

EXETER CITY COUNCIL
SCRUTINY COMMITTEE – COMMUNITY
12 NOVEMBER 2013

UNIVERSAL CREDIT UPDATE

1 PURPOSE OF REPORT

- 1.1 To update members on the Department for Work and Pensions (DWP) Universal Credit (UC) project

2 BACKGROUND

- 2.1 Universal Credit will replace the following national welfare benefits:
- Housing Benefit which is currently administered and paid by Exeter City Council (ECC)
 - Jobseeker's Allowance (Income Based), Income Support, Employment and Support Allowance (Income Related), Working Tax Credit and Child Tax Credit which are all currently administered & paid between DWP and HMRC.
- 2.2 DWP has started to pilot the roll out of UC in certain areas of the country & to a defined group of claimants. The first pathfinder area was Ashton-under-Lyne which commenced the pilot at the end of April 2013. During July 2013, three further pathfinder sites were introduced in Wigan, Warrington and Oldham.
- 2.3 The personal circumstances of the claimant that meet the current pathfinder criteria to claim UC are summarised as follows:
- Single people only (with no children; or pregnant women)
 - New claimants only
 - Fit for work
 - With or without housing costs (but not mortgages)
 - With no savings over £6,000

3. General Impact on the Council

- 3.1 ECC receives subsidy from DWP pound for pound on every correctly paid Housing Benefit (HB) claim. This subsidy figure is reduced by various percentages on non standard claims for example overpaid HB and supported accommodation claims (as explained below). ECC also receives an administration grant from DWP for running the Housing Benefit scheme, approximately 40% of this grant covers the cost of staff, IT systems, accommodation and other associated resources needed to administer HB. Additional one-off grants are paid by DWP when new legislation is introduced that changes the HB scheme to help with the additional IT & associated resource costs, an example of this is the additional funding to meet the costs of implementing welfare reform changes in 2013/14 to meet the new burdens incurred by local authorities.

- 3.2 Universal Credit implementation will mean that ECC's working age Housing Benefit caseload will cease to grow to a point where it may level out and then start to decrease as claims for Housing Benefit end and are not reinstated, but become new claims to Universal Credit. It is unclear over what period of time this will happen, but this conversion will be affected by changes in circumstance to our working age caseload. DWP has informed us that we will retain our supported exempt accommodation cases as these will not be rolled into Universal Credit; the caseload numbers of these claims still has to be fully evaluated.

From 1996 the HB regulations were amended, this meant that the eligible rent on accommodation could not be restricted where care, support & supervision was provided by a specified category of landlords. These cases are referred to the Rent Service (under the VOA) for a local reference rent determination. This acts as the baseline for full subsidy to be paid. However the Council is not allowed to restrict the Housing Benefit to the local reference rent figure and we have to meet the full rent charged, thus losing a larger percentage of subsidy we get from DWP on anything we pay above the rent determination.

4. Financial Impact on the Council

- 4.1 Migrating Housing Benefit into Universal Credit claims will affect the subsidy that we receive for the administration and payment of Housing Benefit. For the majority of our Housing Benefit claims, we receive 100% subsidy; however we only receive 40% subsidy on certain overpaid Housing Benefit claims and our exempt supported accommodation claims only receive subsidy on part of the expenditure. There have always been penalties on overpaid Housing Benefit to act as an incentive for local authorities to minimise their own errors and to advertise & encourage claimants to report changes in circumstance quicker to minimise overpaid HB. As we have been informed by DWP that supported exempt accommodation will not be rolled into Universal Credit, ECC will have continued expenditure in this area at a current cost of £300k per year to the authority. Losing the majority of working age Housing Benefit claims to Universal Credit will also impact the amount of Housing Benefit overpayments created for which we only receive on average 47% subsidy, but also have the capacity to increase our income by recovery of the full amount of Housing Benefit. The current Housing Benefit recovery rate on overpayments is over 80% and this generates an additional gain for the Council in the region of £270k. This is offset against the cost of resources to recover these overpayments.
- 4.2 In 2011/2012, we received £46,085,562 in subsidy across both our working age & state pension credit age caseload for Housing Benefit and Council Tax Benefit combined. The future financial impact of losing working age Housing Benefit claims in relation to subsidy from central government is difficult to predict and the full financial impact may not be visible in the first one to two years because of the unknown speed at which Universal Credit claims will replace our Housing Benefit caseload. DWP does not appear to, as yet, have a strategy on subsidy payments, future administration grants or the financial support of our ICT systems to pay Housing Benefit claims that do not roll into Universal Credit. A letter was sent from Lord Freud on 1 August 2013 to local authorities to provide reassurance that the level of funding required to manage the full administration of Housing Benefit would be maintained for 2014/15.

3 CURRENT UNIVERSAL CREDIT NATIONAL ROLL OUT

3.1 On 10 July 2013 the DWP announced the next stage of UC roll out in six further Jobcentre areas:

- Hammersmith
- Rugby
- Inverness
- Harrogate
- Bath
- Shotton

The DWP also wrote to Chief Executives on 1 August 2013¹ to confirm this further roll out, give details about the implementation of the Claimant Commitment across all Jobcentres and an update on the Local Support Services Framework.

3.2 National roll out of UC was due to begin in October 2013, however following the National Audit Commission report² in September 2013 the Government have indicated that the roll out may take longer. The DWP expects to publish official statistics on the UC pathfinders by the end of 2013 and a further statement on national implementation of UC is expected in Autumn 2013.

4 DIRECT PAYMENT PILOT

4.1 The Direct Payments Demonstration Project is being run across six areas to pilot the direct payment of Housing Benefit and is testing the following areas in readiness for UC national roll out:

- different levels of support needed by social sector tenants to move onto direct payments of Housing Benefit
- exceptions to direct payments that need to be in place
- payment to landlords if the tenant falls into arrears
- arrears payback support needed
- arrears trigger points

4.2 The six areas are:

- Edinburgh
- Oxford
- Shropshire
- Southwark
- Torfaen
- Wakefield

4.2 Findings from the Direct Payment Demonstration Project:
In summary the report published by DWP in May 2013³ highlights the following:

4.3 The evidence and learning has been gathered from the preparatory stage of this project and only six months after some of the pilot areas went live and is deemed tentative at this stage. Input from the project areas was invaluable to implementation

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/228492/uc-rollout-lord-freud-letter-aug-2013.pdf

² Universal Credit: early progress. Report by the Comptroller and Auditor General (NAO). 5 September 2013

³ Direct Payments Demonstration Projects: Learning the lessons, six months in (RR 839):report

of the demonstration project however implementation work placed significant demands on the organisations participating.

- 4.4 It was not possible to start the direct payments without direct contact with tenants first, information on customer bank accounts & support needs were vital. Engagement with tenants was more challenging than anticipated and communication methods had varying success with personal contact the preferred method, but also the most resource intensive. Data gathered on criteria designed to indicate the tenant's readiness for direct payments was not found to be effective.
- 4.5 Despite early resistance by tenants in the project areas to receive direct payments of HB the report found that the majority of tenants (88%) had a bank account and were using money management techniques to budget and meet most or all of their rent liability. The report does however state that direct payment does pose a risk to tenants. In December 2012 rent collection rates across all the project areas was lower than before the Direct Payment Demonstration Project started. Direct debit as a method of payment is preferred by most landlords, however it can result in bank charges to the tenant if any administrative errors occur. Other problems highlighted were peoples reluctance to receive payments, being able to budget on a monthly basis & also the problems existing for some in opening a bank account.
- 4.6 The resource issue to supporting tenants in all of these projects has exceeded expectations. Different methods have been adopted throughout the project areas including:
- Personalised support
 - Cooperation between HB departments & social landlords to support tenants
 - Landlords offering tenants a choice of payment methods
 - Local discretion to support those in arrears
- 4.7 On the 16 May 2013 the DWP announced that the Direct Payments Demonstration Project would be extended for a further 6 months. In a DWP press release⁴ it was explained that the extension would help to develop the further support needed by social housing tenants in readiness for moving onto UC, the projects will run until the end of the year.

5 LOCAL SUPPORT SERVICES FRAMEWORK

- 5.1 In February 2013 the DWP published the Local Support Services Framework (LSSF)⁵. This document sets out a partnership working strategy between DWP and local service partners (including local authorities) to support people claiming UC. It specifies that the framework applies to phase 2 of the UC programme from October 2013 and will be updated to create a refreshed version for 2014/15 from both the UC pathfinders, the Direct Payments Demonstration Projects and feedback invited from all local authorities.
- 5.2 On 20 May 2013, further information⁶ was issued from DWP on the LSSF, following LA feedback on areas such as partnership working, use of local services, claimant vulnerability definition, claimant support needs and LA funding to implement the LSSF.

⁴ <https://www.gov.uk/government/news/direct-payment-projects-extended-for-6-months>

⁵ <https://www.gov.uk/government/publications/universal-credit-local-support-services-framework>

⁶ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/228917/uc-lssf-freud-note.pdf

5.3 Recorded in minutes from the DWP LAA Steering Group 7 August 2013⁷, the LSSF will not be nationally applied until 2015/16, a further update to the LSSF will be issued in October 2013 and a full update in Autumn 2014.

6 RESOURCE IMPLICATIONS

6.1 Further impacts from UC roll out are likely to emerge once claims are paid within Exeter. Further analysis is awaited at the end of this year from the UC pathfinders and the direct payments project to predict the full impact on ECC as an employer, service provider and landlord.

7 RECOMMENDED

7.1 That the Committee notes the current update on Universal Credit and that further updates are received on a six monthly basis.

BINDU ARJOON
ASSISTANT DIRECTOR CUSTOMER ACCESS

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

Background papers used in compiling this report:-

Welfare Reform Act 2012

The Universal Credit Regulations 2013

The Universal Credit (Transitional Provisions) Regulations 2013 (S.I.2013/386)

Universal Credit: early progress. Report by the Comptroller and Auditor General (NAO). 5 September 2013

Direct Payments Demonstration Projects: Learning the lessons, six months in. DWP May 2013.

DWP Circulars:

A13/2013

A14/2013

A19/2013

⁷ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/236706/dwp-laa-sg-minutes-aug-2013.pdf