

**REPORT TO:** Policy and Performance Review Committee

**MEETING DATE:** 11 October 2017

**BY:** Depute Chief Executive (Resources and People Services)

**SUBJECT:** Universal Credit Update

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## **1 PURPOSE**

- 1.1 To provide PPRC members with an update on the rollout of Universal Credit, 'Full Service' (UCFS) and its impact on East Lothian Council services.

## **2 RECOMMENDATIONS**

- 2.1 Note the growing impact of Universal Credit on Council Services as they respond to challenges associated with the UCFS rollout.

## **3 BACKGROUND**

- 3.1 This report is the latest in a series of reports providing information on the UK Government's welfare reforms and their impacts on East Lothian residents and Council Services. The focus of this particular report is Universal Credit, (UC) which is being rolled out across the UK to replace the following Department for Work & Pensions, (DWP) legacy benefits:

- Child Tax Credit, (CTC)
- Housing Benefit, (HB)
- Income Support, (IS)
- Income-based Job Seeker's Allowance, (JSA)
- Income-related Employment and Support Allowance, (ESA)
- Working Tax Credit. (WTC)

In East Lothian Universal Credit is being rolled out by Musselburgh Job Centre and is currently part-way through a 'natural migration' phase which requires claimants of the aforementioned legacy benefits to transfer to UC as and when they encounter a significant, (trigger) change

in circumstance. By 31 March 2017 **3,560** East Lothian residents were claiming UC. This equated to **1,293** households of which **986** were ELC tenants, (**1,200** at @ 17 August 2017).

## **UNIVERSAL CREDIT**

- 3.2 East Lothian Council was initially involved as a partner agency to Musselburgh Job Centre Plus, (JCP) during the rollout of the Universal Credit 'Live Service' (UCLS) from 27 April 2015. The Council subsequently signed up to a further Delivery Partnership Agreement, (DPA) for the full digital rollout of the Universal Credit "Full Service" (UCFS) from 23 March 2016. Under the terms of the DPA the Council received funding worth **£51,696** in 2015/16 and **£88,553** in 2016/17.
- 3.3 In partnering Musselburgh JCP the Council's Communities and Partnerships Division has provided help for UC claimants in making their claim for the new UC digital service on line at local Council offices and libraries. Council staff have been supported in this by Musselburgh JCP providing regular advice surgeries in the Council's local offices for claimants who may be experiencing additional difficulties with their UC claim. The Council has also provided personal budgeting support (PBS) through an arrangement with a third party financial inclusion service for UC claimants requiring assistance with budgeting.
- 3.4 The "Assisted Digital Service" (ADS) and the PBS provision have been 2 measures that the Council has been required to provide under the terms of the DPA. However, this partnership agreement has also provided the overall framework and some funding for the administration of cases migrating from Housing Benefit to UC Housing Costs as well as the management of various interactions between various Council services and the UC Service Centres. As such, the bulk of the UC funding under the DPA has been used to fund 2 temporary posts, (1x FTE Welfare Development Officer and 1x FTE Benefit Officer).
- 3.5 In an attempt to rationalise the various funding streams awarded to the Council in respect of UC and the ongoing administration of residual Housing Benefit cases in March 2017 the DWP replaced the DPA with a UC "Grant Funding" agreement. Whilst this is expected to provide up to **£18,240** for the provision of ADS & PBS in 2017/18 a further amount has been consolidated within the Council's award of HB Administration Subsidy. However, given that this subsidy saw an overall reduction of **£81k (21.43%)** in 2017/18, (due to a combination of a global DWP reduction and a further reduction in lieu of the HB cases already migrated to UC) the Council has been obliged to increase its own funding of services having to respond to the impacts of the UCFS rollout.

## **Key Impacts**

- 3.6 The initial 11 month period working under UCLS conditions helped establish the groundwork for the co-operative approach required to deliver UC locally. However, the introduction of the UCFS in March 2016 represented a significant step change and ongoing rollout of the "full

service” has presented major challenges for Council services. The key impacts/points to note in respect of the UCFS rollout have been:

- A wider range of people in scope for claiming UC & higher volume of cases as a consequence
- The reliance on UC claimants to make and maintain their claim online
- The built in 7 day waiting period for the majority new UC claims
- Extended processing times for UC claims (min 32 days but in many instance 6 weeks or longer before 1<sup>st</sup> payment received by claimant)
- Additional demand for Scottish Welfare Fund, (SWF) Crisis Grants (**7.2%** in excess of profiled SWF expenditure as at 31 August 2017)
- Consequential increase in the number of referrals to Food Banks
- Level of deductions from UC first payments causing further hardship
- The payment of UC Housing Costs direct to the claimant
- The ongoing rollout of UCFS is reducing the Council’s ‘working age’ HB caseload, (down **26%** as @ 17 August 2017). However, the Council’s Benefits & Financial Assessments service will continue to administer HB for pensioners and Council Tax Reduction, (CTR) for all claimants.
- A risk previously identified in Audit Scotland’s HB/CTR Risk Assessment reports associated with using Benefits staff resources in relation to the implementation of welfare reforms has found more credence in the context of the UCFS rollout. Whilst the rollout continues to reduce HB caseload, the administrative workload associated with administering the migration to UC has in fact created a higher workload.
- The uncoupling of the well established joint claim for Housing Benefits and Council Tax Reduction (CTR) has been a significant factor in the reduction in those claiming CTR, contributing to an overall reduction in expenditure of **£345.7k (6.71%)** reduction in 2016/17.
- The increased reliance on automated data transfer between DWP/JCP has seen many repeated experiences of errors, missing documentation and Data Protection breaches on the part of the DWP.
- Lack of consistency and knowledge amongst DWP Service Centre staff
- Lack of training of DWP staff in Service Centres dealing with vulnerable people
- Previously agreed data sharing protocols no longer apply under UCFS, curtailing Council officers’ ability to make telephone enquiries about UC claimant’s entitlement
- An increased reliance on the UC claimant providing information from their online UC Journal
- The growing reluctance of private sector landlords to let to UC claimants
- Increased risk of potential homelessness due to delays in UC Housing Costs being awarded and increased evictions for rent arrears with some choosing not to pay rent when they receive lump sum UC payment

- Impact on ELC Temporary Homeless Accommodation (General Services Budget) as a result of increased rent arrears
- Evidence suggests that the UC requirement for claimants to be resident in accommodation at the end of the initial assessment period may be incompatible with temporary/emergency accommodation. A policy change is expected, (December 2017) however in East Lothian, (and other early adopter sites) this may see those already migrated on to UC have to revert back to HB. The ongoing confusion over the status of such claims has increased the risk of both duplication and failure to make housing costs payments which in turn has financial consequences for the Council's Benefits or Homelessness services.
- UC currently unable to deal with households with more than 2 children. Such households will remain on HB or may have to revert back to HB after birth of the 3<sup>rd</sup> child.
- Housing Associations operating in East Lothian experiencing similar issues and some taking legal action to evict tenants with UC related rent arrears
- Increased demand for Discretionary Housing Payments
- Insufficient Housing Costs information to facilitate DHP decisions, (increasing the burden of proof on the DHP claimant)
- Concerns raised by Council Services over Job Centre Plus' ability to support vulnerable claimants through the migration to UC

## Rent Arrears

3.7 The Impact of Universal Credit Full Service on mainstream Council house rent collection has been severe:

- As at 31 March 2017 **986** ELC tenants were claiming UC. The total value of rent to be collected from these tenants each fortnight was **£126,377.52**. This equates to **£3,033,300.48** over a 12 month period.
- During 2016/17 current tenant rent arrears increased from **£1,210,872.63** at the end of Q1 2016/17 to **£1,676,047.09** at the end of 2016/17. – a **£380,264.49** increase (**29.35%**).
- Analysis has shown that whilst rent arrears for ELC tenants has been increasing, the amount of arrears owed by those still receiving assistance from Housing Benefit and/or receiving no assistance has been reducing.
- The average rent arrears for a UC claimant is **£1,021.30**. However, to put this into context, the average rent arrears against a non-UC case are **£397.08**, (for those still in receipt of HB) and **£569.55**, (for those receiving no financial assistance).
- An annual report entitled "Impact of Universal Credit on Revenues and Welfare Support Services – 2016/17" has been produced and lodged in

the Member's Library. This provides more detail regarding the UCFS impact on Rent and Revenues collection.

- 3.8 Council officers are continuing to work closely with the UC Project Team which aims to develop improved communication between UC Service Centres and social landlords. However, it is evident that the initial UC waiting time and built in processing delay invariably means that UC households commence their claim with debt already accumulating. This has become an additional barrier to effective rent collection and as a result an increasing number of tenants have required additional support from Council services.
- 3.9 Given the extent of the ongoing impact that the UCFS rollout is having on rent arrears and the significance of the response required by the Revenues and Welfare Support Service it is expected that a more in-depth report regarding will be submitted to the next PPRC meeting, (21 February 2018).

### **ELC Relationship with the Universal Credit Project Team**

- 3.10 From the start of the UC rollout East Lothian Council recognised the need for good relationships to exist between Council services, Musselburgh JCP, UC Service Centres and the UC Project Team. The Council and JCP set up an Operational Delivery Group (ODG) in order to manage UC activities under the DPA and each organisation represented at the Group also appointed a Single Point of Contact (SPOC) to deal with day to day operational matters that come to light. Whilst relationships between the Council and JCP Officers have generally been good, more recently ODG meetings have become less frequent as JCP staff and the UC Project Team have been required to focus the next tranche of local authorities due to see UCFS rolled out. After 20 months of roll-out in East Lothian, UCFS is very much business as usual.
- 3.11 Given that East Lothian has featured very early in the rollout, the Council has been keen to engage with the UC Project Team at the highest level in order to share its emerging findings. An early summary report and recommendations was shared with the UC Director General on 26 July 2016. This was subsequently discussed at a meeting between the Director General and the ELC Chief Executive on 21 September 2016.
- 3.12 The Welfare Reform Update Report which was approved by the Council on 20 December 2016 resulted in the Council Leader writing to Damian Green MP, (then the Secretary of State for Work & Pensions). Citing the detriment being experienced by East Lothian residents and the financial impact of the Council and other social landlords this letter called for a suspension of the rollout of UC Housing Costs until solutions to the current problems could be found.
- 3.13 In a response received on 9<sup>th</sup> February 2017 Damian Hinds MP, (Minister for Employment) confirmed that it was not the time to suspend UC Housing Costs and that more evidence was required from the rollout to inform an improved UC design.

- 3.14 On 10 January 2017 the Chief Executive wrote to the UC Director General expressing her concerns about the UC program's requirement for "explicit" consent to be given by UC claimants each time either an elected member of council officer made enquiries in support of their claim. Previously DWP Offices administering "legacy" benefits had operated under an "implied" consent basis however the new arrangement had come as a surprise and effectively curtailed the Council's ability to intervene effectively on behalf of these claimants who were experiencing difficulties with their UC claim.
- 3.15 A response was received from the UC Director General soon after in which Neil Couling simply referred the UC Project's position regarding information sharing with the "welfare advice sector". This position fails to acknowledge the extent of data sharing which local authorities have previous had access to in the administration of HB on behalf of the DWP.
- 3.16 On 1 February 2017 the Chair of the House of Commons Work and Pensions Committee, (Frank Field MP) wrote to the Chief Executive asking both specific questions about the impact on rent arrears and for more general information about the Council's experiences under the UCFS rollout. The Council submitted a response on 21 February 2017. This included a copy of the Welfare reform Update Report which was approved by the Council on 20 December 2016. This information was considered has since been included in the online evidence list published in respect of the Committee's Universal Credit rollout inquiry.
- 3.17 Following these exchanges of correspondence Council Officers continued to meet with UC Project Team colleagues, (when they have been able to) and have taken every opportunity to communicate the impacts that the rollout is having and in many cases offering solutions which could help mitigate. Council Officers have also been active in other related forums, (CoSLA, IRRV, ALACHO etc) and have shared their experience with other local authorities that are due to see UCFS rolled out in their area in the near future.
- 3.18 A further meeting between the UC Director General and the 5 Scottish Local Authorities then engaged with the UCFS rollout took place on 12 April 2017. This meeting was facilitated by CoSLA and largely featured contributions from ELC, The Highland Council and Inverclyde Council, (the 3 Scottish Councils with the most experience of UCFS at the time).
- 3.19 Neil Couling, (UC Director General) received the Council Officer's update reports and whilst he acknowledged that many of the impacts related to UC policy matters he maintained that he expected that the impact on Council finances would be temporary and confirmed that there would be no significant changes made. However, he said that he would welcome ongoing updates and to facilitate this CoSLA Policy Officers undertook to collate quarterly reports detailing the collective rent arrears and other related costs being incurred by the Scottish LAs under UCFS conditions.
- 3.20 The "natural" migration of HB claims to UC will continue until complete after which it is understood that the DWP will then commence a

“managed” migration of remaining working age HB claims, leaving the Council’s Benefits and Financial Assessment Service to administer the residual pension age HB claims and all CTR claims.

### **ELC Engagement with the Scottish Government**

- 3.21 On 25 October 2016 the Council agreed its response to the Scottish Government’s consultation on Social Security in Scotland. This exercise was carried out to inform the Scottish Government’s options appraisal for the delivery mechanisms for the welfare powers devolved to Scotland under the recommendations made in the Smith Commission report.
- 3.22 On 10 November 2016 the Service Manager – Benefits and Financial Assessments along with colleagues from the Highland and Inverclyde Councils gave written & oral evidence on the rollout of Universal Credit in to the Scottish Parliament’s Social Security Committee.
- 3.23 On 9 January 2017 in addition to engaging with the UK Government and DWP the Council Leader also wrote to Angela Constance MSP, (Cabinet Secretary for Communities, Social Security and Equalities). The purpose in engaging with Scottish Government Ministers at this time was to ask for their early action in implementing the welfare powers devolved to the Scottish Parliament.
- 3.24 In response the Scottish Government agreed to a meeting to discuss its approach to the implementation of the Scottish Social Security Agency. On 25 May 2017 Jeanne Freeman MSP, (Minister for Social Security) met with the Council Leader, Depute Chief Executive – Resources and People Services and other Council officers. During this meeting the Minister confirmed that the Scottish Government was very concerned about the impacts that the ongoing UCFS rollout was having and that the Cabinet Secretary for Communities, Social Security and Equalities had written to the Secretary of State for Work and Pensions asking for the UCFS rollout to be halted.
- 3.25 Since this meeting the Minister for Social Security has made a number of announcements confirming that the Social Security Agency which is to be established will employ up to 1,500 staff and will administer the 10 newly devolved benefits from 2 processing centres located in Glasgow and Dundee). More recently Scottish Government Officers have met with ELC Officers to investigate options for the co-location of Social Security Agency staff in Council Offices in order to provide face to face help and support for East Lothian residents who may need to claim the newly devolved benefits.
- 3.26 On 28 September 2017 the Minister for Social Security along with CoSLA Community Wellbeing Spokesperson sent a joint letter to David Gauke MP, (Secretary of State for Work and Pensions). In anticipation of the UCFS rollout accelerating in the autumn this letter again asks the UK Government to pause or at least slow down the rollout until the DWP improves the service and eliminate the issues being experienced.

- 3.27 In addition to the administration of the devolved Benefits, from October 2017 the Scottish Government will also have the power to make changes to Universal Credit in respect of the timing of payments and to whom the payments are made. From the various discussions with both Scottish Government and DWP contacts it is understood that whilst these powers will exist, the Scottish Government and DWP are yet to develop the mechanisms required to implement them. In the meantime the ELC Rent Income Team will continue to utilise the existing Alternative Payment Arrangements, (APAs) and Third Party Deduction, (TPD) arrangements which already exist under Universal Credit.

### **Universal Credit Surveys**

- 3.28 Following the completion of the first full year working under UCFS conditions the Revenues and Welfare Support Service were increasingly aware of the rising debt that UC claimants were incurring. Keen to obtain customer feedback on UC and how it has been affecting the ELC tenants that the service has engaged with, Officers conducted a survey.
- 3.29 On 8 June 2017 an online survey was issued to **749** Council Tax Payers who were known to be claiming UC. The survey ran until 18<sup>th</sup> August 2017 and **209** people, (**28%**) responded. Whilst the full results of the survey are still to be published it showed that only **25%** of the respondents were able to manage financially while waiting for their first Universal Credit payment. Waiting time for that first payment was around 6 to 8 weeks for **82%** of respondents, with a further **18%** experiencing longer delays.
- 3.30 Fifty three percent, (**53%**) of respondents were obliged to get a loan from their families to tide them over whilst **28%** had to get a benefit advance on from the DWP. Ten Percent, (**10%**) had to apply to for assistance from the Scottish Welfare Fund, (SWF) and **14%** went to the Food Bank. After 3 months on UC only **36%** felt that they were now coping with payments and **46%** said that their financial situation had worsened and their debts increased.
- 3.31 The Musselburgh and Haddington Citizen's Advice Bureaus (CAB) also conducted a recent survey to ascertain the impact of Universal Credit's impact on their client's income. This survey involved a snapshot of 134 working age clients who were claiming income support and attempted to compare the difference between the amounts being received under UC with the awards they would have been entitled to under DWP legacy Benefits.
- 3.32 The CAB survey results showed that **52%** of these clients saw their benefit income decrease under UC compared with DWP legacy benefits. Whilst only **31%** made a modest gain, **79%** of those that lost out incurred a loss of over **10%**.

### **Conclusion**



- 3.33 In summary, since the rollout of UCFS began in East Lothian, there is growing evidence that both UC policy issues and the way that the rollout is being managed by DWP is causing major concern for the Council and for affected East Lothian residents. The Council is working closely with a range of partners, (including the DWP and the Scottish Government) to support claimants through the transition into UC and to help manage rent arrears and prevent homelessness. However, inefficient DWP processes and diminished data sharing, coupled with the lengthy delays experienced by claimants in both mainstream and temporary accommodation as they wait to receive UC payments, is continuing to cause significant pressure on Council services and additional stress and financial hardship for claimants.

#### **4 POLICY IMPLICATIONS**

- 4.1 No policy implications at present. However current policies may need to be reviewed in light of further developments.

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

- 5.1 This update report does not require an integrated impact assessment since members of the PPRC are not being asked to reach a decision.

#### **6 RESOURCE IMPLICATIONS**

- 6.1 Financial – the continued rollout of UCFS is continuing to have a significant detrimental impact on the Council's income streams – notably the Housing Revenue Account (HRA) which relies on efficient rent collection to fund its landlord services to tenants. The ongoing migration of HB caseload to UC may also have a further impact on the level of HB Administration Subsidy which the Council receives from the DWP.
- 6.2 Personnel – staffing resources within the Council have been stretched to support those individuals who require greater assistance due to the implementation of Universal Credit and the consequential issues which have arisen, as highlighted in this report. Staffing resources will have to be reviewed in light of continuing and increasing demand and/or further reductions in either DWP funding or income.
- 6.3 Other – None.

## 7 BACKGROUND PAPERS

- 7.1 <https://www.gov.uk/universal-credit>
- 7.2 [http://www.parliament.scot/S5\\_Social\\_Security/Minutes/Minutes\\_20161110.pdf](http://www.parliament.scot/S5_Social_Security/Minutes/Minutes_20161110.pdf)
- 7.3 [http://www.eastlothian.gov.uk/meetings/meeting/5906/east\\_lothian\\_council](http://www.eastlothian.gov.uk/meetings/meeting/5906/east_lothian_council)
- 7.4 <http://www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/inquiries/parliament-2017/inquiry/>
- 7.5 <https://news.gov.scot/resources/letter-from-jeane-freeman-msp-minister-for-social-security-and-cllr-kelly-parry-cosla-community-wellbeing-spokesperson-david-gauke-mp>
- 7.6 Impact of Universal Credit on Revenues and Welfare Support Services – End of Year 2016/17 (lodged in Member’s Library)

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