

Report to the Resources Select Committee

Date of meeting: 17 October 2017

Subject: Universal Credit

Officer contact for further information: Janet Twinn (01992) 564215

Committee Secretary: Adrian Hendry (01992) 564246



Recommendations/Decisions Required:

That the Committee notes the report on Universal Credit

Executive Summary:

This report is to update Members on the roll out of Universal Credit across the district and the likely effects on the Authority.

Reason for decision:

To update Members on the current position relating to the roll out of Universal Credit and the impact that it will have on the work of the Council.

Options considered and rejected:

That Members are not kept informed of the roll out of Universal Credit and are therefore unaware of the impact that it will have on the Council.

Report:

Universal Credit

1. Universal Credit is a new benefit for people of working age that is slowly being introduced and replaces the following existing benefits;

- Jobseeker's Allowance
- Employment and Support Allowance
- Income Support
- Working Tax Credit
- Child Tax Credit
- Housing Benefit

It is a single payment made on a monthly basis to cover both living expenses and housing costs. Universal Credit is not paid for the first week of the claim. The payment is made monthly in arrears and is designed to replicate the budgeting required by people who receive a monthly wage. The claimant is then responsible for paying their full rent to their landlord. This is a change for council tenants as Housing Benefit is paid directly to the rent account and not the tenant.

2. The roll out of Universal Credit is continuing and has affected more people in the Epping Forest District from 20 September 2017. Up to that date, in the Epping Forest District, Universal Credit has been restricted to new claims from single people who are jobseekers. However, this is changing as 'full service' is rolled-out throughout the country from July 2017. In the future, couples, families with children and people with disabilities who are of working age, will also be directed to claiming Universal Credit. This means that they can no longer

claim Housing Benefit and they can only get help with their rent through Universal Credit, although there are some exceptions.

3. It is important to note that currently the move to Universal Credit does not apply to people of state pension age and it affects only new claims. Everybody currently receiving Housing Benefit will keep receiving Housing Benefit for the next few years, unless they have a break in their claim. The Government currently anticipate that the existing working age Housing Benefit claimants will move to Universal Credit by 2022, but this date has already been put back many times.

4. There are exceptions to the move to Universal Credit as follows;

- People who have more than 2 children
- People who live in exempt and specified accommodation, ie, accommodation where support is provided by the landlord to tenants who are vulnerable in some way, eg, physical disabilities, mental health issues or drug/alcohol addictions.

People falling into these categories will still claim Housing Benefit. In addition, people receiving Universal Credit who subsequently have a third child will have to claim Housing Benefit and other relevant state legacy benefits (eg Tax Credits or Job Seekers Allowance) instead of Universal Credit.

5. The Council still remains responsible for Local Council Tax Support, and therefore people will have to claim Universal Credit from the DWP for help to pay their rent, and at the same time make an application to the Council for help to pay their council tax.

6. There are currently seven different proposed start dates for full service in the Epping Forest District, although the majority of people will not be affected until September 2018. The start date is dependent upon the postcode and which Jobcentre Plus office is responsible for that postcode. Shown below is a list of the Jobcentres, the proposed start dates and the postcodes. There is mounting pressure on the Government to delay the roll out which is already causing problems for claimants and landlords, so these dates are subject to change if the Government amend the scheduled roll-out timetable. It is already known that the Walthamstow JCP date is likely to be changed but there has been no confirmation of the revised date as yet. The dates are also subject to Statutory Instruments being in force but at the time of writing this report, there is only a Statutory Instrument specifying roll out dates up to 27 September 2017.

Jobcentre Plus office	Start date for full service	Postcodes
Harlow JCP	20/9/17	CM17 0--, CM17 9--, CM18-- 7, CM19 5--, CM21 9--
Waltham Cross JCP	1/11/17	EN8 9--, EN9 2--, EN10 6--
Brentwood JCP	15/11/17	CM4 0--, CM15 0--
Walthamstow JCP	29/11/17	E4 7--
Redbridge JCP	21/2/18	IG7 4--, IG8 0--, IG8 8--
Hertford JCP	13/6/18	EN11 0--

Loughton JCP	12/9/18	CM5 0--, CM5 9--, CM16 4--, CM16 5--, CM16 6--, CM16 7--, EN9 1--, EN9 3--, IG7 5-- IG7 6--, IG9 5--, IG9 6--, IG10 1--, IG10 2--, IG10 3--, IG10 4--, RM4 1--
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7. An additional factor to note is that although someone may make a claim after their post code area has gone live with Universal Credit, they may still be able to receive Housing Benefit. If it is agreed to grant backdated Housing Benefit to commence from a date prior to the post code go live date, they will receive Housing Benefit and not Universal Credit. Housing Benefit can be backdated for up to one month before a claim is made if a person has a good cause for not claiming earlier. Therefore the Council could still be receiving Housing Benefit claims for up to a month after the post code area go live date.

Experiences of other Local Authorities in UC full service areas

8. The full service of Universal Credit has been piloted in some areas for the last couple of years and the Local Authorities involved have been reporting a large number of issues which have had a negative impact on their Authority. This has led to repeated calls to either, delay the roll out, remove housing costs from Universal Credit and continue with Housing Benefit, or even to scrap Universal Credit.

9. Appendix A shows a letter from Rt Hon Frank Field MP, the Chair of the Work and Pensions Committee to Damian Hinds MP, the Minister of State for Employment in which several issues raised by both Croydon Council and Halton Housing Trust were set out. Since that letter, the only issue that seems to be being addressed is the area of communication with landlords, although there is still much improvement to be made. The area of greatest concern is the increase in rent arrears. Great Yarmouth Borough Council have also submitted data to the Work and Pensions Committee regarding their concerns at the increasing level of rent arrears for Universal Credit claimants. At the time of their submission, there were 624 council tenants receiving Universal Credit (10.5% of tenants) of which 364 were in rent arrears and accounted for 25.68% of their total rent arrears.

10. Sedgemoor District Council produced a report 'The impact of Universal Credit in Sedgemoor' in which they highlighted several problems with the Universal Credit claim process and the problems experienced by claimants. These problems include lengthy delays before any payment is made leading to a much higher demand on foodbanks, the lack of digital access by claimants to make their claim, the lack of a bank account by some claimants meaning that they cannot even make a claim, the accrual of rent arrears and the general lack of communication/ability to contact someone to resolve a query.

11. In Essex, both Harlow Council and Southend-on-Sea Borough Council had half their postcodes move into full service in July 2017 and the remainder of their postcodes on 20 September. As the numbers of Universal Credit claimants in the full service since that time has been very low, there has been very little impact so far on those Councils.

Identified future problems for Epping Forest

12. From the Universal Credit pilots that have been ongoing for the last couple of years there have been many problems identified with the Universal Credit process.

13. Of greatest concern is the effect on rent arrears. Recent reports in the press following a Freedom of Information request, indicate that of the current council tenants in the pilot areas receiving Universal Credit, 50% are in one month's arrears with their rent, whilst 30% are at

least two month's in arrears with their rent. This compares to under 10% of Housing Benefit claimants in one month's rent arrears, and under 5% in two month's rent arrears. For the first week of the claim, no payment is made. This immediately puts a tenant into one week's rent arrears. The claimant then has to wait at least 6 weeks before Universal Credit is put into payment. During this period, claimants are getting into debt and resorting to food banks to tide them over. When the payment is made, they do not always then pay their rent but either pay off their debts or spend the money elsewhere. 6 weeks is the minimum wait for a payment but frequently it is much longer. Claimants can ask for an advance payment whilst they are waiting for their first payment, which can be up to 50% of the indicative Universal Credit amount. This is then recovered by deducting the amount from their future payments. However, many people in low paid employment are not used to budgeting on a monthly basis as they are paid weekly, and if then they are made unemployed and claim Universal Credit, they would have just one weeks wages to last them at least 6 weeks before they receive a regular payment. In addition, for Councils like Epping Forest that have retained their housing stock, tenants are not used to receiving money and having to pay their rent themselves. Housing Benefit has always been paid directly to their rent account and therefore some tenants may not appreciate that they have to pay their full rent out of their monthly Universal Credit payment. Every pilot area has reported a significant increase in their rent arrears and therefore a similar trend should be expected in the Epping Forest District. Alternative Payment Arrangements (APA's) can be requested by landlords if the tenants have more than 8 weeks rent arrears or if the tenant is identified as being incapable of managing their finances, but such arrangements have been taking several weeks before the payment is changed to the landlord, during which time the tenant has accrued substantial rent arrears.

14. Another area of great concern is for tenants who are placed by the Council in Bed and Breakfast accommodation. When the first Universal Credit payment is made, it is based on the claimant's circumstances at the end of that 6th week. Therefore, if someone is placed in Bed and Breakfast accommodation and claims Universal Credit, and then is moved to a Council property after 4 weeks, they will only receive 5 weeks housing costs based on the rent for the Council property. As this rent is much lower than the rent for the Bed and Breakfast accommodation, and also that they do not receive a payment for the first week, they will not have the money to pay their liability to the Council for the period that they were in Bed and Breakfast accommodation. As the Council has a duty to move any families with children out of Bed and Breakfast accommodation within 6 weeks, there will undoubtedly be significant rent arrears for this group of vulnerable tenants and no way of paying off those arrears. Even if the claimant remains in Bed and Breakfast accommodation for more than 6 weeks, the claimant will only receive the Local Housing Allowance amount towards their rent liability. This again will be significantly less than their rent liability. As an example, a single person would be charged £1277 per month in Bed and Breakfast accommodation and be paid a maximum amount of £326.54 per month if the hotel is in Ilford or £304.69 per month if the hotel is in Epping or Harlow. Currently Housing Benefit is paid on the full rent amount for tenants in Bed and Breakfast accommodation apart from fuel costs and breakfast which are ineligible for Housing Benefit. Up to now, tenants placed in Bed and Breakfast accommodation have therefore not accrued the level of rent arrears that they will do through Universal Credit. Before the General election in May 2017, the Government indicated that they intended to remove such temporary accommodation from Universal Credit and this was expected to be in October 2017. However, there has been no move to date to change the legislation.

15. For people who work and are paid weekly, they are finding it very difficult to budget. Universal Credit is assessed monthly and the payments can therefore differ from month to month. As Universal Credit takes into account payments received in a month, people that are paid weekly rather than monthly may receive 4 weekly payments in a month or 5 weekly payments in a month. We have seen cases where a person is receiving Universal Credit one month but the next month either their Universal Credit income drops significantly or stops altogether because their income is seen to increase dramatically because they receive 5 weekly payments in that month. This makes it extremely difficult to budget properly as claimants do not necessarily know what their income is going to be from month to month. This problem has never arisen with Housing Benefit as all income is calculated on a weekly basis. These changes in income from month to month also lead to problems with Local Council Tax

Support as Council's are notified of an income change each month and have to recalculate Local Council Tax Support each month. This means that people can receive a new Council Tax bill each month with different payment plans. This is the reason why we are currently consulting on introducing fixed periods for Universal Credit recipients in our Local Council Tax Support scheme for 2018/19. This will at least enable people to know what their Council Tax payments will be over a six month period and help them to budget.

16. The DWP expect Local Authorities to offer Personal Budgeting Support to people receiving Universal Credit. The local Jobcentre Plus should be asking claimants if they require advice with budgeting and then referring them to the Council. The Benefits Division has 2 trained Officers who can give budgeting advice, but it seems that people claiming Universal Credit do not want any budgeting advice. Since the Universal Credit live service commenced in February 2016, we have not had one referral from the local Jobcentre Plus. In addition to the Personal Budgeting Support that we can offer, the Benefits Division also has Foodbank vouchers that we can give to people who have no money to buy food.

17. The DWP also expect Local Authorities to assist people with making claims for Universal Credit. Applications can only be made on-line and the pilot areas have found that there are a lot of people who are either not IT literate and/or have no access to computers to enable them to make an application for Universal Credit. The Benefits Division does have the ability to help such people to claim but cannot answer queries about entitlement. As everything for Universal Credit has to be done on-line and it is the claimant's data, the DWP will not allow Local Authorities any access to the data. This makes it extremely difficult to give guidance if anyone comes to the Council with a query about their Universal Credit entitlement. Universal Credit is not administered by local DWP centres but the claim could be processed anywhere in the United Kingdom. Likewise, when any enquiry is made, it could be dealt with by any service centre in the United Kingdom and you never speak to the same person twice.

18. Another problem that Southend-on-Sea Borough Council identified with the claim process when they visited the London Borough of Sutton was that it is essential that people are accurate with data when making an on-line application. For example, when a claimant is prompted for their rent details, if they put in the wrong amount by even £0.01, the claim is delayed, even though the DWP have the true rent evidence from the landlord.

19. Landlords in the pilot areas have been very critical of Universal Credit as they have found that the rent arrears for their tenants have significantly increased. The communications between the DWP and landlords has been poor and the DWP has recently introduced a landlord portal for the landlord to provide rent information but this will not do much to reduce the amount of rent arrears. Landlords are of the belief that payments should not automatically be made to tenants as many tenants do not pay their rent when they receive their monthly payment. Although the monthly payment is intended for both their living costs and their rent costs, it is often all spent on living costs. This has led to landlords in many of the pilot areas now refusing to accept any Universal Credit claimant as a tenant. If the same happens in the Epping Forest District, there will be a serious impact on the Housing Options team as there will be less available accommodation in the private rented sector.

20. Although Universal Credit is meant to eventually replace Housing Benefit for people of working age, the Authority will still be responsible for paying Housing Benefit to people of pension age, people of working age in exempt specified accommodation and, if the law is changed as expected, to people of working age in temporary accommodation. Again, until the law is changed, we will also remain responsible for paying Housing Benefit to families with 3 or more children. In addition, the Authority still retains responsibility for Local Council Tax Support so Universal Credit claimants must claim help with living and rent costs from the DWP and from the Local Authority for help with their Council Tax. As most claimants in the existing caseload pay both rent and Council Tax, the overall caseload is not expected to reduce.

21. In addition, the Local Authority is still responsible for Discretionary Housing Payments, both for Housing Benefit recipients and for Universal Credit recipients. This could create problems when assessing an application from someone receiving Universal Credit as we

would not necessarily have any background information, nor any information about their rent, nor the ability to have any access to information about their Universal Credit rent costs payment. This will mean that we will require more information from the claimant than we currently require. It is also anticipated that there will be a greater demand for Discretionary Housing Payments than there is currently.

Consultation undertaken:

None

Resource implications:

Budget provision: Reduction in Housing Benefit Administration Grant from the DWP
Personnel: Within existing budgets
Land: None

Community Plan/BVPP reference: N/A
Relevant statutory powers: N/A

Background papers: None
Environmental/Human Rights Act/Crime and Disorder Act Implications: None identified
Key Decision reference: (if required)