

**REPORT FOR: OVERVIEW AND SCRUTINY COMMITTEE**

---

**Date of Meeting:** 24/03/2015

**Subject:** Local Implementation of Universal Credit

**Responsible Officer:** Tom Whiting, Corporate Resources Director

**Scrutiny Lead Member area:** All Policy & Performance Lead Members

**Exempt:** No

**Wards affected:** All

**Enclosures:** None

**Section 1 – Summary and Recommendations**

Universal Credit is a major part of the Coalition Government’s welfare reform programme and has been piloted in a number of authorities and is scheduled to roll out for new Job Seekers Allowance (JSA) claimants in Harrow between October and November 2015.

It has been designed to unify and simplify a number of both in-work and out of work benefits and to ensure that work pays.

In the first phase of roll out for Harrow, only single adult jobseekers will claim Universal Credit. For those claiming Universal Credit there will be significant changes in the way they claim benefit which will be on-line and the way they are paid which will be monthly in arrears, to cover all costs including rent.

There are implications for Harrow Council in terms of changes to Housing Benefit and Council Tax Support and the services that DWP commissions to support the roll-out of Universal Credit. This report provides information on Universal Credit, its implications for residents who will be claiming, the Council and the preparation that officers have been doing to anticipate its implementation.

## **Recommendations:**

1. Note that the roll out of Universal Credit is scheduled to commence in Harrow during October and November 2015.
2. Members are requested to also note the fact that should Harrow decide to participate and act as front line delivery support for the DWP, Harrow would need to sign a Delivery Partnership Agreement with the DWP which would be subject to a key decision, and a report would need to be put to Cabinet about this in the near future.

## **Section 2 – Report**

### **Introduction**

Universal Credit is the most significant part of the Government's welfare reform programme, yet to be fully implemented.

It is designed to make work pay so that people are better off in work than claiming benefits and brings together both in-work benefit and out of work benefit. Universal Credit (UC) should enable people to move in and out of work more smoothly and eliminate disincentives to work. There will be access to Real Time Earnings HMRC data by Department of Work & Pensions (DWP) staff to enable claimants to receive the correct level of financial support as their circumstances change and this is also designed to increase efficiency in processing and handling claims. Pilots for Universal Credit were initially developed in a few authorities who acted as "pathfinders". UC is now being rolled out across the country, including Harrow.

Universal Credit (UC) is the new Department for Work and Pensions' (DWP) benefit which replaces a range of existing benefits:

- Income-based Jobseekers Allowance
- Income-based Employment and Support Allowance
- Income Support
- Working Tax Credit
- Child Tax Credit
- Housing Benefit

### **Background**

1. Universal Credit is the implementation of a single benefit to replace six existing working age benefits. It is intended to simplify an increasingly complex benefit system with one single monthly payment made to the claimant, with an increased focus on work incentives.
2. Pathfinder sites have been in place since 2013 in the North West of England, alongside national demonstration projects testing elements of the Universal Credit programme. In October 2014 the Secretary of State for Work and Pensions issued a ministerial statement confirming

that Universal Credit is to be rolled out “...from February 2015 to all remaining Jobcentres and Local Authorities for new single claimants previously eligible for Jobseekers Allowance, including those with existing Housing Benefit and Tax Credit claims.”

3. This is a considerable change from previous communications received about the Universal Credit rollout programme and represents a significant acceleration in the timetable. Rollout will be in four tranches nationally starting March 2015, with implementation in Harrow commencing from October 2015.
4. It is recognised that the transition onto Universal Credit will be harder for some claimants than others, and there is a need for varying levels of support. In February 2013 the Department for Works and Pensions (DWP) published the Local Support Services Framework, rebranded in 2014 as Universal Services – Delivered Locally. This framework identified the support that DWP state people would need to make the transition on to Universal Credit and acknowledged that there would be a role for delivery partners such as the local authority.
5. The Universal Services – Delivered Locally programme is still to be clearly defined. In the interim DWP has published a Delivery Partnership Agreement (DPA) which lays out its expectations of the role of local authorities in the implementation of Universal Credit, which is expected to be superseded by Universal Services – Delivered Locally after the first year of running. The DPA will also detail the funding offer to local authorities to deliver these services either directly or through a commissioning route.
6. The public services defined by DWP and contained within the DPA are intended to support the more vulnerable Universal Credit claimants who may not otherwise be able to manage the transition independently. The key elements focus on online support and personal budgeting advice. In addition DWP require advice from local authorities to support their Universal Credit delivery centres both in the closing down of Housing Benefit claims, but also, and of greater concern, in regard to more complex housing cost assessments within the Universal Credit calculation.
7. Furthermore the DWP acknowledge that there will be a cost to the local authority to adjust Council Tax Support claims at the point that Universal Credit is claimed, and to assist DWP in raising awareness amongst landlords and ensuring they are in a position to support tenants in their Universal Credit claim; the level of support to private landlords is currently very limited.

8. What the DPA does not consider is the other impacts that Universal Credit will bring to local authorities, including increased demand on other services due to financial and social impacts of Universal Credit and the loss of income, for example from council rents as payments are no longer made directly to the rent account. Neither does it define the Universal Credit delivery centres' service standards to give assurances that backlogs won't accumulate, or detail channels for cases to be prioritised, such as private sector eviction cases.
9. The DPA also makes an assumption that local authorities will be willing to participate in the delivery of Universal Credit and doesn't acknowledge that the local authority's statutory duty is limited to the closure of the existing Housing Benefit claim. It may therefore be a viable position for the local authority to decline to take on any role under the DPA or Universal Services – Delivered Locally programme, while accepting that additional demand on services will be created whether the local authority signs the DPA or not.

### **The Position in Harrow**

10. Harrow is due to begin implementing Universal Credit in October 2015. DWP has announced that this will initially only be for single claimants who would otherwise have claimed Job Seekers Allowance. Working Tax Credit and Housing Costs will also be included where relevant to the individual. It is expected that this will expand into couples, followed by households with children, but it is not known when these cohorts will be brought in.

The local Job Centre Plus has approached the local authority and arranged a meeting with the Director of Customer Services and Head of Service, Collections & Housing Benefits, for the middle of March to begin the conversation regarding implementation of Universal Credit in the borough, and the role of the council. Based on the limited information currently available, the Administration has stated the council's position as:

***“We appreciate that this is a very important service to our residents and would like to provide support. However, we cannot and will not undertake this work unless we can fully recover all our costs. Any agreement entered into must give certainty regarding cost recovery and be sustainable into the long term (2-3 years minimum).”***

11. Whether or not the council elects to be proactively involved in the delivery of Universal Credit, it needs to recognise that there will be impacts on residents and council service delivery. The borough has 13,000 working age Housing Benefit claimants who will ultimately transition onto Universal Credit.

## Universal Credit

12. Universal Credit has now been introduced in several Local Authorities. The first cohort was new single claimants. This typically includes people whose employment status has changed, either a move to unemployment or a reduction in earnings, and those who are have reached an age where a claim for benefits is appropriate.

Whilst UC brings together 6 key working age benefits, pensioners will not be part of Universal Credit and it is not known what the proposals are for pensioner claimants.

Households in enhanced management will also not be included in Universal Credit, remaining with local authorities for financial assistance with their rent. The detail around this cohort still needs to be defined, e.g. what will the funding be in respect to both rent awards and administration.

A household could currently receive multiple payments for different benefits at different points in a month. Job Seekers Allowance, Employment Support Allowance and Income Support are administered by Department for Work and Pensions (DWP), Working Tax Credits and Child Tax Credits by HMRC and Housing Benefit by local authorities on behalf of DWP. Universal Credit will be assessed by DWP at regional delivery centres, reducing the number of organisations a claimant has to navigate around to receive their benefit entitlement.

13. Universal Credit requires applicants to sign a 'claimant commitment'. This is an agreement developed with the Job Centre to define the expectations on the individual to find work or increase their working hours. If the individual is deemed to have failed to meet the criteria laid down in their claimant commitment without good reason, they are at risk of having their Universal Credit sanctioned. Sanctions will result in a reduction to the level of Universal Credit awarded.

Seven waiting days will be applied to the start of a Universal Credit claim. This will mean that all claimants receive no benefit for the first seven days of entitlement. While waiting days exist for certain benefits currently, there is no similar criteria in the Housing Benefit scheme so claimants will start to have to manage the rent for the first week of their claim. They will have no access to any funds to recuperate this gap in entitlement, although there could be an increase in demand on local authority's Local Welfare Provision schemes (Emergency Relief Scheme or ERS in Harrow) to assist during this period.

14. Universal Credit is intended to offer a more gradual withdrawal of benefit from people as they increase their pay by focusing on level of earnings rather than hours worked. As the same benefit is payable whether someone is in or out of work, it is expected to make the transition into work and increasing hours worked less difficult.

On average, the level of entitlement under UC will increase for households by £16 a month, although this figure varies by income level and household type. 3.1m people are forecast to see an increase in their overall benefit entitlement, while 2.1m people will see a decrease. The real gain is envisaged to be through higher take-up and improved work incentives. Transitional protection will be given to all households already in receipt of benefit to ensure they do not lose out when they move onto UC.

15. The Benefit Cap, a maximum level of benefit entitlement, is currently restricted to Housing Benefit. While the Benefit Cap is calculated across all relevant benefits, a household may continue to receive in excess of the cap (£500 for families and couples, £350 for single people) as it is currently only applied to Housing Benefit. Once a household receives Universal Credit, the cap will apply to the total benefit payment, resulting in households losing some of their income benefits as well as housing cost support.

Universal Credit is paid as a single monthly payment, intended to act like a salary and reduce barriers to work to assist claimants in learning to budget as if in work. Where households have previously had different benefit payments staggered throughout the month, they will need to budget to ensure the single payment lasts the month.

Changes in circumstance will be calculated from the start of the monthly assessment period. Where a household moves from a higher rent property such as temporary accommodation into cheaper accommodation, they will receive Universal Credit for the whole month based on the lower rent charge and will be required to find the shortfall at the start of the assessment period from other sources. Conversely a household moving into more expensive accommodation could find that they benefit from this clause.

Households who are paid earnings on a four weekly basis will also be detrimentally affected as they will receive 13 salary payments over a year and Universal Credit will be paid over 12 months. At one point each year the household will receive two salary payments during the Universal Credit award period (month) which will result in their earnings being doubled in the Universal Credit calculation and their entitlement substantially reduced when their circumstances have not in reality changed.

These types of changes to the benefit system will result in households having to find additional funds to balance their budgets due to shortfalls in Universal Credit.

16. The default approach will be to pay the full award to the claimant rather than payment of housing costs directly to landlords. Housing Benefit is currently paid directly to social sector landlords in the majority of cases, and can be paid to a private landlord either where there are eight or more weeks of arrears, or to safeguard the tenancy.

Alternative Payment Arrangements (APAs) are available under Universal Credit, but will only be available for vulnerable households or where there are eight or more weeks of arrears. This signifies a major change for social rented sector tenants, and their landlords who will need to invest additional resource into rent collection and manage an increase in the level of arrears as they compete for their tenants' money with other creditors such as council tax or fuel bills.

17. At the point of claiming, a claimant will be triaged to identify their level of vulnerability. Depending on their vulnerability 'score' they will be offered additional support via personal budgeting advice and potentially an Alternative Payment Arrangement (APA). APAs will always be made on a temporary basis and reviewed to determine whether the claimant has transitioned in to a position where they are able to be self-sufficient. The review period will vary from 3 to 24 months, and the decision will consider various factors including rent arrears and mental health.

18. Currently DWP has offered a phone line to social landlords to assist them in supporting their UC tenants. Experiences to date indicate that the phone line is not sufficient to cope with demand and social landlords are finding it difficult to access DWP.

The DWP has adopted a trial and learn approach to UC with a number of pathfinder and demonstration projects. The direct payment demonstration projects experienced an increase in arrears in the first year of running. It is estimated that a medium size housing association (6,000 properties) will see a reduction in rent collection of 6 percentage points, a potential loss of £1.3m.

19. When UC was first announced the DWP branded it as 'digital by default'. Through the test and learn model this has diluted to a 'digital by design' model which acknowledges that not all claimants will be in a position to claim independently online. To test the end to end digital system Sutton Council has been set up as a live trial site. Sutton is the only area in the country that will accept claims from any household type. IT systems are being tested to ensure they are robust enough to cope with all claim scenarios and interface with relevant systems such as to enable the Real Time Interface and allow automatic updates from earnings where employers are registered.

DWP has always stated that the IT systems are on track to support the rollout of UC. Feedback from the tranche 1 local authorities indicates this may not be the case but there is no substantiating evidence. From the claimant's perspective, they will only be able to access UC via an online claim. DWP anticipate local authorities providing digital support to assist residents in making a claim. While it is not expected that this will be a major concern in year 1 as the cohort going live are single people who would otherwise have claimed Job Seekers Allowance. As Job Seekers Allowance can only be claimed

electronically and the majority are under 25, this cohort will largely have experience of accessing online services. However as the roll out expands and accelerates the burden on the local authority or its commissioned services will grow and funding must be sufficient to ensure the service delivery is robust enough to cope.

## National Timetable

Pathfinders commence in North-West. Started with new claims from single people who would otherwise have claimed Job Seekers Allowance and expanded to couples and now families. Housing costs introduced in 2014.	April 2013
Pathfinder sites in areas outside of North-West including Hammersmith & Fulham following same cohort rollout as above	Oct 2013
Demonstration projects – various national	2013 - 2014
National rollout acceleration announced to commence with new claims for single people who would otherwise have claimed Job Seekers Allowance including housing costs	Oct 2014
National Rollout Tranche 1 including 6 London Boroughs	Feb – Apr 2015
National Rollout Tranche 2	May – July 2015
National Rollout Tranche 3 – including <b>Harrow in October 2015</b>	Sep – Nov 2015
National Rollout Tranche 4	Dec 2015 – Apr 2016
Migration of legacy benefits begins	2016
End of new claims to existing benefits	End 2017
Employment Support Allowance claims to be incorporated later in the rollout plan	Unknown
Universal Credit implementation complete	2020

As at 15 January 2015, there were 26,940 Universal Credit claimants, with over 54,000 having claimed since April 2013.

## Findings from the pathfinders and demonstration projects

20. DWP has taken a test and learn approach to Universal Credit, using demonstration sites to test elements such as direct payments to social sector tenants, and learning from the pathfinders to adapt proposed delivery models and identify good practice. When Universal Credit was first announced, DWP saw a very limited role for local authorities in its delivery. However, as the programme has evolved, DWP has gained an understanding of the crucial role local authorities play in supporting residents and their partnership with the voluntary sector and private and social sector landlords. DWP now believes that councils are best placed to provide and commission services that will respond to the different needs of the local population to give claimants access to effective support while transitioning onto Universal Credit.

21. In December 2013 DWP published Universal Credit – Local Support Services Update and Trialling Plan, which reported on the work carried out to date either through demonstration projects or by pathfinder sites.

Areas included in the trials were:

- Partnership working
- Partnership agreements
- Financial management including value for money
- Effective delivery of front line services
- Work readiness and Application of the European Social Fund
- Direct payments
- Digital live trial

Trials were carried out by various organisations across the country either in partnership or independently. The majority were led by local authorities, including in London, but other organisations such as Job Centre Plus offices, Citizens Advice Bureau and Housing Associations were also involved. The findings from the trials focus on Triage, Digital Inclusion, Financial Inclusion and Personal Budgeting Support and Building and Maintaining Partnership Working. It should be noted that while the trials give an insight into some of the issues claimants might face and how people will react to the changes Universal Credit will bring, many of the trials were unable to give a true understanding of the impacts due to limitations of the trials. Services delivered in the trials varied depending on the focus of the project, and the region the project was based in, e.g. rural or urban. Some examples of the good practice identified are:

- In Lewisham claimants were triaged through a telephone call and use of a script for call centre advisors to obtain a score that will then determine if the customer is 'vulnerable' and will require additional services. Individual support plans were then developed with clients which were passed on as part of the referrals to agencies for ongoing support.
- Digital Deal projects across the UK tested various approaches to helping social housing tenants get online such as installing free wi-fi in tenant blocks; refurbished, affordable computers were made available with equipment loans some from credit unions; home based one-to-one support was offered
- A number of local authorities including Milton Keynes found that group budgeting advice was less successful, possibly due to the stigma attached. However where an organisation that was trusted by the local community, such as a football club, ran the sessions, the attendance levels increased.
- Mapping of existing services in the borough to identify gaps was essential to the success for a number of the projects. A holistic approach to the delivery of support services was also key, with an emphasis on one-to-one advice, potentially over a prolonged

period, to gain the most effective and sustainable results for the individual.

The report did not provide detail on funding provided to local authorities or other partners to enable services to be delivered.

22. In February DWP also published Universal Credit At Work report which shows the outcomes from the first 6,000 Universal Credit cases. DWP research shows, compared to JSA, claimants are doing more job search activity, finding work quicker, staying in work longer and earning more. The research shows that, over a 4 month period, claimants are:

- 13 per cent more likely to have been in work than those on JSA
- earning more money

Similar to previous findings, the report also confirms that new Universal Credit claimants in the expanded sites are more likely than JSA claimants to:

- believe the benefit system is encouraging them to find work
- take any job they are able to do
- spend more time looking for work.

## **Support Services and the Delivery Partnership Agreement (DPA)**

23. DWP has developed the Delivery Partnership Agreement (DPA) to establish a framework agreement between Job Centre Plus and the local authority for the delivery of services to support residents in the transition onto Universal Credit, initially for the first year of running after which it will be replaced by Universal Services Delivered Locally (USDL). USDL is expected to be a more sustainable version of the DPA, which looks at the longer term, rather than focusing on implementation as the DPA does.

Schedule 1 of the DPA sets out the services to be delivered by DWP and the local authority. What is most notable is the level of provision expected by the local authority compared to the DWP. While the DWP will assess Universal Credit at their Benefit Delivery Centres, local authorities would be responsible for delivery of front line support.

24. Six London boroughs are in tranche 1, with Brent, Wandsworth and Barnet the first to go-live. The six sites have jointly approached DWP to raise their concerns around the DPA. Following relatively small concessions from DWP, the first three sites are expected to sign the DPA while expressing their concerns around specific elements which are detailed below. Some of the sites are uneasy that if a local authority did not sign up to the DPA, then an opportunity to enter an agreement under Universal Services – Delivered Locally would not be made available at a later date. There is no evidence to support this

although if solutions outside of the local authority are put in place, then DWP may be more likely to scale these up as Universal Credit expands, rather than implement new solutions with the local authority.

25. A key concern is that the agreement is not in reality a 'partnership', but a framework detailing the local authority's role in Universal Credit. A lack of agreed service standards on behalf of the DWP leaves local authorities at risk of being unable to cope with demand should there be delays in the assessment process. Furthermore there is a lack of access for claimants, landlords, local authorities and other advice organisations to information relating to claims. Although there are steps to reduce the barriers around data sharing, the systems are not in place to enable information to be obtained, e.g. at present local authorities can use the DWP's IT system to access DWP benefit data, this is not expected to be available under Universal Credit.

This lack of access will restrict the effectiveness of advice given, further frustrate private landlords whose stock is already in short supply for benefit tenants and ultimately put resident's tenancies at risk. Local authorities will potentially be in the position where they are the front face of Universal Credit, but are unable to access the required information to advise claimants on progress or to influence the claims process. The DPA includes the support services DWP expect some Universal Credit claimants to require when they transition across. Two key areas are digital support and personal budgeting advice.

26. DWP has set up a trial digital site in Sutton. This is to test the end to end process for both the customer and the back end systems. The live trial will provide learning on claimants' needs to enable them to transact online, for inclusion in the Universal Services Delivered Locally programme. It is envisaged that at the roll out of Universal Credit demand for digital assistance from claimants will be limited due to the characteristics of the cohort who are single job seekers.

27. Personal Budgeting Support has been considered by DWP in Personal Budgeting Support and Alternative Payment Arrangements Guidance. It states that money advice is to be provided to help claimants cope with managing their money on a monthly basis and paying their bills on time and will be offered online, by phone, or face to face by organisations with the relevant expertise to do this.

28. Alternative Payment Arrangements (APA) are made available for some claimants who cannot manage a monthly payment and where there is a risk of financial harm to the claimant or their family. This might include rent paid directly to the landlord, a more frequent than monthly payment, or a split payment between partners.

The guidance document sets out considerations for decision makers on how to assess a need for money advice and/or APA. Claimants will be triaged by their Jobcentre Plus work coach at their Initial Work Focused Interview, or, for existing claimants, at the point at which they migrate onto Universal Credit. Once the claim is in payment, a need for money advice could be triggered by information provided by the claimant, representative or landlord e.g. where rent arrears are accruing. The reasons listed in the guidance as being highly likely/probably resulting in an Alternative Payment Arrangement are:

- Drug/alcohol and/or other addiction problems eg gambling
- Learning difficulties including problems with literacy and/or numeracy
- Severe/multiple debt problems
- In temporary and/or supported accommodation
- Homeless
- Domestic violence/abuse
- Mental health condition
- Currently in rent arrears/threat of eviction/repossession
- Claimant is young: a 16/17 year old and/or a care leaver
- Families with multiple and complex needs

While the DPA acknowledges the role of the local authority in delivering the services identified by DWP, it does not acknowledge the broader impacts Universal Credit will bring to local authorities. To date these have been identified as including:

- Additional demand on local authority customer services by Universal Credit claimants;
- Increased cost of collecting rent as housing costs are paid directly to tenants;
- Managing increased arrears and a rising bad debt provision;
- Additional demands on housing needs services;
- A reduction to an already shrinking private rented sector for benefit tenants as landlords become increasingly nervous about the financial risk benefit tenants bring;
- Increased council tax arrears as residents struggle to manage their monthly payment in arrears;
- Additional demand on other services, such as children's services, due to social impacts of financial pressures on households;
- Rising demand and administration costs on local authority discretionary funds such as Discretionary Housing Payments

(which DWP cut by 40% in Harrow for 2015/16), Emergency Relief and section 17 payments in Childrens Services;

- Loss in Housing Benefit overpayment collection as ability to collect directly from Housing Benefit is lost and local authority will be reliant on DWP for collection from UC and LA will be in competition with other creditors for recovery;
- Delays in Council Tax Support assessment due to delays in notification of UC entitlement by DWP;
- Increase in Housing Benefit overpayments raised due to delays in notification of UC entitlement by DWP

29. Consideration must also be given to the position of the voluntary sector given the levels of cuts to grants. It cannot be assumed that even with sufficient funding that either the VCS or local authority will have the services in place to scale up by the time the Universal Services Delivered Locally is rolled out after year one of UC.

30. The final, and possibly most concerning aspect of the DPA is the funding offer. Based on the grants offered by DWP to a tranche 1 London borough, the forecast financial position for Harrow has been detailed later in this report. Where DWP has identified service delivery needs, the costings are unrealistic. The DPA states that funding will be capped at the forecast demand levels, even if demand exceeds this volume. In addition, as detailed above, DWP has not acknowledged all of the services impacted in the local authority and so these have not been included in the funding.

Funding will be made on a monthly basis when the local authority submits an invoice for the services delivered, up to a pre-stated upper value. This requires the local authority or commissioned service to record all UC contacts made at various access points, adding cost to the administration of the DPA and adding a risk to the local authority that it could under claim. Furthermore with the upper limit set prior to UC rollout, should demand exceed forecasts then the local authority could continue to see residents access services that they will not be reimbursed for.

## **Potential Impacts / Issues**

31. Housing Benefits and Council Tax Support - Staff. The Housing Benefit service incorporates the assessment of Council Tax Support. 40 FTE administer the two benefits. As Universal Credit has been expected to be implemented for a number of years, the service has not appointed to vacant posts, reducing the risk of redundancy for staff. Pensioner and more complex Housing Benefit claims will be retained along with Council Tax Support, requiring Benefit Assessment Officers to administer the claims. DWP are still considering TUPE opportunities

for local authority staff, although their initial view was that TUPE was not an option.

32. Overpayments – Additional Housing Benefit overpayments will be raised when claims migrate on to Universal Credit. This is because DWP have given a 30 day turnaround time to inform local authorities of the change, resulting in a creation of an overpayment once the claim is closed.

Approximately £1.2m Housing Benefit overpayments are collected from ongoing Housing Benefit currently. When Housing Benefit migrates to Universal Credit the local authority will be left with debt which it will struggle to recover without this collection channel. Legislation allows Housing Benefit to be collected from Universal Credit but there will be higher administration costs and it will be in competition with other creditors.

33. Resourcing back office support to Universal Credit Benefit Delivery Centres – DWP require local authority Housing Benefit offices to support the delivery centres in the assessment of more complex housing costs under Universal Credit. The current funding offer is not deemed to be sufficient to cover this cost given the lack of knowledge and experience DWP has in assessment of housing costs

34. Council Tax Support – the local authority will need to know the level of Universal Credit entitlement to calculate Council Tax Support. DWP has stated that this will not be available until the claim is put in to payment at least 30 days after the date of entitlement. Local authorities will not at this stage be able to access this information online in the way they do currently with existing DWP benefits, hence increasing administration costs and delaying assessment of Council Tax Support.

There is also a risk of underclaiming of Council Tax Support as it will sit outside of the Universal Credit system. Claimants currently apply for Council Tax Support at the point they claim Housing Benefit. It is anticipated that many will not understand that they have not made an application for all means tested benefits at the point they submit a claim for Universal Credit and could therefore not receive Council Tax Support they would be entitled to. This will also impact on Council Tax collection rates.

35. Discretionary Housing Payment (DHP) – In 2015/16 Harrow has seen a 40% reduction to its DHP fund which was already insufficient to meet demand in the borough. There is no new DHP element to support residents transitioning on to Universal Credit. The roll out of Universal Credit is expected to see a further increase on the DHP fund due to additional sanctions, longer waiting days and an inability to manage financial affairs when housing costs are paid directly to the tenant. DHP will continue to be administered by the local authority and the funding gap will create financial pressures both on residents and other services in the council such as Housing Need.

36. Emergency Relief Scheme - The Emergency Relief Scheme is expected to see an increase in demand when Universal Credit rolls out due to residents finding it difficult to manage their finances once they receive all of their benefits in a single monthly payment. As they move toward the end of their payment period and have spent all of their award, they will turn to discretionary funds such as Emergency Relief for emergency assistance. This will be further exacerbated by the additional sanctions introduced in the Universal Credit scheme and seven waiting days at the start of the claim.

37. Council Tax

As council tax payers who claim Universal Credit may find it difficult to manage their finances, there is a risk to council tax collection. Many social sector tenants will be receiving their housing costs element for the first time and learning to budget the different bills they need to pay from their Universal Credit. As such they could find they do not have sufficient funds remaining to pay their monthly council tax charge. This will be exacerbated if households under claim due to confusion around how to apply for Council Tax Support outside of Universal Credit.

Additionally, the delay to Council Tax Support assessments will result in uncertainty of how much council tax liable parties owe as the local authority will not have access to Universal Credit details for a month after entitlement begins. This will further hinder the recovery process impacting on the Council's income.

38. Resident Services

The initial feedback and findings from projects around the country show a harrowing prospect in store for rent collection rates and arrears levels. A report into the Direct Payment Demonstration Projects showed that rent arrears had risen by an average of 33% during the migration to the new benefit system. In addition tenants will need additional support, close monitoring of rent accounts, on-going support assessment processes or other intervention. In pilot areas the total support associated with supporting customers rose from £14.61 per case per month for those outside the pilot to £60.51 per case per month for those taking part. The vast majority of the large cost increase was related to staff time.

39. Landlord transaction costs and rent collection costs will increase as may the resource required to manage direct payment. IT Systems may need to be upgraded or renewed.

Tenants will require help to manage the transition and sign posting to support voluntary agencies may increase as may the foot fall to the one stop shop. Tenants will need access to on line facilities to complete the Universal Credit form.

Initial reports have suggested that the web based form may take an hour to complete and it does not have any save functionality. If a tenant does not have all the necessary information to hand when completing the form it cannot be saved in a draft format to be completed later. Payments under Universal Credit will be paid monthly in arrears to the

claimant so this will also have a negative impact on rent arrears and collection rates.

It is anticipated that as the roll out of Universal Credit expands to include households other than single claimants this will in turn increase the pressure on the existing team responsible for rent collection in terms of managing accounts with a higher level of debt and an increasing caseload. Resources in the team may need to be increased in the short to medium term to help with the transition to Universal Credit. As debt levels increase it is anticipated that in the long run Harrow will see the number of evictions increase.

#### 40. Housing Needs

From Housing Needs point of view there are a number of serious challenges as UC is rolled out.

- a) As in most cases rent element of UC will be paid to the tenant, private landlords are going to be less willing to work with benefit dependent households. This won't necessarily be a practical issue straight away as only a few single people will be on UC, but it is not clear at what point private landlord sentiment will change, and this reluctance to accommodate benefit dependant households will become significant. When it does, this will cause a rise in homelessness as families find it difficult to obtain their own accommodation, and more homeless households will remain in short term expensive temporary accommodation as it becomes harder to procure suitable accommodation to move families on.
- b) When the largest families who are currently affected by the overall household benefit cap set at £500 migrate onto UC, they will see their income drop. Currently the cap operates only by reducing HB, so many large families get no HB but their other benefits still exceed £500. Under UC they will only receive £500 per week (or less if the cap is reduced, which is a Government proposal). So to prevent homelessness, larger top ups from DHP or Housing Needs' resources will be required to prevent homelessness. It will also make it more difficult to find accommodation in other areas that capped households can afford without on-going subsidy.
- c) The pilot studies showed increased rent arrears when the rent element of UC is paid to the tenant, rather than the landlord. We expect that this will happen in relation to our temporary accommodation with significant increase in arrears which will generally be irrecoverable (and enforcement leading to us ending our homelessness duty would still incur costs to the council as many families would then need support from Children's Services). We also expect to see a rise in evictions from the Private Rented Sector due to rent arrears.
- d) The tight conditionality requirements under UC may well cause a rise in sanctions, so families will struggle to pay their rent, again leading to homelessness.

- e) UC will impact the subsidy arrangements for our temporary accommodation. At present we are able to use that accommodation (with subsidy) to prevent homelessness without taking on the full homelessness duty, under UC and we will not get the subsidy in that situation. The size criteria also becomes less generous so will reduce the accommodation we can use. Overall the subsidy we receive is likely to drop.

#### 41. Economic Development

If Universal Credit provides an incentive for residents to enter employment, and for low paid workers to increase their skills (in the expectation this will increase their earnings), then there should be an increased demand for the services for the council's Xcite project. Xcite will have the capacity to deal with any additional demand from residents seeking support with job search, careers advice, access to funds for training (that meets the needs of employers). This is because the council has recently secured funding from the New Homes Bonus Top Slice and the Transformation Challenge Award.

It is difficult to assess whether Universal Credit will bring a net increase in the income of Harrow's benefit claimants, what the net value of that increase could be, and therefore its economic impact.

People with low disposable incomes, have a greater propensity to spend additional income, than people with a higher disposable incomes. Logic would suggest an increase in money to residents on low incomes would be spent. That additional spend is more likely to occur in district centres located in the boroughs most deprived wards. It is difficult to suggest that any increase spend in those areas would have anything more than a marginal impact on the local economy.

#### 42. Access Harrow

The One Stop Shop has recently been refurbished increasing the number of self-serve PCs available for customers to access digital services themselves with floor-walking support. Increased demand for Universal Credit will be handled in a similar way with claimants being directed to the self service area.

If the new process drives an increase in demand for financial advice then additional staffing and potentially extra facilities will be required. Aside from assisting new claimants, or existing claimants with a change in circumstances, the volume of enquiries will be regarding progress chasing. It is currently unclear what the expected turnaround times will be and how customers will be notified of delays which will potentially increase demand and levels of avoidable contact.

There will be additional costs to Resources from an IT perspective: Customers currently access Housing Benefit information through the MyHarrow (MHA) account, therefore the Universal Credit account will need to be available through the single sign-on of the MHA. This functionality may be available through web services which would be considerably cheaper than integration.

The queuing system within the One Stop Shop will need to be reconfigured to account for any new services available face to face. This will include work to be scheduled in re-coding the website calendar pages to reflect the changes.

The existing call centre telephony platform allows customers to ascertain processing times of claims without having to talk to an advisor. The 1,200 automated calls per month saves the Council over £40,000 per year as the data is available in-house. Once the DWP pick up this work, a digital feed of processing times will need to be available to maintain this functionality or additional revenue will be required to handle telephone calls.

#### 43. Voluntary Sector

Voluntary sector organisations are likely to have limited capacity to scale up due to proposed reductions in voluntary sector funding. Currently commissioned services could be extended if funding was available. Commissioning and monitoring of services requires staff time. Commissioning of services could be undertaken jointly with other departments if organisations are funded by more than one department however there is still a cost in terms of staff time administering the monitoring, undertaking visits and preparing reports.

## **Summary & Conclusion**

44. Applications for Universal Credit will need to be made online. Universal Credit is available to people who are in work and on a low income, as well as to those who are out of work.

Universal Credit is administered as one monthly payment, paid in arrears, into a claimant's bank or building society account. In most cases Universal Credit claimants will have to pay their rent and housing costs to their landlord.

There are some key areas where claimants will need to prepare themselves for Universal Credit;

- i. Claimants need to make sure they have a bank or building society account. It is suggested that an account with a direct debit facility may be useful for paying bills, rent and Council Tax.
- ii. If the claimant is part of a couple, living together, they will need to open a joint bank account as the Universal Credit payment will be for the whole household and will only be paid into one account.
- iii. People who are likely to become Universal Credit claimants need to make sure that they have the skills and confidence to use a computer to make a claim. If they need to improve their IT skills there is some basic IT training available across the Borough.

- iv. People who are already struggling to manage their money, or who are likely to struggle to manage a single monthly household benefit payment should seek money advice and budgeting support as soon as possible. There is some provision of this across the borough.
45. Officers have been engaging with DWP to understand the numbers and flow for the first phase and agreeing how Harrow can best meet DWP requirements and support residents who will be affected. The focus for this first phase of the roll-out has been on ensuring that Harrow understands the impact on residents, the support activity required and the funding that might be available. However our policy at the moment is clear; we will not sign a DPA unless Harrow receives sufficient funding and can fully recover all its costs. Any agreement entered into must therefore give certainty regarding cost recovery and be sustainable into the long term.

### Financial Implications

As this is a new burden on local authorities, the Department for Work and Pensions (DWP) have committed to providing funding to enable Harrow to provide these services. However it is for the authority to evaluate if any funding offered is sufficient to cover potential expenditure as the general fund will otherwise pick up the difference.

DWP have proposed a model for calculating funding which is based on estimated claimant volumes and assumed levels of support needed, and an estimate of the volume of housing and Local Council Tax Support Scheme processes required. Average salaries are used to estimate costs. Schedule 2 to the Delivery Partnership Agreement includes an element of funding for set up costs, and this is yet to be identified and agreed.

Using the cost model and information given by DWP to a tranche 1 London site, the following forecasts have been calculated for Harrow. The first column shows the expected funding offer from DWP to deliver services identified under the DPA, the second column is Harrow's forecast expenditure against those services within the DPA and additional service delivery where it could be quantified. These are based on forecasts of a year 1 caseload of 2,600 UC claimants; 30% of which will have Housing Benefit/UC Housing Costs; 20% on Council Tax Support; 5% requiring digital support; 5% requiring personal budgeting support.

<b>Service Requirement</b>	<b>DWP funding offer</b>	<b>Harrow estimated cost</b>
Support to the UC delivery centre for Housing cost cases and impact on LA Benefit administration including appeals, overpayments, DHP requests and CTS claims	£21,565	£67,000
Digital Support to claimants accessing UC electronically	£3,360	£33,750
Personal Budgeting Support (no commissioning element)	£10,079	£89,000

Social/Private Landlord support including additional demand on Housing Needs	-	£67,000
UC claimant support for front line advice, noting JCP staff will not be trained in UC Housing Costs	-	£33,175
Management /Miscellaneous including project management, publicity, training	£18,174	£68,666
<b>Total exc VAT</b>	<b>£53,176</b>	<b>£358,591</b>
<b>Total inc VAT</b>	<b>£63,811</b>	<b>£430,309</b>

The difference between the DWP's funding offer and the local authority's forecast expenditure is very stark, particularly considering this is for a small year 1 cohort that will expand, increasing costs and the funding gap will be expected to widen. It also needs to be recognised that Harrow's forecast expenditure is based on the current position and if services are reduced or withdrawn as part of the council's savings programme, then service delivery could either become unviable or require additional funding to cover set-up costs.

Although DWP has already suggested that the Housing Benefit Administration Grant will be reduced due to Housing Benefit processing work migrating over to DWP under UC, (a risk that is being mitigated by MTFs growth of £250k in 2015/16 and £500k in 2016/17), there is additional risk that the grant could be reduced even further and that Harrow sees no reduction in work as the Revenues and Benefits teams need to continue to process Local Council Tax Support Scheme applications, but also takes on new responsibilities emerging from the Delivery Partnership Agreement.

Whilst funding is likely to continue beyond 2015/16, this is yet to be confirmed. The Council will need to negotiate with DWP to agree the level of funding to be paid to meet the specification of services provided in the Delivery Partnership Agreement as well as any other cuts in grant that may occur above what is expected.

### **Legal Implications**

The Welfare Reform Act 2012 introduced Universal Credit, which is being implemented pursuant to further legislative provisions and rolled out on a staggered basis, as noted earlier in this report.

Data sharing arrangements will need to be formalised between DWP and the Council and between the Council and other providers of services.

When DWP refers a claimant to the Council for personal budgeting support they will need to ensure that processes are implemented which will enable the claimant's information to be shared with other providers. The providers will also need to share information about the claimant and the outcomes of the personal budgeting support with the Council, who will in turn share the information with DWP.

Legal advice will be sought in relation to any proposed Delivery Partnership Agreement with the Department for Work and Pensions.

## **Performance Issues**

None

## **Environmental Impact**

None

## **Risk Management Implications**

Loss of information – Harrow will not necessarily be aware of who is receiving UC. Residents will be required to make a claim for Council Tax Support rather than it being awarded automatically as at present.

Impact on collection (council tax / rent) – Universal Credit is not paid until five weeks after someone becomes unemployed and the award is not automatically notified to the Council. It may be some time after the date of entitlement that we become aware of a need for Council Tax Support (CTS). The current CTS scheme only permits backdating with good cause for up to three months. Failure to claim in itself would not normally be considered to be good cause. Whilst this could have a positive impact on the amount available to collect, the collection of this initial period of liability, before the CTS claim is made, will be difficult.

Alternative Payment Arrangements -The default position is that the housing element of UC will be paid directly to the claimant rather than the landlord with only the most vulnerable having payments to landlords. This is called an “Alternative Payment Arrangement” (APA). Whilst paying all of UC directly to the claimant, remains the preferred option there is a clear softening of the DWP stance on this and it is likely that in the medium term a greater percentage of APAs will be agreed during the period of migration. There is currently no provision for any landlord to be informed when someone claims UC. If a tenant accrues 8 weeks arrears then the landlord can apply to the DWP for an APA. If UC is in payment then the APA will be put in place. This has implications for rent collection levels.

Pressure on resources – A requirement of claiming benefit is the “Claimant Commitment” which requires people to spend 35 hours per week job searching. Much of this is on-line. The need to claim UC on-line will add to the demand for IT access from unemployed people. The DWP is providing on-line access via “Web Access Devices” in the Job Centres but there is likely to be increased pressure on Access Harrow and other council buildings access points and services.

Funding – The Council will receive some funding but this appears at first sight to be well under what Harrow will need to spend to fund the support activities required. The funding must be spent on the activities described and commissioned in the DPA and unspent funds are expected to be returned. There is no information on the long term funding.

## **Equalities Implications**

There are no equality/community issues arising from this report. An Equality Impact Assessment has not been undertaken by the Local Authority as the implementation of Universal Credit is a DWP initiative. DWP have produced an Equality Impact Assessment which is available online at [www.gov.uk](http://www.gov.uk).

### Council Priorities

UC will bring challenges to residents and has the potential to detrimentally affect our most vulnerable and disadvantaged residents if DWP does not commission adequate support for residents. Any strategy adopted by the Council to support roll out of UC in Harrow has to consider that ultimately the Council will be the first port of call for the majority of residents; regardless who DWP commissions to deliver resident support activity. As such there is also a risk of existing services being overwhelmed by enquiries as residents present themselves at Harrow offices / services.

Communication and engagement with DWP will be crucial in the coming months as well as the agreement of an acceptable DPA and adequate funding, both of which are key to mitigating the risks, improving the customer experience and ensuring the vulnerable are supported throughout the transition and beyond.

### Section 3 - Statutory Officer Clearance

Name: Dawn Calvert....	<input type="checkbox"/>	on behalf of the Chief Financial Officer
Date: ...10 March 2015.....		
Name: Paresh Mehta	<input type="checkbox"/>	on behalf of the Monitoring Officer
Date: ...11 March 2015.....		

<b>Ward Councillors notified:</b>	<b>NO</b> <i>* Delete as appropriate.</i>
-----------------------------------	--

### Section 4 - Contact Details and Background Papers

Introduction Presentation – Appendix 1

#### Contact:

Fern Silverio (Divisional Director – Collections & Housing Benefits),  
Tel: 020-8736-6818 / email: [fern.silverio@harrow.gov.uk](mailto:fern.silverio@harrow.gov.uk)

## **Background Papers:**

DWP guidance as per links

Local Support Services Framework

[https://www.google.co.uk/search?hl=en-GB&source=hp&q=dwp+universal+credit+local+support+services+framework&gbv=2&oq=dwp+universal+credit+local+support+services+framework&gs\\_l=heirloom-hp.12...0.0.1.1531.0.0.0.0.0.0.0.0.0.0.0.msedr...0...1ac..34.heirloom-hp..1.3.467.xOio-y1ssfl&safe=active](https://www.google.co.uk/search?hl=en-GB&source=hp&q=dwp+universal+credit+local+support+services+framework&gbv=2&oq=dwp+universal+credit+local+support+services+framework&gs_l=heirloom-hp.12...0.0.1.1531.0.0.0.0.0.0.0.0.0.0.0.msedr...0...1ac..34.heirloom-hp..1.3.467.xOio-y1ssfl&safe=active)

Delivery Partnership Agreement (DPA)

[https://www.google.co.uk/search?q=dwp+UC+Delivery+Partnership+Agreement&safe=active&hl=en-GB&gbv=2&oq=dwp+UC+Delivery+Partnership+Agreement&gs\\_l=heirloom-serp.12...43110.44125.0.45813.4.4.0.0.0.0.235.672.0j3j1.4.0.msedr...0...1ac.1.34.heirloom-serp..3.1.235.kbnmqc1Rqa8](https://www.google.co.uk/search?q=dwp+UC+Delivery+Partnership+Agreement&safe=active&hl=en-GB&gbv=2&oq=dwp+UC+Delivery+Partnership+Agreement&gs_l=heirloom-serp.12...43110.44125.0.45813.4.4.0.0.0.0.235.672.0j3j1.4.0.msedr...0...1ac.1.34.heirloom-serp..3.1.235.kbnmqc1Rqa8)

Local Support Services Update and Trialling Plan

[https://www.google.co.uk/search?q=DWP+Local+Support+Services+Update+and+Trialling+Plan&safe=active&hl=en-GB&gbv=2&oq=DWP+Local+Support+Services+Update+and+Trialling+Plan&gs\\_l=heirloom-serp.12...127422.134375.0.135984.41.15.0.0.0.4.172.1204.3j7.10.0.msedr...0...1ac.1.34.heirloom-serp..36.5.689.4S6La-0hBtE](https://www.google.co.uk/search?q=DWP+Local+Support+Services+Update+and+Trialling+Plan&safe=active&hl=en-GB&gbv=2&oq=DWP+Local+Support+Services+Update+and+Trialling+Plan&gs_l=heirloom-serp.12...127422.134375.0.135984.41.15.0.0.0.4.172.1204.3j7.10.0.msedr...0...1ac.1.34.heirloom-serp..36.5.689.4S6La-0hBtE)

Universal Credit At Work report

<https://www.gov.uk/government/publications/universal-credit-at-work>

Personal Budgeting Support and Alternative Payment Arrangements  
Guidance.

[https://www.google.co.uk/search?q=Personal+Budgeting+Support+and+Alternative+Payment+Arrangements+Guidance+&safe=active&hl=en-GB&gbv=2&oq=Personal+Budgeting+Support+and+Alternative+Payment+Arrangements+Guidance+&gs\\_l=heirloom-serp.12...2297.6375.0.7547.31.9.0.0.0.3.203.765.0j4j1.5.0.msedr...0...1ac.1.34.heirloom-serp..30.1.203.RsWzeBDpUWo](https://www.google.co.uk/search?q=Personal+Budgeting+Support+and+Alternative+Payment+Arrangements+Guidance+&safe=active&hl=en-GB&gbv=2&oq=Personal+Budgeting+Support+and+Alternative+Payment+Arrangements+Guidance+&gs_l=heirloom-serp.12...2297.6375.0.7547.31.9.0.0.0.3.203.765.0j4j1.5.0.msedr...0...1ac.1.34.heirloom-serp..30.1.203.RsWzeBDpUWo)