

JOINT OVERVIEW & SCRUTINY COMMITTEE

14 February 2019

INFORMATION BULLETIN

Review of the impact and implementation of Universal Credit and its effect on Income Management within the Babergh and Mid-Suffolk Housing Service

1. INTRODUCTION

- 1.1 This briefing note is to provide the Joint Overview and Scrutiny Committee with information about the roll-out of the Universal Credit benefit system, and the impact in Babergh and Mid-Suffolk Districts with regard to the Housing Service rent collection.

2. WHAT IS UNIVERSAL CREDIT?

- 2.1 Universal Credit is a means-tested benefit that replaces six forms of support for working-age households; working tax credit, child tax credit, housing benefit, income support, income-based Jobseeker's Allowance, and income-related Employment and Support Allowance. These benefits are now often referred to as 'legacy' benefits.

3. HOW FAR HAS THE UNIVERSAL CREDIT ROLL-OUT PROGRESSED?

- 3.1 The Department of Work and Pensions (DWP) originally envisaged that Universal Credit would be fully introduced by 2017, but the roll-out timetable has been pushed back several times.
- 3.2 In 2016, the DWP began implementing the "Full Service". This was to have been rolled-out to every part of the United Kingdom by September 2018 but, following emerging evidence of problems experienced by people moving onto Universal Credit, the Government slowed the roll-out plans significantly in early 2018.
- 3.3 The slow-down allowed for the introduction of measures intended to ease the transition to Universal Credit. These included abolishing the 7-day "waiting period", increasing the amount of the advance payment people can get at the start of their claim, extending the repayment period for advances, and allowing people moving onto Universal Credit to continue to receive Housing Benefit for two weeks.
- 3.4 As of 12 December 2018, Universal Credit Full Service became available in every part of Great Britain and Northern Ireland. With some very limited exceptions, it is no longer possible to make a new claim for a legacy benefit or tax credit, and once a person moves onto Universal Credit, it is not normally possible to move back to legacy benefits.
- 3.5 Existing claimants of legacy benefits may move to Universal Credit through "natural migration", triggered by a change in their circumstances. The remaining legacy

benefit and tax credit claimants will transfer to Universal Credit by a process known as “managed migration.” Managed migration will be tested in 2019 and is expected to be completed by the end of 2023.

- 3.6 Within Mid Suffolk, the total number of households on Universal Credit as of August 2018 is **732**. Within Babergh, the total number of households on Universal Credit as of August 2018 is **1,118**
- 3.7 Information on the roll-out for the three parliamentary constituencies that overlap with Babergh and Mid Suffolk (South Suffolk, Bury St Edmunds, and Central Suffolk and North Ipswich) can be found in Appendix A.
- 3.8 The three local Job Centres that we work most closely with are Stowmarket (went live in May 2018), Sudbury (went live in October 2017), and Ipswich (went live in April 2018)

4. THE HOUSING ELEMENT OF UNIVERSAL CREDIT

- 4.1 Assistance with rent under Universal Credit is similar to the Housing Benefit system, albeit with some significant differences. The default position is that Universal Credit is paid direct to claimants as a single monthly sum; claimants are then responsible for making sure that the housing cost element is paid to the landlord to cover the rent due. This can involve a behavioural change for many social housing tenants.
- 4.2 In addition, the minimum wait before the first payment of Universal Credit is either 5 or 6 weeks from the point the person’s Universal Credit claim begins (the assessment period). In August 2015, the Government introduced a further seven-day “waiting period” (with certain exceptions) before people could become entitled to Universal Credit. The net effect was to increase the time people would have to wait for their first payment to a minimum of one month and 14 days. On 23 November 2017 the Government announced that this ‘waiting period’ would be removed from February 2018 in response to claims that it was causing hardship for claimants.
- 4.3 Online application and administration is the main delivery mechanism for Universal Credit and this can pose a particular challenge for claimants unused to accessing services online, or unable to through lack of access to the technology required.
- 4.4 Direct payment of the housing element of Universal Credit to social housing tenants is controversial; social landlords report increased rent arrears and impact on revenue streams. However, paying Universal Credit directly to the claimant is intended to replicate the budgeting skills that people need when working and break the cycle of welfare dependency.
- 4.5 Alternative Payment Arrangements, though, may be available where claimants are struggling to adapt to the new regime or have significant vulnerabilities. These allow a direct payment of all or some of a claimant’s Universal Credit to their landlord in certain circumstances, and normally operate alongside personal budgeting support

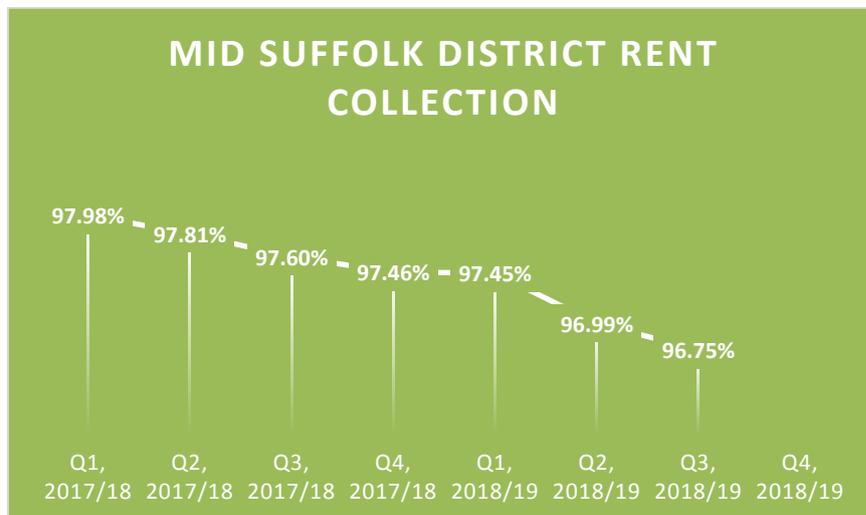
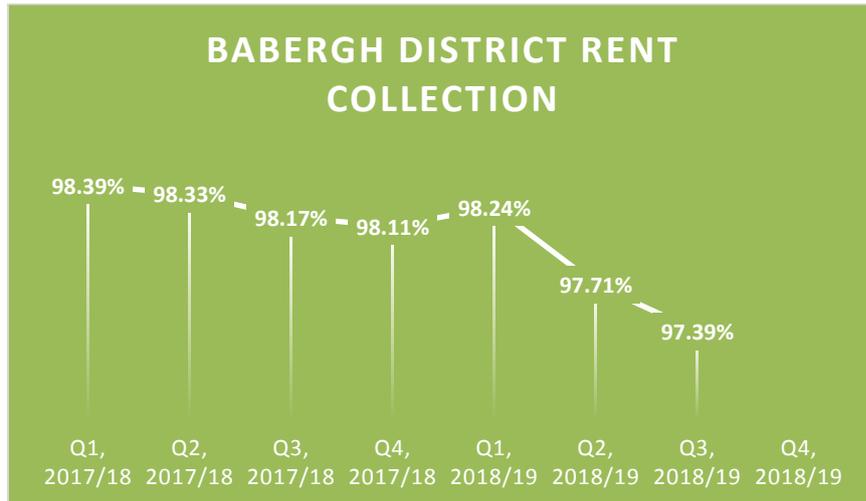
5. FINANCIAL AND OTHER IMPACTS ON BABERGH & MID SUFFOLK COUNCILS

5.1 Number of claimants

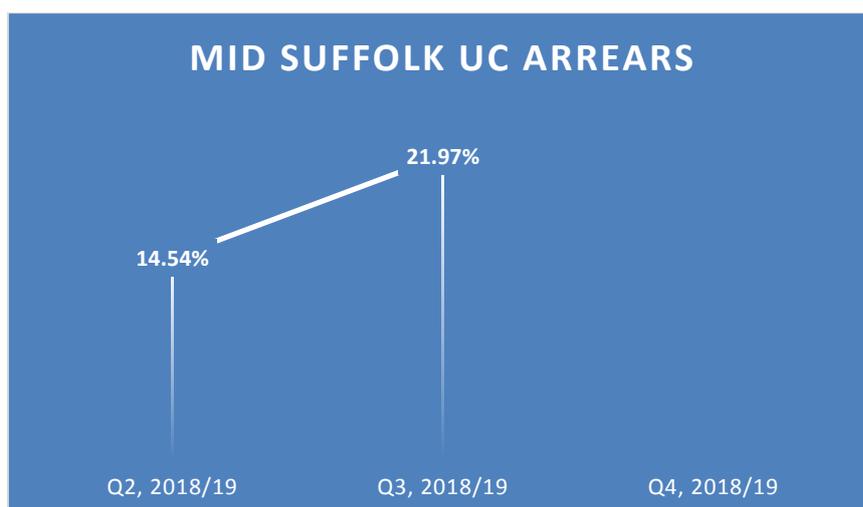
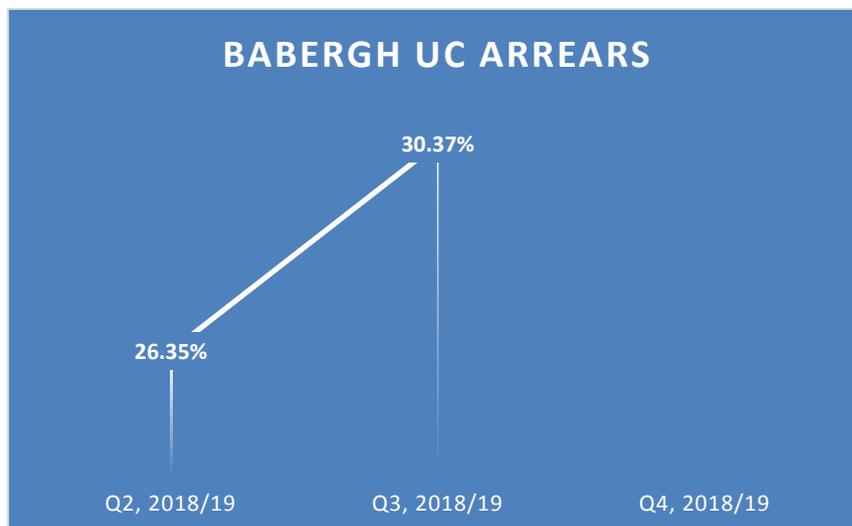
As of 31 December 2018, there were **107** council tenants in Babergh, and **81** council tenants in Mid Suffolk, in receipt of Universal Credit.

5.2 Rent arrears

The following two charts show the rates of income collection for Babergh and Mid Suffolk Councils. The target income collection is 98% for both Councils.



The following two charts show the total arrears for those on Universal Credit as % of total dwelling arrears for Babergh and Mid Suffolk Councils. This data has only been available since Q2 in 2018/19. The charts show significant rises in rent arrears amongst Universal Credit claimants, but it should be noted that it is not currently possible to identify which arrears might be 'pre-UC', and which may be 'post-UC'



5.3 Alternative Payment Arrangements (APAs)

APAs are a temporary arrangement where the housing element is paid direct to the landlord. They can only be used in certain circumstances but as a "Trusted Partner" we are able to request APAs without question. There should be regular reviews of APAs and support provided to allow a claimant to return to direct payments. However, some of our APA cases have significant arrears and it is anticipated that they will remain on APAs until the debt is cleared.

A frequent problem with APAs is that any change in circumstances, i.e. varying income levels, will stop the payment of the APA. No notice of this is provided to the landlord, and so we will not know until the payment fails to arrive. This can, in some circumstances, add a further month's rent arrear to the account.

At the time of writing, there are **66** Babergh tenants and **46** Mid Suffolk tenants with APAs in place.

5.4 Personal Budgeting Support (PBS)

We currently provide Personal Budgeting Support at the Job Centres in Stowmarket, Sudbury and Ipswich, in people's homes, or other suitable locations. We will continue with this until April 2019 when the service will transfer to Citizen's Advice.

The table below shows the number of PBS cases in 2018. The larger numbers in Mid Suffolk in Q1 & Q2 are the result of Stowmarket going live with Full Service in May 2018

	Babergh	Mid Suffolk
Q1	9	31
Q2	16	27
Q3	17	8

5.5 Working practices

The introduction of Universal Credit has been a culture change not only for some of our tenants, but also for our staff.

With Housing Benefit being administered by local authorities, the Income Team could build a close working relationship with that team and enjoy direct access to the Housing Benefit system. In addition, Housing Benefit payments would automatically transfer into our IT systems.

We have enjoyed a broadly positive working relationship with the DWP since the early stages of Universal Credit roll-out in both Districts. This continues with regular meeting meetings between Income Officers, the Tenant Services Professional Lead, and DWP representatives. This relationship has certainly enabled us to raise problems quickly and work to find solutions.

However, challenges remain given that Universal Credit is administered nationally rather than locally. The day-to-day relationship with the DWP is very different with the requirement to contact their call centres to address any concerns. This can make the resolution of problems much more time-consuming, and this impacts on the time that the team have to support all of our tenants, not just those on Universal Credit. In addition, APAs from the DWP must be manually added to rent accounts.

There is also a problem caused by an almost constantly changing system. Staff must be kept up-to-date with changes and understand how to apply any changes to avoid causing detriment to our tenants. To help with this we currently attend a range of operational and performance-focussed meetings locally and regionally

5.6 Landlord Portal

The online Landlord's Portal is a means to provide the DWP with information to assist with a tenant's Universal Credit claim (verifying rent) and for us to apply for APAs or third party deductions.

It is a significant improvement to the previous system of forms that were emailed to us, but it is a largely one way system. We cannot view very much information about the claim, such as payment due dates, or changes in circumstances. Nor can we see whether an APA or third party deduction request has been approved. At recent meetings, all housing providers in attendance have called for the Portal to be developed further.

5.7 53 week year

An issue recently identified is that of the 53-week year. In 2019/2020 there will be 53 Mondays, and so we (along with all other social landlords) will charge 53 week's worth of rent. However, the DWP system does not recognise the 53 week year, and so claimants will only receive 52 weeks of Universal Credit. As a result they will potentially be unable to pay the rent for the 53rd week.

It is our expectation that claimants will need to raise this issue with their Work Coaches, and it is hoped that the DWP system will be able to adapt and make full payment before the end of the year

6. NEXT STEPS

6.1 The roll-out of Universal Credit will continue, albeit at a slower pace than we had initially feared. The challenges it presents will continue to be an issue for all social landlords, including Babergh and Mid Suffolk Councils. The primary concern, of course, is the degree to which increasing numbers of claimants can be supported by Income Officers as substantially more people transfer to Universal Credit.

6.2 To try and mitigate the risks that this situation presents an action plan has been developed around a new Income Management Policy. The key elements of that plan are as follows:

6.3 Income Management policy and procedures

These have been developed in conjunction with the Income Team and are currently under consultation within the Housing Service. The procedures clarify the steps that will be taken if rent arrears increase, but also include additional checks and reviews to make sure that tenancies are sustained whenever possible.

6.4 Improved Income Team letters

As pledged in the 2015-2020 Income Strategy, our written communication is currently being reviewed in line with previous studies into 'nudge' theory and behavioural insights. It is hoped that the new letters, which will also be simpler to understand, will provoke a positive response from the recipient and encourage contact with the Income Team and improved repayment

6.5 **Affordability checks and early intervention**

The policy places a greater emphasis on assessing the ability of a tenant to pay before the tenancy starts and, where problems are identified, earlier intervention by the Income Officer or Financial Inclusion Officer is possible. This could then prevent debt accumulating

6.6 **'Rent on time' and accounts in credit**

The tenancy agreement requires that all rent accounts should always be at least one week's rent in credit. However, the payment of housing benefit in arrears has led to a situation where accounts being up to 4 weeks in arrears is the norm. The tenancy agreement requirement will be emphasised from the start of the tenancy agreement, and tenants encouraged to have up to one month's rent in credit on their account.

6.7 **Staff training**

Discussions with frontline staff have identified key training requirements which will be developed over the coming year.

6.8 **Changes to working practices within Tenant Services**

There has been a tendency in the past for the Income Team to work, to some degree, in isolation. The coming year will see greater integration with the Housing Officers and administrative support to ensure that the tenants at the greatest risk of tenancy failure can be identified and appropriate support put in place.

6.9 **Continual improvements to DWP working relationship**

The regular meetings with the DWP representatives have created a much better understanding of how the respective organisations operate and allowed us to work more efficiently to identify and resolve problems that arise. It is intended that this will continue.

APPENDIX A – Universal Credit roll out by parliamentary constituency

South Suffolk

Select a constituency Use  to search South Suffolk		Region: East
How complete is UC roll-out here compared to other areas?		
As of August 2018:		
UC roll-out was 20 % complete...	Your area ranked 16th of constituencies in the region...	Your area ranked 198th of constituencies in GB...
... in terms of the number of households claiming UC compared to "legacy" benefits		
How many households claim affected benefits?		
In August 18, around 1,170 households claimed UC	...of which 38 % were households with children	Around 4,700 claimed "legacy" benefits

Bury St Edmunds

Select a constituency Use  to search Bury St Edmunds		Region: East
How complete is UC roll-out here compared to other areas?		
As of August 2018:		
UC roll-out was 19 % complete...	Your area ranked 17th of constituencies in the region...	Your area ranked 206th of constituencies in GB...
... in terms of the number of households claiming UC compared to "legacy" benefits		
How many households claim affected benefits?		
In August 18, around 1,500 households claimed UC	...of which 36 % were households with children	Around 6,210 claimed "legacy" benefits

Central Suffolk and North Ipswich

Select a constituency Use  to search Central Suffolk and North Ipswich		Region: East
How complete is UC roll-out here compared to other areas?		
As of August 2018:		
UC roll-out was 10 % complete...	Your area ranked 30th of constituencies in the region...	Your area ranked 357th of constituencies in GB...
... in terms of the number of households claiming UC compared to "legacy" benefits		
How many households claim affected benefits?		
In August 18, around 630 households claimed UC	...of which 34 % were households with children	Around 5,870 claimed "legacy" benefits