

## Report of Assistant Chief Executive (Citizens and Communities)

### Report to Citizens & Communities Scrutiny Board

**Date: 27<sup>th</sup> July 2015**

**Subject: Universal Credit (UC) preparations**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

### Summary of main issues

1. Universal Credit (UC) is one of the main elements of the Governments Welfare Reform Programme and is scheduled to roll out for new single job seeking claimants in Leeds early in 2016. This national roll out of Universal Credit to single jobseekers is expected to be completed by April 2016. The Government will then begin a process of transition and migration to complete the roll out of Universal Credit. There are no more details yet available about how and when the transition and migration process will start.
2. There will be significant changes to the way in which people will claim and manage their UC claim from previous benefits, UC mainly being an online process. Payments of UC will be monthly in arrears which will include any associated housing costs and in the majority of cases be paid direct to the tenant.
3. The roll out of Universal Credit has implications for the council. In particular, Housing services, Customer Services and Welfare & Benefits will be directly affected by the roll out. There will also be financial implications for the council that need to be understood and managed as the roll out progresses.
4. Some residents will gain under Universal Credit and some residents will be worse off under Universal Credit. In particular, lone parents under 25 and families with disabled children will be worse off under Universal Credit. More detail of the implications for residents is set out in this report.

**Recommendations:**

1. That the information supplied in this report is noted.
2. That Scrutiny Board, in discussion with officers, agrees a programme of work to support and monitor the on-going implementation of Universal Credit.

## **Purpose of this report**

- 1.1 The report is intended to start to provide more detail on the implications of Universal Credit and is intended to be used to agree areas for further scrutiny.

## **2 Key messages**

- 2.2 Universal Credit will roll out to Leeds in early 2016 and will initially be limited to single jobseekers. This group is considered by DWP to be the simplest cohort for Universal Credit purposes and enables the Government to continue to test the delivery of Universal Credit while expanding its reach nationally
- 2.3 Universal Credit has significant implications for customers and landlords. These arise from the fact that payment is made monthly in arrears and will usually include the rent payment. Tenants will need to make arrangements to pay their landlord and there is a risk that rent arrears will increase.
- 2.4 DWP is keen to work with councils to help ensure that vulnerable customers are supported in making and managing their Universal Credit. Ultimately, DWP is looking to bring in its 'Universal Support: delivered locally' service but for the initial roll out is working with councils to agree Delivery Partnerships.
- 2.5 The initial roll out of Universal Credit in Leeds is not expected to be problematic. This is because Leeds is going live towards the end of the roll out period and so can learn from issues that may have arisen with sites going live earlier in the programme. Also, single jobseekers, on the whole, are not seen as presenting complex problems, although individuals may need specific support.
- 2.6 There are implications for the council, customers and stakeholders increase as the roll out expands and this report starts to explore some of these implications.

## **3 Background information**

- 3.1 Universal Credit (UC) is the new Department for Work and Pensions (DWP) benefit which replaces a range of existing benefits for those of working age:
- Income based Jobseekers Allowance
  - Income based Employment and Support Allowance
  - Income Support
  - Working Tax Credit
  - Child Tax Credit
  - Housing Benefit

The key features of Universal Credit are:

- *All claims are made on-line.* The current Universal Credit system requires customers to complete an online claim in one sitting as there is no option to save a claim and come back to it. This will change when the fully functional *Digital Service* is rolled out – this is expected later in 2016;

- *There is an in-built delay of 5-6 weeks for the first payment of Universal Credit.* All first-time claimants for Universal Credit, including customers migrating from another benefit to Universal Credit, will have to wait 5-6 weeks before receiving their first payment. DWP will provide, on request and where appropriate, short-term benefit advances to help customers during this time but these have to be repaid from future UC payments.
- *Payments are normally made monthly in arrears and to only one person in the household.* This is a change from the current benefit system which will often see child-related benefits paid to the mother even if other payments go to partner. Under Universal Credit, the whole payment will normally go to just one person in the household.
- *The housing costs element of Universal Credit is normally paid directly to the tenant.* Landlords can apply for 'alternative payment arrangements' (APAs) where there are rent arrears and APAs will be considered where there are issues relating to drug and alcohol issues and other instances.
- *Universal Credit is withdrawn at a lower taper rate when income increases.* The rate at which Universal Credit is withdrawn is 65p in the £ compared to withdrawal rates that can be as high as 91p in the £ under the current benefit system.

## **4 Main issues**

4.1 The report starts to look at the implications of Universal Credit, focusing in the first instance on 6 areas:

- Universal Credit – roll out programme (paras 4.2 – 4.11)
- Implications for customers (paras 4.12 - 4.26)
- Implications for landlords (paras 4.27 – 4.33)
- Impact on council services (paras 4.34 – 4.40)
- Preparations (paras 4.41 – 4.55)

### **UNIVERSAL CREDIT – ROLL OUT PROGRAMME**

4.2 The roll out of Universal Credit has been slower than initially planned both in terms of the geographical roll out and the types of people who can claim Universal Credit.

- In April 2013, UC became available in Wigan for new jobseekers allowance claimants who were single, without children, without a mortgage and who already had a bank account.
- By July 2013, this had been extended to a further 4 councils in the North West and again only for new single jobseekers.
- In the summer of 2014, UC became available in all council areas in the North West and from October 2014 couples and families in the North West who would have been making new claims for jobseekers allowance were also able to claim Universal Credit.

- On 29<sup>th</sup> September 2014, the Government announced the national roll out of Universal Credit starting in early 2015 with UC being available in all parts of the country by May 2016. The national roll out will take place in “tranches” with Leeds being placed in the final tranche 4, due to take place between December 2015 to March 2016. However, the national rollout remains very limited in terms of who can claim Universal Credit and is restricted to people who are:

Single

Aged 18 – 60 and 6 months

Without children and not have a child living with them some or all of the time

Fit for work

Have no mortgage

Not be living in temporary accommodation or supported accommodation

Have a bank account, building society, credit union or Post Office card account

Be making a new claim for what would have been Jobseekers Allowance

- 4.3 This limited roll out means that the numbers expected to move onto Universal Credit in Leeds in the first year are expected to be between 5,000 and 10,000 with many of these being non-householders with no rent liabilities. Anybody already claiming one of the benefits that UC will be replacing will continue to do so until such time as they have a change in their circumstances which will prompt a new claim, which will then be a new claim for UC. It should also be noted that customers will stay within Universal Credit even if they become part of a couple or have children.
- 4.4 As at May 2015, around 65,000 people were claiming Universal Credit nationally. Of these 31% were in employment and 69% were not in employment.
- 4.5 The next phase of the roll out falls into two categories: the *transition* phase and the *migration* phase.
- 4.6 Under the ‘*transition phase*’ most new claims for a benefit that is now part of Universal Credit will be treated as a claim for Universal Credit. This will mean claims from singles, couples and families for Housing Benefit, Tax Credits or Jobseekers Allowance will be treated as claims for Universal Credit and will be dealt with by Jobcentre Plus. There is some doubt at the moment about whether claims for Employment and Support Allowance will be treated as Universal Credit claims at this time. Also, housing costs support for supported and sheltered accommodation is likely to remain with local councils.
- 4.7 The transition phase will also see existing claimants transferred to Universal Credit when they have a relevant change of circumstance. A relevant change of circumstance is expected to include the following:
- A partner leaving / joining the household
  - A sustained (3 month) earnings drop beneath the level of work that is expected according to the claimant commitment
  - The Universal Credit claim ending
  - One (or both) members stopping work

- 4.8 Customers who are moved over to Universal Credit as a result of a change in their circumstances will have their Universal Credit entitlement worked out on their new circumstances and will not be eligible for transitional protection should they be entitled to less money.
- 4.9 The '*migration*' phase will see cases where HB, JSA and Tax Credits are already in payment moved over to Universal Credit. There are 3 key aspects to note about the migration:
- Customers who are migrated to Universal Credit and who will be worse off under Universal Credit will be transitionally protected. This means that they will continue to receive the same level of cash under Universal Credit and this amount will be frozen until Universal Credit rates catch up or until there is a relevant change in circumstances;
  - The migration process will not use existing HB data and customers migrating to Universal Credit will need to make an online claim within agreed timescales. A claim made outside the timescales will be treated as a new claim and will not attract any transitional protection;
  - Customers migrating to Universal Credit will be subject to the same 5 – 6 week wait for their first Universal Credit payment as new claims.
- 4.10 There are no details available yet about when the transition and migration phases will start or how they will be rolled out.
- 4.11 The main issues to address during the transition and migration phases are likely to be:
- Ensuring that we support 'migrating claims' to make a timely claim for Universal Credit. We should have information about who is migrating and when;
  - Putting in place arrangements to help vulnerable families cope with the Universal Credit 5-6 week wait for a first payment;
  - Working with landlords to ensure claims to HB or Universal Credit are made as required during the transition period when both schemes will be operational.

#### **IMPLICATIONS FOR CUSTOMERS**

- 4.12 Although Universal Credit goes some way to simplifying the current process for claiming benefits, it is not itself a simple benefit and contains a number of complexities. An analysis of the impact of Universal Credit on those households getting Housing Benefit in Leeds was commissioned from Policy in Practice and the outcomes of this analysis are shown in the table at appendix A. Some groups will be worse off under Universal Credit, some groups better off; there is different, less favourable treatment for self-employed claimants compared to the current systems, 2<sup>nd</sup> earners gain less under Universal Credit and there are issues about the way the scheme will be administered that impact on amounts paid.

- 4.13 The average monthly increase for those who are better off under Universal Credit is £103.61. The average monthly decrease for those who would be worse off under Universal Credit is £106.91. There are two aspects to note about these figures:
- Firstly, these figures will have little relevance to the first wave of Universal Credit claimants in Leeds as the first wave is limited to single Jobseekers.
  - Secondly, HB customers migrating onto Universal Credit are expected to receive transitional protection so that they are no worse off in cash terms at the point of migration. If all households with a lower UC entitlement receive transitional protection, Leeds will see an additional £1,634,229 in the local economy each month.
- 4.14 An example of how Universal Credit is calculated is shown at Appendix B.
- 4.15 It is recommended that a further report is prepared for the Board that sets out, in more detail, how different groups are affected under Universal Credit.
- 4.16 Most claimants will be expected to budget for and cover their outgoings including housing costs and they will need to make their money last until the next monthly payment is due.
- 4.17 When an initial claim for UC is made there will be a 7 day waiting period where there will be no entitlement to benefit. After this period, if a UC claim is successful the first payment will be made one month and 7 days later. This in effect will mean someone making an initial claim will have to wait up to 6 weeks before their first payment is made. Future payments of UC will be made calendar monthly after the first payment is made.
- 4.18 The potential 6 week wait for the first UC payment is likely to have a significant impact on people's ability to meet their day to day living costs and it is likely that there will be increased demand on Local Welfare Support provision and Advice Services across the city. There is a risk of increased rent arrears as people will have less money in that first 5-6 weeks.
- 4.19 In order to help people with the potential 6 week wait for a UC payment, the DWP will consider a New Claim Advance. This advance payment will be considered by DWP if a claimant:
- Would suffer financial harm if they (or their family) had to wait the calendar month and 7 days until their first Universal Credit Payment, or
  - There is a delay paying the first Universal Credit payment
- 4.20 The local Authority will not have any involvement in the administration of UC and therefore, all queries regarding entitlement, payments and any changes in the claimant's circumstances will need to be reported by the claimant directly to the DWP.
- 4.21 Each Universal Credit customer has an 'assessment date' and a 'payment date'. These are set when the claim is first made. The customer's circumstances at the

assessment date are used to work out their Universal Credit entitlement for the following month:

- At the assessment date, the total amount of the customer's income/earners during the assessment period are used to work out their Universal Credit entitlement:
  - o Customers with regular earnings will see a regular Universal Credit payment each month.
  - o Customers with fluctuating earnings will see Universal Credit payments vary. Lower earnings one month will generate a higher UC payment the following month; higher earnings one month will generate a lower UC payment the following month. Some customers could therefore face a situation where a high level of Universal Credit coincides with a higher earnings month and a low level of Universal Credit coincides with a lower level of earnings.
  - o Weekly paid customers will find that Universal Credit in some months is worked out on 4 weeks wages and in other months on 5 weeks wages.
- Rent liability is treated differently and it is the rent liability as at the assessment date that is used to work out the housing costs element of Universal Credit.
  - o Customers who change address during an assessment period will have their housing costs worked out for the whole of the assessment period based on their new rent. For example, a tenant moving from a social sector tenancy to a private sector tenancy at a higher rent in the 3<sup>rd</sup> week of their assessment period, will have their Universal Credit for the whole of the assessment period based on the higher rent. Similarly, if a tenant moved to a lower rent, UC would be based on the lower rent for the whole of the assessment period.

4.22 *Benefit Cap.* The Benefit Cap operates under the current system by reducing Housing Benefit until the cap limit is reached. In some instances, there is insufficient Housing Benefit to remove and so some families continue to receive more than the Benefit Cap limit. Currently, there are 29 families in Leeds where there is insufficient Housing Benefit to. However, under Universal Credit when income exceeds the cap then all the excess will be taken from the Universal Credit payment.

4.23 The Benefit Cap limit is to be reduced from £26,000 per year to £20,000 per year in Leeds (£23,000 in London) as part of further welfare changes and will be in place shortly after Leeds goes live with Universal Credit. This means that more families in Leeds will see a reduction in Housing Benefit; it will also mean that those 29 families with no more Housing Benefit to take will see a further reduction of £115 pw (equivalent to the £6000 reduction in the cap from £26k to £20k) but only when they move over to Universal Credit.

4.24 *Council Tax Support.* Customers who claim Universal Credit will also need to make a separate claim for Council Tax Support. DWP will provide most of the



relevant information to allow councils to assess Council Tax Support. At this stage of the roll out of Universal Credit, this process is manual and attention will need to be paid to ensure that customers get the CTS they are entitled to. Each time the income taken into account in the UC calculation and the UC award change, the Council Tax Support must also be adjusted. This can result in up to 12 revisions of the Council Tax Support award in a financial year. This in itself will create confusion for claimants and further administration difficulties.

- 4.25 *Discretionary Housing Payments.* Similarly, Universal Credit customers needing extra help with the rent, including those affected by under-occupancy issues in the social sector, will need to claim Discretionary Housing Payments directly from the council.
- 4.26 *Free School Meals.* The issue of Free School Meal entitlement has not yet been decided. The Board will be aware that Income Support, Jobseekers Allowance and Employment and Support Allowance passport families to Free School Meals. Universal Credit will not, itself, passport families to Free School Meals – this is because the majority of claimants will be in-work claimants. For the limited roll out to single jobseekers, it has been agreed that Universal Credit will passport to Free School Meals where a claimant acquires school age children.

#### **IMPLICATIONS FOR LANDLORDS**

- 4.27 UC will be paid monthly in arrears directly to tenants and the payments will usually include the housing costs element. The monthly value of UC is decided at the end of the assessment period and is determined by the circumstances at that point. This will have implications for landlords.
- 4.28 *Dual systems.* From early 2016 through to 2019 there will be 2 systems in place for housing costs support: HB and UC. Landlords will need to understand which system applies to their tenants, which organisation is responsible for payment of housing costs and the rules and processes affecting entitlement and payment. This may prove problematic as DWP and not the LA will determine who is entitled to claim UC.
- 4.29 *Trusted Partner status.* DWP is trialling a 'Trusted Partner' approach which would see social sector landlords empowered to make recommendations about which tenants should have their housing costs paid directly to the landlord. The trial is to determine if this should happen not how this will happen. The outcome of this trial will be known ahead of Leeds going live with UC and will affect the way implementation is approached. Irrespective of the outcome of the trial, information sharing regulations have been laid that allow DWP to share information with social sector landlords about their tenants' UC claims.
- 4.30 *Rent Collection* Landlords will need to make arrangements to collect rent directly from their tenants on a monthly basis. For local authority landlords, this is a more significant change with HB currently being paid direct to rent accounts on a weekly basis in all cases. Universal Credit will make 12 calendar monthly payments of equal value, where circumstances remain the same.

For Housing Associations, HB is normally paid directly to the landlord 4-weekly in arrears so the main change is the need to collect more rents directly from tenants. Private landlords will see less of a change as HB is more often than not paid directly to tenants and is paid 4-weekly in arrears.

4.31 *Proof of Tenancy.* Housing Leeds tenants will need to ensure that they are able to provide proof of tenancy and rent liability to UC – failure to do so will mean that Housing Costs will not be paid. Similarly, details of rent increases need to be provided for each tenant on Universal Credit. Under HB, no such requirements exist as both Housing and Housing Benefit systems have weekly automated interfaces. DWP is currently looking at how to streamline this process but there will still be additional work for Housing Leeds to support any streamlined process.

4.32 *Alternative Payment Arrangements.* The DWP have acknowledged that the move to a single monthly payment will be a significant change to the way most benefits are currently paid so have set up a system of 'Alternative Payment Arrangements' for those claimants who need additional support. These Alternative payment arrangements are:

- Paying housing costs (rent) through 'managed payments' to landlords, either due to 'vulnerability', or rent arrears.
- Making more frequent than monthly payments to help with budgeting.
- Splitting payment of an award between partners where it is felt necessary.

Subject to the outcome of the Trusted Partner trial, landlords will need to make arrangements to secure direct payment for tenants who are in arrears or who are unable to manage their financial affairs. This will involve providing adequate details to DWP as to why an Alternative Payment Arrangement should be put in place. The criteria for considering someone for an Alternative Payment Arrangement are based on 'tier' factors.

The 'tier factors' which will mean that the claimant has a highly likely / probable need for Alternative Payment Arrangements, and 'tier two factors' which will mean that the claimant has a less likely / possible need for Alternative Payment Arrangements are attached at Appendix C.

4.33 *Changes of address.* A change of address will see the end of any arrangements to pay the landlord directly and payments will revert to tenants with the whole of the month's payment going to the tenant. In the private sector, a change of address often involves a change of landlord. However, in the social sector a change of address does not normally mean a change of landlord and landlords will need to once again request direct payments where appropriate.

#### **IMPACT ON COUNCIL SERVICES**

4.34 A number of services are directly affected by the Universal Credit roll out:

- The Welfare & Benefits Service will no longer be responsible for the administration of Housing Benefit for working age tenants as Universal Credit rolls out. This has workforce implications. However, it needs to be noted that councils will retain responsibility for Housing Benefit for pensioners for the time

being and will also retain responsibility for Housing Benefit for Supported and Specialist accommodation. Discretionary Housing Payment decisions will also remain with local councils. This will see tenants claiming help with housing costs through Universal Credit and claiming any extra support needed directly from the local council.

- Housing Leeds will be required to collect rent directly from tenants on Universal Credit and this is likely to have implications for collection costs. Direct payment of housing costs directly to tenants is also expected lead to an increase in rent arrears which will also have implications for costs of collection activity and the overall rent arrears position.
- Customer Services will be expected to provide support to tenants to claim and maintain their Universal Credit claims as well as providing Personal Budgeting Support for vulnerable tenants. Whilst it is expected there will be funding available from DWP to help with this activity, the level of funding and the conditions for funding are not yet known.

- 4.35 *Manual administration processes.* There will be additional administration processes imposed on Local Authorities due to the current lack of automation within the Universal Credit regime. These being:
- Notification of UC entitlement to support Council Tax Support calculations
  - UC Service Centres will refer complex housing costs cases to the council for information and advice.

These additional requirements will need to be contained within the existing Benefits function for which resources will need to be supplied.

- 4.36 *Housing Benefit (HB) caseload implications.* Feedback from live sites suggests that the HB caseload has not seen any significant reductions to the existing caseload for this limited roll out. However, as the roll out of UC for new claims extends to Couples and Families over the course of the next two years, the HB caseload for new claims will start to reduce.

This will have implications for the HB administration function and resource requirements. Discussions are ongoing with DWP as to any TUPE arrangements that will apply and these will be agreed ahead of full migration.

- 4.37 *Financial implications.* The roll out of Universal Credit has some direct financial implications for the Council. As well as the costs implications for Housing Leeds and Customer Services referred to in paragraph 4.16, there are implications that relate to The Housing Benefit and Council Tax Support Administration grant.

#### Admin Grant

- 4.38 Currently, the Council receives £4.82m in administration grant for delivering Housing Benefit and Council Tax Support:

- £3.75m comes from DWP and is for dealing with Housing Benefit cases and Council Tax Support cases where Housing Benefit is also being claimed
- £1.07m comes from DCLG and is for dealing with Council Tax Support-only cases i.e. cases where there is no claim for Housing Benefit. .

- 4.39 In recognition of the limited roll out of Universal Credit in 15/16, DWP agreed that there would be no further reduction to the admin grant in 15/16 as a result of Universal Credit. However, it is expected that DWP will look again at this decision in relation to the 16/17 admin. grant. If there is a reduction in the admin grant because of Universal Credit, the Council will face financial pressures from two areas:
1. A pressure will be created if the reduction in grant is not matched by a reduction in caseload;
  2. A pressure will also be created if DWP and DCLG do not work together to recognise that as Housing Benefit cases migrate to Universal Credit this will leave an increasing CTS-only caseload.
    - Most HB cases also get Council Tax Support;
    - Councils assess HB and CTS together so the work needed to calculate HB means there is little extra work needed to award CTS;
    - This efficiency is lost as HB transfers to Universal Credit;
    - Councils will still have the costs of gathering and verifying income and household details but this will be just for CTS cases.
- 4.40 Discussions are expected to take place shortly with DWP officials about the admin grant for 16/17.

#### **ON-GOING PREPARATIONS**

- 4.41 Work is underway to help prepare stakeholders for this limited roll out of Universal Credit as well as put in place the necessary arrangements to deal with the Housing Benefit caseload implications.
- Online Application Support*
- 4.42 The council will need to provide support to people to enable a claim to be made and maintained online. This can be achieved by:
- Identifying PC/Public internet sites across Leeds
  - Identifying which of these locations will have trained staff to provide the necessary “supported access”
  - Publicising these services to residents
  - Ensuring staff are available within the OSC’s to support access to a UC claim and provide the relevant level of support required
- 4.43 For the initial roll out it is envisaged that the majority of claimants will be newly unemployed people who are already used to the online claiming regime. DWP advise that 99% of current UC claims are being successfully made online.
- 4.44 The DWP emphasis is on enablement and self-service rather than a claim completion service. This is something that will be continued in the council’s provision by supporting residents to self-serve rather than doing it for them. In some cases this will mean a less hands on support than claimants may be used to for current Housing Benefit applications. Some applicants will need full support when completing their UC claim and this will need to be provided as part of the Local Delivery Partnership, although for initial roll out numbers will be small.

- 4.45 Community Hubs will play a key role in supporting people to get online and this is something that is already evident as part of the Citizens@Leeds agenda. Online claiming support is not considered to be anything new to the Community Hubs current practices and it is anticipated that any support requirements for UC claiming can be contained within the Community Hubs existing provision.
- 4.46 An online Housing Benefit and Council Tax Support claim form will be introduced during the summer. A move to online benefit claiming processes will take place ahead of UC go live, which will give the added benefit of getting both claimants and staff used to an online benefit form process. The emphasis will be on encouraging private landlords, Housing Leeds and housing Associations to support their tenants to utilise the E-claim process, which in turn will assist in reducing demand on Community Hubs and also prepare claimants for the future UC claiming requirements.
- 4.47 PC hardware has already been increased in a number of Community Hubs and One Stop Centres across the city for public use and JCP have increased the number of PC's in all of their sites across Leeds and they advise that they have adequately increased the number of accessible PC's to cope with any increase in demand.

*Personal Budgeting Support (PBS)*

- 4.48 The DWP will require the Local Authority to provide PBS based on specific outcomes. The emphasis will be on helping people to deal with a monthly payment of UC made directly to themselves monthly in arrears and ensuring they are able to meet the demands of having Housing Costs in with this payment instead of being paid to the landlord. This support will include managing a basic household budget, managing a bank account, and making payments.
- 4.49 Take up of PBS is not conditional for a UC claim and as the initial roll out will be single newly unemployed people, it is likely that take up of PBS will be low.
- 4.50 The DWP advise that any in depth debt advice that the customer needs will not come within the Delivery Partnership requirements/ funding and the council will refer clients to appropriate services that can deliver this support. This will be fundamentally the same mechanism as currently followed by front line staff.
- 4.51 Many support service functions are already embedded within the community hubs as part of its Citizens@Leeds agenda across the city and it is intended that PBS will initially be maintained within existing front line services within the Community Hubs.

*Further preparation work*

- 4.52 Staff, Landlord and stakeholder overviews will be undertaken to ensure front facing services understand the implications of UC for people and are able to deal with the potential queries and advise and signpost to the appropriate support. JCP will play a key role in assisting in the delivery of these overviews.
- 4.53 Housing Leeds will see the biggest impact of the effects of UC introduction and it is imperative that procedures are in place to minimise the impacts of UC and that staff are fully aware of their need to support tenants through the UC claiming

regime to ensure rent liability continues to be met. Training on UC for key Housing advisors has already been undertaken and dissemination of this key training will be undertaken to front line Housing staff.

- 4.54 Close partnership working is already underway to promote the benefits of the credit union, especially around the provision of budgeting accounts which will allow claimants to have their UC paid into them and make sure their priority bills are paid.

Housing Leeds are currently funding three officers from Leeds Credit Union to work with Housing Leeds tenants to promote alternative banking options and budgeting assistance ahead of the roll out of UC.

#### *Delivery Partnership Agreement*

- 4.55 The Council is not under any obligation to enter into a Delivery Partnership arrangement with DWP. However, in order for adequate support to be given to residents to manage the change to Universal Credit it is felt appropriate that agreement is reached on the type of support we can give with the available funds. Subject to Executive Board approval, discussions will take place with DWP managers in relation to the Delivery Partnership Agreement and agreeing the appropriate delivery model for Leeds.

## **5 Corporate Considerations**

### **5.1 Consultation and Engagement**

- 5.1.2 This report provides background information on the implications of Universal Credit when it is implemented in Leeds and does not require consultation at this stage.

### **5.2 Equality and Diversity / Cohesion and Integration**

- 5.2.1 Equality impact assessments will be carried out as part of the on-going preparations for the implementation of Universal Credit, particularly for families and disabled customers. This will be done to help ensure that the appropriate level of support is put in place.

### **5.3 Council policies and Best Council Plan**

- 5.3.1 A key priority for the council in addressing poverty and deprivation. A thorough understanding of Universal Credit, alongside a detailed action plan, will be essential in helping to maximise benefits arising from Universal Credit and mitigate risks arising from the way Universal Credit is delivered. The approach to implementation will include cross sector working, particularly with the Advice Sector and 3<sup>rd</sup> sector organisations such as Leeds Credit Union and will be aimed at ensuring tenants and residents receive support to manage the changes.

### **5.4 Resources and value for money**

- 5.4.1 Supporting residents to deal with Universal Credit and dealing with the administrative implications will have cost implications for the council. DWP will

provide funding to help with these costs and will require evidence of all customers helped with Universal Credit. However, DWP payments will be limited to the areas covered by the Delivery Partnership and will not extend to other issues such as increased customer contacts, increased rent arrears etc.

- 5.4.2 Each year the council receives a grant from DWP for the administration of Housing Benefit. The roll out of Universal Credit will see the Housing Benefit caseload start to reduce with implications for the level of grant provided by DWP. No additional reduction to the HB grant because of Universal Credit was made in 15/16 because of the limited nature of the UC roll out in 15/16. However, this may not be the case in 16/17. It is unlikely that any information will be available about this issue until late in the autumn.

## **5.5 Legal Implications, Access to Information and Call In**

- 5.5.1 There are no legal implications arising from this report.

## **5.6 Risk Management**

- 5.6.1 If the Council does not enter into an agreement with the DWP there is a risk that adequate alternative support provision is not put in place and residents will not be supported through this change. This will ultimately impact on other Council services as people approach the Council for assistance when they begin to struggle with their financial commitments.
- 5.6.2 There is also a risk that the costs incurred by the council may not be met in full by DWP.
- 5.6.3 Universal Credit is part of a wider welfare reform programme that is already covered by the Corporate Risk on welfare reform, which is reviewed on a regular basis and which looks at risks around rent arrears and other housing issues.

## **6 Conclusions**

- 6.1 Universal Credit is the biggest change to the welfare system for many years. Its implications for the council and its residents need to be fully understood in order to ensure that implementation goes smoothly and all stakeholders are fully informed.
- 6.2 There are still areas where Universal Credit policy is being determined and areas where decisions have yet to be made by DWP. These include Free School Meals, the transition and migration plan and the roll of social sector landlords.

## **7 Recommendations**

- 7.1 That the information supplied in this report is noted.
- 7.2 That Scrutiny Board, in discussion with officers, agrees a programme of work to support and monitor the on-going implementation of Universal Credit.

## **8 Background documents<sup>1</sup>**

- 8.1 The Cumulative Impact of Welfare Reform in Leeds, a report by Policy in Practice and the Welfare Reform Club.

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.



## Appendix A

<b>Table 1</b>	<b>Worse off under UC</b>	<b>No change in entitlement</b>	<b>Better off under UC</b>
<b>Number of households</b>	13,400	25,046	15,773
<b>Average Amount (per month)</b>	£106.91	N/A	£103.61
<b>Number of children</b>	22,435	17, 214	10,805
<b>By Household Type</b>			
<b>Single</b>	13%	60%	56%
<b>Lone parent</b>	64%	28%	15%
<b>Couple without children</b>	5%	4%	6%
<b>Couple with children</b>	18%	9%	22%
<b>By Housing Sector</b>			
<b>Private rent</b>	34%	38%	31%
<b>Social rent</b>	60%	55%	60%
<b>Owner-occupier</b>	6%	7%	9%
<b>By Employment</b>			
<b>In work</b>	46%	1%	48%
<b>Not in work</b>	54%	99%	52%
<b>By Disability</b>			
<b>Disabled</b>	25%	28%	50%
<b>Not disabled</b>	75%	72%	50%

## Appendix B: Calculating Universal Credit

### Stage 1 - Maximum Universal Credit

The first stage is to work out what the maximum amount of Universal Credit is for the family.

Universal Credit has the following elements:

- Standard Allowance: everyone gets this with the amount being dependent on age and whether single or part of a couple
- Extra amounts are added if any of the following apply
  - Child element: an additional amount is added for each child
  - Disabled Child element: applies if any child has a disability
  - Childcare element: paid to help with up to 70% of relevant childcare costs
  - Disability elements: there are two rates:
    - a lower Limited Capability for Work Element; and
    - a higher Limited Capability for Work & Work-Related Activity Element
  - Carer Element: paid to support a person providing a significant amount of care to someone with a disability
  - Housing Element: paid to help cover relevant housing costs

Adding up all the elements that apply, gives the Maximum Universal Credit figure

For example, Mr and Mrs Jones are a couple both aged over 25 with 2 children renting privately. Mr Jones works full time on the national minimum wage. They would have the following Maximum Universal Credit

Element	Monthly amount
○ Standard Allowance	£498.89
○ Child element	
▪ 1 <sup>st</sup> child	£277.08
▪ 2 <sup>nd</sup> child	£231.67
○ Housing costs	£650.00
<i><u>Maximum Universal Credit</u></i>	<i><u>£1657.64</u></i>

### Stage 2 – Working out the monthly income to be taken into account

Earned and unearned income is taken into account for Universal Credit purposes

- Earned income is converted into a monthly figure;
- Workers are entitled to a 'work allowance' which is deducted from the monthly earnings;
- The value of the work allowance depends on whether a claimant has housing costs, whether they are single, have children or have limited capacity for work;

- 65% of the earnings left after deducting the 'work allowance' is deducted from the Maximum Universal Credit

Unearned income includes work pensions, benefits such as contributions-based Jobseekers Allowance, contributions-based ESA, Carer's Allowance etc. Also, assumed income from capital between £6000 and £16000 is also taken into account.

The full amount of unearned income is deducted from the Maximum Universal Credit.

As Mr Jones works full time his Maximum Universal Credit would be reduced as follows:

Monthly earnings	£985.33
Less work allowance:	<u>£222.00</u>
Earned income	£763.33
Earned income for UC purposes	
£763.33	
X 65%	£496.16
Universal Credit award is:	
Maximum UC	£1657.64
Less earned income	<u>£ 496.16</u>
	<b><u>£1161.48</u></b>

Mr & Mrs Jones total income for the month is:

Earnings	£985.33
Universal Credit	£1161.48
Child Benefit	<u>£149.06</u>
	<b><u>£2295.87</u></b>

## Appendix C

### **Alternative Payment Arrangements**

The 'tier factors' which will mean that the claimant has a highly likely / probable need for Alternative Payment Arrangements, and 'tier two factors' which will mean that the claimant has a less likely / possible need for Alternative Payment Arrangements. These are:

Tier one factors:

- Drug / alcohol and / or other addiction problems e.g. gambling.
- Learning difficulties including problems with literacy and / or numeracy.
- Severe / multiple debt problems.
- In temporary and / or supported accommodation.
- Homeless.
- Domestic violence / abuse.
- Mental health condition.
- Currently in rent arrears / threat of eviction / repossession.
- Claimant is young - either a 16/17 year old and / or a Care Leaver.
- Families with multiple and complex needs.

Tier two factors:

- No bank account.
- Third party deductions in place (eg for fines, utility arrears etc).
- Claimant is a refugee.
- History of rent arrears.
- Previously homeless and / or in supported accommodation.
- Other disability (eg physical disability, sensory impairment etc).
- Claimant has just left prison.
- Claimant has just left hospital.
- Recently bereaved.
- Language skills (eg English not spoken as 'first language').
- Ex service personnel.
- NEETs - aged 18-24 and not in Education, Employment or Training