

Report to the Board

17 September 2015



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**Title:** Update on the rollout of Universal Credit in Gateshead

**Report of:** Director of Customers and Communities

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**Purpose of Report**

1. To provide the Board with an update on the rollout of Universal Credit (UC) in Gateshead and experiences so far.

**Background**

2. The DWP announced a phased rollout of UC in four tranches from February 2015 to March 2016. Jobcentres at Blaydon, Felling and Gateshead were included in tranche two, which went live on 15 June 2015. Residents in some parts of Gateshead are covered by jobcentres in neighbouring local authority areas which are included in tranches three and four scheduled from September 2015 to March 2016.
3. Initially only new single claimants who would previously have made a claim for Job Seekers Allowance (JSA) will be migrated on to UC. Even then, there are a number of exemptions to ensure that those moved over to UC are the simplest non-complex cases. With this in mind, we are anticipating a very slow roll out initially with only around 150 new UC claims expected from housing company tenants in the first year.
4. The main change UC will bring is that qualifying tenants will receive an amount for their housing costs (the housing element) as part of their UC payment. Tenants will then have to take responsibility to pay all of their housing costs. In certain circumstances an Alternative Payment Arrangement (APA) can be applied for which can involve the housing element reverting directly to the landlord.

**Universal Credit - Claims so far**

5. In the two months from mid-June to mid-August we have had 23 claims for UC. Of these, 17 have been from male tenants and 6 from female tenants. 18 of the claimants were in secure tenancies, with the remaining 5 in introductory tenancies. Further detail on these cases can be found in Appendix 1.
6. These tenants have been migrated on to UC for a variety of reasons:

- Left previous job and attended Job Centre to apply for JSA
  - Younger tenants making their first claim
  - Claims for JSA that have lapsed and then migrated on to UC
  - Failed their medical for Employment and Support Allowance (ESA)
7. Once a tenant makes a claim for UC they will receive their first payment one month and 7 days after the date of claim. As far as we are aware the first claims for UC in Gateshead were made week commencing 15 June 2015; the earliest payment date we have had was the 25 July 2015. As with a lot of the UC pilots and earlier roll out sites, our experiences so far have been problematic.

### **Universal Credit- Issues**

8. It is still very early into our UC roll out, however the experiences we have had to date show that the process is far from smooth. Some of the issues are highlighted below with some more specific case studies in appendix 2 of this report.

### **General Issues**

9. It is clear that the DWP are struggling to keep up with the accelerated roll out, which is concerning given the slow pace of it. Some general concerns:
- The processing centre and call centre have a backlog of work meaning cases are not being processed as quickly as they should be
  - Call backs are not always happening within the assigned three hours
  - Confusion over the advice given- dependent on which service centre we have spoken to
  - Issues evidencing housing costs, some tenants using incorrect information and DWP not always confirming housing costs with TGHC

### **Data Sharing and Notifications**

10. Data sharing and notifications have been a real issue, the landlord is supposed to receive a written notification that their tenant is moving on to UC. So far we have received very few notifications from the DWP. Majority of the tenants have contacted us themselves to inform us they have migrated onto UC and that they will be unable to pay their housing costs in the interim. In some cases we have had to contact tenants when their housing benefit entitlement has ceased to ask them why, with UC being the reason.

### **Housing Costs**

11. As part of their UC application tenants are required to inform the DWP of their eligible housing costs (all charges that are eligible to be covered by UC). This information allows the DWP to pay the tenant the correct amount to make up the housing element of UC. To date we have had approximately six requests from the DWP to confirm a tenants housing costs, in the remainder of cases the DWP have accepted what the tenant has supplied.
12. In some cases the tenants have supplied incorrect information about their housing costs, for example, they have supplied the figure including the amount to repay arrears, or they have not included all relevant service charges. In one instance a tenant failed to supply any housing costs to the DWP and the claim

was still processed, this tenant then received no money towards their housing costs. We try to contact all new UC claimants to verify they have supplied the DWP with the correct housing costs, however issues still arise which need to be rectified. To try and mitigate any negative impact on tenants (such as overpayments), TGHC will supply the DWP with a housing costs pro forma for every new case migrated on to UC.

### **Payment issues**

13. Where tenants are classed as being vulnerable or where they may have difficulty paying their rent, TGHC can apply for an Alternative Payment Arrangement (APA). This means that we can apply to have the housing element of the UC payment paid direct to the company as opposed to the tenant. As part of this request a payment to recover arrears can also be requested to ensure the tenants arrears balance is reducing.
14. So far, relatively few of our UC claimants have reached their payment date so it is difficult to thoroughly evaluate this area of the roll out. However, there have been some issues with tenants not receiving their UC payment on their payment date, leaving tenants without any income. In some instances TGHC have had to arrange food parcels for tenants until their payment is received. When the DWP were contacted to find out the reasons why, they have stated that despite having everything they needed, they simply had not processed the claims. This led to delays of around 5 days before payment was made to the tenant.
15. The same issue has occurred with APAs, in that we have been expecting a direct payment of housing costs from the DWP that has not materialised. On contacting the DWP they did not know why payment was not received and could not confirm when the payment would be sent. As part of some APAs we have also requested a 'Managed Payment' to recover arrears, again payment of this money has been inconsistent and in some cases has still not been paid.
16. To further complicate matters, the DWP have not aligned the housing element part of the APA with the Managed payment part of the APA, so the housing costs will be received monthly while the payment for the arrears will be received 4-weekly. This will likely cause confusion for account reconciliation and potential difficulties for the housing system. It also seems there is confusion within DWP of the difference between the housing cost payment and the arrears payment, in some cases the two have been mixed up.
17. When direct payments are being posted in to TGHC's bank account no clear reference is being used. The reference begins with the National Insurance number and also has part of the payment reference number in. We do not always have a National Insurance Number for tenants which we are trying to collect going forward. Direct payments to TGHC are currently being found by the Finance Team, however as the numbers in the roll out increase this may become more difficult and time consuming.

### **Universal Credit- Potential Impact**

18. Managing these UC accounts is proving to be very labour intensive. As soon as we are aware that a tenant is being migrated on to UC, the Advice and Support service are contacting immediately to find out if the tenant is able to manage and whether assistance is required. This will often require a great deal of follow-up

work to ensure the claim is made correctly with accurate housing costs. Further intensive work is then required to either chase-up the missing UC payment or to try and get the tenant to pay their rent. When contacting the service centre the staff member must wait in a queue and then often request a call back, this means that queries are not answered quickly.

19. The migration to UC is causing a great deal of stress and anxiety to tenants as the process has not always been explained adequately to them by the Job Centre. Where tenants are vulnerable the option of an APA is not being discussed with them and in some cases the Job Centre Work Coaches are not aware of the tenants' vulnerability. There is a significant delay between applying for UC and receiving the first payment. Tenants must wait up to 6 weeks before they receive their money. The option of a UC advance payment is available but not always offered, and some tenants prefer to struggle for the 6 weeks rather than take an advance which is recovered automatically from the first 6 months' worth of their UC payments.
20. It is too early to assess the impact this policy is having on rent arrears, however it is clear that the impact will be significant. As soon as a tenant applies for UC their housing benefit entitlement ceases, this means that their rent account is charged at full rent. As there is a delay of around 6 weeks until their first payment of UC is received and tenants often do not have sufficient income to pay their rent in the interim, account balances are increasing considerably.
21. As UC is paid monthly (in arrears), tenants rent accounts will likely always have a minimum of 4-6 weeks full rent as their balance. If tenants then miss a payment then arrears will be significant. TGHC are working continuously with tenants to ensure they pay their rent once they receive their UC payment.

### **Next steps**

22. We will continue to monitor the impact of UC on both the tenants and TGHC. We will work with all tenants who are migrated over to UC to offer them advice and support throughout the process of application and ensure they are paid promptly by the DWP. A suite of performance reports are currently being developed to adequately monitor the impact this policy has on TGHC's ability to collect rental income.
23. A further report will be produced at a later date to analyse the early impact this policy has had on rent arrears once more TGHC tenants have been migrated over to UC.

### **Link to values**

24. This report relates to the company values of
  - Customer Focused
  - Inclusive, valuing diversity
  - Passionate about what we do

### **Impact on tenants**

25. UC is causing significant stress and anxiety to some tenants due to the delays in processing claims and receiving payments. The process of direct payment of

housing costs to tenants is a new concept for many tenants who may not have the capacity to manage their finances.

### **Risk Management Implications**

26. This report relates to strategic risks around financial resources and the impact of welfare benefit reform. TGHC have employed additional resource to help mitigate the impact of UC, but current and proposed changes to housing benefit are increasing exposure to risk.

### **Financial Implications**

27. There are no direct financial implications arising from this report.

### **Equality and Diversity Implications**

28. Customer profile data will be used to monitor the impact and ascertain whether the roll out of UC is impacting on certain groups or tenants.

### **Value for Money Implications**

29. Arrears prevention is more effective and provides better value for money than arrears recovery. Therefore the company will work with tenants throughout their UC claim to ensure it is accurate and paid on time.

### **Health Implications**

30. Rent arrears will be a negative factor in health, and so ensuring that tenants are paid the correct amount on time will help to sustain tenancies and have a positive impact.

### **Environmental Implications**

31. There are no environmental implications directly arising from this report.

### **Consultation carried out**

32. There was no specific consultation for this report

### **Recommendation**

33. The views of the Board are sought on whether it is satisfied with the update on the rollout of Universal Credit in Gateshead.

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**Initial analysis of UC claimants**

Date referral received	Sex	Age	Secure/Intro	Customer Profile	Starting Balance	Current balance	Total Payments made	Balance change
26/06/2015	Male	23	Intro		£122.45	£418.41	£325.00	£295.96
26/06/2015	Male	47	Secure	Mobility difficulties	£313.20	£729.90	£232.10	£416.70
26/06/2015	Male	21	Intro		£1,160.67	£1,536.89*	£50	£376.22
29/06/2015	Male	58	Secure		£126.65	£495.90	£275.00	£369.25
06/07/2015	Female	47	Secure		£412.26	£909.32	£150.00	£497.06
07/07/2015	Male	43	Secure		£734.92	£957.81*	£266.89	£222.89
07/07/2015	Male	52	Secure		£967.77	£1,057.20	£279.23	£89.43
08/07/2015	Male	58	Secure		£50.58	£349.98	£36.00	£299.40
08/07/2015	Male	18	Intro		£685.89	£430.21	£450.00	-£255.68
13/07/2015	Female	48	Secure		£196.18	£600.83	None	£404.65
13/07/2015	Male	32	Secure	Disabilities- not disclosed	£411.19	£823.64	None	£412.45
15/07/2015	Male	42	Secure		£63.99	£442.14	None	£378.15
15/07/2015	Male	38	Secure		£282.73	£259.13	£450.00	-£23.60
23/07/2015	Female	59	Secure		£95.23	£190.46	£285.69	£95.23
28/07/2015	Male	29	Intro	Depression/ Anxiety	£264.93	£598.88	None	£333.95
31/07/2015	Female	35	Secure		£401.41	£650.62*	None	£249.21
06/08/2015	Male	29	Secure		£165.76	£109.98	None	-£55.78
06/08/2015	Female	19	Intro		£260.28	£449.96	None	£189.68
07/08/2015	Male	58	Secure		£427.55	£605.19	None	£177.64
10/08/2015	Female	20	Intro		£567.46	£695.02	None	£127.56
11/08/2015	Male	33	Secure		£260.25	£347.00	None	£86.75
11/08/2015	Male	30	Secure		£1,543.25	£1,627.24	None	£83.99
12/08/2015	Male	44	Secure		£328.32	£418.17	None	£89.85
<b>Totals</b>					<b>£9,842.92</b>	<b>£14,703.88</b>	<b>£2,799.91</b>	<b>£4,860.96</b>

\*Highlighted cases have APA in place or requested.

- Only 11 of these accounts will have received their first UC payment- so far 9 of them have made some payment to the rent account
- Only 2 of the tenants yet to receive their first UC payment have made a payment towards their rent.

Ongoing performance management indicators will include:

- Monitoring the impact on rent arrears
- Number of APA's in place, and monitoring of application process
- Number of terminations from tenants in receipt of UC
- Number of evictions (this should be minimised by use of APA's)
- % of Universal Credit claimants we contact within 7 days (of being made aware of their claim) to offer assistance, advice and support regarding their claim, rent account or financial situation

**Universal Credit Case Studies****Tenant A:** Single Male aged 21**Tenancy Start date:** 16/01/2015 (Intro tenant)**Property Type:** 2 Bed Multi Storey flat (14% under occupier)**Rent:** £88.72**DHP:** reapplying**Arrears:** £1738.71**UC pay date:** 29<sup>th</sup> July**Vulnerabilities/risk factors:**

Under 25

Gambling addiction

Rent arrears

Rehoused via homeless

Benefit sanctioned

**Account history:**

Prior to Tenant A claiming UC there were significant issues regarding rent arrears. The tenant did not make any payments toward his rent until March; payments thereafter were intermittent and insufficient to cover ongoing rent. Due to the balance and payment history the action on the account was up to Notice of Termination stage. The tenant had failed to engage fully with the New Tenancy Officer up to that point.

The Tenant was claiming JSA until 02/03/2015 when he moved into work.

On 22/05/2015 the tenants JSA ended and he survived on savings until he made a further JSA claim on 22/06/2015. The tenant states he had zero income between these periods.

His arrears just prior to making the Universal Credit claim on 22/06/2015 stood at **£1160.67**.

**Making the UC Claim:**

Tenant A attended the Arrears intervention panel on 30.6.15; he stated he had struggled to manage his money since he lost his job. He advised us that he had made a claim for UC at the Job Centre the previous week and that he thought his payment date would be the end of July sometime. The tenant applied for a UC advance and had received £120 that would be repaid £20 per month for the next 6 months.

The Job Centre work coach identified that he would struggle with his UC payment and referred him for Personal Budgeting Support. His Work Coach also applied for an APA for him immediately to pay his housing costs to the landlords and requested a further payment for the arrears.

Tenant A stated that he had some debts with payday loan companies and an appointment was made for him to speak with the Debt Advice Team. An appointment was also made for him to see an Advice and Support Officer (ASO) to discuss his UC claim and how he would budget going forward.

## Since the UC claim was made.

TGHC have met with Tenant A on several occasions since he made his claim for UC and have provided intensive support. The ASO submitted an APA to request both managed payments and rent arrears deductions.

The ASO contacted the DWP and made them aware of the exact housing costs.

We have made an arrangement with the tenant to pay the shortfall of what we will receive direct from DWP. The tenants UC pay date is 29<sup>th</sup> of every month with the first payment expected on 29<sup>th</sup> July 2015. As of the 17<sup>th</sup> August this payment has still not been posted to the rent account (although the DWP state it has been paid into TGHC's bank account). The payment from the DWP towards rent arrears has still not been paid and DWP have not been able to inform us when this will be received. The tenant has paid £50 himself on 31/07/2015.

## Ongoing Income and Expenditure

Income (Monthly):

Standard UC Allowance	£251.77
Less UC advance repayment	£20.00
Less 20% deduction for arrears	£50.35
<b>Total Income</b>	<b>£181.42</b>

Housing Costs Element	£339.00
14% deduction for Under Occupancy	-£47.46
<b>Total paid direct to TGHC</b>	<b>£291.54</b>

This equates to approximately £42 a week to live on and pay other costs associated with managing a tenancy.

Typical Expenditure (Weekly):

Ongoing payment for Water Rates	£8.36
Gas and Electric	£20.00
Council Tax	£1.70
TV License	£3.00
<b>Total Expenditure</b>	<b>£33.06</b>

This leaves Tenant A with approximately £8.94 a week for food, travelling costs, mobile phone and clothing, some of the essentials required when managing a tenancy and seeking employment.

The ASO is working with Tenant A to try and obtain a Discretionary Housing Payment (DHP) to help cover ongoing living costs. He has also been referred to employment support to try and get him back into employment, which is the only way this tenant is likely to be able to sustain a tenancy.

**Tenant B:** Single Male aged 47

**Tenancy Start date:** 08/08/2005

**Property Type:** 1 Bed House

**Rent:** £81.10

**DHP:** n/a

**Arrears:** £729.90

**UC pay date:** 27<sup>th</sup> July

**Vulnerabilities/risk factors:**

Long term history of depression

Historical Self Harm

Previous suicide attempts

Supported by Gateshead Talking Therapies

**Account history:**

Previous to the tenant claiming Universal Credit he made regular payments. At times there was a small balance on the account, however this was normally under £200. The tenant was on full rent and made payments via a variety of methods including direct debit, cash, post office and debit card. The tenant has always engaged with RAIT and is proactive in returning telephone calls and providing information.

**Making the UC Claim:**

On the 22.6.15 the tenant called TGHC to advise he had ceased employment on 19.6.15 and informed the service that he had an appointment at the Job Centre the following week where he would likely apply for UC.

On 29.6.15 an appointment was made with the tenant to see the ASO service and he also paid £232.10 to leave his account with a balance of two weeks rent owed (162.10). He informed TGHC that his UC payment date would be 27.7.15.

**Since the UC claim was made.**

The tenant met with the ASO on the 10.7.15 where it was discussed how much the tenant should pay once in receipt of his UC payment. The tenant advised he was hoping to move back into employment soon, he also advised that he had not applied for a UC advance payment as he had sufficient from his last wages to see him through.

On the 28.7.15 the tenant attended the civic centre to advise TGHC that he had not received his UC payment, the DWP also claimed not to have been made aware of his housing costs. After contacting the DWP the tenant was advised he would receive a payment that same day.

On the 29.7.15 the tenant was contacted and advised there were further errors with his claim, the DWP stated that he would be entitled to the housing element of UC but not the standard living allowance. This was due to a widow's pension of £900 pcm. The tenant informed DWP that his widow's pension was only £224 pcm. The DWP stated that they required proof of this before his claim could be processed, including the housing costs element.

On the 4.8.15 the ASO met with the tenant again as he still had not received any payment. The ASO called the UC helpline to discuss the claim, there were several errors on the information the DWP used for the claim, including the amount the tenant had earned and his

pension amounts. The DWP had used the 'Year to date' amounts when process the claim, so an emergency evidence appointment was made at the Job Centre.

The ASO enquired whether the tenant could obtain an UC advance payment due to the delay in processing the claim; the DWP advised that the claimant had declined an advance in the first assessment period and one could not be granted in the second assessment period. The tenant stated he had sufficient to 'get by' and would have to 'manage'.

As of the 12.8.15 the tenant has still not received a UC payment as they are waiting for proof from the pension company. The ASO is keeping in regular contact with the tenant to assess his needs; however the tenant has stated that his mental wellbeing is being affected.

The balance on the rent account is now **£729.90**.

**Tenant C:** Single Male aged 43

**Tenancy Start date:** 28/10/2013

**Property Type:** 2 Bed Flat

**Rent:** £81.63

**DHP:** to reapply

**Arrears:** £957.81

**UC pay date:** 25<sup>th</sup> July

**Vulnerabilities/risk factors:**

N/A

**Account history:**

Tenant made regular payments and although sometimes they did not cover the full payable rent, normally he would only leave small arrears under £200. At times the tenant would make payments that put the account into credit. At the time the UC claim would have been made a monthly payment was due and the balance was £490.03. The tenant advised he did not receive a final pay from his employment, therefore he could not make a payment. The tenant advised he was in dispute with his previous employer and was working with CAB to obtain his final pay. His final working day was 3.6.15.

**Since the UC claim was made.**

On 7.7.15 the ASO tenant who confirmed that he had requested payment of his housing costs to be made direct to TGHC. Tenant C agreed to an ASO appointment for 11am on Friday 10.7.15.

On the 10.7.15 the tenant attended an office interview and advised that he had applied for UC on 19.6.15 and that his first payment should be made to him on 25.7.15. The tenant was made aware that this payment would include his housing costs and he needed to make a payment of £340.12 on his rent account on that day. As the tenant is under occupying by 14% the ASO applied for a DHP on the tenants behalf. The tenant was made aware that if the DHP was rejected then he must pay his full contractual rent.

The tenant was awarded a UC advance of £240.00 and this will be deducted at £40.00 per month commencing on 25.07.15. The tenant advised he had several debts but refused a debt advice appointment at that point. The tenant was provided with his rental costs in a letter the ASO. The ASO called the UC helpline to confirm that the tenant was two months in arrears and subsequently applied for rent arrears deductions and posted the APA request.

As Tenant C's first payment date was a Saturday he should have received his UC payment on the 24.7.15, the tenant contacted to say he had not received a payment. The tenant contacted the DWP who advised that they had not been supplied with any rent information, the tenant stated that he had and that they had previously confirmed this, the advisor stated he would receive a call back. The DWP rang the tenant back and advised they did have the rent information but did not have a copy of the tenancy agreement, they were advised that this was not information that they had requested. The DWP eventually accepted that they did not need a tenancy agreement and that they simply had not processed the claim, they then advised the tenant he would receive his 1st payment on 28.7.15. The DWP have advised him that APA and arrears deductions are to be paid from his entitlement.

A payment of £266.89 was paid by the DWP- current balance is **£957.81**.