



Report for:	Finance and Resources Overview and Scrutiny Committee
Date of meeting:	17 July 2018
Part:	1
If Part II, reason:	

Title of report:	Universal Credit
Contact:	Cllr Margaret Griffith, Portfolio Holder for Housing Cllr Graeme Elliot, Portfolio Holder for Finance & Resources Authors: Layna Warden, Group Manager (Tenants and Leaseholders) Chris Baker, Group Manager (Revenues, Benefits and Fraud)
Purpose of report:	<ol style="list-style-type: none"> 1. To inform members of the current status of Universal Credit in Dacorum. 2. To inform members of the potential financial impact of Universal Credit implementation. 3. To highlight the potential impact to residents and tenants considering evidence from current Dacorum cases, neighbouring authorities and partner organisations 4. To set out Dacorum Borough Council's approach so far and going forward
Recommendations	That members consider the report and make comments as felt appropriate.
Period for post policy/project review	12 months from date of report
Corporate objectives:	Affordable Housing Building Community Capacity
Implications:	<p><u>Financial</u></p> <p>Universal credit is a significant financial risk for a number of departments within the council, specifically Housing. With welfare benefits going directly to tenants instead of being paid directly to the housing service, it is predicted that rent arrears will rise.</p> <p>As the roll out continues, there will eventually be a reduction in the workload of the benefits team, although the details of the roll out plan have not yet been decided. There will also be a reduction in the administration grant provided to Dacorum by the Department for Work and Pensions (DWP). DWP has</p>

	<p>stated that it will contribute to redundancy costs linked to the introduction of Universal Credit if certain conditions are met.</p> <p><u>Value for money</u></p> <p>Evidence drawn from pilot areas and where Universal Credit roll out is further advanced suggests it is unlikely that the aims of increasing employment and promoting responsibility will outweigh the financial cost to the Council in increased expenditure and loss of income through unpaid rent and charges.</p>
Risk implications	<p>A significant risk to the Council's ability to collect rent from its own tenants.</p> <p>A likely increased pressure on the homeless and advice teams due to refusal of private landlords to accept Universal Credit claimants.</p> <p>Potentially additional evictions from existing tenants who move on to Universal Credit where landlords are unwilling to accept Universal Credit claimants.</p> <p>A potential increased pressure on the community and voluntary sector for services offered by Citizens' Advice Dacorum and the Foodbank.</p>
Community Impact Assessment	Community Impact Assessment carried out
Health and safety Implications	There are no health and safety implications
Consultees:	<p>Mark Gaynor – Director (Housing and Regeneration)</p> <p>Nigel Howcutt – Assistant Director (Finance and Resources)</p> <p>Fiona Williamson - Assistant Director (Housing)</p> <p>Housing & Community Overview and Scrutiny Committee</p> <p>Finance & Resources Overview and Scrutiny Committee</p>
Background papers:	
Glossary of acronyms and any other abbreviations used in this report:	<p>CTS – Council Tax Support</p> <p>DBC – Dacorum Borough Council</p> <p>DWP – Department for Work and Pensions</p> <p>HB – Housing Benefit</p> <p>HRA – Housing Revenue Account</p> <p>UC – Universal Credit</p>

1. Introduction and executive summary

- 1.1. This report sets out the current situation of Universal Credit (UC) on a national basis and more specifically for Dacorum. It highlights some of the concerns of the system and what this means for residents, for other agencies and partners and for DBC as a stock retaining Local Authority. It finally sets out the approach being taken by the Council to reduce the risk of UC implementation on our residents, voluntary sector partners and ability to provide a quality service.
- 1.2. UC is currently in a transitional phase, both within Dacorum and across the country.
- 1.3. Dacorum is at the end of the national rollout schedule. Four postcode areas are currently affected, with the majority of the borough expected to be open for new UC claims between September and December 2018.
- 1.4. Full transfer of existing benefit claims to UC will take place between 2019 and 2023, but no further information about which people or areas will be migrated at which point within that timescale are known at present.
- 1.5. The overall impact of this change is unknown, but current expectations include:
 - 1.5.1 an increase in housing rent arrears.
 - 1.5.2 an increased pressure on support services.
 - 1.5.3 an increased demand on homelessness services, if arrears in the private sector go up.
 - 1.5.4 a potential increase in demand for new accommodation, if private landlords don't let to UC claimants.
 - 1.5.5 a possible financial pressure within the benefits service, if DWP reduce the current admin grant of c £440,000 more quickly than the actual work goes down.
 - 1.5.6 a possible financial pressure if redundancies are required within the benefits service – there may be funding available from DWP to support this, but it is not yet confirmed.

2. Universal Credit – how it works

2.1. Universal Credit is a key part of the Government's welfare reform programme. When the concept was introduced in 2010 it received cross party support with its aim to simplify the benefits system for those of working age and incentivise employment. It signifies a considerable change to the benefit system, to combine six existing means-tested benefits into a single monthly payment. The benefits being replaced ("legacy benefits") are:

- Income support
- Jobseekers allowance
- Employment & support allowance
- Working tax credit
- Child tax credit
- Housing benefit (HB)

- 2.2. This change intends to reduce complications of the benefit system for applicants and smooth the transition into employment. It was also intended to reduce the Department for Work and Pensions' (DWP) costs of administering all the above benefits and increasing employment. The DWP's most recent estimate is that an additional 200,000 people will enter work under UC.
- 2.3. There have been considerable concerns about its ability to achieve this. With the programme re-set in 2013, it was intended to be rolled out to all working age people by 2017. This was revised again last month to a target date of March 2023. Whilst the intentions of UC are generally supported, the actual implementation has proved damaging both for recipients and local authorities. A recent report by the National Audit Office showed that despite recent improvements, one-fifth of new claimants in March 2018 did not receive their full entitlement on time.
- 2.4. The roll out is designed in two main phases. First "natural migration", followed by "managed migration". We are currently in the natural migration phase, which only affects those who have a change of circumstances, live in an area where UC can be claimed, and would need to make a new claim for one of the legacy benefits. This phase is due to be completed in December 2018.
- 2.5. Starting in 2019, and currently planned to last until 2023, DWP will start the managed migration process, moving people to UC even if they don't have a change in their circumstances. No information has yet been provided about how this will be undertaken.
- 2.6. As it combines six legacy benefits, it is difficult to predict the numbers that will arise, but it is estimated that around 1,000 households in Dacorum will be receiving UC by April 2019.

3. Current National Situation

- 3.1. There are currently almost 1 Million residents in receipt of UC. Depending on their post code and personal circumstances, residents could be either under "live service" or "full service". The main rules and claiming processes differ between the two services as below:
 - 3.2. *If living in a Universal Credit live service postcode*
 - Only single applicants or couples without children who were jobseekers would have to apply for UC live service.
 - Anyone not meeting those conditions would still have to apply for the six legacy benefits
 - Those in receipt of UC live service have to manage their UC account over the phone
- 3.3. From 1st January 2018, new claims have been suspended for all claimants in a live service area. These claimants are now directed to the legacy benefit system.

3.4. *If living in a Universal Credit full service postcode*

- Anyone who would need to make a new claim for any of the six legacy benefits would have to apply for UC full service whatever their personal circumstances.
- Applicants have an online UC account to manage their claim.

3.5. Even when the UC full service rollout has concluded, there remain a number of exceptions, mainly linked to the ongoing development of the UC software and regulations. These include:

- Families with three or more children, who will not be able to make a claim for UC until January 2019 at the earliest.
- People who are severely disabled, for whom no date has yet been given for when they will be able to apply for UC.
- A number of categories of rent costs which will continue to be paid by HB, even though the tenants will also be claiming UC, examples are temporary accommodation and specialist supported accommodation.

3.6. DWP's current plan is for there to be a five year period of bulk migration from all of the existing benefits between 2019 and 2023. Draft regulations are currently being consulted on, but there remains no information about how the process will be organised.

4. Recent Changes

4.1. In his Autumn budget the Chancellor of the Exchequer introduced a package of measures designed to address some of the criticisms of UC

- From the end of November 2017 a Freephone helpline replaced the previous number which could cost 55p a minute depending on an individual's phone contract
- From January 2018 applicants can receive an advance of 100% of their likely award, to be paid back over 12 months (this was previously 50% to be repaid over six months)
- From February 2018 the seven waiting days have been scrapped – this means that applicants will need to wait only five weeks to receive their first payment rather than the previous six weeks.
- From April 2018 tenants in receipt of Housing Benefit at the time they make a claim for UC are entitled to a two week 'run on'. This is designed to smooth the transition between the two benefits. HB will continue to be paid for temporary accommodation

4.2. While these concessions will certainly mitigate some of the problems experienced by new UC claimants, there is still considerable concern that these did not go far enough to reduce the impact of UC on child poverty, unemployment and debt. One particular problem remains in the five week wait for the first payment. For example if the tenant is renting from within the private sector there are mandatory grounds for eviction after only eight weeks of arrears accruing.

5. Dacorum Claimants

5.1. Dacorum is predominantly currently covered by the UC live service. With the roll out linked to Jobcentres there are a few residents in specific post codes which have recently started to receive the full service. As of 14th December 2017 there were 560 claimants linked to Hemel Hempstead Jobcentre (live service) with another 65 linked to St Albans Jobcentre (full service).

5.2. The current timetable for the roll out to full service is:

Full service date	Areas	Postcode sectors	Jobcentre
1 November 2017	Markyate, Flamstead	AL3 7, AL3 8	St Albans
24 January 2018	Kings Langley, Chipperfield	WD4 8, WD4 9	Watford
September 2018 (provisional)	Berkhamsted, Northchurch, Tring		Aylesbury
October 2018 (provisional)	Ashridge, Little Gaddesden		Luton
December 2018 (provisional)	Hemel Hempstead, Nash Mills, Leverstock Green, Bovingdon, Holtsmere End		Hemel Hempstead

5.3. The exact post codes that will be included in the areas from September 2018 onwards are still unknown and therefore subject to change. DWP has usually provided them three months before the full service date. The postcodes linked to each Jobcentre so far have been different from those for the live service roll out and this may mean that Berkhamsted goes live in December along with Hemel Hempstead, which demonstrates the difficulty in predicting the impact over this coming year. Overall the council are preparing for all new claimants to be expected to apply for UC from December 2018.

5.4. After December it is expected that there will be a gradual increase in the number of UC claims as and when residents' circumstances change. While it is difficult to identify the numbers of new claims we estimate that by April 2019 an additional 750 residents in private and housing association accommodation and 250 DBC tenants will have moved to UC.

6. Risks of Universal Credit to Dacorum

6.1. A significant challenge is being able to accurately identify the impact on the Council. Regular changes and delays to implementation of UC have affected the ability to predict the impact of UC on local residents and services. The Council can learn from other authorities and carry out modelling to get an estimate of the impact but this doesn't give an accurate assessment of the financial risks.

6.2. Areas which can be reliably predicted are: increased rent arrears within the HRA and greater need for tenancy sustainment work; a likely increase in

homelessness where landlords cease to let to UC tenants and any additional evictions through arrears – this at the same time as the Homeless Reduction Act is live with additional responsibilities for the Council; increased pressure on the voluntary sector.

6.3. Risks to the Housing Service – HRA

- 6.3.1 One of the biggest risks is that tenants will directly receive the housing element of UC, whereas HB is awarded as a direct credit to the rent account. When UC roll out has completed this will affect about 2,900 council tenants. A recent phone survey on claimants conducted by GSR on behalf of the DWP identified that just over a third were experiencing housing payment arrears and that for 44 percent, the situation had deteriorated between two surveys carried out.
- 6.3.2 Rent arrears for DBC tenants will significantly increase. Alongside the 1% rent reduction which continues until April 2020, this adds further pressure to the HRA Business Plan and ability to invest in both new homes and improvements to existing stock, as well as the ability to provide a quality housing service.
- 6.3.3 The Housing team do not know exactly which tenants are in receipt of UC unless they or the DWP notify them directly. The exact figure of those on UC is unknown but it is believed to currently be 66 tenants.
- 6.3.4 As of May 2018, the impact on arrears for each tenant currently on UC is significant with over 88% of these tenants in rent arrears. This is slightly higher than other housing providers who have reported an average of 67%.

Average rent balance of all tenants in receipt of some Housing Benefit	£41.18
Average rent balance for tenants on Universal Credit	- £737.42

- 6.3.5 Based on the above it is projected that at the point of full roll out in 2023, the amount owed in rent payment by those on benefits will increase.
- 6.3.6 Peers such as St Albans and Welwyn and Hatfield have already had a larger roll out of UC in their areas and both have decreased their rent collection targets in line with this. It is likely that the DBC Housing service will do the same in April 2019. If there is an increase of 0.5% to existing arrears balances, that would mean an increase of approximately £270,000 in arrears.
- 6.3.7 Experiences by wider Social Housing Providers supported this concern with some reporting rent arrears increasing from 2.76% for those on HB to 13.96% for those on UC. The general trend experienced is that arrears will hit a peak after 6-10 weeks but they will lower slightly as tenants get used to this method of payment, however they will never return to the original level due to the 5-week delay in payment.

- 6.3.8 There will also be an increase in irrecoverable bad debt and evictions which is a concern for further homelessness. We have already had Debt Relief Orders for 2 tenants causing their arrears to be written off. We have increased the bad debt provision from £300,000 to £700,000 to manage this change.
- 6.3.9 It is very clear from the initial cases that UC claimants require more support, advice and time from Housing staff than those claiming HB. This increases the workload and pressure for Officers in this team. To manage this risk an additional resource is being considered on a spend to save basis to work solely with UC claimants and ensure swift payments. An upgrade to the Rent Accounting module of the Orchard Housing IT system will also enable higher risk accounts, such as those tenants in receipt of UC, to be flagged first ensuring higher risk tenants are targeted.

6.4. Impacts to Corporate Services - General Fund

6.4.1 Revenues and Benefits

- 6.4.2 The Council's Revenue and Benefits team currently pays HB to approximately 5,800 working age tenants (in council, other social and private sector housing). It also pays HB to about 2,800 tenants of pension age. The transfer to UC will gradually reduce the working age caseload, but the short term impact of the ending of new UC live service claims has been an increase in claims from January 2018. The Council remains responsible for awarding Council Tax Support (CTS) to those with low incomes, whether or not they receive UC.
- 6.4.3 It has been difficult to manage staff resources with continuous delays in full UC roll out. When experienced officers have left the service it was initially difficult to replace them as the available pool of employees shrunk due to the uncertain future. The DWP now recommend that councils fill gaps using fixed term contracts or temporary resource in order not to mitigate the potential costs of redundancy. This has an impact on the amount of capacity within the service, due to the requirement to pay a premium for temporary resource and yet stay within the planned budget.
- 6.4.4 DWP provides funding to the Council towards the cost of processing HB awards. This admin subsidy is about £440,000 for 2018/19, and will be reduced in line with DWP projections of reduced workload as the roll out and migration projects proceed. This is on top of ongoing reductions of around 6% each year as part of central government's efficiency savings. There is a risk that this will cause a financial pressure to the Council, if the actual reduction in workload does not follow the DWP projection.
- 6.4.5 Although DWP have indicated that they will make a contribution in some circumstances, there is no confirmation that they will meet the full costs if any redundancies arise from the HB workload reduction.
- 6.4.6 The Council will be reviewing how Discretionary Housing Payments (DHP) are processed due to the administrative changes between UC and HB. Where a tenant receiving HB asks for additional help, there is

already a lot of information available as part of the HB claim. There is a lot less information available when the tenant receives UC. However, if a tenant is waiting for a UC decision, we are not able to pay DHP to them.

- 6.4.7 Residents who are receiving UC will still need to apply to DBC for a means-tested reduction in their council tax under the Council Tax Support (CTS) scheme.
- 6.4.8 The indications from authorities which have already had UC full service roll out are that it can be difficult to encourage these residents to apply for CTS, or to collect council tax from them. It also appears that for those UC recipients who are in low-paid work, there are frequent changes to their monthly UC award amount, leading to an increased time and cost in administering their CTS awards.
- 6.4.9 We will monitor this impact locally as the roll out continues, and in discussion with other revenues and benefits services, so that we can learn from best practice and suggest possible changes to the CTS scheme to address any issues which arise.

6.4.10 Universal Support

- 6.4.11 The Council has agreed with DWP to provide support for those who find digital communication difficult and have other 'complex' needs. The support falls into two categories: helping people set up an online UC account; and personal budgeting support.
- 6.4.12 The Support Protocol Framework sets out what the Council has to ensure is provided. The payment is based on a DWP estimate of the number who will need to receive this help, and with no expectation of any support being required until the full service is put into Hemel Hempstead Jobcentre.
- 6.4.13 Approximately £8,000 has been granted to DBC but without dedicated resources internally and a large responsibility on reporting the full details of those who access these services the intention is for these two services to be outsourced to a community partner. The Personal Budgeting Support will be provided by Citizens Advice Dacorum however so far no organisation has been found to support claimants with making new digital claims.

6.4.14 Homelessness

- 6.4.15 Those living in temporary accommodation will continue to receive legacy benefits and not be forced to receive UC however the numbers of those approaching the Council because they are homeless will increase. If you replicate the rent arrears for other Social Housing providers and the Private rented sector this is a significant concern especially with tenants having less security.
- 6.4.16 The Housing Reduction Act will increase the Councils responsibility for those at risk of homelessness. Coupled with increased evictions due to rent arrears and the refusal of some private landlords to accept those on UC, there will be more pressure on our ability to provide temporary accommodation.

- 6.4.17 Private landlords also reacted to the problems by refusing to accept tenants in receipt of UC with one provider serving S.21 notices on all private tenants in expectation to end tenancies because of rent arrears.
- 6.4.18 Rising private sector rents and changes to the Local Housing Allowance (LHA) rate, without a corresponding increase in housing support, means that the number of households that turn to local government for support will increase.
- 6.4.19 Other services**
- 6.4.20 The above will have a knock on effect on contact through the Customer Service Unit. The number of general enquiries and requests for advice is likely to increase to the services described above as well as contact through the website and social media putting pressure on all services that deal with such enquiries.
- 6.4.21 The Community Partnerships Team currently contributes to a number of contracts with partners who are going to be significantly affected by UC. It is likely the current arrangements might need to be reviewed in light of changing priorities and focus as more residents move to UC.
- 6.4.22 There is considerable evidence of the impact of UC on resident's health and wellbeing. Many reports have highlighted the increase in suicide threats and reliance on families and friends to provide financial support putting pressure on relationships.
- 6.4.23 Any delay in receiving UC along with reduction in award will mean that residents will struggle to pay for services provided by the Council. Council Tax arrears and repayment of any fines and charges may also increase.

7. Additional concerns about Universal Credit

- 7.1. The online forms to apply for Universal Credit are long with many questions ambiguous and confusing and very difficult to complete on a mobile phone or tablet. You need a lot of information to apply and there have been issues with the system crashing mid application. Additionally, Council Tax Support still needs to be claimed separately from the Council.
- 7.2. There is little incentive to increase hours of employment. While the option to undertake some employment is more attractive under this scheme, the taper that reduces the amount of UC as employment increases has been reviewed since the initial implementation and is unlikely to provide an incentive to increase hours of work.
- 7.3. Two people in a household claiming UC will only have one joint claim and one monthly payment into one bank account. This is a serious concern for safeguarding and domestic abuse. Encouraging financial independence is important in supporting victims of abuse. This policy can remove the opportunity to manage benefits like Child tax credit or income support which are more often claimed by women in a household. It can take away

experiences of managing income and make them reliant on a partner in potentially violent and controlling relationships.

7.4. There have been a number of errors and there are a number of problems in communicating with the DWP. There have been numerous examples of claims being incorrectly assessed. Forms and procedures for obtaining information or for applying for APAs (Alternative Payment Arrangements) may change without notice delaying claims and creating confusion for tenants. There have also been considerable delays before the Housing Team are aware that a claim has been made as the primary link with the DWP goes through the Revenue and Benefits Team however an improved relationship is working to improve this.

8. Our current approach

8.1. The corporate approach to UC within the Council has been reviewed and an internal working group has been set up to review the Council's approach and forecast the financial impact to the Council. Efforts will focus on three key work streams:

- Finance, information and performance.
- Communication strategy/Partnership delivery.
- Operational/Implementation delivery

Representatives from all relevant departments will contribute to these areas to ensure a robust and effective project plan for implementation.

8.2. A dedicated page has been created on the DBC intranet site to enable current information to be shared between front line officers already dealing with residents on UC.

8.3. A member briefing session will clarify the current situation and approach at DBC and encourage a two-way process to understand the direct impact on any constituents and reassure of the approach taken across Dacorum.

8.4. A positive relationship has been built with Hemel Hempstead Jobcentre and since the new DWP partnership manager started in Dacorum a number of meetings have taken place between DBC departments and relevant DWP representatives. There is regular attendance at the Dacorum Strategic Network and a monthly meeting between housing, revenues & benefits and the DWP partnership manager has been set up to discuss operational issues. Training for DBC staff will take place by the DWP in September and co-location of staff at The Forum or Jobcentre is currently being considered.

8.5. With a number of different Jobcentres serving the residents of Dacorum it has been difficult to get information about the numbers of claimants in Dacorum not solely in Hemel Hempstead. Additionally, details about the postcodes linked to each job centre and information about the full migration and where Dacorum is likely to sit on this timescale have not been forthcoming. This has been raised with the partnership manager and discussions with other Housing Providers confirm that decisions bigger than a local level are difficult to obtain.

- 8.6. Building effective external partnerships is crucial and UC has been discussed at the Dacorum Strategic Network in relation to the impact this could have on employment, homelessness, drugs and alcohol use and mental health which are key areas of focus. Members from Community Action Dacorum, Citizens Advice, Dacorum Community Trust and Hightown Housing Association have met with DBC representatives to look at partnership working and specific actions around sharing training, resources and information about service impact in the lead up to full service roll out.
- 8.7. The Council will work with other Housing Providers and groups like the Chartered Institute of Housing and National Housing Federation to share the impact and failings of the system to influence changes that meet the wider aims of UC to reduce dependence of the welfare system and incentivise employment.
- 8.8. A key task will be to ensure that there is a sensible approach to data sharing (specifically clarifying how information can be shared without breaching Data Protection and avoiding a narrower approach which will not help residents impacted). This will allow quick identification of circumstances that warrant an early intervention with UC recipients.
- 8.9. The internal working group will ensure appropriate provision of access to information and advice for residents using online services. It is recognised that the Councils role should be a signposting function due to the changing nature of information. The Councils website will ensure that tenants and residents who go to our pages can be linked to those by DWP plus key support agencies such as Step Change and the Money Advice Service.

9. Conclusion

- 9.1. The roll out of UC will have a financial impact on many households moving onto this welfare benefit. There will be an increase in need for advice and support during the process, and this will have a significant effect on the Council and voluntary organisations in the Borough. It is projected that on current roll out proposals over 1,000 residents will be impacted by April 2019 with multiple thousands at the point of full migration in 2023.
- 9.2. Experience from the housing sector as a whole has shown that rent arrears of those on UC are significantly higher than those on HB. Overall evidence from full service areas show there is an increased reluctance for private landlords to accept UC claimants and the level of arrears have increased the pressure on the Councils Homeless and advice teams.
- 9.3. While evidence from the DWP suggestions claimants have increased the total hours they are in employment, there is an increased reliance on the community and voluntary sector for support and advice, food parcels and grants.
- 9.4. A coordinated approach involving a number of departments across the Council aims to reduce this risk through focusing resources to target areas of greatest impact. Implementing task and finish groups will enable outcomes in areas such as delivery of an internal and external communications brief and building effective partnerships with the DWP and the Community and Voluntary sector.

- 9.5. There has been considerable attention on UC at a local and national level causing concern about the impact this will have on the Council and its residents. While steps can be taken to reduce the risk, it should be expected that this will put significant pressure on communities, finance and resources. With limited information at this time best guess judgements will continue to be reviewed in partnership with neighbouring authorities.