

<b>Report To:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE</b>	<b>Date:</b>	<b>16 JANUARY 2020</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 Scrutiny Review: Impact of Universal Credit has been ongoing since June 2019, undertaken through the Overview and Scrutiny Committee. The purpose of this report is to present Members with a summary of information and evidence considered over the course of the review, enabling Members to consider and approve final recommendations. The findings of this review will be presented to Cabinet in February.

### **Recommendation(s):**

- a. Consider the information and evidence gathered over the course of the review.
- b. Discuss and approve recommendations for presentation at February Cabinet.

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

The Overview and Scrutiny Committee added Impact of Universal Credit to the Scrutiny Workplan 2019/20 in June 2019.

### **Alternative Options Considered**

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

### **Detailed Information**

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

Overview and Scrutiny Committee Members began the Scrutiny Review: Impact of Universal Credit by agreeing a review terms of reference. The agreed terms of reference set out the review

rationale, objectives, indicators of success, review methodology, key witnesses, and information required.

### Rationale

Members recognised the importance of understanding recent welfare reforms and the impact they have had in Ashfield after introduction. The Committee acknowledged the introduction of Universal Credit as a cause of significant community concern both nationally and in Ashfield, and wished to review how Ashfield District Council works to support impacted claimants in the District.

Members also wished to understand how the introduction of Universal Credit might have affected Ashfield District Council financially.

### Objectives

Members undertook the review with the initial objective of gaining a further understanding of the following:

- Welfare reforms introduced in the past decade
- How Ashfield District Council has prepared and reacted to welfare reforms
- The impact of Universal Credit in Ashfield
- How Ashfield District Council is mitigating against these impacts
- How the introduction of Universal Credit has and will impact Ashfield District Council finances

Ultimately, the primary objective of the review was for Members of the Overview and Scrutiny Committee to understand the impact of the rollout of Universal Credit, from the perspectives of claimants and Ashfield District Council.

### Indicators of Success

Members agreed that early indicators of a successful review would be them achieving a further understanding of recently introduced welfare reforms such as benefit caps and Universal Credit, and how Ashfield District Council has planned to

### Key Witnesses

Key witnesses identified by Members at the onset of the review were:

- Service Manager – Housing Management and Tenancy Services
- Service Manager – Revenues and Benefits
- Representative from the Department for Work and Pensions

### Information and Evidence Required

Members wished to begin the review by exploring the measures and mitigation Ashfield District Council had in place in response to the introduction of Universal Credit. This would include discussing the Council's Welfare Reform Strategy and receiving a presentation from the Service Manager – Housing Management and Tenancy Services. Members also agreed to undertake the review with an initial focus on understanding Universal Credit as a service, why it was introduced, the aims of the service, and expected outcomes.

After establishing a clearer understanding of Universal Credit and wider welfare reforms, as well as Ashfield District Council's position in relation to this, the Committee would move on to examining the wider implications of Universal Credit and give thought to final recommendations.

## **Evidence and Information Considered**

### 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

### 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 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 claimant's age, and their partner's 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.

### *Advanced Payments*

Through Universal Credit, advanced payments are available if a claimant needs help to pay their bills or cover other costs while waiting for their first Universal Credit payment. For example, if a claimant cannot afford to pay rent or buy food.

An advanced payment is paid back through future Universal Credit payments, or other means such as wages or other benefit payments. A Universal Credit help adviser assesses the advanced payment application, and if agreed, informs the applicant of when the first repayment is due, and the monthly repayment amounts.

Deductions are made from a claimant's monthly Universal Credit payment, and up to 12 months can be taken to repay the advance. In exceptional circumstances, this can be delayed for up to three months if the repayments are unaffordable.

Some criticisms of the advanced payments system have been a lack of flexibility in repayment options and a lack of adequate affordability and repayment assessments.

### *Third Party Deductions*

Due to difficulties managing money, some claimants may struggle to pay household bills and can get into arrears.

In some circumstances, the DWP can deduct money from Universal Credit payments and pay it direct to the organisation that is owed, such as a landlord or utility supplier. Third party deductions can be taken without the claimant's consent and are often for things like:

- Rent
- Fuel costs
- Council Tax
- Fines

- Child maintenance

Only three third party deductions can be taken from a claimant at any one time. A claimant is notified through their Universal Credit Journal when a third party deduction is made. A third party deduction is a fixed percentage that cannot be changed

### *Financial Hardship*

If a claimant is experiencing financial hardship, a financial hardship decision can be requested to reduce the amount of debt they are currently repaying. A financial hardship decision can be considered by the DWP if the claimant has deductions being taken from their Universal Credit payment for the following:

- Tax credits debt
- Benefit debt
- Social fund loan
- Rent arrears (if the deduction for rent arrears is being taken at a rate greater than 10%)

If the DWP makes a decision to reduce a claimant's deductions, the new reduced deduction rate will be applied automatically to their next Universal Credit assessment period.

### *Alternative Payment Arrangements*

If a claimant is experiencing financial difficulties, such as being behind on their rent, the claimant or their landlord may be able to apply for an alternative payment arrangement.

This alternative arrangement can be:

- To have rent paid directly to a landlord
- To get paid more than once a month
- To receive split payments, if part of a couple

Alternative payment arrangements are applied for through a claimant's work coach.

### *Help to Claim*

Help to Claim is a service provided by Citizens Advice aimed at supporting claimants in the early stages of their Universal Credit claim, from the application through to the first payment. It is a confidential, independent, and free service with trained advisers assisting claimants on how to gather evidence for an application, and how to prepare for jobcentre appointments.

Help is tailored to the individual, and is available face-to-face, over the phone, and through an online web chat service. The Help to Claim service is funded by £39 million from the Department for Work and Pensions.

### 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
- Shifted resources towards more prevention work

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

#### Informal Working Group

An informal working group was held on the 7 August 2019, with attendance from Members of the Overview and Scrutiny Committee, Nicky Moss, Service Manager – Housing Management &

Tenancy Services, Peter Curry, Housing Management Advisor, Craig Scott, Service Manager – Revenues and Benefits, and Sue Fielding, Senior Employment & Partnership Leader – Department for Work and Pensions.

The working group provided an opportunity for Members and Council Officers to discuss the working relationship between the Council and the Department for Work and Pensions regarding Universal Credit, and what payment and support processes are in place. Members and Officers discussed the following at the informal working group:

- The process of applying for Universal Credit
- The Council's Universal Credit case load management
- Universal Credit payment processes such as:
  - Third Party Deductions
  - Managed Payments
  - Advanced Payments
- The Help to Claim service
- How Council Tax has been impacted by Universal Credit
- Information sharing between the Council and the DWP
- Food and Fuel Poverty

At the conclusion of the informal working group, Members agreed that the Scrutiny Review: Impact of Universal Credit should explore the different payment processes available through Universal Credit, and how the introduction of Universal Credit has affected food and fuel poverty nationally and in Ashfield.

## **Key Review Findings**

### First Payment Waiting Period

Universal Credit is assessed and paid in arrears. A claimant's personal circumstances are assessed to work out the amount of Universal Credit entitlement. The assessment period begins the date a claimant makes a claim, lasting one calendar month. Once the assessment period ends and entitlement is decided, a claimant will typically receive payment within seven days.

For example, if a new claim begins on 1 September, the assessment period would end on 30 September, and first payment would be on the 7 October. Subsequent Universal Credit payments would be paid on the seventh of each month following.

Many claimants, particularly those transferring from legacy benefits often do not have the resources to meet essential costs whilst waiting for their first Universal Credit payment, such as rent, food, bills, and childcare. This is exacerbated if there are any problems with a claim causing further delay.

Members have identified this function of Universal Credit as a key issue with the service, often compounding financial and wellbeing issues for claimants.

### Statutory Support

Members have found that often if a claimant is experiencing issues relating to Universal Credit, there is minimal statutory support available, with the most likely form of help offered being foodbank vouchers.



Advanced payments prove helpful for some, but many claimants find them to be too little or unaffordable to repay.

Members were informed that the Council, in particular the Housing Section and Revenues and Customer Services, have been proactively working with both the voluntary advice sector and other statutory partners to share and collect information. Members arrived at the conclusion during the review that timely data should also be collected and shared regarding:

- Use of food banks,
- Amount of hardship payments,
- Number/% of claimants who do not receive their first payment in full on time,
- Failed claims where residents have not completed their claim, or are refused UC, and reasons why

### Communication

During the informal working group and formal committee meetings, Members recognised that the Council had taken many positive steps to try to inform and assist claimants regarding Universal Credit, as detailed in the report.

Members noted that information on effective support and advice to residents is available both on the Council's website, within leaflets, and through officer advice. Members were clear that it should also be ensured that up to date information on specific help available should not only be provided in Council publications and online, but also through community buildings, local service providers and through informing our Elected Members.

Elected Member seminars were provided during the initial implementation periods, however as the Council held its District elections in 2019, some Members feel that they do not have sufficient experience or information to assist residents effectively.

### Financial Impact to Ashfield District Council

The introduction of Universal Credit has resulted in additional costs for being placed on Local Authorities nationally, with Ashfield no exception to this.

At the first meeting of the Overview and Scrutiny Committee, Members received a presentation delivered by the Council's Service Manager – Housing Management and Tenancy Services. Members were informed that (as of 1 July 2019) Ashfield District Council had 627 Universal Credit cases, and of these cases, 383 were in arrears, totalling 61% of all cases. The total arrears for these cases amounted to £161,985.36, an average of £422.94 per case.

Members further discussed the impact that the introduction of Universal Credit was having on claimants falling into arrear, and the impact that could have on the Council's budget and service delivery.

### Social Impact

Members have been centrally concerned with the severe financial difficulties that some claimants were and continue to be exposed to because of the introduction of Universal Credit. Members recounted some of the hardships that claimants and their families had approached them with, and stressed the importance of the role Ashfield District Council and partners must take in supporting claimants.

Ensuring adequate support through both the Department for Work and Pensions, the Council, and the voluntary sector is essential. To do this, timely information should be communicated between all involved agencies, detailing any change in circumstances because of Universal Credit in order to offer assistance at the earliest possible stage.

## **The Future of Universal Credit and Other Benefits**

Following the December 2019 General Election and the subsequent formation of a Conservative majority government, the continuation of Universal Credit has been ensured.

There is a tentative timeline of anticipated changes to Universal Credit, and other benefits, expected to be introduced throughout 2020.

### April 2020 – End of the Benefit Freeze

The end of the benefit freeze would mean Universal Credit and other working age benefits rising by 1.7 percent from April 2020. The freeze initially came into effect from April 2016, meaning most benefits and tax credits have not gone up in line with inflation for four years.

Other benefits that have been frozen but are now set to rise are income support, housing benefit, child tax credits, Employment and Support Allowance, working tax credits, and child benefit.

The end of the benefit freeze would mean someone on £1,000 a month in benefits would receive the equivalent of £204 extra over a year, or £17 a month.

### April 2020 – Pension Changes

Another change expected to be announced in the 2020 Budget is a 3.9 percent increase to the State Pension. This would mean £5.05 a week extra on the old State Pension and £6.60 a week on the new State Pension.

### April 2020 – Adult Dependency Payment

Adult dependency payment is a payment for a partner who is financially dependent on you and has not yet reached pension age. The scheme closed to new applications in 2010, and will cease entirely in April 2020.

This payment ceasing could result in reductions of up to £70 per week.

### June 2020 – TV License Changes

Government funded free TV Licenses for those aged 75 or over will cease in June 2020. From June 1, a new TV License scheme means you can only carry on getting a free TV License if you or your partner are receiving pension credit.

This could lead to increased costs of up to £154.50 per year for those who previously relied on the ending Government scheme, and are not entitled to pension credit.

### July 2020 – Universal Credit Transition Period

From July 22 2020, when moving across to Universal Credit, claimants will receive an additional two weeks of:

- Jobseekers Allowance
- Employment and Support Allowance
- Income Support

People are transferred on to Universal Credit if their circumstances change – this is called natural migration.

Everyone else on the six old benefits, which Universal Credit was introduced to replace, will be transferred to Universal Credit through a managed migration scheme ran by the Department for Work and Pensions – set to be completed by December 2023.

The extended transition protection will help to reduce the impact of the Universal Credit waiting period as claimants move across.

### September 2020 – Universal Credit Change for Self Employed

The Department for Work and Pensions use a Minimum Income Floor to calculate Universal Credit payments for self-employed claimants. Currently, the Minimum Income Floor is roughly equivalent to the national minimum wage for each hour the claimant is expected to work.

The Minimum Income Floor can lead to claimants having their Universal Credit entitlement calculated at a higher level of earnings than what they have been paid.

The Minimum Income Floor is not applied to those who started a business within the past 12 months. From September 2020, this 12-month exclusion period will also not apply to those who are naturally migrated to Universal Credit in self-employment and all those existing claimants who become newly self-employed.

### **Next Steps**

Following three meetings and five months reviewing this topic, Members have heard from a number of stakeholders including:

- Councillors (through their case work)
- Housing Services
- Revenues and Customer Services
- Department for Work and Pensions

Members should now consider concluding the review by approving recommendations to be presented to Cabinet. Members of the Committee have been clear that influencing larger scale government changes to the process is unlikely, therefore consideration should be given to those areas that the Council and its partners can influence and improve. This includes collaborative working, claimant support and effective forward planning.

## **Implications**

### **Corporate Plan:**

Due to the extensive impact the introduction of Universal Credit has had socially and financially, this review incorporates many of the Council's priorities and values set out in the Corporate Plan 2019 – 2023.

This includes:

- People Focussed
- Health and Happiness
- Homes and Housing

### **Legal:**

Any legal implications relating to the recommendations resulting from this scrutiny review will be considered and included in the final report presented to Cabinet.

### **Finance:**

Any financial implications relating to the recommendations resulting from this scrutiny review will be considered and included in the final report presented to Cabinet.

<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>
Social risk to claimants.	Ensuring Ashfield District Council works with partner organisations to provide support and guidance to Universal Credit claimants.
Financial risk to Ashfield District Council.	Ensuring Ashfield District Council has measures in place to address or mitigate any financial risks resulting from the introduction of Universal Credit.

**Human Resources:**

Any human resource implications relating to the recommendations resulting from this scrutiny review will be considered and included in the final report presented to Cabinet.

**Equalities:**

During the course of this review, consideration has been given to equality implications relating to Universal Credit, particularly towards disabled and ill health claimants.

**Other Implications:**

None.

**Reason(s) for Urgency**

None.

**Reason(s) for Exemption**

None.

**Background Papers**

None.

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