



**Community
Committee**



Report of: Chief Officer (Welfare and Benefits)

Report to: Inner West Community Committee

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To note

Update on Universal Credit and other Welfare Reforms

Purpose of report

1. This report provides an update on Universal Credit, other Government Welfare Reforms and the impact on the people across the city. Information is also provided on how the council has prepared for implementation of the new benefit and what support is in place for customers.

Main issues

2. Universal Credit is one of the main elements of the Government's Welfare Reform Programme and went live in Leeds on 1st February 2016 but only for new single, job seeking claimants without children or a mortgage. These are considered by DWP to be the simplest cases. This national roll out of Universal Credit to single jobseekers was completed in April 2016. The Government has now begun a process of transition and migration to complete the roll out of Universal Credit and this is expected to take until 2022 to complete. Transition for all new claims is expected to commence in Leeds in summer 2018, although there are no more details yet available about how this transition process will be undertaken in Leeds.
3. There are significant changes to the way in which people claim and manage their Universal Credit claim from previous benefits, Universal Credit mainly being an online process. Payments of Universal Credit are made monthly in arrears which include any associated housing costs. The housing costs element will, in the majority of cases, be paid direct to the tenant.

4. The roll out of Universal Credit has implications for the council. In particular, Housing services, Customer Services and Welfare & Benefits are directly affected by the roll out.
5. Statistics relevant to Armley, Bramley & Stanningley and Kirkstall are attached at Appendix1

1 Background information

- 1.1 Universal Credit is the Government's flagship welfare reform which merges 6 benefits into one (Jobseekers Allowance, Income Support, ESA, HB, Working Tax Credit and Child Tax Credit) and is delivered by a single agency. Universal Credit went live in Leeds on 1st February 2016 and is focused only on single jobseekers at this time. 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. It is estimated that around 10,000 Universal Credit claims will be made in Leeds over the first 14 months and that, in line with experience elsewhere, only around 20-25% of these will be from tenants with a rental liability.
- 1.2 There are many differences between Universal Credit and the legacy benefits it is replacing. These include:
 - Claims must be made online
 - Payment is normally paid monthly to a single person in a household
 - The rent element is paid directly to the tenant
 - There is normally no entitlement to Universal Credit (including the housing costs element) for the first 7-days following a claim
 - First time claimants must wait for 5-6 weeks before an initial payment is made
- 1.3 DWP and the Council have agreed a Delivery Partnership which sees the Council providing help and support to those who need it to make an online claim. For the initial roll out the majority of claimants will be newly unemployed people who, it is anticipated, are already used to the online claiming regime. This support service will, in the main, be delivered through Community Hubs and One Stop Centres. The Delivery Partnership will also see the Council providing Personal Budgeting Support to people who need help with managing the monthly payment that Universal Credit brings. The emphasis is on helping people to deal with a monthly payment of Universal Credit made directly 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 includes managing a basic household budget, managing a bank account, and making payments.
- 1.4 Experience indicates a very low take up of Personal Budgeting Support, however, Housing Leeds also provide money management support to their Universal Credit tenants as part of their ongoing commitment to support tenants impacted by both Universal Credit and other welfare reforms, more details provided at 3.4.
- 1.5 A number of other Government welfare reforms have been introduced since 2013. The most significant reforms include the social sector size criteria (sometimes called

'bedroom tax' or 'spare room subsidy') and the benefit cap which now limits benefit entitlement to a maximum of £385 a week.

2 Main Issues - Universal Credit

- 2.1 The initial limited roll out means that the numbers expected to move onto Universal Credit in Leeds in the first year to be approx. 10,000 with many of these being non-householders with no rent liabilities. Single people already claiming one of the benefits that Universal Credit will be replacing will continue to receive that benefit until they have a change in their circumstances which prompts a new claim for Job Seekers Allowance. The new claim will then be a new claim for Universal Credit. It should also be noted that customers already on Universal Credit will stay within Universal Credit even if they become part of a couple or have children.
- 2.2 As at 21st October 2016 4683 people are in receipt of Universal Credit in Leeds with approx. 1170 of these with a rental liability.
- 2.3 There are clear challenges arising from Universal Credit, and it has significant implications for customers and landlords. Particularly around rent payment and collection.

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 *Full Service* is rolled out; this is expected in Leeds in summer 2018.
- *There is an in-built wait 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. This arises because the Assessment Day is one month after the claim date and the Payment Day is a week after the Assessment Day. On the Assessment Day, DWP look at the income and earnings the claimant has had over the previous month as well as the rent liability and other personal circumstances and use this to work out the amount of Universal Credit to be paid. This is then paid one week later. 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 Universal Credit 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 an 'alternative payment arrangement' (APAs) which includes payment of the housing costs direct to the landlord. APAs will be considered where there are rent arrears or issues relating to drug and alcohol issues or where there are other vulnerabilities.

- 2.4 Housing Leeds has used the learning from previous projects, which highlighted the improved outcomes which can be achieved through integrating financial and personal support, to establish a team of 16 specialist Housing Officers to co-ordinate support to tenants affected by Welfare reform. This Enhanced Income Team is offering additional support to affected tenants to review rehousing options, income maximisation, budget management, including management of debt, application for Discretionary Housing Payment, utility accounts, and accessing training and employment. Priority is being given to tenants affected by Universal Credit, the Benefit Cap and Under-occupation.
- 2.5 There are currently 587 Housing Leeds tenants in receipt of Universal Credit, (123 of these being in the Inner West area, and 71 of these having an APA requested) Evidence suggests that rent arrears are initially increasing for UC tenants in the first 3 – 4 month period of a claim, however, The Enhanced Income Team offer targeted support to UC tenants and by engaging with these residents an improved outcome is being seen for tenants in terms of financial stability. As Universal Credit continues to expand in Leeds, we will need to review the kind of support we provide going forward.
- 2.6 DWP is keen to work with councils to help ensure that vulnerable customers are supported in making and managing their Universal Credit. A delivery partnership has been entered into, which although has little scope for flexibility within the agreement, does enable the council to provide help to people to make a claim for Universal Credit and to be able to manage the requirements of the Universal Credit claim regime.

Online Application support

- 2.7 The council is providing support to people to enable a claim to be made and maintained online. This has been 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 Universal Credit claim and provide the relevant level of support required
- 2.8 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 Universal Credit claims are being successfully made online.
- 2.9 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 Universal Credit claim and this is being provided as part of the Local Delivery Partnership, although for initial roll out numbers are small.
- 2.10 Community Hubs are playing 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 Universal Credit claiming will be contained within the Community Hubs existing provision.

- 2.11 Since go live on 1st February 2016, only 50 people have required to support to make an online Universal Credit claim.

Personal Budgeting Support (PBS)

- 3.0 The DWP require the Local Authority to provide PBS as part of the delivery partnership. The emphasis is on helping people to deal with a monthly payment of Universal Credit 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 includes managing a basic household budget, managing a bank account, and making payments.
- 3.1 Take up of PBS is not conditional for a Universal Credit claim and as the initial roll out will be single newly unemployed people, it is likely that take up of PBS will be low. Since go live on 1st February 2016 only 23 people have been referred and offered PBS.
- 3.2 The DWP advise that any in depth debt advice that the customer needs does not come within the Delivery Partnership requirements and the council will, therefore, refer clients to appropriate services that can deliver this support. This is fundamentally the same mechanism as currently followed by front line staff.
- 3.3 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.

Future roll out

- 4.1 There are two further phases of roll out expected. The first phase is the ‘transition’ phase and this will be followed by the ‘migration’ phase.
- 4.2 Transition phase: the transition phase rolls out the Full Service to all new claims. This means that anyone making a claim for a legacy benefit (i.e. HB, Income Support, ESA, Jobseekers Allowance and Tax Credits) will be treated as making a claim for Universal Credit. This will, therefore, roll out Universal Credit to families and more vulnerable claimants. The transition phase is intended to run from May 16 through to August 18 and Leeds is due to move into the transition phase in summer 2018. This further roll out is expected to create more challenges for the Council and for landlords;
- 4.3 Migration phase: the final phase of roll out is the migration phase which sees all remaining legacy benefit claimants migrated onto Universal Credit. This phase is expected to run from September 18 through to March 22. There are few details known about this phase at this time but the process will not be a ‘drag and drop’ process where information and data is passed from legacy systems to Universal Credit. Instead, legacy benefits will be closed down and claimants will need to make a separate claim for Universal Credit.
- 4.4 Once we move into the “transition” phase, all new claims will be made on the new DWP digital online claiming system. This means that people will make and manage all aspects of their Universal Credit via this online account and they will be required to notify changes of circumstances and interact with DWP via this online method.

The council will have a part to play in ensuring support is given to people to enable them to get online and make their claim but also to ensure they have the support they need to manage the ongoing requirements that the online claiming regime brings.

- 4.5 The potential 6 week wait for the first Universal Credit payment is likely to have a significant impact on families and their ability to meet their day to day living costs. 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.
- 4.6 In order to help people with the potential 6 week wait for a Universal Credit 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
- 4.7 Once roll out expands to couples, one member of the couple will make the claim online but they will both be required to accept a “claimant commitment” and this must be done on the online claim. A claimant commitment is an agreement of the responsibilities that each of the couple must undertake in order to receive Universal Credit. (This will include any work searching responsibilities). Only one payment of Universal Credit will be made and the couple will need to nominate who will receive the monthly payment of Universal Credit.
- 4.8 As Universal Credit is both an in- and out-of-work benefit replacing Housing Benefit, Working Tax Credit and Child Tax Credit, people in low paid jobs will also need to claim Universal Credit. Unlike Jobseekers Allowance, Universal Credit is not limited to a maximum of 16 hours per week. However as Universal Credit is paid monthly there will be impacts for people who have fluctuating earnings or are on zero hours contracts.
- 4.9 Customers with fluctuating earnings will see Universal Credit payments vary. Lower earnings one month will generate a higher Universal Credit payment the following month; higher earnings one month will generate a lower Universal Credit payment the following month. Depending on the date wages are paid and the dates of the Assessment Day and Payment Day, some customers could 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.
- 4.10 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.
- 4.11 An analysis of the impact of Universal Credit on the people who are already getting Housing Benefit in Leeds was commissioned from Policy in Practice. Some groups of people will be better off under Universal Credit and some will be worse off. The main groups of people likely to be worse off are lone parents under 25 and families with disabled children.
- 4.12 It is expected that anybody worse off at the point that they move onto Universal Credit will receive transitional protection which should mean they will be no worse off in cash terms. However, only those “migrating” to Universal Credit will be

considered for Transitional Protection; claimants moving to Universal Credit as a result of a change in circumstances or a new claim will not be considered for transitional protection.

- 4.13 This further roll out has been the subject of a Scrutiny Board review and from this a series of recommendations have been made which will help to ensure that appropriate preparations are made. A copy of this enquiry report is available in the members library.

Other Welfare Reforms

Social Sector Size Criteria

- 5.0 Social Sector Size Criteria (often referred to as the "Bedroom Tax") has now been in place for over 3 years. The number of tenants affected by the social sector size criteria changes has remained broadly the same for the last 2 years at around 6,000 tenancies. The fact that the number affected has remained fairly static reflects the fact that the majority of affected tenants now require 1-bed accommodation in order to avoid being classed as 'under-occupying' the property and also the effectiveness of policies that aim to avoid placing tenants in properties where they may be deemed to be under- occupying for benefit purposes.
- 5.1 Although Housing Leeds has seen an increase in rent arrears for its tenants impacted by the welfare reform changes, there is now evidence of a slight reduction in rent arrears for tenants impacted by Social Sector Size Criteria. There are currently 4855 Housing Leeds tenants affected by under occupation and total arrears for this group stand at £618K. The majority of tenants who are underoccupied have had contact and support from Housing Officers. The majority of tenants who are remaining in their homes are now paying their rental liability and the arrears are slowly reducing. Although it should be noted many tenants report that they are struggling to manage and the Housing Officers look to assist with other support including helping to make a claim for Discretionary Housing Payments if appropriate. Housing Leeds still look to offer downsizing, if appropriate, as a solution.

Benefit Cap

- 5.2 The Benefit Cap has previously been set at £26,000 a year or £500 a week and there were around 250 families affected by the cap at any one time in Leeds. The families that were affected by the Benefit Cap at this level were larger families with 4 or more children and included families in both the social rented sector and the private rented sector. From 7th November 2016, the Benefit Cap reduced to £20,000 a year in Leeds or £385 a week. This is for those households that were already affected by the cap at the old rate. From 9th January 2017, those households newly affected by the reduced cap rate will see their Housing Benefit reduced . DWP has confirmed that an additional 1250 families will be potentially affected by the cap. Those already affected by the £26,000 cap will lose a further £115 a week in Housing Benefit or the rest of their Housing Benefit, whichever is the lower figure.

Discretionary Housing Payments (DHP)

- 5.3 The Government contribution for DHP has been increased from £1.5m to £1.88m from April 2016 (an inc of approx. £380k) . The emphasis being on helping people affected by HB reforms announced in the Summer budget 2015, which includes helping people to adjust to the new Benefit Cap.

- 5.4 This increase will not be sufficient to support everybody and therefore, DHP processes will continue to ensure that funding is targeted to the most vulnerable. Based on the latest DWP information of affected households, the potential DHP cost from 7/11/16 to the end of the financial year is approx. £360k (based on clients paying the first £50 shortfall themselves).
- 5.5 It is anticipated that help through the DHP scheme funding can be given to affected households up to the end of March 2017 and customers will be invited to make a claim for support. Housing Leeds residents will be receiving this additional support through the Enhanced Income Team who are already engaging with affected tenants to ensure DHP is maximised where appropriate.
- 5.6 From April 2017 funding for DHP will not meet the potential demand and therefore, support will need to be focused on those impacted the most. Each case will be considered individually for any potential DHP from April 2017.

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a. Consultation and engagement

The report provides information on the impacts of Universal Credit and other welfare Reforms and is not a report which requires public consultation.

b. Equality and diversity / cohesion and integration

The Government's Universal Credit has implications for equality and diversity and it has been subject to equality impact assessments by the DWP.

c. Council policies and city priorities

The on-going development of responses to Universal Credit preparations for go live and future roll out plans is aimed at supporting City Priorities around health and wellbeing and poverty. Cross-sector working, particularly with the advice sector and 3rd sector organisations such as the Credit Union, is aimed at ensuring tenants and residents receive support to manage the changes.

Addressing poverty and deprivation is a key priority for the Council. The activities set out in this report support the council's policies and priorities, all of which have a strong focus on addressing debt, maximising income and moving people and families out of poverty.

d. Resources and value for money

The report is for information only and does not have any resource implications directly.

e. Legal implications, access to information and call in

There are no legal implications relating to this report.

f. Risk management

The introduction of Universal Credit has increased the risk of rent arrears and Council Tax arrears. By ensuring all staff are fully equipped with the relevant knowledge of Universal Credit and the support tools available to them, it is anticipated that the risks can be mitigated.

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.

Conclusion

7. Universal Credit is the biggest change to the welfare system for many years. A comprehensive programme of work has been undertaken to ensure its implications for the council and its residents were fully understood in order to ensure that implementation went smoothly and all stakeholders were fully informed.

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.

Other welfare reform changes continue to be monitored by the council in order to ensure that any support to mitigate the impacts of these changes continues to be provided to those most in need.

Recommendations

8. Committee are requested to:

Note the information provided about Universal Credit and other Welfare reforms, the impact for people and the work that is being undertaken across the city to support people to make and manage a Universal Credit claim.

Background information

- None

Appendix 1 - Inner West Committee

Indicators of the impact of benefit changes in Armley , Bramley & Stanningley and Kirkstall

Universal Credit claims – Housing Leeds tenants

Ward	Housing Leeds	Average arrears at first UC claims	Current average Arrears	% change
Armley	45	£432	£560	29
Bramley & Stanningley	39	£542	£709	30
Kirkstall	39	£325	£532	64 *
City Totals	587	£432	£619	43

*The average arrears to start with were a lot lower here and a small number of cases have had a significant increase in arrears hence the larger overall % increase

Ward breakdown: Social Sector Size Criteria and weekly loss of Housing Benefit

Ward	Housing Leeds	Weekly Housing Benefit loss	Registered Social Landlords	Weekly Housing Benefit loss
Armley	274	£3,210	74	£1,228
Bramley & Stanningley	240	£3,076	25	£400
Kirkstall	243	£3,118	15	£217
City Totals	4,754	£59,178	1,219	£19,346

Ward Breakdown: Benefit Cap (all tenures)

Ward	Current Number of claims affected	Current DHP	Potential new reduced Cap numbers (totals)	Average weekly loss of Housing Benefit
Armley	29	6	98	£65.29
Bramley & Stanningley	16	3	67	£55.82
Kirkstall	7	3	40	£60.60
City Totals	250	40	1500	£56.97

Children in household affected by Benefit Cap

Number of Children in household	0	1	2	3	4	5	6	7	8	total
Armley			5	47	31	11	2	1	1	98
Bramley and Stanningley			5	21	25	12	1	2	1	67
Kirkstall			3	14	17	6				40
City Total	6	12	116	624	521	159	42	16	4	1500