

**Report of Director for Communities and Environment**

**Report to Environment, Housing and Communities Scrutiny Board**

**Date: 19<sup>th</sup> February 2018**

**Subject: Update on Universal Credit (UC)**

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 type="checkbox"/> Yes	<input checked="" 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 Although the position regarding preparation for UC remains on course, this report provides the latest position regarding UC claims in Leeds along with any latest information to further support the council's planning assumptions for full UC roll out.
- 2 The initial limited roll out still means that numbers are low in Leeds, however, the budget announcement in November 2017 has made some important changes to the UC roll out and implementation processes which will impact on both claimants and Councils in terms of the advice and support that is available.

**Recommendation**

- 3 That the Environment, Housing and Communities Scrutiny Board notes the information in this report and takes this information into account when considering the update on the UC scrutiny recommendations.

## **1 Purpose of this report**

- 1.1 The report sets out to provide an update on Universal Credit and the implications for residents in Leeds.

## **2 Background information**

- 2.1 Universal Credit is the Government's flagship welfare reform which merges 6 benefits into one Jobseekers Allowance (JSA), Income Support (IS), Employment Support Allowance (ESA), Housing Benefit (HB), Working Tax Credit (WTC) and Child Tax Credit (CTC) and is delivered by a single agency. Universal Credit went live in Leeds on 1<sup>st</sup> February 2016 and was focused only on single jobseekers from this date. 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.
- 2.2 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 was 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
- 2.3 The initial limited roll out means that numbers are still relatively low in Leeds. As at end November 2017 there were 5,710 people in receipt of UC. Of this figure 42% were in employment and 58% were not in employment. It is also estimated that 42% have a rental liability (2,400).

## **3 Main Issues**

### **3.1 Autumn Statement November 2017**

- 3.2 In the Governments Autumn Budget in November 2017 a number of changes were announced that will have an impact on UC. The changes are aimed at assisting people with the transition to UC and also in the administration and future implementation of the full digital service.

- 3.3 The following changes have been announced:

- 7 waiting days at the start of new claim will be abolished from 1/2/18. This means the length of time people are waiting for a first payment of UC when a new claim is made will be reduced from 6 weeks to 5 weeks.
- From 1/1/18 people can claim up to 100% of their potential UC payment as an Advance Payment (was previously 50% of their expected entitlement) Applications for advance payments should be processed within 5 days. The time in which people have to repay these advance payments has also been extended from 6 months to 12 months.
- From April 2018 anybody moving onto UC who is in receipt of Housing Benefit will receive an automatic 2 week run on of Housing Benefit. This is to cushion the

transition to UC and will give 2 weeks extra Housing costs in HB which do not need to be repaid.

- There are new flexibilities around APA managed payments for claimants in private rented sector - for those having HB paid directly to their private landlord before moving on UC. This means it will be easier for private tenants to request their UC to be paid direct to their landlord.
- Extension of 'interim period' for families with three or more children - no new claims from families with three or more children (unless been on UC within past 6 months) extended till Jan 2019. This means anybody with 3 or more children will NOT be able to claim UC until Jan 2019 at the earliest and will instead continue to claim the existing legacy benefits as normal.
- From November 2017 all UC telephone numbers are now free phone numbers.
- There is now a slowdown of Digital roll-out - new timetable that extends roll-out to end of December 2018. Leeds will now go onto the full digital service of UC on 10<sup>th</sup> October 2018 (and not June 2018 as previously advised).

3.4 The above changes are seen as a positive improvement for people claiming UC, however, it has had an impact on the ability to continue to have UC claims in the existing live service.

3.5 As a result of these changes DWP have confirmed that from 1/1/2018 there will be NO new claims to the current live service. Instead anybody who would have been eligible to claim UC (i.e. single fit for work jobseekers) will instead revert to claiming legacy benefits (i.e. JSA / Housing Benefit.) This announcement in effect reverts LA's back to the process of Housing Benefit administration before the live UC service was introduced. i.e. claims to legacy benefits.

3.6 Anybody who is already on UC will remain on UC. However, if there is a change in circumstances that means there is no longer any UC entitlement and at a later date there is a need to make a new claim for benefit again, then the NEW claim will revert back to claiming Housing Benefit/JSA etc.

3.7 This revised process will be in place until Leeds moves into the "full" service which is now October 2018. There will now be a steady reduction in UC claimants in Leeds and any ongoing issues linked to UC, especially in the full digital service, will not start to be seen in Leeds until Oct 2018.

3.8 These changes have now had a knock on effect to the UC roll out timetable and the two phases of roll out are now revised as follows:

- *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. Anybody already claiming one of the benefits that UC will replace, will remain on this benefit until the migration phase or if there is a significant change in circumstances which would require them to make a new claim for benefit which would result in a new claim for UC. The transition phase is intended to run from May 16 through to December 18 and Leeds is due to move into the transition phase in October 2018.

- *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 July 2019 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.

### 3.9 Free School Meals (FSM)

3.10 Under the current legacy benefit system, pupils in maintained schools, academies and free schools are entitled to receive free school meals if they or their parents or guardians are in receipt of any of the benefits below:

- Income Support
- Income-based Jobseeker's Allowance
- Income-related Employment and Support Allowance
- Support under Part VI of the Immigration and Asylum Act 1999
- The guaranteed element of Pension Credit
- Child Tax Credit, provided they are not also entitled to Working Tax Credit and have an annual gross income of no more than £16,190
- Working Tax Credit run-on – paid for four weeks after they stop qualifying for Working Tax Credit
- Universal Credit (regardless of income amount, as a temporary measure during the early stages of rollout).

3.11 Since 2013, as a temporary measure to ensure that any families moving on to UC in the early stages of rollout (for example, those in pilot areas) did not lose their entitlements, all families in receipt of UC were entitled to FSM pending the introduction of eligibility criteria. This had minimal impact in Leeds as the majority of UC claims were from single people with very few families in receipt of UC and thus automatically qualifying for FSM's.

3.12 On 16th November 2017 the Department for Education (DfE) launched a consultation on the proposed eligibility criteria to FSM to replace the temporary measures that are in place for eligibility for pupils in primary and secondary education. The closing date for this consultation was 11<sup>th</sup> January 2018.

3.13 DfE are proposing new criteria that they advise would enable a greater number of children to benefit from free school meals, compared to the number receiving these meals at present. DfE estimate that the proposals would make around 50,000 more pupils eligible for free school meals by the time Universal Credit is fully rolled out nationally.

3.14 To achieve this, DfE are proposing to amend the eligibility criteria for free school meals by introducing an earnings threshold of £7,400 per annum for those in receipt of Universal Credit. It is important to note that the net earnings threshold does not represent a household's total income, as it does not include their income from benefits, which significantly increase a household's overall income.

3.15 DfE propose to introduce this net earnings threshold in April 2018. New free school meals claimants earning above this threshold after its introduction would not be eligible. DfE propose to keep the threshold constant until the end of the Universal

Credit rollout period. After that point, they will then keep the threshold under review to ensure those who most need support are benefiting.

- 3.16 In addition to the earnings threshold DfE propose to protect those families who would otherwise lose entitlement to free school meals as a result of this criteria change. Under the proposals, no child should lose their free school meal during the transition to Universal Credit. It is estimated that, these proposals will see more children benefit from free school meals than at present. In addition, any protected pupils who are still receiving free school meals once the transition is complete should continue to receive protection until the end of their current phase of education (e.g. primary, secondary school), irrespective of any income changes.
- 3.17 These proposals are seen as a welcome announcement to ensure that those families most in need of support continue to be eligible to FSM as we move into UC full service. Once the outcome of the consultation is known then processes will be agreed to ensure the relevant safeguards are put in place to identify and award FSM as appropriate.

### **3.18 Supporting Customers**

- 3.19 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. Since go live on 1<sup>st</sup> February 2016, only 55 people have required support to make an online Universal Credit claim.
- 3.20 As roll out expands the demand to provide further support to help people make and manage their online UC accounts will increase. How this support will be provided is being developed as we prepare for full service from October 2018.
- 3.21 There will still be an element of Housing Benefit claims until we move into the “migration phase” and beyond and this will impact on customers and front facing services in terms of understanding and dealing with a “dual system” for some years to come.

### **3.22 Personal Budgeting Support (PBS)**

- 3.23 The DWP will 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. Take up of PBS is not conditional for a Universal Credit claim and as the initial roll out is single newly unemployed people, demand has been low. Since go live on 1<sup>st</sup> February 2016, approx. 200 people have been offered PBS, with the majority being Housing Leeds tenants who have received support via the dedicated UC specialist team.

### **3.24 Housing Leeds – Supporting tenants**

- 3.25 Over recent years we have identified the improved outcomes which can be achieved through integrating financial and personal support. We used this approach in January 2016, to establish the Enhanced Income Team, specialist officers who provide

practical support to tenants affected by welfare reform and UC. In December 2017, we increased this resource to 18 specialist officers. The Enhanced Income Team is offering additional support to affected tenants to review rehousing options, maximise income, manage budgets and debt, apply for Discretionary Housing Payments, utility accounts, and accessing training and employment. Priority is being given to tenants affected by Universal Credit, along with the Benefit Cap and Under-Occupation.

3.26 There have been 1400 Housing Leeds tenants who have claimed Universal Credit since go live in February 2016. Currently there are 470 live UC council tenants in Leeds. Evidence suggests that rent arrears are initially increasing for UC tenants in the first 3 – 4 month period of a claim, however, by engaging with these residents an improved outcome is being seen for tenants in terms of financial stability. Overall, there has been an increase in arrears for tenants on Universal Credit. However, it is estimated that arrears would be significantly higher if this support was not in place. Housing Leeds undertook a benchmarking exercise with other landlords last year which showed that increases in arrears due to Universal Credit were below average.

3.27 Claims for Universal Credit in Leeds have been paused following the budget announcements in late 2017, and new claims will begin under the full digital service in October 2018. We are currently reviewing and refreshing our plans for the entire housing service in preparation for the roll out of UC full service. The current support provided to tenants has proved to be effective and we are reviewing how we resource appropriate levels of support for tenants as the numbers of UC claimants grows and becomes established.

## **4 Corporate considerations**

### **4.1 Consultation and engagement**

4.1.1 The report is for information only and does not require consultation.

### **4.2 Equality and diversity / cohesion and integration**

4.2.1 Not applicable.

### **4.3 Council policies and best council plan**

4.3.1 Tackling poverty and deprivation remains a key council priority

### **4.4 Resources and value for money**

4.4.1 The report itself does not require any resource allocation.

### **4.5 Legal Implications, access to information and call In**

4.5.1 There are no specific legal implications or access to information issues with this report.

### **4.6 Risk management**

4.6.1 The report identifies impacts arising from the Government's UC programme. There is a risk that the impacts both on the council and on residents, may be significant. The issue of UC is a key risk on the Corporate Risk Register and continues to be monitored.

## **5 Conclusions**

- 5.1 The Council is taking steps to prepare for the further roll out of UC and to mitigate some of the impacts on residents of the Government's welfare reform programme. Full partnership work with DWP continues to play a key role as we move closer to full digital service.

## **6 Recommendations**

- 6.1 That the Environment, Housing and Communities Scrutiny Board notes the information in this report and takes this information into account when considering the update on the UC scrutiny recommendations.

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

- 7.1 None

---

<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.