Norwich City Council

SCRUTINY COMMITTEE

Item No 7

REPORT for meeting to be held on Thursday 19 July 2018

The impact of universal credit on vulnerable groups of people

Summary: The purpose of this report is to scrutinise the plans for the Universal Credit (UC) full service implementation in Norwich based on the data and learning from the live service, and experience of other areas that have already implemented UC full service. This will form the basis of recommendations relating to the council's own preparation, as well as how the DWP nationally and locally are implementing full UC.

Recommendation: To review the report and consider any recommendations the committee wishes to make

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Background

1. The stated policy aim of Universal Credit (UC) was 'to tackle the problems of poor work incentives and complexity within the current system of benefits and tax credits. The overarching aims are to:
    a) Encourage more people into work and to make even small amounts of work pay and be seen to pay;
    b) Smooth the transition into work by offering a single benefit that removes the distinction between being in and out of work;
    c) Offer a simpler support, with one system replacing multiple systems, therefore reducing administration costs and the propensity for fraud and error, and
    d) Tackle poverty both through increased take-up since the system will be simpler and from increased reward from employment for the customer'

2. Universal Credit is a payment to 'help with your living costs'. It replaces 6 existing benefits for most working age claimants (income related Jobseekers Allowance (JSA), income related Employment and Support Allowance (ESA), Income Support, Housing Benefit (HB), Child Tax Credit, and Working Tax Credit)

3. It is made up of a standard personal allowance, and additional elements in regards of:
    - Housing costs
    - Children
    - Disability or a long-term condition that results in an inability to work

4. It is paid monthly in arrears direct to the claimant's bank, building society or credit union account. Alternative payment arrangements (APAs) such as managed payments to landlord, split payments, and more frequent payments can be applied for. Couples receive a single payment for the household that takes into account both claimants' circumstances.

5. Implementation in most of the country (other than in certain pathfinder areas) is phased. The first phase was a 'live service', which was limited to new claims by certain claimants who would previously have claimed JSA, and was only partially digitised. This then would be replaced by new claims for the 'full service', which included a wider range of claimants, including those who would previously have claimed tax credits and income related ESA. The full service is fully digitised in terms of making and managing your claim online.

6. The original timetable was for implementation between October 2013 and 2017. As implementation has evolved this has been extended, and various changes have been introduced. The most recent set of changes announced at the autumn 2017 budget were as follows:

    a) Slower rollout to full service. Revised schedule 10 Jobcentre Plus (JC+) per month February, March and April, 41 in May and 60 per

month thereafter. Completion by December 2018. Norwich JC+ is scheduled for October 2018.

b) New claims to UC live service. No new claims to UC live service from the end of December 2017. Customers will claim legacy benefits instead.
c) To address the financial concerns raised by local authorities due to the short stay nature of temporary accommodation and the incompatibility of UC monthly assessments, housing costs for those in temporary accommodation will be met through Housing Benefit and not UC.
d) Removal of 7 waiting Days at the beginning of the claim.
e) Customers moving from HB to UC will receive an overlap (HB run on) of two weeks. This is to help avoid rent arrears.
f) Private rental sector customers who have their HB paid direct to landlord will be offered this when they claim UC
g) Repayment for new advance payments can be repaid over 12 months and customers can request up to 100% of their notional entitlement

7. As of June 2018, the following amendments were also announced:
    a) Claimants in receipt of severe disability premium will remain on legacy benefits even if they have a change of circumstances. This will be the case until they are moved as part of managed migration where they will then qualify for transitional protection.
    b) Capital of £16,000 and over will be disregarded for 12 months for claimants who are moved from tax credits to UC

Risks

8. The fundamental change to working-age benefits that UC represents means that there are significant risks to claimants. These can be summarised as follows:
    a) The payment system (calendar monthly in arrears) has been created to mirror the world of work, but this can pose a challenge for people on low income with no experience of salaried work. Without adequate preparation, arrears can build up quickly and over a relatively short space of time can become unmanageable. Help and support is offered to all UC recipients but take-up is down to the individual.
    b) The Welfare Reform Act 2012 introduced a new conditionality regime for working-age benefits, which has resulted in a higher level of sanctions nationally and locally. Data suggest that these have disproportionately affected younger claimants and that they are diminishing over time. Where high-level sanctions are applied, these can last up to 3 years, although emergency payments can be claimed.
    c) Claimants who are in work can be required to increase hours worked or pay received in order to reduce entitlement to benefit. This is called in-work conditionality. Ultimately sanctions can be enforced for failing to take opportunities to increase income although how this will work is still unclear. Whilst this has not been implemented yet, all relevant legislation is in place.

d) Self-employed claimants are assumed to be earning at least the equivalent of 35 hours per week on the National Minimum Wage (this is knowns as the minimum income floor). This means that those with fluctuating incomes may find that their UC payments are not reflective of their real circumstances.
e) Not all the benefit changes being felt by individuals are the result of UC. However, UC coming on top of cuts to tax credits, Housing Benefit, Child Benefit and the two-child limit will make managing a diminishing pot of money even more challenging. Research by Sheffield Hallam University in 2016 indicates that the financial loss per working age adult in Norwich due to welfare reform by 2021 is £730, making a total loss in Norwich of £68m
f) The DWP's equality impact assessment acknowledged that in moving to managing claims online 'there is a risk that not everyone has access to the internet or can use particular sites, which may include some of the protected groups under equality legislation.' This means that some of the most vulnerable groups who particularly require the financial support of UC may find it hardest to access it.
g) With the insistence that all claims are paid into fully transactional bank accounts, some people still struggle to access bank accounts. ID issues for young people and homeless are ongoing issues as is the need to manage accounts effectively once accessed without incurring overdraft fees.

9. The risks to individuals explored above add up to a potential for increased poverty in the city with the attendant impact on wellbeing. This may result in increased demand for council and other public services, for example due to increased homelessness and mental health issues. It is difficult to model future demand directly attributable to UC.

10. As a landlord, the council also faces a risk of increased rent arrears. This is partly due to the fact that, as UC is paid monthly in arrears, the claimant will wait at least 5 weeks for their first payment. For local authority tenants rent debits are applied to a tenants account on a weekly basis. This disparity in payment cycles will create 'technical arrears'. A recent study found that 73% of tenants on UC are in debt, compared with less than a third (29%) of all other tenants.

Lessons learnt

11. The key lessons learnt from areas that have already seen the advent of the full UC service (including Great Yarmouth) is that local authorities need to be prepared well ahead of roll-out. This includes:
    a) Working with customers to make them digitally confident. For example teaching them how to create safe passwords, where to access support and IT, and setting up email addresses.
    b) Making sure front facing teams and those who will support customers to make an online claim understand the claim journey and the claimants responsibilities

c) Being clear about what is required by banks etc to open accounts. Those most at risk are young people with no experience of living away from home or being responsible for budgeting within a household, and those with chaotic lifestyles who face difficulties in getting suitable ID
d) Being proactive by identifying and monitoring UC cases so that support can be provided asap
e) Making sure customers are aware of the support available, including advanced payments, council tax reduction, discretionary housing payments, alternative payment arrangements, budgeting and IT support.
f) Encouraging and supporting set up of transactional bank accounts
g) Creating good communication channels between the local authority and JC+
h) Considering a degree of co-location of digital and budgeting support within JC+ to improve customer engagement

UC implementation in Norwich

12. The live service began in Norwich in December 2015. This means that we already have over 30 months of experience of supporting residents to navigate UC. Key data on the live service includes:
    a) 940 Norwich residents claiming UC current caseload as at 10 May 2018. Numbers are slowly falling as no new claims to live service since 31 December 2017
    b) 292 tenants claiming UC as at 3 July 2018
    c) 197 UC claimants given budgeting support and 4 given digital support to the end of March 2018
    d) 116 UC claiming tenants on managed payments or managed payments applied for as at 3 July 2018
    e) 105.76% rent collection at week 52 for UC-claiming tenants, versus 98.76% for non UC-claiming tenants, which has been maintained through intensive management of UC-claiming council tenant accounts

13. The transition to the full service in Norwich is timetabled as follows:
    a) New claims will start on 17 October 2018
    b) Current live service claimants will be invited to claim full service in November 2018 (this will require a new application).
    c) Existing claimants of other eligible benefits will be ‘migrated’ to full service UC over several years, commencing with testing small numbers in January 2019, slightly increasing volumes from July 2019, and due to complete 2023. Full migration regulations and schedule still to be finalised.

Universal Support and the role of Norwich City Council

14. The city council as a local authority has a formal role in the DWP’s ‘Universal Support’ which seeks to address the cultural change and behavioural shift for claimants that is required under UC.

15. Universal Support (US) is advice, assistance and support provided by agreed US partners such as:
    - Local Authorities
    - Citizens Advice
    - credit unions
    - registered social landlords
    - relevant registered charities

16. In Norwich the council provides support to residents (not just tenants) to enable them to make and manage their online claim including accessing online services. This support is provided by our digital champions (from across the organisation), and volunteers (Voluntary Norfolk).

17. Full budgeting support is provided by 6 advisers within our housing income team. This includes telephone and face-to-face support and eventually support within the local JC+.

18. As well as its role in 'Universal Support' the council has also sought to play an active role in mitigating the risks to tenants and residents in the transition, as well as to itself as a council and landlord. The approach that the city council has sought to take thus far has been to work collaboratively, both internally and externally, to understand the issues and to plan accordingly. Whilst it is a DWP initiative, we have looked to work constructively with a range of stakeholders to ensure that the transition is as smooth as possible. This starts from a recognition that this is not simply a benefits issue but affects a range of services that the council provides. Key activities have included:

    - Cross-council co-ordination through project board and UC team leader
    - Identifying operational impact and trouble-shooting issues as they arise
    - Communication with residents and tenants around key messages (e.g. get online, learn to budget, get a bank account)
    - Stakeholder engagement (Anglia Revenue Partnership, advice and support agencies, social landlords, other councils etc.)
    - DWP liaison and providing statistics

19. The number of HB claims is slowly reducing but since the end of the live service customers have needed to claim legacy (soon to be known as Heritage Benefits) benefits (i.e. JSA and HB). HB caseload at the beginning of June was 13,866.

20. The benefits team have made specific preparations for the advent of UC including:
    a) Establishing a small team of advisers to handle UC work which will be scaled up across the team as we move to full service
    b) Working to automate large scale of HB stop notifications received through DWP 'Data Hub'
    c) Automation of UC Discretionary Housing Payment applications into Academy to mitigate risk
    d) Encouraging take up of CTR claims for UC customers

21. The housing income team have made specific preparations for the advent of UC including:
    a) Developing early identification of tenants who have made a claim for UC, so that they can be flagged and closely monitored
    b) Pro-actively identifying need for budgeting support rather than waiting for referrals
    c) Intensive management of rent payments, taking account of technical arrears that ensue from method of UC payment (monthly in arrears)

22. Wider activities that are supporting the transition to Universal Credit include:
    a) Social welfare commissioning: The Council is continuing its commitment to the advice sector in the city and providing resources to allow free access to specialist advice on a range of Social Welfare issues. One of the key target groups for this is residents who are affected by the introduction of Universal Credit and other changes to Social Welfare law.
    b) Betteroff Norwich is a software package purchased by the Council which is aimed at helping people check their own entitlements to benefit, and where there is a potential shortfall, assist them in applying for it directly and on-line. While the software is geared towards helping people to self-help, it can also be used by agencies advising their clients. Within the package there are also various budgeting and debt tools than can help people take control of their finances.
    c) The refurbishment of the contact centre has enabled the introduction of self-serve tablets, a scanning station, and floorwalkers to ensure there will be adequate support where it is needed most. This will enable those customers who can self-serve to do so, whilst freeing up officer time to help customers who need their support.

23. While some of the measures above are about empowering people to self-help regarding claiming and budgeting, the city council recognises that there will always be a need to provide individual help for some people in some cases. The work above is designed to allow staff the time and space to provide that intensive help where needed to the most vulnerable of people.

24. Key issues faced during the live service include:
    a) Initial confusion around whether temporary accommodation in LetNCC was in scope for UC
    b) Claimants not always receiving correct information from DWP
    c) Delays in receiving information to be able to award Discretionary Housing Payments
    d) Initial problems identifying payments coming into the authority
    e) Temporary accommodation – difficulties getting payment when tenants placed in full service area (Lowestoft)
    f) Some customers failing to claim Council Tax Reduction (which requires a separate application to the city council)

25. However, we have also managed to address some issues and have learnt that:

a) Close partnership working with the DWP and other stakeholders is key
b) BetterOff Norwich has been a useful tool to direct residents and tenants to support them to make claims
c) Norwich JC+ contacts have displayed willingness to help rectify problems
d) There has been minimal request for digital support (although it should be noted that claimants under full service are more likely to be vulnerable and have complex claims)
e) A number of changes have now been made to UC as a result of major concerns raised by local authorities and other stakeholders. Being late in the rollout has enabled us to learn from the experience of others and also benefit from the changes to the national programme.

Conclusions

26. Universal Credit represents a wide-ranging and fundamental change to working age benefits which impacts on residents and tenants, the council itself and other stakeholders in multiple ways. In order to ensure that we mitigate the risks and enhance the benefits of UC, we need to maintain our proactive, collaborative approach. The key to this is ensuring that the majority of our residents and tenants can adapt to the self-serve ethos of UC whilst providing dedicated resource to those who require extra support.

27. We believe that we are as prepared as we can be for the advent of the full UC service, but will continue to work with a range of stakeholders to evolve our approach. Members of the committee are invited to recommend ways in which we can continue to play an appropriate role in supporting our residents and tenants.

28. Members may wish to note that National Housing Federation have made the following recommendations to government ahead of the national roll out of full service:
    a) To allow housing association staff and agencies, such as Citizens Advice, to sort out problems with Universal Credit as advocates for tenants
    b) To scrap the “two child policy” and “benefit cap limit” which are pushing families into poverty
    c) To ensure Universal Credit is paid to people and their landlords on time, at the same time
    d) To adapt Universal Support to cope with greater numbers and more complex cases, and provide the funding to support more tenants
    e) To restore the in-work allowances and revise the rules so that the self-employed, those with fluctuating pay packets or those who are not paid monthly do not lose out.