

SCRUTINY COMMITTEE

UNIVERSAL CREDIT POTENTIAL RISKS AND MITIGATIONS

**REPORT OF THE STRATEGIC ADVICE SERVICES MANAGER, PEOPLE
DIRECTORATE**

1.0 Purpose of Report

- 1.1 At the last meeting of the Committee, it was agreed to receive an update report in respect of on-going activity to mitigate the impacts of welfare reform and some information specifically around the timeline and issues associated with Universal Credit Full Service rolling out in the city.
- 1.2 Joan Reed Strategic Advice Services Manager will provide the Committee with a presentation on Universal Credit and the potential risks and mitigations.

2.0 What is Universal Credit (UC)

- 2.1 UC combines six working age means tested benefits / tax credits into one single payment. (*Income based Jobseeker's Allowance, Housing Benefit, Working Tax Credit, Child Tax Credit, income related Employment and Support Allowance and Income Support.*)
- 2.2 Originally planned for implementation from October 2013 and with full transfer of existing claimants by 2017 it is now running 4-5 years late. The design and implementation has been beset with problems, with many of its features giving rise to significant concerns and although it was intended to 'make work pay' some design aspects of it continue to pose risks for some customer groups:-
 - UC consists of one single monthly payment (including housing costs), paid monthly in arrears with a waiting period (before any entitlement)
 - Minimum 6 week delay before first payment - including fluctuating payments
 - Everyone who receives Universal Credit will be placed in a conditionality group based on their circumstances and work capability. The group that they are in will determine what is expected of them during their claim. e.g. work preparation
 - Full Service brings with it the requirement to make and, manage claims and other transactions online.

3.0 Universal Credit (UC) - Recent National Announcements

- 3.1 In November 2017 Government announced a delay in UC roll out and significant extra support being made available for residents when they are required to claim it – and until they receive their first payment. These concessions were made as a result of concerted pressure and mounting evidence about the negative impacts that UC design and delivery have had so far. As a result the Government has confirmed:

- A slowdown in the roll out UC Full Service (UC FS) for new claims and changes in circumstances. UC FS covers all working age means tested benefits (except Council Tax Support) and Tax Credits – with roll out Sunderland pushed back from May to July 2018 (at this stage).
- UC Live Service is closing for new claimants from 31 December 2017, so that new claimants will have to claim JSA / Housing Benefit again after that.

- 3.2 Both of these will allow improvements to be made to UC design, systems and importantly to the initial support available to customers, and some additional safeguards for landlords before these are again rolled out more widely. The ending of Live Service while surprising also seems to implicitly recognise the fact that this was not fit for purpose.
- 3.3 At the same time the government addressed two major cross party concerns (delays in making initial payments due to the 7 day waiting period and the 6+ week delay in receiving payment) by scrapping ‘waiting days’ and providing payments by way of full advances for UC claimants from early 2018 onwards. This will mean up to 50% of the first month’s payment – with the following six months’ payments adjusted to account for this.
- 3.4 From January 2018, new Universal Credit claimants will be offered an advance of up to 100%, and all payments of advances recoverable over 12 months. In addition, from spring next year, customers will be able to apply for an advance online – further increasing accessibility for those who need it.
- 3.5 Nearly all of the most vulnerable claimants currently receive Housing Benefit, and changes mean that claimants who were previously receiving Housing Benefit will receive a transitional payment – an extra two weeks support worth on average £233 per claimant – when they move to Universal Credit. This will be unrecoverable, automatic and received early in the first assessment period.
- 3.7 In relation to temporary accommodation, the funding shortage seen by Councils’ when they place people into temporary and emergency accommodation will change. Previously they could only recoup around 50% of the cost from Universal Credit; this housing support will be increased to 80% of their expenditure on temporary accommodation.
- 3.8 Although welcome it is recognised that these improvements do not at this stage address the longer term issues linked to UC. These include reductions in in-work incentives, lower payments / payment rates for many residents, and greater demands for budgeting help / digital support as well as for a range of information / advice. These include support to manage increased conditionality (as evidenced by reported increasing UC sanctions rates even within Live Service).

4.0 Universal Credit – Sunderland Issues and Preparation

- 4.1 The council and partners have worked together in order to successfully implement UC Live Service from 2015 and will be doing so again for UC FS although it is recognised that this implementation is of a greater magnitude. Initial projections were for 40 -60 new claims per week (and the same number of change of circumstances claims) with at least 30,000 claims in total by 2022.
- 4.2 There are just over 9,000 children living in the 19,000 Working Age Households currently receiving Housing Benefit. This provides a minimum baseline for the number of children in families that will be affected by UC on whom the council holds direct data.

Issues

- 4.3 Partners report numerous concerns / issues regarding UC, and unfortunately as there are fewer solutions/ options to sort these out we may see people reaching crisis points quite quickly. The obvious impacts are financial but this will link into a wider range of impacts linked to health, wellbeing, relationships and increased crime.
- 4.4 The main issues reported from other areas that have gone live with full service include:-
- Concerns that despite publicity , customers who need help do not know where to go or what is available ; and real issues for individuals and services being able to contact DWP to deal with issues and queries
 - Services being swamped/ having increased workloads
 - Issues around literacy and digital skills/confidence and access to IT including tenants becoming more reliant upon their landlord for support.
 - From a housing perspective private landlords are reported as being reluctant to take on UC claimants and /or moving more quickly to evict tenants.
 - Social housing providers are experiencing higher levels of arrears which may lead to more eviction activity. (The payment structure of UC in arrears means that the UC-Customer is automatically in arrears and the UC paid direct / monthly to them). Rent collection is proving more difficult for some as there is never a set, firm payment date
 - Overall we may see more people at risk of homelessness or presenting to the Council as homeless.
 - Particular concerns around the monthly payment impact on vulnerable people with mental health issues, substance misuse or in abusive relationships
 - Increases in the use of food banks and the number of claimants skipping meals to enable them to feed their children
 - Further financial hardship and debt brought to those who have had an advanced payment as most have been clawed back over three months
 - Issues with applying for APAs if claimants work variable hours which makes the calculation more difficult
- 4.5 Appendix 1 contains more information about the issues and planned responses.
- 4.6 *Wider Welfare Reform programme:* The roll out of Universal credit is part of an on-going programme of reforms for people mainly of working age which have so far included
- Housing Benefit changes / reductions (including Bedroom Tax , LHA Reductions, Benefit Cap – and replacement of Council Tax Benefit by less generous local Council Tax Support schemes
 - 15+ Tax Credit changes / reductions reducing the numbers that qualify and the amount paid
 - On-going changes to or replacement of existing sickness and disability benefits (Employment and Support Allowance , and Disability Living Allowance / Personal Independence Payment respectively)
 - Restricted or frozen benefit / tax credit payment rates

The key reforms were projected to cost Sunderland residents £150 million per year by 2020-2021, with the majority of these also affecting working age families.

5.0 Mitigation of Welfare Reform in Sunderland

5.1 Specific and staged responses to welfare reforms are being planned and delivered broadly in relation to the following categories:-

- **Digital inclusion (DI):** provides greater customer choice, increased opportunities and social inclusion.
- **Financial inclusion (FI):** enables better money management, planning for the future and coping more effectively with financial pressures and distress.
- **Crisis Support (CS):** helps residents respond more effectively to changes in their financial circumstances, or unforeseen financial emergencies.

5.2 Appendix 2 provides a brief progress update for these areas.

6 Recommendation

6.1 That the Committee consider and comment on the report.