



Report for:	<b>Housing and Community Overview and Scrutiny Committee</b>
Date of meeting:	<b>5 June 2019</b>
Part:	<b>1</b>
If Part II, reason:	

Title of report:	<b>Universal Credit</b>
Contact:	Cllr Margaret Griffith, Portfolio Holder for Housing  Authors: Layna Warden, Group Manager (Tenants and Leaseholders)
Purpose of report:	<ol style="list-style-type: none"> <li>1. To update members on the current status of Universal Credit in Dacorum</li> <li>2. To inform members of the impact of Universal Credit on the DBC Housing service since full roll out in December 2018</li> <li>3. To highlight steps taken by the Housing service to reduce continuing risk.</li> </ol>
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 services within the council, specifically Housing. With welfare benefits going directly to tenants instead of the rent element being paid directly to the housing service, rent arrears have risen significantly.</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 and attached as Appendix A
Health and safety Implications	There are no health and safety implications
Consultees:	<p>Mark Gaynor – Director (Housing and Regeneration)</p> <p>Fiona Williamson - Assistant Director (Housing)</p>
Background papers:	<b>Housing and Community Overview and Scrutiny committee report June 2018</b>
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>ESA – Employment Support Allowance</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) in Dacorum. It summarises the system and implementation and highlights some of the experiences so far and the impact of this 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 Housing Service to reduce the risk of full UC implementation on our residents, voluntary sector partners and ability to provide a quality service.
- 1.2. Universal Credit has been rolled out for new claimants across all areas of Dacorum. From December 2018, the numbers of UC claimants have considerably increased with 1255 residents now in receipt of this benefit in Dacorum, of which 517 are council tenants.
- 1.3. Full transfer of existing benefit claims to UC will take place between the end of 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. Proposed approaches have caused considerable concern in particular that residents will be expected to make a new claim within 1 month of notification or will have all their benefits stopped.
- 1.4. The overall impact of the migration is change is unknown, but current expectations – based on pilot areas and our own experience so far - include:
  - an increase in housing rent arrears.
  - an increased pressure on support services.
  - an increased demand on homelessness services, if arrears in the private sector go up.
  - a potential increase in demand for new accommodation, if private landlords don't let to UC claimants.
  - 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.
  - 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.

### **3. Current National Situation**

3.1. As of November 2018, there were almost 1.26 Million residents in receipt of UC. Full UC service started operating in all job centre areas from December 2018 so all new working age claims and those with a significant change in circumstances will be made for UC. This means the number of households receiving UC are increasing steadily over time. Evidence from other areas is that approximately 1/3 of all Housing Benefit claimants have naturally moved to UC two years after full service was implemented.

3.2. There are still 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.

3.3. The plan to move all remaining claimants across to the new system is called 'Managed Migration'. It is expected this will start in Autumn 2020 to be completed by the end of 2023. Draft regulations are currently being consulted on, but there remains no information about how the process will be organised and if this will be based on geographic local, benefit type or Job centre. A small scale pilot to migrate no more than 10,000 claimants is due to take place in Harrogate starting from July 2019.

### **4. Experiences of Universal Credit for Dacorum**

4.1. From December 2018, the final job centre went live with UC in Dacorum. It was predicted that there would be a gradual increase in the number of UC claims as and when residents' circumstances change. While it was estimated by April 2019 an additional 750 residents in private and housing association accommodation and 250 DBC tenants will have moved to UC, this figure is actually much higher with 517 DBC tenants receiving UC.

#### **4.2. Current financial position of the Housing Service – HRA**

4.2.1 One of the biggest risks is that tenants directly receive the housing element of UC, whereas HB is awarded as a direct credit to the rent account. When managed migration has completed this will affect about 2,900 council tenants.

- 4.2.2 Following some changes in the processes and management structure of the Income Team, we were able to keep rent arrears for DBC tenants below target in 2018/19. This is despite considerably higher arrears for those on UC. 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.
- 4.2.3 With the increase in claimants overall rent arrears for those on UC are now just under £345,000. Of the 517 claimants, 74% are in rent arrears and this figure is considerably higher than those in receipt of Housing Benefit.

Average rent arrears for tenants in receipt of some Housing Benefit	£179.22
Average rent arrears for tenants on Universal Credit	£668.28

While concerning, the UC rent arrears is reflective of other Local Authorities with the average being £662.56. The average arrears for Housing Benefit claimants is lower in Dacorum than national averages at £262.50.

- 4.2.4 Despite only 5% of all tenants being on UC, 21% of the total rent arrears are owed by these claimants. This shows the considerable impact of UC on arrears. 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. With total rent arrears at 3.39% in April 2019, and further action taken to mitigate the impact of UC, the DBC Housing Service target for rent arrears at April 2020 will remain at 4%.
- 4.2.5 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. 31% of DBC tenants on UC owe over £1000, which is a considerable risk to the ability to recover all debts.
- 4.2.6 We have predicted this will lead to 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 our provision for irrecoverable debts to £975,000 to manage this change.

### 4.3. Impact on resources

- 4.3.1 As well as the financial impact, it is very clear from the cases over the past 6 months that UC claimants require more support, advice and time from Housing staff than those claiming HB. This has increased the workload and pressure for Officers in a number of teams, specifically the

Income Team where it takes them away from supporting other tenants and addressing non UC rent arrears.

- 4.3.2 One of the main experiences is how confusing the system is and understanding whether Universal Credit or Housing benefit should be claimed. The below examples are experiences of the Income Team

*“A tenant moved in to a council flat early February and was advised to claim Housing benefit as they were in receipt of Personal Independent Payment (PIP). They did this immediately but should have been claiming UC. After their Income Officer worked with them to understand this a new UC claim was made the beginning of March. The DWP refused a backdate and the tenant has lost over a month of income putting them in rent arrears, adding to their anxiety and had to ask family to help out.”*

- 4.3.3 Some tenants are still in receipt of “legacy” benefits eg Employment & Support Allowance for their living costs in addition to Universal Credit for their Housing costs. If their entitlement to UC living costs is lower amount than the ESA they actually receive, the difference is deducted from the amount of UC they receive for housing costs. This leaves them on a reduced income.

*“Extensive support was given to a tenant with severe anxiety issues who was previously a victim of DV and had trust issues. The Housing Officer – Income was a key link between the tenant and the Job Centre to help explain UC payments to tenant and understand why a managed payment directly to DBC wouldn’t cover the rent and that they needed to pay extra from their fortnightly ESA payments.”*

- 4.3.4 A regular problem has occurred with tenants who are working age in Supported Housing. Those living in DBC Sheltered schemes are not considered as formal Supported Housing by the DWP and are required to apply for UC.

*“A tenant who is working age, on ESA and living in one of our sheltered schemes was told to apply for UC when he moved in. He was told by the DWP he would need to claim HB as was living in supported housing but the HB department at the council highlighted this is sheltered housing and as he does not have 24 hour support at the scheme he should be on UC. This has caused delay in payment, frustration and inconvenience to the tenant who has lost confidence in the advice he has been given.”*

- 4.3.5 UC journals must be completed regularly to evidence claimants are searching for work. Sanctions are given to those who don’t carry out their claimant commitment. This can have a huge impact, particularly on those with vulnerabilities.

*“A new tenant, housed from our homeless hostel received a 109 day sanction on their living cost element of UC. Housing costs were still paid but he was not receiving any money for food, gas or electricity. The Housing Officer – Income and DENS support worker are helping to appeal against the sanction and the tenant to understand the situation and what is required as they were not aware that a managed payment could be requested through the online journal. It has now been identified that he has severe gambling issues and due to the very high level of rent arrears he is facing eviction and being made homeless again.”*

- 4.3.6 Many tenants will try to find work rather than making an initial claim or notifying their income Officer. In particular those who are self employed due to the extensive evidence required to assess their UC claim. This

often leads to a period where no income is received at all until new employment is found or a new UC claim is completed and all paperwork is provided to the DWP.

- 4.3.7 In 7 reported cases so far, where one joint tenant has left the property the remaining tenant only receives housing costs based on 50% of the rent liability. The 5 week wait means tenants and Housing Officers are not aware that this is happening and limit the amount of time to apply for a mandatory reconsideration of the decision often leaving the tenant having to find the extra housing cost from the rest of their UK award.
- 4.3.8 While work has been done with the Job Centre to understand the rent liability for 'untidy tenancies', the UC claim form does not allow more information to ensure that this can be resolved at the application stage. Template letters have been given to tenants in this situation to support them to appeal once the incorrect decision is made however this create unnecessary work and distress to tenants in this situation.
- 4.3.9 An additional concern with joint tenancies is that two people living 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 and we have found that encouraging financial independence is important in supporting victims of abuse.
- 4.3.10 In addition to working with tenants to understand and support them, a number of areas have caused an increased workload to the housing team.
- The Landlord portal was set up incorrectly so all managed payments have to be requested by email and not through the portal
  - Managed Housing payments are made to DBC every 4 weeks but the tenant is paid the rest of their UC on a monthly basis. This leads to one period where no payment is received for 8 weeks making it hard to identify if this is expected of if the UC award has stopped for some reason
  - The Job Centre are limited in what information they can tell Housing Officers and the UC helpline will only provide details of amounts and dates of payment if a managed payment has been accepted by them.
  - The DWP do not always accept a request for a managed payment even if the tenant has a considerable vulnerability and paying housing costs directly to them is likely to cause hardship.
  - If the tenant is claiming Discretionary Housing Payment this automatically goes directly to the tenant – even if made on ground of preventing homelessness. An application can be made for this to go directly to their landlord.

#### **4.4. Impact on Homelessness**

- 4.4.1 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 has increased. 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.

- 4.4.2 The Housing Reduction Act has increased 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 continues to be pressure on our ability to provide temporary accommodation.

#### **4.5. Impact on wider council services**

- 4.5.1 The above has had a knock on effect on contact through the Customer Service Unit. The number of general enquiries and requests for advice has increased putting pressure on all services that deal with such enquiries.
- 4.5.2 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.
- 4.5.3 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.

#### **4.6. Experiences of Universal Credit in the community and voluntary sector**

- 4.6.1. The payment made to Local Authorities to arrange digital and budgeting support for new claimants has stopped and the Citizens Advice have been contracted by the DWP to provide this service to all residents. They have found that the uptake for the new national telephone and webchat Help to Claim service and Personal Budgeting Support has been slow across the country and locally further publicity is planned. They are also working to ensure all community partners are aware of the local service to Dacorum residents.
- 4.6.2. Generally those who support tenants and residents with making an application have had mixed experiences. For those who are confident online and have no support needs, the ability to apply online and use the online journals does not present any issues. Additionally the prospect of moving into work and not having Universal Credit stopped immediately seems positive.
- 4.6.3. Where a resident has a vulnerability or support need, such as a learning disability or mental health condition, partners have found the number of steps in the claim process is confusing put them at risk of not receiving any or the right amount of benefits as well as causing worry and anxiety. As a result it is more involved than expected and more help is needed.
- 4.6.4. Claimants are also required to regularly update their online journal and those with vulnerabilities found that the filling in of this is challenging. Support workers are unable to do this for them as they are required to

log 35 hours of job searching, job applications and interviews each week and as a consequence of this, there is a much higher risk of this group having their benefits sanctioned.

4.6.5. Nationally there has been a large increase in use of foodbanks and this has been identified in Dacorum. There was a 44% increase in food vouchers issued from January to April 2019 which compared to a 11% increase on the previous quarter. Whilst it cannot be directly attributed to Universal Credit, this was the biggest change in circumstances over this period. The Citizens Advice Dacorum are in discussion with the FoodBank and Trussell Trust for ways to pinpoint this more precisely.

## **5. Our current approach**

- 5.1. A positive relationship has been built with Hemel Hempstead Jobcentre and since the new DWP partnership manager started in Dacorum a regular monthly operational meeting takes place between DBC departments and relevant DWP representatives. Job centre work coaches will be shadowing the Income team over a number of days in June. This will improve their knowledge of housing cases build stronger relationships.
- 5.2. A quarterly strategic meeting between DBC departments and the community and voluntary representatives looks at partnership working to support residents.
- 5.3. Housing Teams have received training from a specialist welfare benefits organisation. This gave guidance on some of the more complex cases and has allowed us to maintain a relationship with the organisation who provide advice and guidance on challenging incorrect decisions.
- 5.4. In anticipation for the increase of UC claimants from December 2018, patches for Housing Officers - Income were reviewed and a reduced are given to one officer to focus on specific UC cases and support the team. A dedicated 2 year fixed post has now been recruited and will take over this role to ensure risks in rent collection are reduced.
- 5.5. New Key Performance Indicators have been set up to monitor the monthly impact of rent arrears from tenant in receipt of Universal credit. This informs decisions regarding resources and our approach and can ensure we are learning from our experience so far to remain proactive and ahead of future challenges.

## **6. Next steps**

- 6.1. The Council will continue to work with other Housing Providers and groups like the Chartered Institute of Housing and National Housing Federation to share the impact and aspects of the policy that are less effective to influence changes that meet the wider aims of UC to reduce dependence of the welfare system and incentivise employment. This includes attendance at conferences and meeting with other Housing Providers to understand their experiences and learn from any best practice for us to implement.

- 6.2. The Housing Service will implement a new rent arrears module by Orchard Housing in October 2019. This system will link to the existing IT system but use payment history and knowledge of UC claims to identify tenants that are at higher risk of arrears. Focussing Housing Officers on those in greatest needs will ensure resources are directed to those who need it most and can have the greatest impact.
- 6.3. Following training in February, a number of smaller changes will be made in how the Income Team manage standard rent arrears cases. These include considering an introduction of automated text messaging for one or two week arrears, reviewing wording on letters and updating the rent arrears procedure. It is expected this should reduce overall arrears to ensure that more complex cases receive the support needed.
- 6.4. It is still unknown exactly when and what Managed Migration will look like. Information from an initial DWP consultation was concerning with suggestions that existing benefit claimants will be written to and given a month to make a new UC application before their old claims were cancelled. For those who have literacy problems, are not confident using online forms or don't have internet access at home this could present considerable challenges and risk.
- 6.5. While we have details of existing HB claimants and therefore can make contact with this group to give them information about this process, this needs to be timely once all details are received of the roll out. Evidence suggests one-to-one home visits is the most effective way to reach this group but with over 2400 working age HB claimants, this could be a considerable time and resource commitment. More information is likely to be provided after the pilot has taken place in Harrogate later this year.
- 6.6. A whole council approach will be required to ensure that effective communications are provided to residents and tenants prior to the managed migration. Continued internal working partnerships between Housing, Revenue and Benefits, community partnership and communications will ensure a coordinated approach to reduce risk and share resources where possible.

## **7. Conclusion**

- 7.1. The roll out of UC has had a financial impact on many households moving onto this welfare benefit. There is and will continue to 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.
- 7.2. 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 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.
- 7.3. 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.

- 7.4. 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.
- 7.5. 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.