

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 17 May 2016

**BY:** Depute Chief Executive – Resources & People Services

**SUBJECT:** Universal Credit

---

## **1 PURPOSE**

- 1.1 To provide the Audit and Governance Committee with an update on the introduction of Universal Credit.

## **2 RECOMMENDATION**

- 2.1 That the Audit and Governance Committee note the contents of this update.

## **3 BACKGROUND**

- 3.1 Universal Credit was introduced in 2013 as part of the UK Government's Welfare Reform Act 2012. It is a single monthly payment to support working age persons who are on a low income or out of work and is paid monthly in arrears directly into the claimant's bank account.
- 3.2 Claimants will only have to make a single application for Universal Credit, which replaces six existing benefits:
- Income-based Jobseeker's Allowance
  - Income-related Employment and Support Allowance
  - Income Support
  - Child Tax Credit
  - Working Tax Credit
  - Housing Benefit
- 3.3 In East Lothian, the roll out of Universal Credit began in April 2015 for single working age persons. However, the full "Digital" Universal Credit

Service (to be claimed online) was introduced in East Lothian on 23 March 2016 and has seen Universal Credit extended to all new claimants of working age (including couples and families). We are informed that most changes in circumstances for existing working age claimants will result in Housing Benefit stopping and a new claim for Universal Credit being made.

- 3.4 The Council has been planning ahead to mitigate against the impact of Welfare Reform – a Welfare Reform Task Group was established and a Welfare Reform action plan has been prepared which focuses on assessing the impact on the Council. The work of the Group has been based around communications, data sharing and training.
- 3.5 We note that the Council undertook a variety of publicity and marketing routes to engage with third sector agencies and also to notify claimants of the changes that were being introduced.
- 3.6 For the Council, Universal Credit will have a major impact as housing costs now form part of the Universal Credit payment made to the claimant – in the past housing costs (Housing Benefit) were paid directly to the Landlord (Council).
- 3.7 The new arrangements will result in the Council having to collect rent on Council properties directly from claimants, thereby increasing the risk of rent arrears. When full implementation of Universal Credit is achieved, which is expected to be by 2018/19, it is estimated that the Council's rent income team will have responsibility for collecting an additional £8.3 million per annum from claimants whose rent is currently paid direct to their rent account by Housing Benefit.
- 3.8 In addition, the introduction of Universal Credit is having an impact on a number of other service areas within the Council including:
  - Customer Services – the introduction of Universal Credit has seen ELC frontline staff receiving more Universal Credit related enquiries and to staff providing claimants with assistance in a number of areas.
  - Benefits – the Council's Housing Benefit team will continue to process Housing Benefit for non working age claimants and will continue to administer the Council Tax Reduction Scheme. However, we are informed that there is likely to be a significant reduction in the Council's Housing Benefit caseload over the next two years as Universal Credit is fully rolled out.
  - Homelessness – we are informed that Universal Credit will have a number of implications for the Council's Homelessness Section and that the Council is currently seeking to find the best solution for both the client and the Council.

- 3.9 We are informed that the Council's existing housing IT system is not currently fit for purpose to meet the functionality required for Universal Credit, however Senior Management have recently approved investment in a new IT solution which seeks to mitigate the impact of ongoing Welfare Reform. We further note that work is ongoing to redesign working methods and processes to meet the challenges of Universal Credit.
- 3.10 A detailed audit review of Universal Credit will be undertaken in 2016/17 and our findings will be reported to the Audit and Governance Committee.

#### **4 POLICY IMPLICATIONS**

- 4.1 None

#### **5 INTEGRATED IMPACT ASSESSMENT**

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

#### **6 RESOURCE IMPLICATIONS**

- 6.1 Financial – None
- 6.2 Personnel – None
- 6.3 Other – None

#### **7 BACKGROUND PAPERS**

- 7.1 None

<b>AUTHOR'S NAME</b>	Mala Garden
<b>DESIGNATION</b>	Internal Audit Manager
<b>CONTACT INFO</b>	01620 827326
<b>DATE</b>	5 May 2016