
REPORT TO:	OVERVIEW and SCRUTINY COMMITTEE	AGENDA ITEM: 6
DATE OF MEETING:	15 JANUARY 2020	CATEGORY: RECOMMENDED
		OPEN
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/revenues and benefits/universal credit/3 scrutiny report January 2020
SUBJECT:	IMPLEMENTATION OF UNIVERSAL CREDIT - UPDATE	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: 6.03 (a) (i)

1.0 Recommendations

- 1.1 That the Committee considers the current position and progress in implementing actions for supporting tenants and potential claimants of Universal Credit.
- 1.2 That the Committee considers the impact on resources in Customer Services, Revenues and Benefits, together with planned actions to mitigate the risks associated with changes in working practices.

2.0 Purpose of Report

- 2.1 The scrutiny of the Council's preparations for the implementation of Universal Credit (UC) has been an on-going action in the Committee's work programme. The Committee has previously considered reports in February and September 2018.
- 2.2 During the past year, the impact of UC has gathered momentum following a further phased roll-out in November 2018. This report provides an update on the impact for Council tenants and the HRA, the Council's wider role in supporting claimants, together with the impact on benefits processing and the emerging impact on Council resources in that service area.

3.0 Detail

Background

- 3.1 Universal Credit will eventually be the main Benefit paid to working age people. It combines a range of Benefits into a single monthly payment. Over time, most current Benefits and Tax Credits will be phased out as a consequence.
- 3.2 UC will eventually replace:
 - Income Support

- Income-based Jobseeker's Allowance
- Income-based Employment Support Allowance
- Housing Benefit (HB)
- Child Tax Credit
- Working Tax Credit

3.3 Except for Housing Benefit (HB) which is administered by local authorities on behalf of the DWP, the above Benefits and Tax Credits are administered by the DWP and HMRC. UC is being administered solely by the DWP.

Support for Council Tax

- 3.4 It should be noted that support for low income households towards Council Tax is through a local Council Tax Reduction Scheme (CTRS). This is not a Benefit but a Discount set and managed by local authorities and will not be included in UC.
- 3.5 The local CTRS in South Derbyshire is at the discretion of the Council in accordance with its own set of criteria. This is reviewed annually by the Finance and Management Committee and is adopted each year by Full Council as part of the Council Tax setting process.

Implementation of UC

- 3.6 Whilst Universal Credit (UC) had been available to claimants for several years, the major roll out in South Derbyshire began in November 2018. This was part of a phased roll-out which saw all new working age claims moving to UC, together with any change in circumstances for existing benefit claimants.
- 3.7 This phase was a more significant move towards full implementation of UC. Previous phases had only affected certain groups of people, such as single adults and the impact for the Council had been relatively minor.
- 3.8 The next and final phase will be the migration of existing benefit claimants onto UC. The Government has started transferring people through a process known as "managed migration". This commenced in July 2019 and involves the transfer of approximately 10,000 people as part of a pilot scheme which is taking place in North Yorkshire.
- 3.9 The pilot is expected to last a year after which greater numbers will be transferred in other regions following an assessment of the pilot scheme. The Government's plan to complete full implementation is December 2023 and currently, UC only applies to working age claimants.

Current Statistics

- 3.10 Over the 18-month period between April 2018 and September 2019 people claiming HB from the Council reduced by 24%. Not all of this reduction is due to UC but it is safe to assume that UC has had a significant influence on this number.
- 3.11 Most of this reduction relates to private tenants. During the same period, the number of Council Tenants in receipt of HB reduced from 1,740 to 1,460. Of the 1,460, approximately 50% are currently of working age and potentially subject to UC at some stage.

- 3.12 In monetary terms, the amount of HB being paid to the HRA and direct into Tenant's Accounts was £116,000 per week in 2018/19. To-date in 2019/20, this has fallen to £107,000 per week.
- 3.13 Housing Benefit for Council Tenants is paid direct to the Council's rent account. For private/housing association tenants however, Housing Benefit can be paid either direct to the landlord (vulnerable people, arrears) or direct to the tenant. This helps to ensure that landlords receive the rent payments they are due.
- 3.14 UC has however been designed to be paid direct to the person in all circumstances, and it then becomes the person's responsibility to pay their rent directly, regardless of their circumstances. This change to direct payments to tenants is a matter of concern for landlords, including councils, as evidence across the country seems to suggest that rent arrears are increasing as a direct result.
- 3.15 Where a tenant has accrued rent arrears to the value of two month's rent or more, a landlord can request a managed payment or rent arrears deduction from UC. This is subject to a maximum rate of 20% of a tenant's UC standard amount. The council has applied for several managed payments on behalf of Council Tenants.

Impact on resources at the Council

- 3.16 With the reduction in HB claims, this is now having an impact on the work of benefit assessors. However, work load is expanding in other areas and although this may be reduced in the longer-term, overall administration is not reducing.
- 3.17 This is due to the Council's CTRS. The Council's Local Scheme is based on the parameters of a national default scheme which was introduced several years ago. Generally, a person's entitlement to HB can change their entitlement to CTR but the assessment criteria involved are complicated.
- 3.18 With UC, that linkage remains. However, changes to UC are proving to be more volatile than HB and the Council are receiving a greater number of change notifications from the DWP which need to be processed as they could affect a claimant's entitlement to CTR.
- 3.19 Two main actions have been identified that will mitigate this issue. Firstly, a greater level of automation is required as manual intervention and input is currently slowing the process down. This is currently being progressed in earnest and it is planned to implement system improvements over the coming months.

A New CTRS

- 3.20 The second action is to redesign the Council's CTRS. Options are currently being reviewed to simplify the Scheme so that in general terms a claimant may not be any worse off, but the award of discount is calculated in a much easier and understandable way.
- 3.21 Many authorities have already moved away from using parameters based on the national default scheme. However, changes can only be introduced on 1 April each year, with amended or new schemes needing to be approved by Full Council. In addition, any decision needs to take account of consultation with relevant stakeholders.

3.22 Consequently, with system changes also required, there is a long lead-in time associated with a new CTRS. Practically, a new CTRS could not be implemented now until 1 April 2021.

3.23 Therefore, ahead of this, it is planned to submit proposals for a new scheme to the Finance and Management Committee on 30 April 2020. This would allow for consultation and a report back to the Committee later in the year, before a final scheme can be proposed to Full Council later in 2020.

Longer-Term Resources

3.24 Although as highlighted above, the reduction in HB claims to the Council continues to reduce, the volume of work remains broadly the same. However, these issues are likely to be overcome in the longer-term and this will be kept under review. It is considered that the degree of automation in the future will be a major factor.

3.25 In the meantime, the Council currently utilises off-site processing to support peaks in workload and other specialist checks to verify earnings and pension income. Consideration will be given to bringing this work in-house to utilise any spare capacity and therefore save the cost of external support. In addition, as vacancies arise in the Service, these will be reviewed with the longer-term situation in mind.

Housing Services

3.26 The Council currently has 302 council house tenants in receipt of Universal Credit. 74 tenants are subject to managed payment arrangements, 70 of which were requested by the Council and 4 by the tenant. There are a further 26 arrangements that have been requested, pending a decision by the DWP.

3.27 Current UC rent arrears total £126,785, an increase from a total of £60,471 a year ago.

3.28 The Council continues to work with other agencies to hold surgeries to mitigate arrears for both Council Tenants and the wider resident base of South Derbyshire. However, despite widespread publication, take-up and referral to these surgeries has to-date proved to be low. Other activities include:

- *“Money Sorted”*, a scheme run in partnership with D2N2 and Citizen’s Advice aims to assist residents in managing their money through budgeting support and strategies.
- *“Towards Work”*, a scheme run in partnership with D2N2 and Derby College aims to bring residents closer to the labour market by breaking down barriers.
- *“Opportunity & Change”*, a scheme run in partnership with D2N2 and Women’s Work aims to assist female residents to break down multiple and complex barriers to bring them into education, employment or training.
- *“Direct Help & Advice”*, a scheme managed by Derby Law Centre, provides assistance to residents regarding notices, evictions and disrepair claims, etc.

3.29 These services are advertised widely. The Council’s Communications Team regularly highlight the assistive and preventative work as well as highlighting advice available

on the Council's website. Furthermore, Council staff have received regular training regarding changes within Universal Credit.

- 3.30 With the abolishment of cash payments at the Civic Offices from January 2020, tenants are being encouraged to pay by Direct Debit and Standing Orders. This would help to reduce the growing reliance on managed payments.

Managed Payments

- 3.31 The way that managed payments are paid to the landlord is on a 4 weekly system with a specific cut-off date. The landlord receives 12 payments per year, every 4 weeks meaning that for one period, the landlord does not get paid. Furthermore, payments can take up to 6 weeks to reach the landlord following the tenants Universal Credit payment date.
- 3.32 In the case of a new claimant of UC who already has historic arrears with the Council (or with their respective landlord) they are subject to the initial "5 week wait" then, if a managed payment is requested, their rent may be delayed for a further 4 weeks, meaning a tenant could be up to 9 weeks in arrears.
- 3.33 For a standard tenancy with the Council, this can add a further £720 to rent arrears, based on £80 per week. In the HB system, this would usually prompt an income officer to take further recovery action against a tenant, involving court action to seek re-possession of the property. However, if this case was to be taken to court, it would likely prove to be unsuccessful.
- 3.34 The Council continues to address issues associated with the rollout of Universal Credit as much as possible by training staff, educating residents, co-ordinating a district wide Welfare Reform Group and putting into place as many systems as possible to report, process and understand the changes which have followed.
- 3.35 However, the way in which Universal Credit is paid, together with pre-existing arrears has meant that arrears have increased. This situation is echoed amongst neighbouring authorities and associations with Trent and Dove, East Midlands Housing and North West Leicestershire also reporting increases in arrears.

4.0 Financial Implications

- 4.1 The Housing Revenue Account's (HRA's) Financial Plan has made additional provision for a greater level of rent arrears, in anticipation that UC will have a negative impact.

5.0 Corporate Implications

Employment Implications

- 5.1 As detailed in the report, capacity and resources will be kept under review.

Legal Implications

- 5.2 None

Corporate Plan Implications

- 5.3 None directly, although the provision of Benefits helps to support the most vulnerable people. The administration of HB, UC and CTRS are statutory obligations on the Council.

Risk Impact

- 5.4 None.

6.0 Community Impact

Consultation

- 6.1 None currently, although any changes to the CTRS will require consultation with relevant stakeholders.

Equality and Diversity Impact

- 6.2 There is perhaps a risk that certain groups with protected characteristics under Equalities Legislation could suffer discrimination. For example, there is evidence to suggest that potentially more vulnerable people may experience difficulty in making payments.
- 6.3 However, the Council recognises this particular issue by supporting people as much as possible and sign-posting tenants and residents to the network of support available in the local community.

Social Value Impact

- 6.4 None directly.

Environmental Sustainability

- 6.5 None.

7.0 Background Papers

- 7.1 None.