

Subject:	Universal Credit update
Date of Meeting:	Neighbourhoods, Inclusion, Communities and Equalities Committee
Report of:	Executive Director Finance & Resources
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Ward(s) affected:	All

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 The purpose of this report is to provide an update on the rollout of Universal Credit (UC) in Brighton & Hove, and further intelligence on the impact of other associated welfare reforms.

2. RECOMMENDATIONS:

- 2.1 That the Committee notes the latest information regarding the implementation of UC in the city.

3. CONTEXT/ BACKGROUND INFORMATION

Background

- 3.1 Universal Credit Full Service was rolled out across Brighton & Hove between October 2017 and January 2018. It is payable to working age people, and excludes those of pensionable age.
- 3.2 According to figures published on the Universal Credit Official Statistics website on 12 June 2018, there are now 920,000 live claims for UC nationally. In Brighton and Hove, as of 10 May 2018, there were 5,564 households in receipt of UC. Of these, 1,266 were previously in receipt of Housing Benefit and have had their Housing Benefit claim ended as a result of the claim for UC. The other claims are from people who have made new claims or did not previously claim Housing Benefit. The council estimates around 20,000 households in the city will eventually move onto UC.
- 3.3 At present the rollout only affects households who 'naturally' move on to UC. This occurs when one or more of a number of changes of circumstances take place, or a person makes a new claim for benefits. The Government's intention is to move remaining households onto UC between 2019 and 2023. No further details have been confirmed about this process but it is expected that claimants will be asked to make new claims rather than go through a process of automatic transition.

Risks presented by Universal Credit

3.4 A report to this committee on 3 July 2017 set out what the council considered to be the key risks presented by the introduction of UC. The headline risks were:

- Financial – largely driven by the default position of the rent being paid directly to the claimant rather than the landlord, and single large monthly payments, paid 5 weeks after making the claim
- Housing risk – concerns have been expressed by landlords about their willingness to take tenants on UC
- Structural risks within UC around how some of the rules work in practice
- Administration of UC - a single payment is more sensitive to administrative delays and mistakes than the multiple payments of the previous benefits system
- Vulnerable people - the requirement for people to apply and maintain their claim online, manage monthly payments and to pay their own rent may present particular risks for vulnerable people

Paragraphs 3.9 – 3.45 below set out the degree to which these risks have become evident.

Changes to Universal Credit

3.5 Since the last report to this committee about UC the government has made a number of changes to the way the scheme operates:

- Advance payments (loans made at the beginning of a claim) are now available for up to 100% of the value of a month's payment (rather than 50%), from January 2018
- The one week wait during which no benefit was payable at the beginning of a UC claim has been removed, from 11 February 2018
- Housing costs for temporary accommodation have been removed from UC and are now payable via Housing Benefit again, from 11 April 2018
- For people who are on Housing Benefit when they claim UC a two week overlapping payment of Housing Benefit is made, from 11 April
- A restriction of social sector rents based on Local Housing Allowance amounts will no longer happen (was due April 2019)
- Housing support restrictions for people under the age of 22 will be scrapped as soon as possible.

3.6 Further changes were announced on 7 June 2018, although the legislation to enact them will not be brought to parliament until Autumn 2018:

- Claimants who currently qualify for the Severe Disability Premium will no longer trigger for a move to UC following a change of circumstances, meaning that they will retain a higher amount of income. Those that have already been moved over will receive transitional protection. Cases will be moved over later as part of the longer term migration

- Childcare costs will no longer erode transitional protection for those who have moved to UC
- Short term, temporary increases in earnings will no longer end transitional protection
- For former Tax Credits customers only, capital of up to £16,000 will be ignored for the purposes of calculating UC, for up to 12 months
- The migration timetable has been extended by a year to 2023

3.7 In June the National Audit Office published a report on the implementation of Universal Credit: <https://www.nao.org.uk/report/rolling-out-universal-credit/>

3.8 Its conclusions are as follows:

“We think that there is no practical alternative to continuing with Universal Credit. We recognise the determination and single-mindedness with which the Department has driven the programme forward to date, through many problems. However, throughout the introduction of Universal Credit local and national organisations that represent and support claimants have raised a number of issues about the way Universal Credit works in practice. The Department has responded to simple ideas to improve the digital system but defended itself from those that it viewed as being opposed to the policy in principle. It does not accept that Universal Credit has caused hardship among claimants, because it makes advances available, and believes that if claimants take up these opportunities hardship should not occur. This has led it to often dismiss evidence of claimants’ difficulties and hardship instead of working with these bodies to establish an evidence base for what is actually happening. The result has been a dialogue of claim and counter-claim and gives the unhelpful impression of a Department that is unsympathetic to claimants.

The Department has now got a better grip of the programme in many areas. However, we cannot judge the value for money on the current state of programme management alone. Both we, and the Department, doubt it will ever be possible for the Department to measure whether the economic goal of increasing employment has been achieved. This, the extended timescales and the cost of running Universal Credit compared to the benefits it replaces cause us to conclude that the project is not value for money now, and that its future value for money is unproven.”

Rolling Out Universal Credit, National Audit Office

Approach to managing Universal Credit

3.9 The Council has taken a cross-service approach to managing the impact of UC. A report presented to this committee on 9 October 2017 set this out and detailed the actions taken by different services forming a part of this approach. The key mitigations against the risks were set out as:

- The provision of emergency financial support and advice. Paragraph 3.34 shows how we have utilised our discretionary funds to support people with

emergency needs, or to help with their rent – including people on Universal Credit

- Extra funding for the third sector in the form of £288k permanent budget provision against Community Grants.
- Support for people to make claims online and to manage monthly budgets and rent. 93 Personal Budgeting sessions and 65 Assisted Digital sessions were held between Jan 18 and Mar 18 under Universal Support, provided by Moneyworks, commissioned by the council and funded by DWP
- Information and training – 41 training sessions covering 400 people have been provided by the Welfare Rights team
- Support for vulnerable groups of people – support staff in housing, supported accommodation and mental health services have received training on Universal Credit
- Understanding the impact across the city – 8 meetings bringing together a cross section of stakeholders in the city were held during 2017/18 to discuss and prepare for the introduction of UC.
- Taking a joined-up view of debt recovery from UC - teams have met to coordinate on this issue. However there are currently significant issues relating to debt recovery from UC compared to the processes under legacy benefits
- Focused and proactive risk management – there has been a programme of work in place to track and drive these actions, which includes maintaining a risk log.

3.10 These actions were overseen by a project group, and have now been delivered. Ongoing issues are now being monitored by a front-line staff group. A separate meeting of Heads of Service manages the strategic risks which will be escalated to Corporate Modernisation Board as appropriate. The council continues to meet with stakeholders from across the city including advice agencies, voluntary and community organisations, social and private landlords, and the local Jobcentre Plus via regular city group meetings.

Impact of Universal Credit on the council

3.11 A representative of the community and voluntary sector is presenting to this meeting separately on the impacts of UC on their sector. As such this report will focus on the impact to the council.

3.12 Due to the gradual and developing rollout of UC, the full national impact is not yet known. According to the latest statistics on gov.uk, the national employment rate for Feb-Apr 2018 is 75.6%, compared to 74.8% for Feb-Apr 2017. However, the Trussel Trust reports that from 1 April 2017 to 31 March 2018, there were indications of increased debt problems around housing and utility bills nationally, leading to increased use of food banks. In areas where UC full service has been rolled out for 12 months, demand for food banks has increased by 52%.

3.13 Whilst a significant programme of work has been undertaken within the council to prepare for UC the changes presented by its introduction and the scale of those changes mean council services and relevant stakeholders are dealing with a

paradigm shift in the way that citizens on low incomes are supported. A selection of individual case studies are included in Appendix 1.

3.14 Overall it is clear that the change to UC is creating resource pressures for council services. It is arguable that this is inevitable during any process of change of this scale. However the rules and delivery structures around UC (which vary significantly from the legacy benefits system) may mean these pressures are in fact not transitional but ongoing.

3.15 The material complexities relate to:

- the default position of the rent being paid to the tenant
- the lack of access to decision-making staff within the DWP
- the limitations in place around consent for third parties to communicate with the DWP on behalf of claimants. This position will continue to clarify as the rollout of UC continues

3.16 The clearest financial risk to the council around the introduction of UC was the potential impact on rent collection for both Housing Rent Account and temporary accommodation properties. The rent arrears relating to Universal Credit for Housing Rent Account properties is shown in the table below:

	Households	% in arrears	Average arrears	Total	Collected
Universal Credit	498	68%	£473	£156.k	93.00%
Benefit cap	47	53%	£204	£5k	97.71%
Under-occupiers	580	39%	£195	£41k	98.44%
Not affected	10,297	17%	£256	£450k	98.95%
All tenants	11,396	23%	£279	£651k	98.66%

Data: Sustainable Tenancies Programme report (January – March 2018)

3.17 The council has taken a number of steps to support tenants and protect rental income. When the council is aware that a tenant is claiming UC they are contacted by the Income Management Team within two working days. Officers go through a checklist with the tenant to ensure that all their support needs are met. Where needed, referrals are then made for the appropriate support and a personally tailored rent repayment plan is made.

3.18 It is too early to provide meaningful figures for arrears enforcement action such as the serving of notices and evictions, which take place over a timescale of several months. However, the council is strongly committed to taking action only as a last resort for tenants who do not engage or accept the support that is offered to them.

3.19 Tenants in arrears are always offered a payment plan which is tailored to the individual to make sure they are able to repay their debt over a realistic time period. If there are more than 8 weeks of arrears, or the tenant is vulnerable the council will request (via our DWP 'Trusted Landlord' status) that the DWP make Alternative Payment Arrangements direct to the council. This is explained more fully in 3.42.

- 3.20 Although all major systemic changes affecting council tenants will create additional work for housing staff, the nature of UC is likely to require additional resources to manage income and support tenants well into the future. Improvements to training and IT infrastructure are underway to help staff work more effectively in the UC environment. Housing is also developing innovative solutions, such as online learning to prepare people for their tenancies while they are on the waiting list.
- 3.21 The Housing Employment Support Team reports several issues relating to the administration of UC where they need to intervene. These include inconsistent advice from the UC service centre (DWP-led); evidence which has been submitted to the DWP going missing and claims being closed or payment suspended as a result; ongoing issues about consent; and overall issues with support and access to the Universal Credit service for people whose first language is not English, for vulnerable claimants, particularly for those clients who can present with challenging behaviours relating to their disability, and those who do not have the skills or access to make claims online.
- 3.22 The Credit Control team who are responsible for managing and collecting rents from occupiers in temporary accommodation report that arrears for tenants on UC stood at £434k in April. This figure has been increasing but the *rate* of increase is reducing and the amount is expected to plateau and then start to fall. This is due to the government moving temporary accommodation back from UC to Housing Benefit, and the resultant impact on administration. In the meantime, Credit Control's management of UC cases is complicated by questions around the rent element, whether it will be paid to tenant, landlord or if it has been paid at all. It is also increasingly difficult to support tenants who are on UC who will not engage with the Credit Control team due to lack of access to details of the tenants' UC claim without their explicit permission.
- 3.23 Housing Options are responding to UC as part of their government-funded trailblazer work. The trailblazer is focussing overall on early intervention work to prevent future homelessness. However, officers report that Universal Credit is an increasingly frequent causal factor in both homelessness, and risk of homelessness. In the first year of the project, collaborative working is helping to shape a joint response with the Jobcentre Plus.
- 3.24 There is now a full time member of housing staff located in the Jobcentre and training has been provided to Jobcentre plus staff on housing issues. The intention is that vulnerably housed people can be identified and referred to the appropriate support including directly to the homelessness prevention officer within the Jobcentre. On the other side of this the Jobcentre Plus work coach is co-located with the Housing Needs service for part of the week to engage with individuals whose housing issues are caused in part by benefit or employment support related issues. Other collaborations are being developed across Adult Social Care, Childrens Services, Public Health, statutory services and the Community and Voluntary Sector.
- 3.25 The second of the two year funded project will see successful working practices embedded into services, whilst also establishing a legacy of early intervention and resilience to homelessness on a strategic level.

- 3.26 The Local Authority has a new duty to report on UC as a factor in homelessness, but data analysis is ongoing and incomplete at this early stage.
- 3.27 The Welfare Rights team has seen a significant jump in the number of cases it is dealing with concerning UC, including queries and referrals from colleagues in the voluntary and advice sector seeking expert help from the team. A lack of a clear escalation route around individual cases within DWP service centres is a key concern. This also means that the Welfare Rights team is unable to address regular issues at a strategic level with appropriate management level staff within DWP service centres. The team also reports an increase of problems experienced by persons from abroad and their access to benefits, in comparison to previous benefit schemes.
- 3.28 The local Jobcentre Plus has launched a local complex needs forum to seek to address issues around vulnerability and has just confirmed that a new national escalation route has been launched. Advice agencies and support services may now escalate by emailing generic manager inboxes at the Hove and Brighton Jobcentres. These queries will then be picked up by a local manager and escalated to the UC processing centre. The new escalation route is as yet untested, but colleagues in the Jobcentre Plus expect the route to be useful both for individual case queries, and for raising cases with a strategic or practical significance for improving UC overall.
- 3.29 Revenues and Benefits have ended 1,150 Housing Benefit (HB) claims as a result of working age people moving to UC. There are still 21,400 live HB claims for pensioners (around 7500) and the remaining working age population (approximately 13,900)).
- 3.30 The introduction of UC has created a number of complex scenarios where guidance to customers is needed as to whether a person should make a HB claim or a UC claim. The service continues to assess claims for Council Tax Reduction (CTR) and discretionary payments for people on UC. These are delivered alongside advice, advocacy and caseworking support for people most significantly impacted. This means that people who approach the council for short term emergency assistance can be referred into longer term support to address the underlying issues they are facing. Revenues and Benefits also provide a digital service twice a week at the Brighton Customer Service Centre, assisting customers to access the service via our self help computers, or via the customers' own smartphones and tablets. In May 2018, 27 customers (5.2%) sought assistance with making UC claims during these sessions.
- 3.31 The administration of CTR has become more complex as more people move to UC. When there is a change to their UC, the council is notified and Revenues and Benefits teams then have to recalculate the amount of CTR the person is due. This results in a new Council Tax bill showing how much Council Tax remains to be paid. There are high numbers of changes and adjustments month by month to individuals' UC, and so this has a knock on effect, creating a high volume of CTR changes to administer. Policy and software solutions to this issue are currently being explored.

- 3.32 Recovery of Housing Benefit overpayments and Council Tax arrears from ongoing UC claims is significantly more difficult and complex to achieve at present than it was under legacy benefits.
- 3.33 A Jobcentre Plus work coach is co-located within Revenues and Benefits for part of the week to try to make the interaction between services as seamless as possible for customers. Work with the JCP to try to ensure that UC claimants also claim CTR is ongoing.
- 3.34 Budgets and expenditure of discretionary budgets for this year and the previous three years are set out below.

	2015/16	2016/17	2017/18	2018/19
	Budget/Expenditure	Budget/Expenditure	Budget/Expenditure	Budget
Discretionary Housing Payment (DHP)	£611k / £630k (103% utilised)	£776k / £776K (100% utilised)	£1,133k / £1,11k (expenditure inc. £38k HRA reserve) 103%	£837k*
Discretionary Council Tax Reduction	£150k / £99k (66% utilised)	£150k / £134k (89% utilised)	£150k / £139k 93%	£150k
Local Discretionary Social Fund	£180k / £129k (72% utilised)	£180k / £164k (91% utilised)	£180k / £182k 101%	£180k

*This sum reflects the DWP funding allocation, which has reduced to reflect the anticipated reduction of caseload due to the ongoing transfer of cases to UC. The Discretionary Housing Payment budget can award up to a maximum of 2.5 times the DWP allocation (£2,092k in 2018/19). The additional funding of £1,255k would need to be met from council budgets.

- 3.35 The Family Information Service (FIS), part of the Front Door for Families, has seen a steady increase in cases where families are struggling under UC. Many of these families are already supported by social services, and face a range of complex and challenging issues that are compounded when they have issues with their benefits. The main emerging themes are:
- Families who are being moved onto UC and are left in financial hardship whilst their new payments are being set up.
 - Families and persons from abroad who were claiming legacy benefits, who do not meet the habitual residency conditions for Universal Credit and therefore are without living costs.
 - Families who have failed their assessment for Employment & Support Allowance (ESA). They are being told they have to make an application for UC

and are not given the option to appeal the ESA decision, which may have been more beneficial for them financially in the long term.

- 3.36 The FIS is offering advice and support to these families by helping them to navigate the system and referring onto other sources of help, such as food banks and Voices in Exile. The team has experienced conflicting advice depending on who they speak to at the DWP, and the main source of expertise for queries regarding UC is the council's Welfare Rights Team.
- 3.37 The Adult Social Care team responsible for commissioning supported housing for vulnerable clients report that there have been a number of issues relating to difficulties with UC. However these are relatively low in number and most clients remain on legacy benefits because this client group is less likely than some others to have a change of circumstances. It is clear that at the migration phase, when all current older style benefit claims are moved to UC, this may become more of a significant issue. Jobcentre Plus have engaged with staff from the council in trying to set up processes to resolve these issues for very vulnerable people and these efforts are continuing.
- 3.38 Adult Social Care also supports individuals with no recourse to public funds who also meet social care thresholds. The introduction of UC has created pressure in this area. The criteria for entitlement to UC for European Union nationals are tighter than for previous benefits and new decisions about entitlement based on migration status are being made with each new UC claim. This is resulting in an increase in the number of people being turned down for UC then requiring assistance whilst the appeals processes takes place; this can take a number of months. The team is currently providing financial assistance to a small number of households such as these. Most have multiple layers of complication. The team does not have direct access to decision-makers within the DWP which would have been the case when staff were liaising with colleagues in the Housing Benefit team
- 3.39 **New actions to mitigate impacts and other measures**
- 3.40 In addition to the actions referred to in 3.9, a number of other initiatives have been put in place around preparation for UC.
- 3.41 A key risk identified around the rollout of UC was the separation between the provision of financial housing support via Housing Benefit provided by the council, and Housing and Homelessness services also provided by the Council. These two services were located in direct proximity with one another and as such households identified by Housing Benefit staff at being at risk of homelessness could be immediately referred to Homelessness Prevention services. In turn households who presented at risk of homelessness due to financial and benefit issues could be joint worked by both services. Now that Housing costs are provided via UC, the connection between homelessness prevention and housing costs support is considerably more distant, which presents potential barriers around successful joint working on these issues. The Housing Options team is working with the Jobcentre to mitigating this risk via the Trailblazer initiative, by co-locating staff between the Jobcentre and the council (see para 3.xx above).

3.42 Brighton & Hove City Council is now recognised as a ‘trusted partner’ by the DWP, i.e. the council as a social landlords is trusted to provide information directly about a tenant’s circumstances) This means that details relating to UC claimants who are also tenants of the council are now communicated to the DWP via a dedicated landlord portal which significantly simplifies the process of verifying rent evidence and detailing when payments of rent are due to be made. Importantly this also means that the council can apply to have the rental element paid directly in cases where the tenant is vulnerable or in arrears, and that in most cases this decision will be accepted due to the trusted partner status.

3.43 **Other emerging risks**

3.44 The issue of self-employed claimants on UC was raised at the Audit & Standards Committee on 27 March 2018. The treatment of people with self-employed earnings in UC is complex. One of the key rules is that once a person has been self-employed for a year then there is a minimum level of income they are treated as receiving (based on working a number of hours at minimum wage) even if they are not actually earning this amount, and the level of their UC entitlement is reduced accordingly. This is referred to as the Minimum Income Floor. A number of support services have reported individual cases with claimants facing this issue at present and it could become far more significant due to the fact that there are currently 1,900 households where a self-employed person on a low income is on Housing Benefit. When these cases are migrated to UC it has the potential to create significant pressure in the city.

3.45 There is also an emerging risk from multiple teams around the treatment of persons from abroad and their ability to access benefits under UC entitlement as set out in 3.27, 3.35 and 3.38.

4. **ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

4.1 The council continues to take a cross-service approach to dealing with the introduction of UC. It also continues to work with partners and stakeholders across the city to understand the impact of Welfare Reform.

4.2 An alternative option would be not to respond to these changes. This would mean ad-hoc shifting of resources with a subsequent impact on business as usual and individual variable levels of support being provided rather than a consistent approach.

5. **COMMUNITY ENGAGEMENT & CONSULTATION**

5.1 The council is active in engaging with stakeholders relating to welfare benefit issues and works closely with the local Jobcentre Plus, the advice sector and others including landlords from the social and private sector.

6. **CONCLUSION**

6.1 UC is creating significant change in the city and is impacting on council services. This is in part due to the size and scale of the number of people who have been and will be impacted by this change but it is also because of the differing nature of UC compared with the legacy benefits that went before. These changes

include the requirement to claim and maintain UC online, the default position of the rent element of the award to be paid to the tenant and the requirement of claimants to manage single monthly payments. The consequence of this is likely to mean there will be increased demand for services that support citizens on a low income for the foreseeable future.

- 6.2 The council will continue to monitor and manage the introduction of UC and the impact of other welfare reforms by working together across services to forecast risks and to address and escalate issues as they manifest.
- 6.3 The migration phase of UC is likely to carry a significant new range of risks which will need to be assessed once the timings and details of the migration phase have been published.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 It is estimated that for 2018/19 the council will pay out approximately £43m in rent rebates, most of which is in respect of properties where the council is the landlord. Over the next four years as housing benefit transitions to Universal Credit payment will be made directly to the tenant rather than directly to the council. This could potentially lead to a pressure on rent collection rates in both the HRA and General Fund although at this stage it is very difficult to quantify this. This will be closely monitored and any impact will need to be reflected in future years' budget setting.
- 7.2 The current impact on rental collection has been set out in 3.16 and 3.17. This situation will continue to be monitored.
- 7.3 The 2018/19 budget includes continued recognition of the potential impacts of Universal Credit and national welfare reform changes. As well as a wide range of services including Financial Inclusion, Housing and Welfare Rights, the council also provides one-off resources and grants to support those suffering short term hardship including:
- Discretionary Housing Payments £837k (funded by DWP grant)
 - Social Fund £180k (funded by £400k one-off allocation from reserves)
 - Recurrent discretionary Council Tax Reduction support of £10k in addition to £140k one off funding(part of £400k one-off allocation from reserves)
 - £80k towards the cost of the welfare reform programme and the provision of advice and support to families most affected by these changes (part of £400k one-off allocation from reserves)
 - £100k allocated in the budget to address further potential issues with Universal Credit. The council is currently working with East Sussex Credit Union to provide products that support this approach (funded by a separate one-off allocation of £100k from reserves).

Finance Officer Consulted: Jeff Coates

Date: 18/06/18

Legal Implications:

- 7.4 The actions taken by the council, described in this report, are incidental to the council's powers and responsibilities around administering Housing Benefit, Council Tax Reduction and Local Welfare Provision. The provision of homelessness prevention services is compatible with the duties in the Housing Act 1996, as amended by the Homelessness Reduction Act 2017.

Lawyer Consulted:

Name Liz Woodley

Date: 04/06/18

Equalities Implications:

- 7.5 An Equalities Impact Assessment on UC was published by the government in November 2011. There have been a significant number of calculative changes made to the Universal Credit scheme since then but a revised Equalities Impact Assessment has not been published. The initial impact assessment found that:

- For disabled people levels of entitlement may change depending on the levels of premiums they received on legacy benefits. Some areas of provision for disabled people have been reduced and some have been increased so levels of entitlement will vary compared with previous entitlements.
- Anyone transferring from legacy benefits during the migration phase will receive transitional protection but this will not include cases which move on to UC via 'natural' migration (that is they make a new claim or have a change of circumstance).
- Participation Tax rates for disabled people would reduce increasing work incentives.
- Financial incentives to work for men and women are increased by broadly the same degree.
- Single women are more likely to see a change in entitlement than single men because single men on UC are more likely to be out of work.
- Around 16 per cent of the potential UC caseload is from an ethnic background which is a larger proportion than the population as a whole and that people from an ethnic background were more likely to see an increase in entitlement than those who are not.
- People under 25 are least likely to see a reduction in entitlement and people over 50 most likely to see a reduction in entitlement; this cohort may also need the most support to claim online.

Sustainability Implications:

- 7.6 None

Any Other Significant Implications:

- 7.7 None

SUPPORTING DOCUMENTATION

Appendices:

1. UC case studies
2. UC examples of entitlement and comparison with legacy benefits