

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.

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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

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