

<b>Report To:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE</b>	<b>Date:</b>	<b>18 JULY 2019</b>
<b>Heading:</b>	<b>SCRUTINY REVIEW: IMPACT OF UNIVERSAL CREDIT</b>		
<b>Portfolio Holder:</b>	<b>NOT APPLICABLE</b>		
<b>Ward/s:</b>	<b>ALL</b>		
<b>Key Decision:</b>	<b>NO</b>		
<b>Subject to Call-In:</b>	<b>NO</b>		

### **Purpose of Report**

The purpose of this report is to provide an introduction to the impact of Universal Credit to tenants and claimants in Ashfield and Ashfield District Council. This report will provide the Overview and Scrutiny Committee with:

- Objectives and methodology of the review
- An introduction to the Welfare Reform Act 2012 and the changes it brought to the benefits system
- The aims of Universal Credit
- The introduction of Universal Credit in Ashfield
- How Ashfield District Council has prepared for and responded to the introduction of Universal Credit and wider welfare reforms

### **Recommendation(s)**

Overview and Scrutiny Committee Members are recommended to:

- a. Note the information contained in this report
- b. Discuss and approve the Terms of Reference attached as Appendix A
- c. Consider any further information required to inform the review process
- d. Approve a date for an informal working group to progress the review

### **Reasons for Recommendation(s)**

Impact of Universal Credit was approved as a topic for review to the Scrutiny Workplan 2019/20 in June 2019.

## **Alternative Options Considered**

No alternative options have been considered at this stage of the review.

## **Detailed Information**

### **Scrutiny Review: Impact of Universal Credit**

The impact of Universal Credit in Ashfield was added to the Scrutiny Workplan 2019/20 by the Overview and Scrutiny Committee. In reviewing the impact of Universal Credit, Members of the Committee were looking to explore and gain a greater understanding of the following:

- Welfare Reform
- How Ashfield District Council has planned for Welfare Reform
- The impact the introduction of Universal Credit has had on tenants and claimants, including the most vulnerable
- Mitigation steps the Council is taking in regards to the impact Universal Credit
- Any impact the introduction of Universal Credit has had on Council finances

When discussing approving the impact of Universal Credit to the Workplan, Overview and Scrutiny Committee Members stressed how recent welfare reforms, and more specifically the introduction of Universal Credit, has caused significant community concern in Ashfield. Committee Members, through this review, have a particular interest in assessing this concern and how the Council and its partners are offering support to impacted claimants.

To assist the Committee with its consideration of this topic, the Council's Service Manager – Housing Management and Tenancy Services, will be in attendance.

### **Welfare Reform Act 2012**

The Welfare Reform Act 2012 introduced a new Universal Credit to replace most existing benefits, while limiting the total amount of benefit a person can claim. The Act also introduced an overall household benefit cap and new size criteria in the social rented sector. The welfare reforms included in the Act impact on the way tenants receive benefit, with an overarching drive to reduce the number of non-working households and cut welfare expenditure.

The fundamental changes to the welfare system introduced through the Welfare Reform Act 2012 include:

- 'Under Occupation Charge' or 'Bedroom Tax' – reduced housing benefit for under occupation
- An overall benefit cap on the total benefits a household can receive
- Universal Credit – introduction of a single working age benefit into a single monthly payment direct to claimant

### **Aims of Universal Credit**

#### **Introduction**

Universal credit is a non-taxable new benefit, payable to people who are of working age, administered by the Department for Work and Pensions.

Universal Credit condensed six existing benefits:

- Income support
- Jobseeker's allowance
- Employment and support allowance
- Working tax credit
- Child tax credit
- Housing benefit

Universal Credit was introduced with the aim of simplifying the benefits system and ensuring people are better off in work, as a benefit to cover basic living expenses. Similar to a wage, Universal Credit is paid directly into a claimant's bank account as a single monthly payment, in arrears. This also includes any housing costs (for payment of rent), meaning universal credit recipients are responsible for paying rent to their landlord.

The basic requirements to claim Universal Credit are:

- Be 18 or over
- Be under State Pension age
- Be unemployed, have a low income and capital of £16,000 or less
- Have a right to reside in the United Kingdom
- Not be in education
- Accept a Claimant Commitment

The introduction of Universal Credit has and continues to require significant cultural and behavioural changes from claimants.

### Claimant Commitment

Claimants of Universal Credit are required to accept a Claimant Commitment. A Claimant Commitment sets out an agreement and what the claimant has agreed to do to prepare for and look for work, or, to increase earnings if already in work. A Claimant Commitment is based on the personal circumstances of each claimant, and is reviewed and updated on an ongoing basis. To keep receiving Universal Credit, claimants must accept any updates to their Claimant Commitment.

### Age and Universal Credit Eligibility

A claimants age, and their partners age, can affect benefit and tax credit entitlement.

Working age describes anyone who is below the current State Pension age of 65.

Universal Credit is for working age claimants only. Claimants over pension credit age are not eligible. If a claimant is in a couple, benefit eligibility is decided by the youngest claimant in the couple. If one partner is working age and the other is of pension credit qualifying age, the couple will be eligible for Universal Credit.

## **Universal Credit in Ashfield**

### Introduction of Universal Credit in Ashfield

A Universal Credit 'live service' was introduced in Ashfield (with the exception of Hucknall) in June 2015. The 'live service' applied to new claims from single people, who would otherwise have been eligible for Jobseeker's allowance.

In December 2016, the Department of Work and Pensions confirmed plans for the roll out of the Universal Credit 'full service'. The 'full service' covers all claimants and applied to new working age claimants only. Various dates were planned to implement the roll out but these were delayed.

Full service came into effect on the following dates:-

- Rurals – 13 June 2018
- Hucknall – 17 October 2018
- Sutton and Kirkby – 21 November 2018

In line with the dates above, all new working age claimants in Ashfield were required to claim Universal Credit in place of Housing Benefit. Ashfield District Council would no longer take on new Housing Benefit claims from most working age claimants. Ashfield District Council still process new claims from some working age claimants, including complex Housing Benefit claims.

Full migration to Universal Credit for all working age claimants (Starting with Employment Support Allowance) is anticipated subject to a pilot in Harrogate. This will increase the number of Universal Credit claimants dramatically.

### Ashfield District Council Planning for Universal Credit

In preparation for the introduction of Universal Credit and the overarching welfare reform, Ashfield District Council produced an internal Welfare Reform Strategy including:

- A summary of welfare reform legislative changes
- The anticipated impacts of welfare reform
- How Ashfield District Council will mitigate these impacts
- Financial inclusion
- A welfare reform action plan
- A welfare reform risk register

The Welfare Reform Strategy sets out Ashfield District Council's strategic objectives in response to the Welfare Reform Act 2012, with an emphasis on the introduction of Universal Credit in Ashfield.

The key priorities of Ashfield District Council identified in the Welfare Reform Strategy are:

- Promoting digital inclusion
- Enabling easier access to financial advice and money management
- Assisting people to move who are under occupying their current homes
- Practical advice and support for vulnerable applicants

## Ashfield District Council Universal Credit Support

Although Ashfield District Council has no direct involvement in Universal Credit assessments, payments, enquiries and appeals, many different steps have been taken to mitigate the impact of welfare reforms to both the Council and tenants.

A specialist Welfare Reform Officer was introduced to support tenants affected by Bedroom Tax, Benefit Cap, and Universal Credit with an additional 2 year fixed term post from January 2019. A Welfare Reform Apprentice has also been introduced to support the Welfare Reform Officers in their roles.

Policies and procedures, such as the Rent and Arrears Recovery Procedures and Lettings Policy, have been reviewed in light of the welfare reform changes, ensuring they are up to date, relevant, and support tenants where possible.

Good working relationships have been established with key partners such as the Department for Work and Pensions and the Citizens Advice Bureau with a focus on early intervention as a key component in helping people affected by welfare reform.

The Council's Tenancy Sustainment Officers provide a pre-tenancy service to new tenants, ensuring they are supported prior to and when moving into their new home.

The Council has undertaken the following in relation to welfare reform:

- Held welfare reform roadshows across the District
- Provided budgeting support and money management advice for residents
- Held financial capability sessions for tenants
- Organised 'getting on line' sessions for tenants
- Held fuel poverty roadshows
- Presented information to Community Groups and involved tenants in the District

The Council continues to work with tenants to minimise arrears and provide ongoing support where possible.

### **Impact of Universal Credit on Local Authorities**

Recent welfare reforms have seen the biggest change to the benefits system in decades, presenting local authorities with many potential different challenges to face:

- Reduction in rental income
- Increase in arrears and bad debt
- More intensive support for tenants and intensive case management
- Increased staffing costs

### **Impact of Universal Credit on Claimants**

The significant changes to the benefits system introduced through recent welfare reforms is potentially have a significant impact on benefit claimants as follows:

- Rent arrears/increased rent arrears
- Increased debt
- Reliance on food banks and charity organisations

- Financial hardship
- Difficulties in managing finances/budgeting
- Fuel poverty
- Longer wait times for benefit payment

### **Next Steps of the Review**

- Consider liaison with other key partners regarding Universal Credit, such as the Department for Work and Pensions and the Citizens Advice Bureau
- Gather evidence from ADC Finance to gain a further understanding of the potential impacts Universal Credit has had on Council finances thus far
- Consider the future implications of Universal Credit for claimants and the Council
- Assess current and future support needs for claimants

### **Implications**

#### **Corporate Plan:**

This review is focused on the following Corporate Plan Priorities:

- Community and Customer Focused, Putting People First
- Collaborative
- Commitment to Residents

#### **Legal:**

Any legal implications relating to the impact of Universal Credit will be considered as part of the scrutiny review process.

#### **Finance:**

Financial implications relating to the introduction of Universal Credit will be considered as part of the scrutiny review process, in collaboration with Finance.

<b>Budget Area</b>	<b>Implication</b>
General Fund – Revenue Budget	None.
General Fund – Capital Programme	None.
Housing Revenue Account – Revenue Budget	None.
Housing Revenue Account – Capital Programme	None.

#### **Risk:**

<b>Risk</b>	<b>Mitigation</b>
None at this stage of the review.	None at this stage of the review.

**Human Resources:**

None at this stage of the review.

**Equalities:**

Any equalities implications will be considered through the scrutiny review process.

**Other Implications:**

None.

**Reason(s) for Urgency**

None.

**Reason(s) for Exemption**

None.

**Background Papers**

None.

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