



Title: Universal Credit – Update and lessons from pilot schemes

Report of: Director of Customers and Communities

Purpose of Report

1. The purpose of this report is:
 - To explore some of the issues and themes emerging from the pilot schemes in the North West.
 - To update the board on the latest information around the roll-out of Universal Credit in Gateshead.

Background

2. Universal Credit is the “flagship” of the government’s programme of welfare reform. The aim is to replace six existing benefits with one credit, which would normally be paid monthly in arrears to one claimant via their bank or building society account. The six existing benefits that are to be merged are:
 - Jobseeker’s Allowance
 - Housing Benefit
 - Working Tax Credit
 - Child Tax Credit
 - Employment and Support Allowance
 - Income Support

Application Process

3. Eligible claimants for any other benefit would continue to apply separately for those benefits in the usual way. An application to claim Universal Credit must be made online, and must be completed in one session (there is no “save” facility). The claimant must therefore have all supporting information readily at hand, including any housing costs. The application is expected to take around 40 minutes to complete.
4. In one of the pilot authority areas, Wigan and Leigh Homes have reported that despite their reservations about the online application, it has not yet proved to be a great problem. In fact they say they have “over-provided” in terms of trying to arrange access to the internet for residents. However, they also state that issues

arise after the initial application. A Director of a Registered Provider in the Warrington pilot area describes the problem as “after the initial application, there is no digital by default (Peter Fitzhenry, Director – Golden Gates Housing Trust).

5. The next stage is an appointment to attend a work service interview, which includes accepting a personalised claimant commitment. This is an agreement to complete certain tasks in return for receiving Universal Credit. The exact terms of the claimant commitment will depend on things such as health, responsibilities at home, and help needed to find work or to increase existing income. Universal Credit may be “sanctioned” (i.e. reduced or stopped) if the conditions of the claimant commitment are not kept. This will include claimants who work part-time hours and who do not demonstrate sufficient efforts to increase up to 35 hours employment.

Three Key Changes

6. Universal Credit requires the claimant to be able to adapt to three key changes when compared to the receipt of existing benefits:

- a single household payment
- paid monthly in arrears
- a sum for rent included in the payment to the claimant

7. Personal Budgeting Support (PBS) aims to help claimants adapt to these changes. A sum for PBS is paid to the council, and it is for the council and its partners to arrange for this to be delivered. If the claimant is unable to deal with any of the changes then they can apply for an Alternative Payment Arrangement (APA).

Alternative Payment Arrangements

8. An Alternative Payment Arrangement (APA) may include a more frequent payment of the credit, a split payment to more than one household member, or the payment of rent direct to the landlord.
9. On a case by case basis DWP will consider the application of an APA. This may be for vulnerable customers, or those who hit a trigger for rent arrears. An APA is considered to be a short term arrangement. DWP may award “trusted status” to landlords and take their word on who should receive an APA. The route to trusted status has not yet been developed.
10. DWP have stated that if one month’s rent arrears accrue then they may consider a managed payment where appropriate. If two month’s arrears accrue then they will pay the housing element direct to the landlord. Wigan and Leigh Homes report that in practice only applications for tenants with at least two month’s arrears have been accepted, and arrears have usually been around £1,000. After acceptance there is a reported processing delay of around eight weeks, although DWP have stated that they aim to reduce this to one week.
11. Aside from rent arrears, a number of other factors may be considered in an application for an APA. Landlords in pilot areas have spoken of an “inconsistent approach” to the outcome of these applications, but factors may include:
 - Drug / alcohol and / or other addiction problems e.g. gambling

- Learning difficulties including problems with literacy and/or numeracy
- Severe / multiple debt problems
- In Temporary and / or Supported 'exempt' accommodation
- Homeless
- Domestic violence / abuse
- Mental Health condition
- Claimant is young either a 16/17 year old and/or a Care leaver

Issues experienced in pilot areas

12. The experience of authorities in Universal Credit pilot areas has shown that the impact of only a small number of claims is huge. For example, Golden Gates Housing Trust (in Warrington) report that collection rates from Universal Credit claimants reduced to around 88%, compared to around 100% for non-Universal Credit claimants.
13. The feedback from pilot areas is that Universal Credit requires more intensive management. For example Golden Gates Housing Trust had three housing officers managing only around 190 tenancies during their pilot. Time spent on the telephone to DWP call centres or waiting for a call back has been repeatedly highlighted as a major contributor to increased workload.
14. Contact with DWP had been necessary to investigate:
 - Missed or delayed payments
 - Duplicate notifications with differing amounts
 - Issues with reference numbers to match payments to rent accounts
 - Information around sanctions
15. A number of landlords have cited the application of sanctions as something that "derails" their attempts to mitigate the impact of Universal Credit.

Rollout of Universal Credit

16. The original timetable for the implementation of Universal Credit envisaged that the first claims would be rolled out in October 2013, with all claimants migrating to Universal Credit by 2017.
17. In 2014 the DWP further extended the timetable for implementation of Universal Credit, with full implementation now not expected before the end of 2019. The approach is described by the DWP as "test and learn". The planned "digital service" is still in the very early stages of development, and manual calculations of benefit are still heavily relied on. In those areas where Universal Credit is said to be "live" only certain types of claimants are currently being included. It is now planned to include more complex assessments in some areas.
18. Implementation in Gateshead is scheduled to commence from 15 June 2015.
 - There were 76 sites in Tranche one which is to run from February 2015 (Newcastle are part of this and are to go live in April)
 - There are 59 sites included in Tranche 2 with a go live date between May and July 2015. There are no other North East LA's involved at this stage (apart from Newcastle)

- Roll out for this national expansion will apply to the following claims only:
 - Brand new claims for Job Seekers Allowance from a single claimant. Change in address does not count. So people on JSA who want to become a new tenant would not be included.
 - Housing costs will be included.
- There are a host of exemptions including where the claimant is:
 - In supported accommodation
 - Claimant receives JSA/IS/Incap/ESA/Tax Credits
 - Claimant is awaiting a decision on an appeal on any of the above
 - Must be two weeks between claims.
 - Not entitled to DLA/PIP/Carers
 - Not expect to be self-employed in the next month
 - Not be in education or training or expect to be in the next month
- The job centres involved will be Blaydon, Felling and Gateshead.
- 142 council tenants are estimated by the council's Finance section to be affected.

19. Where a claimant on Universal Credit has a change of circumstances their claim can become more complex. It is envisaged that this would still be via Universal Credit, although there are examples in pilot areas where DWP removed the case and reverted to separate benefits.

Link to values

20. This report relates to the following company values:

- Being honest, accountable and transparent
- Being customer focused, innovative and professional

Impact on tenants

21. Although numbers will be small at first, increasing numbers of tenants who claim housing benefit will migrate to Universal Credit.

Risk Management Implications

22. This report relates to strategic and operational risks around the impact of welfare reform, increasing levels of rent arrears and vacant properties.

Financial Implications

23. Increasing issues with affordability, sustainability and demand for empty properties threaten the assumptions made in the 30 year Business Plan.

Equality and Diversity Implications

24. There are no implications directly associated with this report.

Value for Money Implications

25. Sustaining tenancies is a key strand to protecting HRA income. As part of the management fee and budget setting for 2015/16 additional income has been provided to recruit three additional posts to help tackle the impact of Universal Credit.

Health Implications

26. There are no health implications directly associated with this report

Environmental Implications

27. There are no environmental implications directly associated with this report

Consultation carried out

28. There has been no consultation in the preparation of this report.

Recommendation

29. Board are requested to note the information on the proposed rollout of Universal Credit and lessons learned from pilot areas.