claim:

- Moving into work
- Moving out of work to job-seeking or sickness
- Going from full time to part time work or vice versa
- Becoming liable for rent for the first time
- Becoming responsible for a child for the first time
- Partner joining or leaving household
- Moving into new LA area
- Coming out of prison / hospital
- Taking on or stopping caring responsibilities

It is possible that within the first three months we could have transferred 1,000 cases to Universal Credit with the majority having moved within 12 months. Other projections indicate a much slower transfer with only around one third (2,000) cases lost in the first 12 months. Most cases that have not transferred in the first 12 months will be those whose circumstances rarely change. Many will remain on legacy benefits until the managed transition begins in July 2019⁵.

Current state

Universal Credit Live Service (UCLS) arrived in Exeter Jobcentre in November 2015. This is a very different scheme to the Universal Credit Full Service (UCFS) which is coming from September 2018. UCFS is administered on different systems with different rules and affects very different customer groups to UCLS. Any lessons learned from Live Service should therefore only be used cautiously to predict impacts under Full Service. However with little other data to go on, it at least gives an indication of the likely impact.

In most cases, when a customer claims Universal Credit, their Housing Benefit award ends. If they are liable for Council Tax however, their Council Tax Support award continues. As at October 2017 there were 165 Housing Benefit or Council Tax Support cases receiving Universal Credit; less than 2% of our overall caseload. Numbers of cases have remained fairly static for the past 12 months; the majority of claimants who are eligible under the Live Service rules have already moved across to Universal Credit.

⁴ Low Income Family Tracker dashboard from Policy in Practice – data as at June 2017

⁵ <http://researchbriefings.files.parliament.uk/documents/SN06547/SN06547.pdf>

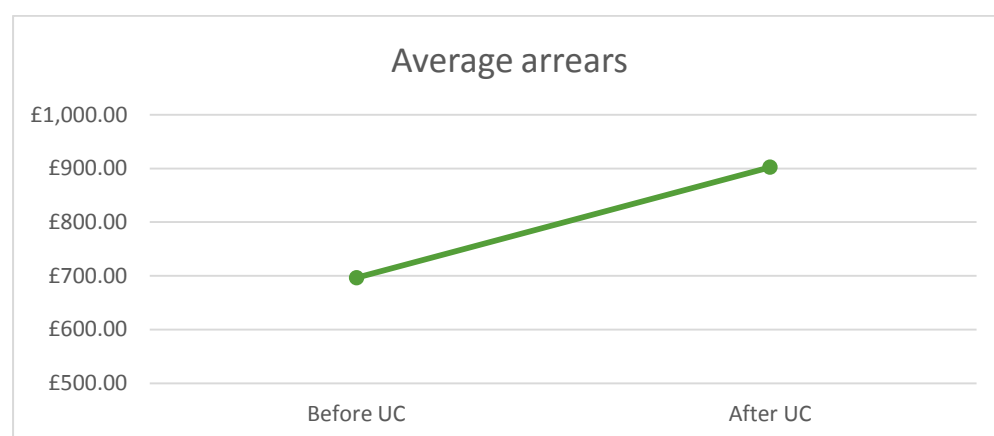
The Payment and Collection team have been keeping a manual record of the Council tenants (that they are aware of) receiving Universal Credit, in order to monitor their arrears situation. As at September 2017 they were tracking 56 HRA tenants and 6 in non-HRA temporary accommodation.

Under the Housing Benefit scheme all Council tenant payments were made directly to the tenants' rent accounts automatically. Under UCFS, direct payment is only available in limited circumstances,⁶ including when the tenant has built up two months of arrears or where there is identified vulnerability. The process is lengthy and largely manual, involving a lot of work for the Payment and Collection team. Decisions may take several weeks, meaning arrears will be even higher by the time a decision is made, and there is no guarantee that the decision will be positive anyway.

DWP have recently announced⁷ the rollout of a Landlord Portal for social landlords and the ability for some of them to apply for Trusted Partner status. It is claimed that these developments will allow for more effective communication and reduced administrative burden on these landlords. It is yet to be seen whether the announced changes deliver improvements in practice.

Of the 62 claims mentioned above 48% are on a direct payment arrangement where the Housing Costs element of Universal Credit is paid directly to us. We have recently discovered that these arrangements made under UCLS will be cancelled when tenants move over to UCFS. New requests will have to be made under the new regime leading to further delays and arrears.

The large majority of tenants (90%) were, for a variety of reasons, already in rent arrears at the point of moving onto Universal Credit. Now all 62 tenants are in arrears. The financial value of arrears has increased by 27% for the HRA tenants and 78% in non-HRA accommodation.



The sample size here is small, but is consistent with the picture elsewhere. See [Rent Collection](#) section for more information.

⁶https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/607851/personal-budgeting-support-and-alternative-payment-arrangements.pdf

⁷<http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2017-09-07/9500>

Effects on households

Many organisations have reported on the impacts of Universal Credit. The Work and Pensions Committee has a current inquiry running⁸, looking at the rollout of UCFS. Their previous inquiry was interrupted by the announcement of the 2017 General Election before it could report its findings.

In this section we highlight some of the most significant challenges that customers will face. Further background can be found from the sources below and referenced throughout this report.

[House of Commons Library Briefing Paper – Housing Costs in Universal Credit](#)
[Work and Pensions Committee inquiry](#)
[Child Poverty Action Group UCFS Early Warning System report](#)
[The impact of Universal Credit in Sedgemoor](#)
[Citizens Advice Delivering on Universal Credit](#)
[DWP whistle blower in The Independent](#)

There is also a wealth of official information, statistics, guidance and background on www.gov.uk/universal-credit
[Universal Credit and rented housing: guide for landlords](#)
<https://www.gov.uk/government/collections/research-reports>
<https://www.gov.uk/government/collections/universal-credit-statistics>

Making UC claim online

The Full Service Universal Credit claim is made exclusively online and requires claimants to set up a citizen account first. It requires a greater level of digital literacy than the current system. UCFS will also be affecting many more claimant groups who are less likely to be digitally confident. Failure to complete the claim correctly and in time will result in delays and lost entitlement.

Managing ongoing UC award online

All communication with DWP and Jobcentre Work Coaches will be through the customer's online journal. Instructions and meetings will all be sent through the journal. Customers will need to be online frequently in order to keep up with the ongoing claim requirements. Failure to meet deadlines and provide evidence online will result in claims being closed. Customers will then have to reclaim with inevitable delays before they can receive any more money and leave gaps in entitlement. The only digital support need recognised by DWP is for making the initial claim online (see [Universal Support](#) section).

An emerging need seems to be the provision of ongoing support for customers to maintain their awards online. Access to telephone support is via a charged 0345 number and long delays are reported getting through to an advisor. (NB the Secretary of State announced on 18th October that calls to this number were to be made free within the next month.)

Delay in first payment

Universal Credit is designed to make the first payment to customers six weeks after they make their claim. During that period all other benefits will be stopped. If the customer was in work they will be expected to survive on their final payment of

⁸ <http://www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/inquiries/parliament-2017/inquiry/>

wages which could of course be weekly pay. Research by Citizens Advice⁹ found 39% of customers presenting for help with Universal Credit waited longer than 6 weeks for payment, with 11% waiting 10 weeks or longer.

The Secretary of State for Work and Pensions addressed the availability of advance payments supporting UCFS rollout in a speech¹⁰ to the Conservative Party conference on 2 October 2017. DWP claim that any customer who needs an advance payment will receive one within five days; same day if they are in immediate need.

Reduced income

Universal Credit is not intended to be a money saving reform. However there are inevitably winners and losers with any large change. Customers who are migrated across from July 2019 will have a degree of transitional protection applied to the amount of their income. This will not apply for customers who move across following a change in circumstances.

Most new claims for Universal Credit have to serve seven “waiting days” at the start of their award. This is one week where the customer is not entitled to any benefit at all. They will be responsible for paying their rent and all other outgoings for this week, even though they may have no income.

Lower earnings disregards will also reduce many people’s entitlement compared to the legacy benefits as well as some specific rules for housing costs being less generous than under Housing Benefit¹¹¹².

Managing single monthly payment in arrears

One of the major selling points of the Universal Credit reform is that it combines all other benefit payments into one.

What is an advantage in some ways, creates huge problems for some customers. Currently a family could be receiving Jobseekers Allowance every two weeks on a Thursday from Jobcentre Plus, Child Tax Credit from HMRC every two weeks on a Friday and Housing Benefit from us every two weeks on a Monday. This allows families to spread out their expenditure across the month. Also, if there is a delay or problem with one of those payments, there is likely to be another one made within a few days.

Under UC the whole income will come together, once a month. Customers will have to get used to making this one single payment last for all their expenses for the month to come. If there is a gap in Universal Credit entitlement, or simply a delay in payment, the customer will be left with no income at all to pay their rent or other bills, or to buy food with.

Claiming Council Tax Support (CTS)

Under the current system a claim for CTS is taken at the same time the customer claims Housing Benefit. Under Universal Credit the customer has to make a separate claim for CTS directly with the Local Authority. Experience elsewhere indicates a significant decrease in take up of Council Tax Support under UCFS. This will add

⁹ <https://www.citizensadvice.org.uk/about-us/how-citizens-advice-works/media/press-releases/citizens-advice-calls-for-universal-credit-rollout-to-be-paused-as-research-reveals-people-left-facing-financial-difficulty1/>

¹⁰ <http://www.ukpol.co.uk/david-gauke-2017-speech-at-conservative-party-conference/>

¹¹ <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06547#fullreport>

¹² <http://researchbriefings.files.parliament.uk/documents/SN06547/SN06547.pdf>

extra expense for low income households and the risk of additional costs and distress where recovery action is taken before identifying their underlying entitlement to support.

Housing costs for young people

Under Universal Credit rules single people aged 18-21 with no dependent children will not have an automatic right to have their housing costs met. There will be exceptions for some vulnerable categories¹³, but this policy is likely to result in this group struggling to secure and maintain independent accommodation¹⁴. Modelling from Policy in Practice¹⁵ suggests that 42 individuals are at risk of being affected by this aspect of Universal Credit.

Recovery of overpayments

Housing Benefit rules mean that we cannot recover any overpayment of Housing Benefit where it is a result of an official error if the customer could not be expected to realise they were being overpaid. DWP have not replicated that rule in Universal Credit. It is quite likely that, as DWP get used to deciding housing costs for the first time in 30 years, there will be an increase in official errors. It is also likely that customers (and their advisors) struggling to understand the new rules will not be in a position to spot and report these errors. This means that more claimants will be left facing overpayments – which could be quite large once housing costs are included – that are not their fault and that they were unaware of.

¹³ <https://www.gov.uk/guidance/housing-costs-for-18-to-21-year-olds>

¹⁴ <http://researchbriefings.files.parliament.uk/documents/SN06473/SN06473.pdf>

¹⁵ Low Income Family Tracker dashboard from Policy in Practice – data as at June 2017

Effects on Exeter City Council

Rent collection

Currently 20% of working age customers who receive Housing Benefit have rent arrears with us. Our experience to date with the Live Service indicates that this will increase significantly once they transfer to Universal Credit. There have been a number of reports from Local Authorities and Housing Associations looking at rent arrears in areas where Universal Credit has been introduced. The National Federation of ALMOs (NFA) and Association of Retained Council Housing (ARCH) published their research in January 2017¹⁶. They surveyed 33 local authority and ALMO landlords who had seen Universal Credit rolled out to their tenants. Their figures showed that the value of arrears for Universal Credit claimants doubled over the monitoring period, whilst those for non UC claimants actually reduced in value.

DWP believe the rent arrears argument is overstated. Neil Couling, Director General of the Universal Credit Programme wrote to LA Chief Executives on 2nd October 2017 to address this and other points relating to rollout. He highlights three different types of arrears:

- “Book arrears” caused by the charging practices of landlords (presumably charging rent in advance)
- “Time lag arrears” caused by the monthly in arrears payment of Universal Credit and
- Arrears caused by (“a small number of”) tenants not passing on their rent money from UC to their landlord.

He acknowledges issues with housing costs decisions and payments in a minority of cases. He goes on to explain that the slow roll out has allowed DWP to learn lessons and improve the process. He quotes a figure that 80% of cases now receive a full payment on time at the end of their first assessment period.

A wide variety of figures for the impact of UC on rent arrears are reported from different sources. They do not readily compare to each other because of the different conditions underlying each survey. However there is a common picture emerging in all cases: rent arrears will rise under Universal Credit. There are a number of reasons for this and some mitigation can be put in place to reduce the effect (see: [Our approach](#) section). However, no matter how much extra resources are put into collection services and supporting customers, some increase in arrears is inevitable and built into the design of Universal Credit.

Temporary accommodation

One area where there is still a high degree of uncertainty is the provision of housing costs for those in temporary accommodation. It was recognised early on that not all accommodation was suitable for inclusion in Universal Credit housing costs. Responsibility for paying towards supported accommodation has stayed with local authorities through Housing Benefit. It has long been expected that the same decision would be taken for temporary accommodation. To date that has not happened.

We are therefore faced with the prospect of a benefit that is assessed once a month in arrears will need to meet the housing costs of people who, by their very nature, move frequently between accommodations at different rent levels. It is unlikely that

¹⁶ http://www.arch-housing.org.uk/media/96253/nfa_arch_universal_credit_-_a_progress_update_welfare_reform_survey_findings_-_as_at_sept_2016_.pdf

the award of UC housing costs will ever be flexible enough to cope with the short term nature of this group¹⁷. It is also true that the limits on the amount of UC housing costs mean that, even when an award does include housing costs, it will not meet anything like the full charge. Finally there will be little or no time to arrange direct payments to landlord for these clients. Any housing costs payments that are made will therefore be to the customer. By the time they receive the money they may have left the accommodation or even the area. Their priority at that point will be to pay the rent where they currently live, making the prospect of collecting any rent arrears on the temporary accommodation remote.

Projected Housing Benefit expenditure to residents of temporary accommodation is £1.053m in 2018/19. Under current rules 100% of this amount would all be paid directly to the rent accounts of the tenants. If we manage to collect 80% of this amount from payments made to Universal Credit claimants, this will increase rent arrears for this group by £211,000. It will also require significantly more time and effort put into collecting that money, either directly from the tenant or from DWP via direct payments or attachments for arrears.

Council Tax collection and Council Tax Support administration

The introduction of Universal Credit affects Council Tax in three main ways:

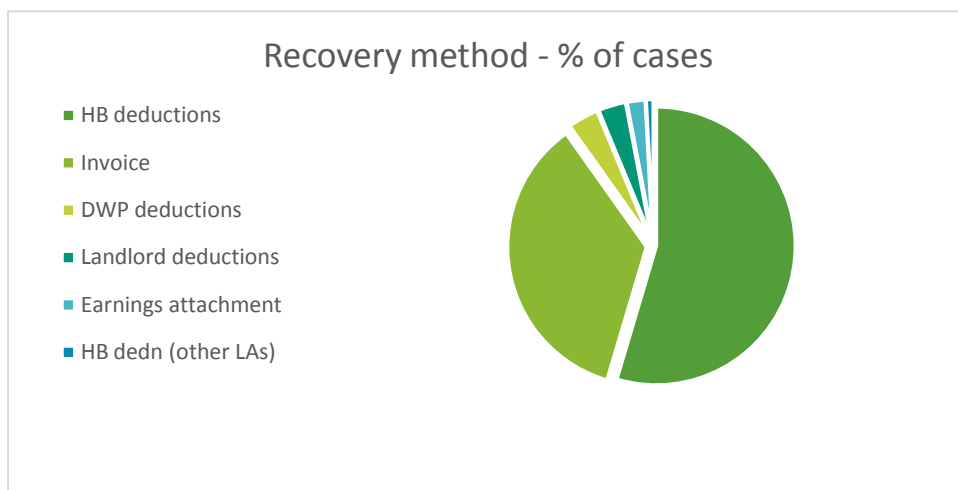
- Claiming Council Tax Support is no longer tied to a claim for help with housing costs. Take up of claims is therefore lower under UCFS than the current scheme. Many customers will only claim when chased for arrears.
- CTS schemes, as currently designed, reassess entitlement every month when UC income changes. This generates a significant amount of extra work for the Benefits & Welfare team. A sample of five sites which have moved to full service in the last year sees an average of 150% increase in volumes of reassessments.
- Reassessing CTS awards also creates a new bill and resets the recovery cycle, making in year collection much harder.
- Delays in payments and gaps in the awards of UC leave customers with less money available to pay their bills, including Council Tax.

60% of our current CTS claims are expected to be affected by the rollout of UCFS at some point. The annual Council Tax charge for this group of customers is in the order of £6.5m. CTS currently covers £3.1m leaving £3.4m to be collected from them. As previously observed, take up can be expected to be lower under UCFS. If just one person in 10 fails to make their claim for CTS that will increase the amount of collectible charge by £0.31m. Although not a large proportion of the total collectible Council Tax (around £65m), the financial circumstances of these customers will make collection much more labour intensive. It will inevitably involve providing more support and assistance alongside traditional collection methods.

Housing Benefit overpayment (HBOP) recovery

Universal Credit removes a very important method of recovering overpaid Housing Benefit. We have a current HBOP debt of around £2.5m and recover around £100,000 each month. Currently 55% of our HBOP cases are recovered by deductions taken from Housing Benefit before payments are made. Once housing costs are included in UC awards, the Payment and Collection team must make a request for recovery of a Housing Benefit overpayment to DWP. The priority of HBOP debt is a long way down a very long list. Also, the amount that can be recovered from UC is lower than can currently be recovered from HB. Lastly, the administration involved in making and monitoring requests and payment reconciliation is substantially more than in the current system.

¹⁷ <http://researchbriefings.files.parliament.uk/documents/SN06547/SN06547.pdf>



Of the 6294 claimants who are expected to transfer to UC, 803 have a Housing Benefit overpayment debt with us. The majority of these will be repaying the overpayment from their ongoing HB awards, representing up to £9,000 income per week. As the HB caseload reduces, the amount of new debt raised will drop in line. However the amount of overpayment that is recovered each month will drop even more sharply – new debt being faster to recover than old. This will reduce another income stream for the authority which, over time, could approach £1m annually.

Homelessness

DWP are beginning to recognise the importance of establishing relationships with social landlords and are taking steps to improve the journey for these tenants. Recently DWP have announced a new portal for social landlords¹⁸ to access and supply information relating to tenant's UC claims. They are not able to do the same with the majority of private landlords. Tenants in the private sector are likely to suffer more from delayed and reduced payments of their housing costs than under the Housing Benefit system. The knock on effect for us will be an increase in households, including families and long term sick and disabled people, facing the threat of eviction. It is also likely, as has been experienced elsewhere, that the private rental market will become harder to access for people receiving Universal Credit. This could be felt particularly in Exeter where there is already a shortage of property available at rents that are affordable on benefits. There are 1765 households in private rented accommodation in Exeter who will be moving to UCFS.

Housing Benefit administration

The most obvious, but not necessarily most significant, impact of UCFS rollout will be the reduction in HB caseload. Accurately predicting the timeline and final situation is almost impossible with the frequently changing rollout schedule. Ultimately though, the majority of our 6500 working age cases will transfer to have their housing costs met by UC. During the transitional period DWP will continue to withdraw large amounts from the HB administration grant they pay to us. In other areas this has been between 20 and 25% in the first year following the start of rollout – 2019/20 for us. Although it has been eroded through the years of austerity, this is still a large grant - £422,826 for 2017/18 – which makes a big contribution to the costs of running the Benefits and Welfare service.

¹⁸ http://www.arch-housing.org.uk/media/96253/nfa_arch_universal_credit_-_a_progress_update_welfare_reform_survey_findings_-_as_at_sept_2016_.pdf

The type of work being undertaken will unquestionably change as UCFS rolls out, but, from experiences elsewhere, overall workload will not reduce anything like as much as the funding reduces. The team will still be dealing with any working age cases that fall outside UC rules – currently including supported accommodation and possibly broadening to include temporary accommodation before the end of this year¹⁹. We will continue to deal with remaining working age HB claims until the managed transfer of cases is completed – scheduled for 2022.

There is work to do to close down cases, but once transferred the volume of means-tested assessments being undertaken will decline. DWP are providing New Burdens funding to support the migration process. For 2017/18 the amounts for Exeter City Council were:

New Burdens	Funding	Description
Management	£8,549	This is to support Universal Credit Implementation.
Housing Benefit Natural Migration	£1,553	This is to support moving claimants from legacy benefits to UC.
Support for Housing Expertise	£ 0	This is to fund LAs for the clerical process of providing further information for complex housing costs to Universal Credit.
Housing Benefit Debt Migration	£ 1,053	This is for the administrative cost of transferring details of claimant HB debt to DWP.
Total	£11,155	

When compared to the reduction in Administration Grant of potentially £105,000, this New Burdens payment does not go very far towards making up the shortfall.

Assessors will also still be dealing with pensioner Housing Benefit and CTS claims for all customers. Currently the CTS assessment happens alongside the HB assessment – little extra work is necessary. In future the CTS assessment will be a piece of work of the same scale as a HB assessment, but without the same level of administration funding.

Discretionary Housing Payments (DHP)

Under UC rules housing costs for most customers are paid by DWP as part of their UC award. DHPs have long been used by Local Authorities as a way of topping up Housing Benefit where a customer had additional housing costs that were not being met. It is used for the hard cases and exceptions where the regulations do not allow a payment of Housing Benefit. Under UC the responsibility for deciding and paying DHP remain with the Local Authority.

The positive side to this is that we still retain some local funding for housing costs. This will be a valuable tool in helping to avoid evictions and homelessness caused by shortfalls and deficiencies in the Universal Credit Housing Costs decision making. It does however cause a number of problems.

Under UC we no longer have any control or influence over the housing costs award. The first step when a claim for DHP is made now, is to check that the maximum amount of Housing Benefit is being paid. In future, even if we believe the DWP decision on housing costs is wrong, we will have to pay out of the limited DHP pot.

¹⁹ <http://researchbriefings.files.parliament.uk/documents/SN06547/SN06547.pdf>

We are already spending our full DHP allocation each year (£167,000 in 2016/17, £239,000 in 2017/18). This allocation is funded by the DWP and will not increase under UC. Indeed it is projected to reduce by £15m each year from 2018/19 to 2020/21²⁰. Therefore there is little capacity to meet extra demand generated by the rollout of UC. DHP is designed as a top up to statutory entitlement for housing costs and is not of a scale to replace all of the benefit that may be lost through gaps and shortfalls.

Legally we are able to spend up to 2.5 times our yearly DHP allocation, however the cost of all spend over our allocation has to be met by the Council. If a customer is eligible for an award of DHP, under the regulations and our policy, we are not legally allowed to refuse an award on the grounds that the DWP allocation has been spent if we are still below the overall limit. This could, in theory, expose the authority to unbudgeted expenditure of 1.5 times the DWP allocation, £358,500 in 2017/18.

We cannot make an award of DHP until DWP have awarded the Housing Costs element of UC. Currently we use over a third of our budget for deposits and rent in advance, allowing people to move to more affordable or suitable accommodation. We can do this by assessing the Housing Benefit award in advance of the move. DWP cannot do this, so no DHP can be paid until sometime after the claimant moves in. This restriction also means that we cannot pay while a decision on housing costs is delayed. There is a risk that this will reduce our ability to help prevent homelessness.

Many social landlords are responding to the threat to their balance sheet posed by Universal Credit. Devon Home Choice recently became aware of a social housing provider in the area requiring 8 weeks rent in advance of granting a tenancy. We are also seeing many more social landlords who are introducing new or increasing their existing rent in advance requirements. Until now tenants on benefit have generally been able to negotiate a payment arrangement. That option is now being removed meaning an additional strain is put on the DHP budget.

Local Welfare Support (LWS)

We have retained a small budget from the funding Devon County Council provided for Local Welfare Assistance after the transfer of responsibility for parts of the Social Fund in 2013. There has been no funding provided to us since 2015 and we have been using the small reserve to provide crisis support only.

For 18 months from July 2017 this budget has also been used to fund the Money and Budgeting Advice Worker. This involves a caseworker from Exeter Citizens Advice working within the Payments and Collection team. He is supporting their officers and those within the wider system to develop their budgeting advice skills with the aim of maximising sustainable collection rates. The contract for this caseworker ends in January 2019. A revenue bid to have funding for the £35,000 per year contract met beyond this point has been to SMB. Their recommendation is that the funding is included as part of the major grant to Exeter Citizens Advice.

We provide food vouchers to supplement Exeter Foodbank and help customers with utility top up vouchers. We also support colleagues in Housing Advice with the costs of relocating homeless clients and provide them funding for food vouchers for their clients. Much of the demand for this crisis help (other than homeless clients) comes from people who are experiencing delays in the award or payment of their benefit or who have had a benefit sanctioned. Demand in all of these areas is likely to be significantly higher once UCFS rolls out.

²⁰ Summer Budget 2015

Currently the majority of UC claimants are single jobseekers who are generally quite resilient and have minimal crisis support needs. Once the rollout affects families and disabled households the amount of financial shortfall they each face will be much higher. We would also expect that more of those presenting for crisis support will have a vulnerability. Around £50,000 remains in the budget for crisis support. At present we spend around £15,000 per year and would expect this to increase sharply once rollout begins.

Customer advice and assistance

Customers currently come to our Customer Service Centre with a range of complex situations, asking for our help with their financial and/or housing problems. Many of the solutions can be found, directly or indirectly, through Housing Benefit. Once we are no longer in control of decision making on housing costs we will lose much of our ability to offer practical assistance.

Our ability to offer advice will also be severely reduced as our access to information under UCFS is extremely limited. Customers used to having their questions answered and problems resolved by our teams will be faced with the frustrating prospect of being redirected back to DWP for answers.

It is also difficult to predict at this point how demand volumes will be affected. We may see a reduction in enquiries for Housing Benefit claims as people move across to Universal Credit housing costs. At the same time we can expect to see a number of customers coming to us for help navigating the Universal Credit claim process. As a landlord we will have people coming to us for evidence in support of their housing costs claim: currently this is all transferred automatically for Housing Benefit. It is also likely that a number of customers will present with complex debt problems as a result of the issues above. Even if volumes are lower, the complexity of these cases will require more officer time to deal with.

Effects on other stakeholders

Private and social landlords

As discussed in the section on [Homelessness](#), landlords of all types are likely to see increased rent arrears. Levels of tolerance for their tenants' problems may be different between the different groups, but fundamentally all landlords rely on rental income to remain viable. Private landlords have a long history of resistance to offering housing to benefit claimants. The inclusion of "No DSS" on rental adverts is still commonplace many years after DSS ceased to exist. Over recent years we, in common with most Local Authorities, have worked hard to build relationships with our local private landlords. This has helped to keep the private rental market accessible, even as we faced recent welfare reforms that have impacted private renters reliant on benefits. Much of this hard work threatens to be undone by the move to housing costs in UCFS. DWP tend to demonstrate less flexibility and discretion in their decision making which, while understandable, will inevitably result in more claims being refused or delayed than under Housing Benefit. Landlords' patience is not likely to last forever.

The response of Social Landlords will be varied; one common response is discussed in the section on [DHP](#). Some landlords will be putting more resources into supporting their tenants affected by UCFS, others will toughen their lettings and arrears policies. Aster Housing spoke recently about how they have varied their approach for Universal Credit claimants. They have accepted the inevitability of structural arrears due to the design of UC and are not wasting resources chasing those who have no money to pay. Instead they are focused on early intervention, speaking to tenants as soon as they know a UC claim is being made and setting clear affordable arrangements ahead of the first payment being received. They are not doing much actual support of tenants, directing them instead to DWP and Local Authorities. They are though making sure tenants fully understand the rules, how UC works and what is expected of them.

Advice agencies

All agencies dealing with benefit, budgeting, digital inclusion, debt or housing issues are going to see an increase in demand from UCFS customers. Citizens Advice, in calling for a pause in the rollout²¹, highlighted that, of the 30,000 people they supported with UC problems, 25% also had debt issues. 57% of those surveyed had been forced to borrow money whilst waiting for their first payment.

Charities

Any charities involved with supporting low income households will see more demand for help as the rollout continues. In particular, those providing crisis support are likely to find more families coming to them with no money for essentials. The Trussell Trust operate a network of 420 foodbanks across the UK, including in Exeter. They addressed the increased demand in their submission to the Work and Pensions Committee Universal Credit inquiry²² in September 2017. They observed an increase in demand for food parcels of 16.85% in 2016/17 in those areas where Universal Credit Full Service was completely or partially rolled out. In other areas demand increased by only 6.64%. Their volunteers are reporting increases not just in volume but severity and complexity of issues in the people presenting for help. They highlight

²¹ <https://www.citizensadvice.org.uk/about-us/how-citizens-advice-works/media/press-releases/citizens-advice-calls-for-universal-credit-rollout-to-be-paused-as-research-reveals-people-left-facing-financial-difficulty1/>

²² <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/work-and-pensions-committee/universal-credit-rollout/written/70172.html>

the wider effects of the delay in first payment: "...increased debt levels, exacerbation of mental health issues, strain on relationships, and the inability to meet essential payments, such as rent."

Universal Support

Universal Support is DWP's approach to mitigate some of the worst impacts of Universal Credit rollout on households. Under this scheme local authorities sign an agreement to deliver support to UC customers in two areas:

- Digital inclusion – making an online claim
- Financial inclusion – personal budgeting support

The scheme has been operating since the introduction of the UC Live Service in 2013. In Exeter we have signed up to provide this support since 2015 and taken the small amount of funding on offer. Take up of this service has been extremely low to date which partly reflects the client group who have been affected by the Live Service. We have also been clear with Jobcentre managers that the service we offer will be in line with the value put on the work by DWP's funding.

There is no statutory requirement for Exeter City Council to sign up with DWP to deliver Universal Support each year, and several Devon Authorities have refused to do so in 2017/18, due to the poor funding offered. Whether we continue to offer Universal Support under Full Service will largely depend on what role we wish to play as Universal Credit rolls out.

Signing up will mean that Exeter City Council becomes officially the organisation responsible for supporting customers impacted by DWP's policy. Jobcentre Plus and other organisations will send all customers who are struggling to manage the new system, either online or financially, to us for a solution.

If we do not sign up then it will remain DWP's responsibility to identify the means of support for digital or financial assistance for their customers.

DWP expect that we have no alternative to signing up because they are aware that when these customers are struggling they will turn to us anyway (for Local Welfare Support crisis assistance, Discretionary Housing Payments and homelessness prevention). Many will also be our tenants, so we will have to be involved with supporting them to pay their rent. The large majority will also be Council Tax payers who we will need our support to claim CTS and pay their remaining liability.

For the current year, under Universal Credit Live Service, the funding for Universal Support has been fixed based on assumed volumes. It is expected that funding under UCFS from next year will be on the same basis. DWP estimate the number of new claims for Universal Credit on a monthly basis and assume a percentage of them who will require support with online or budgeting skills. They then attribute a time value for that support and an hourly rate to deliver it. Experience in other UCFS areas has been that the estimates of demand have been low and funding insufficient.

	Full service		Live service		2017/18
	Time (m)	Value	Time (m)	Value	Profile cases
Digital support	102	£43.62	60	£25.66	68
Personal Budgeting Support	120	£51.32	120	£51.32	40

We have seen under the current system that the time allowed, in particular for budgeting support, is not enough to be able to deliver an effective service. Overall funding available (maximum £3,829 for 2017/18) is nowhere near enough to justify a contracted out service or to fully fund an internal position. Agreeing to deliver Universal Support for DWP will therefore carry an unfunded cost to the Council. However it may be that, properly delivered, this support can help to protect Council income.

The approach we intend to take

We believe that our response to Universal Credit should have the following objectives:

- Protect Council income (Rent collection, Council Tax collection & HB overpayment collection)
- Prevent homelessness
- Mitigate the worst effects of the reform for vulnerable customers

Customers affected by UCFS are going to have a wide range of needs and our response must be similarly broad. Officers involved in supporting UCFS customers must have, or be able to access, expertise and decision making authority in at least the following areas:

- Universal Credit claim & payment rules
- Budgeting, money management and identifying priority payments
- Debt resolution remedies and grants available
- Housing Benefit
- Council Tax Support
- Housing Advice and homelessness prevention
- Collection of Council rent, Council Tax and Housing Benefit overpayments
- Discretionary support including
 - Local Welfare Support
 - Discretionary Housing Payments
 - Exceptional Hardship Payments
 - Housing Spend to Save

Demand is the great unknown at this stage. The Government recently wrote to LA Chief Executives confirming the current rollout timetable was to continue. However calls for a pause in the rollout or significant changes to the design of Universal Credit continue to come from many sources.

Our planning assumptions are made on the basis that rollout continues as announced and the policy design remains largely unchanged. Even so it is very hard to predict the pattern and volumes of demand over time.

The proposed solution is to draw officers with the relevant expertise from the different teams impacted by the rollout i.e. Benefits & Welfare, Customer Support, Payment & Collection, Housing Advice and Housing Customer Relations. This multi-disciplinary group should be able to work together to resolve whatever the customer's individual issues are. At the core of the Universal Support group will be a co-ordinator and two full time dedicated officers. Initially, while demand is low, a single officer from each team will need to be involved as "Universal Credit Champion" for their area. This will probably be on an on-pull basis where their expertise can be called on when needed. As demand grows, membership of the group can be expanded with additional officers coming from the areas where experience shows the greatest need exists.

This team will need to be able to do all of the things needed by customers affected by Universal Credit to meet the three objectives set out above. This will include:

- Delivering Personal Budgeting Support and Digital Support under the Universal Support agreement
- Make early contact with Council Tenants to ensure the customer understands the process and what is needed from them
- Setting up realistic and sustainable payment plans before first UC payment is received

- Ensuring CTS is claimed and paid and that affordable arrangements are set for the remaining balance
- Assisting with extra discretionary help and signposting to other sources of support where needed
- Providing or facilitating specialist advice on housing or debt issues identified
- Providing ongoing support with digital access to maintain customers' UC awards

Officers for this group will have to come from within existing teams due to the levels of expertise needed to provide the support above. The amount of time that will need to be given to these customers is difficult to predict. It is therefore hard to say how much officer time will need to be backfilled and how much can be freed up by changing the way existing services are delivered. Initially we will need to keep the extra temporary resources we already have in place, including an additional 7 hours of a Senior Benefits & Welfare Officer and an agency Assessment Officer who is covering maternity leave until the New Year.

We are also introducing an apprentice into the Customer Service Centre from January 2018. Their purpose will be to test the Customer Service floorwalker role where customers can be given some less intensive assistance with self-help facilities. This person may prove valuable in providing the digital support that UCFS customers need.

Considerations as a landlord

This report has already highlighted the potential increase in rent arrears, therefore as a landlord we too need to be considering what actions we can put in place to mitigate this threat to our income stream. A recent survey of the 21 Devon Home Choice partner landlords showed that Exeter City Council was one of only three landlords who do not ask new tenants for rent in advance. The 18 other DHC partner landlords all request rent in advance of varying amounts with differences in how widely they enforce their rules.

The option to start charging rent in advance is one that Members may wish to explore further once the actual impact on rent arrears is known.

The Payment and Collection team will be working as part of the Universal Support group outlined above. They will be able to intervene early with new Universal Credit claimants to minimise resulting rent arrears. Ahead of rollout, Universal Credit training will also be given to officers within the Housing Customer Relations, Lettings and Leasehold, and Housing Advice teams. The Universal Support group will work with these teams on any changes to processes that can be adopted in support of the group's aims.

Appendix 1 – Changes announced since the report was written

Announcements relating to Universal Credit rollout and design were made in Budget 2017 and in a statement to Parliament by the Secretary of State on 23 November 2017. Full details of these announcements have not been released, although they are likely to have a significant impact on the contents of the report.

Delayed roll out timetable

Exeter Jobcentre will now go live from September 2018 rather than June 2018.

Removal of seven waiting days

The seven days at the start of new claims where there would be no entitlement to UC will be removed from February 2018. This should mean first payments (not including advances) will be sent five weeks or longer after a claim is made rather than six weeks or longer.

Two week run-on of Housing Benefit when transferring to UC

UC claimants with an existing HB award will keep their HB award for a further two weeks reducing the period of time before UC housing costs is paid. It looks as though there will be an overlap of payments where the claimant is paid housing costs twice for the same period.

Easier to request payment to landlord

Where UC claimants already have HB payments made to their landlord it will be “made easier” for this arrangement to continue. It appears that this means guidance will be issued to DWP staff to highlight the existing options to customers at the point of claiming rather than a relaxing of the rules.

Easier access to and increased amount of payment advances

From January 2018 applications for advance payments will start to be available online. The maximum amount that can be requested will increase from 50% of a monthly underlying entitlement to 100%.

Increasing period for payment advances to be repaid

The period over which payment advances must be repaid will increase from 6 months to 12 months.

Temporary accommodation costs

Local authorities will be able to reclaim “over 80% of the money they spend on temporary accommodation directly from the Department for Work and Pensions rather than from the claimant”. A letter from Neil Couling, UC Director General, on 23 November states that housing costs for Temporary Accommodation will be met from Housing Benefit from April 2018, subject to legislation being laid.

Partnership working with Citizens Advice

DWP are “exploring with Citizens Advice the scope for greater collaborative working to help claimants locally as they move to Universal Credit.” This is said to be building on the Universal Support already delivered by local authorities.

REPORT TO: SCRUTINY COMMITTEE – PEOPLE AND EXECUTIVE
DATE OF MEETING: 4 January 2018 and 9 January 2018
REPORT OF: Chief Finance Officer & Director
TITLE: Housing Rents and Service Charges 2018-19

Is this a key decision?

Yes

Is this an Executive or Council Function?

Executive

1. What is the report about?

This report sets out the proposed changes to council dwelling rents, garage rents and service charges with effect from 1 April 2018.

2. Recommendations:

That Members of Scrutiny Committee - People support and Executive approves:

2.1 Rents of Council dwellings are reduced by 1% from 1 April 2018

2.2 Garage rents are increased by 4% from 1 April 2018

2.3 Service Charges will remain at their existing levels, with the exception of charges specified in paragraph 11.3, from 1 April 2018

3. Reasons for the recommendations:

With effect from 1 April 2016, the Welfare Reform and Work Act 2016 requires social housing landlords to reduce rents by 1% a year for 4 years from a 2015-16 baseline.

The financial year 2018-19 represents Year 3 out of 4 of implementing the 1% rent cut.

Rents of garages and service charges fall outside the scope of this announcement. Authorities are expected to set reasonable and transparent charges which reflect the service being provided to tenants.

4. What are the resource implications including non financial resources

The proposed changes in housing rents, garage rents and service charges are reflected in the proposed 2018-19 estimates for the Housing Revenue Account, which are also presented to this committee.

As previously reported, the 1% reduction in rents over the four financial years is expected to result in a loss of £7.9 million compared to previous income projections for this period.

The Government's previous social rent policy was intended to give social landlords certainty over the 10 year period, 2015-16 to 2024-25, with rents expected to rise by Consumer Price Index inflation (CPI) + 1%. The policy change has resulted in a significant reduction in the level of financial resources available for housing investment.

5. Section 151 Officer comments:

This report has been prepared on behalf of the Section 151 Officer to set out the proposed changes to rents and service charges for 2018-19 in accordance with the Government's current social housing policy.

6. What are the legal aspects?

Section 23 of the Welfare Reform and Work Act 2016 requires registered providers of social housing in England to reduce social housing rents by 1% a year for 4 years from a frozen 2015-16 baseline.

7. Monitoring Officers comments:

This report raises no issues for the Monitoring Officer.

8. Report Details:

RENT SETTING BACKGROUND

8.1 Despite applying a 1% reduction to rents, the underlying rent for each council property is based upon a national rent formula.

8.2 The rent formula was established to ensure that social rents take account of:

- The condition and location of a property – reflected in its value
- Local earnings
- Property size (specifically, the number of bedrooms in a property)

8.3 The rent formula for each council dwelling is set, based upon January 1999 levels, and up until 2015-16 was uplifted for inflation each year.

8.4 During the 4 year rent reduction period, the baseline 2015-16 'formula rent' will be incrementally reduced by 1% in 2016-17, 2017-18, 2018-19 and 2019-20.

8.5 On 4 October 2017, DCLG announced that increases to social housing rents, after the 4 year rent reduction period, will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020.

Social Rent Decreases for 2018-19

8.6 In accordance with the Welfare Reform and Work Act 2016, it will be necessary to reduce rents by 1%. For 2018-19 this will result in an average reduction of £0.75 per week, over 52 weeks, per property.

8.7 Rents are collected over 48 weeks, resulting in an average reduction of £0.81 per collection week for 2018-19.

8.8 On a typical 2 bedroom flat the weekly rent for 2017-18 will be £75.11 (over 52 weeks). For comparative purposes, the average weekly rents for a 2 bedroom flat in Exeter are:

- £91.41 per week with a housing association
- £173.08 per week rented in the private sector

9. Affordable Rents for Newly Built Council Housing

- 9.1 Affordable rent allows local authorities to set rents at levels that are typically higher than social rents, at up to 80% of local market rent inclusive of service charges. The intention behind this is to maximise returns and generate capacity for further investment in new affordable housing.
- 9.2 The requirement to reduce rents by 1% for four years also applies to properties let at affordable rents. For Exeter, this applies to the Council Own Build sites; Knights Place, Rowan House, Silverberry Close, Barberry Close and Reed Walk.

10. Garage Rent Increase

- 10.1 Rentals of non-dwellings, such as garages, are outside the scope of the Government's social rent policy. However, previous annual increases to garage rents have been in-line with rises in social rents at CPI + 1%.
- 10.2 Under self-financing local authorities are encouraged to review the rents of non-dwellings in order to ensure associated costs are fully recovered. In light of the proposed capital investment in garages over the next 4 years, it is considered appropriate to recover the costs over a period from a higher rental.
- 10.3 A 4% increase in garage rents is proposed, which represents an uplift at the former CPI + 1% level. Rents for car-spaces will remain at their existing levels.

11. Service Charge Increase

- 11.1 These charges cover services and facilities provided by the authority to tenants which are not covered by their rent. Service charges reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities. Different tenants receive different types of service reflecting their housing circumstances.
- 11.2 Service charges are limited to covering the cost of providing the services. Previous Government guidelines advised that authorities should endeavour to keep increases in-line with rent changes, at CPI + 1%, to help keep charges affordable. Increases above this may be made on rare occasions when an authority has increases in costs outside its control, such as increases in fuel costs.
- 11.3 With rents reducing it is proposed that service charges are maintained at their existing levels for 2018-19, with the following exceptions:
- 7% increase in respect of water at Magdalen Gardens in line with rises in water and sewerage charges
 - 5% increase in electricity service charges to reflect utility contract costs
 - 2.5% increase in respect of the Older Persons' property service charge in line with rises in employee costs
 - 5% reduction in respect of door entry systems in line with system maintenance costs

12. High Value Assets Levy

- 12.1 The Government introduced powers in the Housing and Planning Act 2016 in respect of the sale of local authority higher value vacant housing. The Act enables the government to set out a definition of 'higher value' homes and will create a duty on local authorities to consider selling homes that meet this

definition when they become vacant.

- 12.2 The Act allows the government to estimate the amount of money they would expect each individual authority to receive, in each financial year, from sales of higher value homes. Authorities will then be required to pay this amount to the Treasury.
- 12.3 The payments will be used to extend the Right to Buy to housing associations and to pay off debt attached to the sold properties.
- 12.4 The impact on the Council is pending both the definition of higher value homes and the mechanism by which the government will calculate the amount payable, but could inevitably result in a reduction in stock numbers in the event that the Council is required to sell vacant homes to recoup sufficient capital receipts.
- 12.5 The Government have not yet announced an implementation date, but DCLG have indicated that no payment will be due during 2018/19 whilst detailed regulations are prepared.

13. How does the decision contribute to the Council's Corporate Plan?

The Housing Revenue Account contributes to two key purposes, as set out in the Corporate Plan; help me find somewhere suitable to live and maintain our property assets.

14. What risks are there and how can they be reduced?

In addition to the 1% reduction in rental income over the four years; 2016-17 to 2019-20, the main risk to council dwelling rents relates to the impact of welfare reforms, in particular the move to Universal Credit.

Officers are already planning for the implementation including management techniques to support and encourage customer behaviour towards rent payment in order to help mitigate this risk.

The uncertainty regarding the definition of 'high value' and calculation of the High Value Asset levy is also a risk, it is therefore considered prudent to maintain the HRA Working Balance at no less than £4,000,000 over the medium term.

15. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

Rents and service charges represent the main sources of income to the HRA, which in turn provides the financial resources to deliver housing services and maintain the condition of council dwellings, which has a positive impact on the health and well-being of Council tenants. In the delivery of services, housing officers are able to identify and manage issues relating to safe-guarding, vulnerabilities and community safety.

16. Are there any other options?

No other options.

**Chief Finance Officer
Director**

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:

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REPORT TO EXECUTIVE

Date of Meeting: 9 January 2018

Report of: Chief Finance Officer

Title: 2018/19 COUNCIL TAX BASE AND NNDR1

Is this a Key Decision?

No

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

Is this an Executive or Council Function?

Executive

1. What is the report about?

- 1.1 To set the 2018/19 Council Tax base in accordance with the Local Authorities (Calculation of Tax Base) (England) Regulations 2012.
- 1.2 To seek approval that the Council's estimate of Business Rate Income (NNDR1) for the next financial year is delegated to the Assistant Director Finance.

2. Recommendations:

- 2.1 In accordance with the Local Authorities (Calculation of Tax Base) (England) Regulations 2012, the amount calculated by Exeter City Council as its tax base for the year 2018/19 shall be 36,547.
- 2.1 That the section 151 Officer is delegated responsibility to approve the Council's NNDR1 return by 31 January 2018.

3. Reasons for the recommendation:

- 3.1 To ensure that the Council meets its statutory deadline for notifying Precepting Authorities and the Government by 31 January 2018.

4. What are the resource implications including non financial resources.

- 4.1 Both the Council Taxbase and the NNDR1 provide key information used to calculate the overall resources available to the Council, Government and Preceptors in the following financial year.

5. Section 151 Officer comments:

- 5.1 Approval of the report is a statutory requirement in respect of the Taxbase. There is an increase of 350 Band D equivalent properties compared to the 2017/18 Taxbase.

6. What are the legal aspects?

- 6.1 The requirement to set the Council Tax base is set out in the Local Authorities (Calculation of Tax Base) (England) Regulations 2012.

In coming to decisions in relation to the revenue budget and the Council Tax the City Council and Councillors have the following legal duties, namely:-

- (a) The Council must act in accordance with its statutory duties and responsibilities.
- (b) The Council must act reasonably.
- (c) The Council must not act in breach of its fiduciary duty to its ratepayers and Council Tax payers .

7. Monitoring Officer's comments:

- 7.1 Members should be aware of the provisions of Section 106 of the Local Government Finance Act 1992 applies to this report where members are present at a meeting of the Council, the Executive or a Committee and at the time of the meeting an amount of council tax is payable by them and has remained unpaid for at least two months.

In these circumstances, any such members shall at the meeting and as soon practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter.

It should be noted that such members are not debarred from speaking on these matters.

Failure to comply with these requirements constitutes a criminal offence, unless any such members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting

8. Report details:

8.1 BACKGROUND

- 8.1.1 In accordance with the requirements of the Local Government Finance Act, 1992, Exeter City Council as a billing authority will be issuing Council Tax bills to occupiers of property in March 2018, effective from 1 April.

- 8.1.2 As a first step to calculating the Council Tax itself, the City Council is required by legislation to determine a tax base by the 31 January for the following financial year.

8.1.3 Based on a valuation list received from the Valuation Officer, the calculation, in simple terms, involves three steps, namely :

- i. the determination of the number of chargeable dwellings;
- ii. an assessment of disregards, premiums and discounts, and
- iii. the equivalent number of band D properties and a collection rate.

8.1.4 The calculation of the Taxbase includes the impact of the Council Tax Support Scheme, which significantly reduces the Council's income from Council Tax. In order to reflect the increased risk of non-recovery, which may result from the move to Local Council Tax Support, the Collection Rate has been reduced to 97% from 98% since introduction.

8.2 COUNCIL TAX BASE FOR 2018/19

8.2.1 The Council Tax Base for Exeter is set out in table 8.1 and in Appendix A. It is estimated that the equivalent number of Band D properties (Gross taxbase) for 2018/19 (including the reduction in dwellings owing to the Council Tax Support Scheme) will be 37,677, an increase of 361 over 2017/18.

8.2.2 To this figure the estimated collection rate of 97% for the year is applied, which results in a net Council Tax base of 36,547, an increase of 350 over the 2017/18 figure of 36,197.

Table 8.1 – Taxbase 2018/19

Taxbase	2018/19 Gross Taxbase	2018/19 Net Taxbase (97%)
Taxbase to be used in calculating the council tax for 2018/19	37,677	36,547

8.3 BUSINESS RATES RETENTION

8.3.1 Under the new Business Rates Retention funding, the Council has to provide DCLG with an estimate of its Business Rate Income for the forthcoming year. However due to the changes in the funding and the local/central share, DCLG require the estimate (completed on a NNDR1 form) to be compiled and formally submitted by January 31st. The Council must also share this information with Devon County Council and Devon and Somerset Fire and Rescue Service who are also affected.

DCLG have stated that, in their view, the decision to approve the NNDR1 can be delegated to the section 151 Officer and this report seeks approval for such delegation as the figures have not yet been calculated (The Council requires an annual software update in order to calculate the NNDR1 form).

9. How does the decision contribute to the Council's Corporate Plan?

9.1 The approval of the Taxbase enables the Council to calculate the budget available for the following financial year.

10. What risks are there and how can they be reduced?

10.1 Not applicable.

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

11.1 Not applicable

12. Are there any other options?

12.1 Not applicable

Chief Finance Officer

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

Contact for enquires:

Democratic Services (Committees)

Room 2.3

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EXETER CITY COUNCIL
2018/19 TAX BASE

	BAND	TOTAL	A relief	A	B	C	D	E	F	G	H
LINE 1	No. OF CHARGEABLE DWELLINGS	50,854	25	9,557	14,109	12,758	7,836	3,818	1,836	883	32
LINE 2	No. OF DISCOUNTS	-9,638	-13	-3,605	-3,046	-1,825	-731	-257	-112	-47	-2
LINE 3	No OF ADDITIONS (TECHNICAL CHANGES)	-29	0	-6	-10	-8	-5	-2	-1	1	2
LINE 4	WHOLE No. EQUIVALENT CHARGEABLE DWELLINGS	41,187	12	5,946	11,053	10,925	7,100	3,559	1,723	837	32
LINE 5	FRACTION TO APPLY TO ARRIVE AT BAND D EQUIVALENTS		5/9 ths	6/9 ths	7/9 ths	8/9 ths	1	11/9 ths	13/9 ths	15/9 ths	18/9 ths
LINE 6	BAND D EQUIVALENTS (PER CTB1)	37,677	7	3,964	8,597	9,711	7,100	4,350	2,489	1,395	64
	TOTAL BAND D EQUIVALENTS	37,677									
LINE 7	COLLECTION RATE	97.00%									
LINE 8	EXETER CITY COUNCIL TAX BASE	36,547									

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REPORT TO Executive and Council
Date of Meeting: 9th January 2018 and 20th February 2018
Report of: Bindu Arjoon, Director
Title: Report on the Laings properties to approve additional budget or consider alternative options

Is this a Key Decision?

Yes unless option to demolish and rebuild option is agreed

Is this an Executive or Council Function?

Executive unless the option to demolish and rebuild option is agreed.

1. What is the report about?

- 1.1 The report outlines the history behind the Laing's properties, past decisions made and sets out options together with costs for the remaining 17 properties still in Exeter City Council housing ownership.
- 1.2 Laing Easiform properties are considered a non-traditional construction, built using pre-fabricated concrete panels and only having a limited lifespan remaining.
- 1.3 Exeter City Council have 17 of these properties remaining in the St Thomas ward of the city.

2. Recommendations:

- 2.1 Members are asked to note the expected life of the remaining properties and the works required to bring them up to standard.
- 2.2 Members are asked to determine and agree a way forward based on the options, financial detail and issues outlined in the report.
- 2.3 If the demolish and rebuild option is agreed, the Executive is asked to recommend to Council the approval of an increase to the existing project budget of £586,700

3. Reasons for the recommendation:

- 3.1 To make a decision on the future of the remaining 17 Laing's properties and proceed with the recommendation approved.

4. What are the resource implications including non-financial resources.

- 4.1 There are budget implications with 2 of the options considered in section 8 of this report. Whilst there is an approved budget of £2.66m for the project, this budget is insufficient to deliver the demolition and refurbishment options for the Laing's properties. Approval would be required to increase the budget to allow either of these options to be undertaken.

- 4.2 Currently 8 of the 17 Laing's properties are being kept vacant whilst a decision is made about how to proceed. The average rent for these properties is £88.00 per week (48 week period), this equates to a rental loss of £4,224 per property, per year.
- 4.3 To progress this project it will be necessary to second additional expertise into the Housing Assets team for the period of the project. This resource will depend on the option that is approved by Members and is not possible at this stage to cost the resource.

5. Section 151 Officer comments:

The budget for 2018-19 has included the most costly option and therefore will not require a supplementary budget if that is chosen. The funding for the project is affordable within the HRA medium term financial plan, but along with the other significant capital expenditure plans within the HRA, will bring the balances down close to their minimum target level.

6. What are the legal aspects?

None identified

7. Monitoring Officer's comments:

This report raises no issues for the Monitoring Officer.

8. Report details:

8.1 Background

- 8.1.1 The Laing Easiform is one of a range of house types that are considered as 'non-traditional construction'. They are a pre-cast concrete form of house construction developed by John Laing plc
- 8.1.2 They were intended to be cutting edge, fast and cost effective to build to meet the urgent need for housing at the time. It has been discovered more recently though that these houses were often poorly built and used poor quality concrete. Many types of non-traditional housing have been designated as defective under the Housing Act 1985.
- 8.1.3 A partnering agreement was reached in the mid 1990's between Exeter City Council and Sovereign Housing Association involving the trickle transfer of the Laing's properties as they became vacant. Sovereign received the properties together with a grant of £17,500 to plug the Recycled Capital Grant Fund (RCGF) gap and carried out external and internal refurbishments. This partnership was reviewed at the Scrutiny Committee in June 2006 at which it was agreed to continue with this arrangement.

8.2 Decisions made

- 8.2.1 In July 2013 the Executive Committee agreed to end the agreement with Sovereign due to changes in the rents that Housing Associations were required to charge when

receiving Homes & Communities Agency grant (affordable rents rather than social rents). It was agreed that the remaining 21 properties would be refurbished by the Council as they become empty.

- 8.2.2 In 2013 refurbishment works were undertaken on three void properties with the aid of 'Ready for Retrofit Grant', these works were successfully completed at a refurbishment cost of £263,000 (£88,000 per property). The properties were re-let in the spring of 2014, this project was seen as a trial for the further refurbishment of the Laing's properties.

8.3 Current Position

- 8.3.1 In March 2015 a review was undertaken to investigate the refurbishment measures applied to the three void properties in 2013. A structural survey was commissioned using an expert in the field of non-traditional housing, the survey looked at both the refurbished properties and the un-refurbished properties. The conclusion of this report was that the refurbishment has increased the remaining life of the three properties by just 10-15 years.

- 8.3.2 The structural report recommended a number of options (both short term and long term) that the Council could take on the remaining 17 properties.

- 8.3.3 The two 'long term' options were to (1) adopt a "walls out" approach, which involves propping the roof up, demolishing the walls, casting new foundations and building new walls up from the new foundations; and (2) demolish and rebuild including new foundations.

- 8.3.2 Kendall Kingscott Partnership were appointed in November 2015 as consultants to produce designs, submit planning and building regulation applications, issue party wall notices, tender the project and manage the construction on site.

- 8.3.4 Kendall Kingscott carried out a review of various options from an architectural, structural, economic and practicality point of view. Their view was that a whole house demolition and complete rebuild in a lightweight timber structure would be the most practical and economically viable. This option will have a minimal impact on the neighbouring properties and enable the Council to increase the footprint and create a better layout to these family houses.

- 8.3.3 Design work was completed and expressions of interest from contractors were sought in March 2016 and tenders were invited in July 2016 with a return date of mid August 2016. Tenders were opened and the results were as follows;

- ☐ Enelco (now renamed EBC) £2,688,373.55
- ☐ TEC Construction £3,001,445.17
- ☐ Pearce Construction £3,246,303.85
- ☐ Ian Williams £3,282,993.20

- 8.3.4 An analysis of the tenders was carried out and it was recommended to accept the lowest priced tender. As part of the procurement exercise there was a need to assess the bids in terms of criteria set down in the Pre-Qualification Questionnaire. Unfortunately due to long term absence and changes in the procurement team this process was delayed.

8.3.5 In the intervening period there was a review of the viability of the scheme and it was agreed to carry out an option appraisal review of several options based on quality and cost ranking them 1 to 6 (1 being the most favourable), this is set out in 8.4 – 8.9 below. The quality scoring categories were;

1. Environmental - based on impact/ improvement to the environment
2. Social - disruption to the local community and removal of social utility
3. Economic - budgetary impact
4. Management - management resource to oversee and manage
5. Technical - complexity of solution

8.3.6 The net present value cost is based on 25 year costs worked back to today's prices.

8.3.7 The Laing's properties were discussed at informal Executive in February 2017, which outlined similar options. Reviewing these options it was suggested that the preferred option for Executive Committee to consider was the demolition and rebuilding of the remaining properties.

8.4 Option 1 - Do nothing

8.4.1 The do nothing option results in a net present value of £621,279 and gives a cost/quality score of 78.00 and achieves a ranking of 1 in all of the options.

8.4.2 This is a cheap option as only minimal work will be required to bring the void properties back up to a lettable standard, and the Council will be able to gain the income from the re-letting of the empty properties.

8.4.3 This option is only delaying the inevitable, a decision will be required on the long term future of these properties, and in their current state they only have a very limited remaining lifespan. The structural report commented on the fact that these properties have 'already outlasted the time period estimated in the 1992 BRE report'.

8.4.4 This option could result in reputational damage for the Council and would not be recommended.

8.5 Option 2 – Transfer stock to a Housing Association

8.5.1 This option results in a net present value of £323,673 and gives a cost/quality score of 62.50 and achieves a ranking of 2.

8.5.2 This option would seek to resurrect an arrangement with a local Housing Association similar to the previous arrangement with Sovereign HA. This arrangement has not been 'market tested' with any Housing Associations at this time, but it is expected that this would be of interest to them, provided that the 'deal' worked financially.

8.5.3 This is a cheap option, as it is proposed that the properties are transferred to the Housing Association, as and when they become void, or over a planned period of time. The Council would then have no liability for the refurbishment of the properties, and would have no ownership of Laing's properties in the area.

8.5.4 In transferring this stock the Council would lose the rental income that it generates, which is £71,808 annually at present rent levels.

8.5.5 It is very likely that the Housing Association that takes the properties would seek to rent them out at affordable rent levels rather than social rent levels and 17 social rented stock would be lost in Exeter.

8.5.6 The Council would have the opportunity to utilise the remaining budget (£2.66m) by investing in the existing stock or use for an alternative new build project.

8.6 Option 3 – Sell on the open market

8.6.1 The market sale options results in a net present value of £1,771,516 and gives a cost/quality score of 62.00 and achieves a ranking of 3.

8.6.2 This option would market the Laing's properties as they become void and sell them on the open market. These properties are not high value (no more than £110,000 per unit), but would generate a capital receipt for the Council that could be invested in current stock or used on an alternative new build scheme.

8.6.3 This option would result in the loss of social housing units to Exeter and it is likely that these properties would be difficult to sell, as it will be difficult for purchasers to raise a mortgage and the sales would most likely be reliant on cash purchasers, and could likely add to the low quality private rented stock in the city.

8.7 Option 4 – Transfer stock to a Housing Association (with finance)

8.7.1 This option results in a net present value of -£184,428 and gives a cost/quality score of 52.00 and achieves a ranking of 4.

8.7.2 This option is the same as option 2 but with the addition of £17,000 financial incentive per unit (£289,000 total incentive) to make the transfer of this stock more attractive to the Housing Association.

8.7.3 This option remains a low cost option at less than £300,000 – but suffers from the same issues as option 2, loss of rental income and (most likely) loss of social rented units to the city. This option has the same advantages as option 2, as the remaining budget could be used on the existing stock or used to fund another new build scheme.

8.8 Option 5 – Demolition and rebuild

8.8.1 The rebuild option results in a net present value of -£1,938,341 and gives a cost/quality score of 42.50 and achieves a ranking of 5.

8.8.2 This option is as per the Kendall Kingscott design work and the tenders received as detailed in 8.3 above, and requires the complete demolition of all 17 units and rebuilding them from scratch.

8.8.3 This option is the most expensive option, but it is also the option that gives the longest life expectancy to the properties at 100 years. This also gives much better opportunities to alter the internal layouts and increase the property footprint to ensure that the Council is left with properties that are fit for purpose for the future.

8.8.4 Due to the amount of time that has passed since the initial tender opening Kendall Kingscott have revisited the tender price with EBC and an updated cost plan has been produced based on a start on site in January 2018. This has increased the tender price

to £2,949,644. This is still lower than the other original tender returns from August 2016.

8.8.5 The remaining Kendall Kingscott fees are known at £145,840 and include; final design work; project management; cost consultants; contract administration and CDM. But there are some consultants and survey costs that have not been finalised at this stage, and they include; structural & civil engineering; clerk of works; site investigations and surveys; ecological reports; planning fees; building control fees; sewer diversion designs and a contingency sums. These costs are likely to be between £100,000 and £150,000.

8.9 Option 6 – Refurbish stock

8.9.1 The refurbishment option results in a net present value of -£1,029,408 and gives a cost/quality score of 20.00 and achieves a ranking of 6.

8.9.2 This options suggests that the remaining properties be refurbished in a similar fashion to the 3 properties that were refurbished in 2013, detailed in 8.2.2 above.

8.9.3 As detailed earlier in this report, this is likely a poor choice as the expert opinion is that these works have not significantly extended the lives of these properties and the Council would be faced with another set of options to carry out remedial works to these properties in a decade or so from now.

8.9.4 This is an expensive option for the additional lifespan it will give these properties, and based on expert opinion would not be recommended.

8.10 Summary

8.10.1 Although the ‘do nothing’ option has come out with the highest ranking in reality it is unlikely to be an acceptable option, but has been shown for information as it was one of the options scored.

8.10.2 Negotiations have taken place with the contractor and it is expected that it would be possible to reduce the project costs of option 5 a little. It is expected though, that any successful reduction in the overall build cost of the project is likely to be mitigated by tender price inflation between the expected project start date in January 2018 and when the project does get to site.

8.10.3 Based on Option 5, the additional budget being requested at this point in time is a practical assessment of the likely costs of the project, but does build in some additional contingency to allow for any unforeseen events on site. The revised tender cost is £2,949,644 and with the addition of known and estimated fees of up to £295,000 giving as total scheme cost of £3.25m (£586,700 over the current budget of £2.66m).

8.10.4 Neither of the options 5 & 6 include the three environmental factors that the Council would usually include in their new build projects. The factors being; low energy, healthy buildings and climate ready. These options are to a building regulations standard only, and whilst they will be clearly superior to the properties that they will replace, they will not be to the same high environmental and healthy standards that the Council normally build to.

8.10.5 If members are minded to, these designs could be revisited to include the environmental factors, but this would lead to some additional design work and consultants fees and could potentially result in the need to retender this work.

9. How does the decision contribute to the Council's Corporate Plan?

9.1 The proposals in this report are consistent with the corporate objective of delivering high quality, value for money services.

10. What risks are there and how can they be reduced?

10.1 The main risk is that we allow these properties to remain empty or fall further into disrepair. This risk can be mitigated by ensuring that the agreed option is actioned in a timely and effective manner.

10.2 There could be reputational damage depending on the option chosen and how it is messaged to both the remaining tenants and neighbouring properties, some of which are owner occupiers. This can be mitigated by early engagement with residents and by working with Ward Members to share information in a timely way.

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

11.1 Depending on the final approved programme it may be necessary to decant some vulnerable tenants in the short term, this process will be carefully managed to keep the disruption to a minimum. A focus on the quality of our properties and service delivery is likely to have a beneficial impact on Council tenants and leaseholders, a number of whom have protected characteristics or are vulnerable in the long term.

12. Are there any other options?

12.1 The options are set out in this report in section 8.

Bindu Arjoon
Director

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

Contact for enquires:
Democratic Services (Committees)
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