

Report to Scrutiny

Item Number: 5

Contains Confidential or Exempt Information

No

| | |
|---------------------------------|---|
| Subject of Report: | Impact of Universal Credit |
| Meeting: | Scrutiny Review Panel 3 – 2019/2020: Local Effects of National Issues 26 September 2019 |
| Service Report Author: | Joanna Pavlides, Local Welfare Assistance and Benefits Support Manager |
| Scrutiny Officer: | Harjeet Bains, Scrutiny Review Officer Email: bainsh@ealing.gov.uk Tel: 020-8825 7120 |
| Cabinet Responsibility: | Cllr. Jasbir Anand, Business and Community Services Cllr. Bassam Mahfouz, Finance and Leisure |
| Director Responsibility: | Alison Reynolds, Director of Customer and Transactional Services |
| Brief: | To consider the information provided on the impact of Universal Credit and make recommendations accordingly. |
| Recommendations: | The Panel is recommended to: - Consider and comment on the information provided on the impact of Universal Credit - Make suggestions for further improvements where necessary |

1. Overview of Universal Credit

- 1.1 Universal Credit (UC) roll out started from April 2013 as part of the Government's wider Welfare Reform Programme and represents a major change to the current benefit system in terms of benefit administration, the support that it offers and the work-related expectations that are being placed on claimants as a condition of receiving it.
- 1.2 In speech delivered in January 2019, Amber Rudd, Secretary of State for Work and Pensions, stated that universal credit was based on three fundamental principles:
 - First: work – those who can, should; and those who cannot should be protected from poverty
 - Second: work should always pay
 - Third: the system should be fair. Fair for taxpayers who pay for it and fair to those who receive it, and fair to future generations – who do not deserve to become trapped in it.
- 1.3 UC has replaced the following six benefits into one single payment:
 - Income-based Jobseeker's Allowance
 - Income-based Employment and Support Allowance
 - Income Support
 - Working Tax Credit
 - Child Tax Credit
 - Housing Benefit
- 1.4 Universal Credit can only be claimed by working age claimants and those who live in temporary or supported accommodation can only receive living costs through UC. They have to continue to claim help with paying rent from the council under the current housing benefit rules.
- 1.5 Since 16 January 2019 claimants getting Severe Disability Premium (SDP) as part of their current benefit are no longer able to claim Universal Credit and are required to continue claiming legacy benefits. This is because SDP is not available under UC and those who are entitled to it were losing between £120 and £405 per month. Those who have already transferred will be paid compensation and ongoing additional payment on top of their UC.
- 1.6 UC claimants are paid monthly directly into their bank accounts and payments include their housing costs (previously paid by local authorities as housing benefit). The claimants have to go through a one-month assessment period and get their first payment seven days after.
- 1.7 This means that new UC claimants do not receive their first payment until at least 35 days following the date of their claim. This waiting period has proven to cause hardship for many claimants who are left with no other income during this period. DWP has addressed this issue by introducing 'advance payments' which can be paid prior to the first payment of UC. The advance payment is ultimately an interest free loan which the claimant has to repay from their ongoing Universal Credit over a maximum of 12-month period.

- 1.8 If a claimant has difficulty managing their money monthly, they are able to use alternative payment arrangements which include having their housing costs paid directly to their landlord; receiving more frequent payments or payments being split and paid into two bank accounts rather than one. These alternative payment arrangements are subject to periodic review to ensure 'best approach' for a claimant.
- 1.9 Working with their Jobcentre coach, claimants agree a 'claimant commitment' which sets out what they have agreed to do to prepare for work, look for work or increase their earnings if they are already in employment. The claimant commitment is reviewed regularly. Those with health conditions or disabilities limiting their capacity to work are asked to do work search and work preparation activities that are reasonable for their condition and situation. In cases where a claimant fails to adhere to their 'claimant commitment' a sanction is applied and UC payments are reduced or stopped all together.

2 Universal Credit roll out timetable

- 2.1 The DWP has not been successful in keeping to the original timetable for Universal Credit roll out, under which the implementation of the new benefit was due to be completed by year 2017. Universal Credit was introduced in April 2013 in four postcodes in the North West. Between April 2013 and July 2013, further postcode areas were added. Only people who lived in the relevant postcodes and who met strict conditions were able to claim.
- 2.2 From 16 June 2014, new rules called 'gateway conditions' were introduced. These rules set out whether or not a person living in a designated live service postcode area was able to make a claim for UC. If the person met the gateway conditions and lived in a postcode that was accepting UC claims, then they were able to submit a claim.
- 2.3 When UC began in April 2013, it used IT assets developed by private contract suppliers. These areas are known as live service areas.
- 2.4 Alongside the live service areas, the DWP built their own digital service system which started in a small number of areas in November 2014. Between November 2014 and April 2016, DWP introduced further digital test areas.
- 2.5 The digital service changed its name to 'full service' and from May 2016, the DWP started rolling out the full service to existing live service areas in Great Britain. Claimants already claiming UC in these live service areas were subsequently transferred to the full service.
- 2.6 Universal Credit is available to claimants who need to make a new claim for benefits, those who have not claimed before or claimants in receipt of legacy benefits who need to make a new claim due to a change in their circumstances – this is called a natural migration.
- 2.7 Universal Credit 'live service' in Ealing was rolled out on 13 July 2015 to single claimants only and full digital service was introduced for other households with maximum of 2 children from 28 March 2018. From 1 February 2019 UC was further expanded and made available to families with more than 2 children, however the amount of UC is limited to 2 children if 3rd or subsequent child was born on or after 6 April 2017 (with some exceptions, for example multiple

births).

- 2.8 Now that UC full service is available across the UK, DWP is preparing to migrate onto UC the existing benefit cases. Current plans are to pilot a 'managed migration' process which will involve inviting existing claimants to make a claim for UC between July 2019 and July 2020. Up to 10,000 existing claimants will move to UC during that pilot period.
- 2.9 From November 2020, it is expected that more people will be moved across to UC through the managed migration process until completion, currently expected by December 2023.

3 Universal Credit Roll out – Ealing approach and cost of delivery

- 3.1 Universal Credit roll out meant that a number of Council services had to consider its impact and review the way they deliver their services where necessary. The biggest impact was anticipated in Customer Services area, in particular Housing Benefit, Local Welfare Assistance, Front Line as well as in Housing Department.
- 3.2 Housing Benefits appointed a temporary Project Manager for a period of 15 months at the total cost of £61k to ensure that Benefits Service reviewed its processes and procedures in line with Universal Credit and that the Service was able to deal with UC cases. The Benefits Service also worked with other departments to ensure they are aware of UC and that they considered its impact and, where necessary, mitigation was put in place. Large number of staff had to be provided with training and IT systems had to be reviewed in readiness for the roll out.
- 3.3 Project Manager also ensured that there was ongoing communication between local Jobcentres and the Council Services and that any potential issues which had been identified in earlier stages of UC implementation by other boroughs were addressed ahead of the Ealing roll out.
- 3.4 It was also essential to engage with local voluntary sector, social and private landlords to provide knowledge and expertise and to alert them to any potential issues such as possible increase in rent arrears for the landlords and a spike in numbers of residents approaching voluntary sector organisations for advice and support.
- 3.5 Existing digital support provided by Customer Services and budgeting support provided by Local Welfare Assistance were also reviewed to ensure adequate capacity in anticipation of increased demand.
- 3.6 DWP has been providing Housing Benefit department with additional funding towards the cost of dealing with the implementation of UC since the UC was introduced, however other elements of the admin grant have been reducing at the same time. As a result, the admin grant provided by DWP for 2018/19 was reduced by £155k.

| | 2017/18 | 2018/19 | 2019/20 |
|-----------------------------|------------------|------------------|------------------|
| HB admin grant | 1,886,549 | 1,722,825 | £1,610,216 |
| HB admin grant - UC element | 89,295 | 98,325 | £107,875 |
| Total HB admin grant | 1,975,844 | 1,821,150 | 1,718,091 |
| Reduction in grant | - | 154,694 | 103,059 |

3.7 Although the UC element of the DWP admin grant has been increasing slightly, DWP has been reducing the overall admin grant year on year. The net amount of the admin grant was reduced by 8% for 2018/19 and by 6% for 2019/20. Further reductions at similar levels are expected in future years.

4 Current UC statistics for Ealing

4.1 According to DWP statistics, there were 10,999 households in receipt of UC in the borough by the end of May 2019. Unfortunately, DWP does not share local data with the Council therefore it is difficult to establish how many households receive their housing costs through Universal Credit and the type of accommodation they live in. National data indicates that by the end of May 2019 there were in total 1,818,565 UC claimants; 38% of all UC recipients receive no housing costs, 33% of UC recipients are social housing tenants and 28% of UC recipients are in private accommodation.

4.2 In terms of family type, 55% of the UC recipients are single, 30% are lone parents, 11% are couples with children and 4% are couples without children. It is reasonable to assume that the makeup of Ealing recipients is similar and in line with the national statistics.

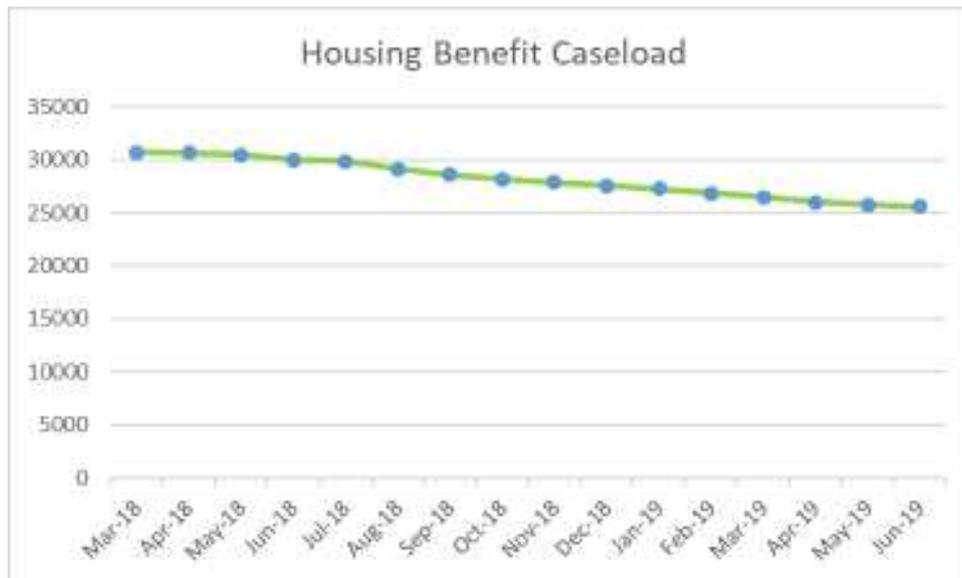
4.3 The number of claimants on Universal Credit claiming Council Tax Support from the Council was 3,502 at the end of July 2019. This would indicate that 68% of Universal Credit recipients in Ealing do not have Council Tax liability and possibly similar percentage do not have a rental liability.

4.4 There are 458 tenants in Temporary Accommodation who receive Universal Credit towards their living costs and housing benefit towards their rental liability.

4.5 86 Universal Credit claimants received discretionary housing payments so far this year to help them with shortfall in rent or to pay towards their rent deposit.

5 Impact of Universal Credit on administration of housing benefit, council tax support, discretionary housing payments and local welfare assistance

5.1 Since the introduction of Universal Credit full service on 28 March 2018 the housing benefit caseload has been reducing at an average rate of 328 cases (1%) per month. The caseload has reduced from 30,733 in March 2018 to 25,570 in June 2019. This represents a 17% decrease over a 15-month period.



- 5.2 If this trend continues, the housing benefit caseload will have reduced by further 2,600 cases by the end of financial year which will bring the caseload down to 22,970.
- 5.3 The role of Benefit Service is to end the housing benefit claim once a DWP notification is received that the claimant has claimed Universal Credit. The Benefits Service also actions any outstanding overpayments of housing benefit which have not been repaid in full and which were being recovered at the time of claim moving onto UC.
- 5.4 Temporary accommodation and supported accommodation cases are updated if there are any changes to UC entitlement of the claimants. Any new claims are identified and paid Council Tax Support to maximise take up. This requires extra resource.
- 5.5 Any outstanding overpayment of housing benefit is then transferred onto DWP to continue with recovery via Payment Deduction Programme. However, as DWP may already be recovering other debts and UC advanced payments from claimant's entitlement, the outstanding housing benefit debt is not always being recovered.
- 5.6 This makes the recovery of these overpayments problematic for the Council as the Council's rate of recovery of housing benefit debt is around 30-40%, when the debt is passed onto DWP's Payment Deduction Programme, the recovery rate reduces to around 3-4%.
- 5.7 This poses a risk to the recovery of outstanding housing benefit overpayments as Council will essentially lose the ability to recover once housing benefit claims have migrated onto Universal Credit.
- 5.8 The value of overpayments which are currently being recovered via deductions from ongoing housing benefit payment is in excess of £16mln.
- 5.9 Current DWP timetable envisages the managed migration of all existing cases eligible for UC to be completed by December 2023. This means that the Council will be left with much smaller housing benefit caseload of around

10,000, mainly for pensioners, temporary and supported accommodation. The service will also continue to be responsible for the administration of Council Tax Support for around 22,000 households.

- 5.10 Unfortunately, the timetable for the full implementation of Universal Credit including managed migration has been revised by DWP on numerous occasions and it is very likely that the deadline of December 2023 will change following the managed migration pilot. The uncertainty around timescales and ongoing changes to UC legislation itself including eligibility criteria creates a volatile environment for service delivery and planning and adds to difficulty with staff retention and recruitment.
- 5.11 The way the UC is administered by the DWP has resulted in an increase of work for the Benefits Service, especially around Council Tax Support (CTS) cases. UC entitlement is reviewed monthly and the reassessment triggers a notification to the council which then has to be processed.
- 5.12 The DWP have put processes in place necessitating completion of their forms in a particular format. These forms cannot be automated and require additional resources to complete the process increasing the length of time it takes to process cases.
- 5.13 Universal Credit is administered monthly and nearly every reassessment triggers a new notification of changes of circumstances which is sent to the Council. The service currently deals with 5,000 new claims for Council Tax Support and around 50,000 CTS changes. It is estimated that the Universal Credit will increase the number of changes by at least 20,000 per year.
- 5.14 Although the Benefits Service automates some assessments, the automation of the UC notifications is proving to be very problematic as there is no consistency in the data received from the DWP and data held by Council IT systems. Therefore, manual processing of this work is required.
- 5.15 This creates additional pressure for the service with workload going up and administration grants reducing. Ministry of Housing, Communities and Local Government provides the Benefits Service with an administration grant for the purposes of processing Council Tax Support claims. The grant has been reducing slightly year on year and the increase in workload due to Universal Credit has not been taken into account.
- 5.16 There are currently no indications that the way the CTS grant is calculated will change. It is possible that, with a roll out of retention of non-domestic rates, the CTS grant will be withdrawn all together and the Councils will be expected to fund the administration themselves.
- 5.17 The levels of grant from the Ministry of Housing, Communities and Local Government have also been reducing, but at a lesser pace than DWP grants. In 2018/19 the reduction was around 5% and 4.5% for the current financial year.

| | 2017/18 | 2018/19 | 2019/20 |
|------------------------|----------------|----------------|----------------|
| CTS admin grant | 464,795 | 442,119 | £422,313 |
| Reduction | | 22,676 | 19,806 |

5.18 Universal Credit cases have also got significant impact on the performance of the Service itself. Due to the fact that UC assessment takes up to 35 days or in some cases longer, the current average time to assess a new CTS claim is 42 days with the internal target being 28 days.

5.19 Administration of discretionary housing payments (DHP) and local welfare assistance (LWA) has also been impacted by Universal Credit in terms of length of time it takes to make a decision on the claim and also affects the type of assistance UC claimants can receive.

5.20 There has not been a significant increase in numbers of applications for local welfare assistance payments and the numbers has remained static for the last 3-4 years.

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 (up to Aug 19) |
|---------------------------------------|---------|---------|---------|------------------------------|
| LWA number of applications received | 2,691 | 2,817 | 2,691 | 996 |
| LWA number of successful applications | 1,154 | 1,099 | 903 | 324 |

5.21 It is too early to say whether the implementation of Universal Credit increased demand for discretionary housing payments. There is currently no separate monitoring or reporting on Universal Credit only cases and they have been included in the overall statistics for all discretionary housing payments.

5.22 The current DHP spend is £891k which is 43% of this year's DWP allocation of £2,053,000. Changes to benefits introduced under the welfare reform, such as benefit cap, LHA restrictions and social sector size criteria are the main reasons for which DHP is paid and account of 56% of DHP spending. This is similar to the DHP expenditure in previous years.

5.23 44% of the current spend was also awarded to claimants for non-welfare reform reasons. These are mainly short term awards to support people on low income and experiencing financial hardship. Some of the awards also support claimants with rent deposits and rent in advance payments if they wish to move to more sustainable accommodation.

5.24 The following tables breakdown the amount of DHP spent towards individual welfare reforms and the number of claimants claiming for a particular reason.

| Welfare reform reason | Amount | % |
|------------------------------------|----------|------|
| Benefit cap | £349,937 | 39% |
| LHA restriction | £73,199 | 8% |
| Non welfare reform | £393,800 | 44% |
| Social sector size criteria | £52,930 | 6% |
| Two reforms | £20,926 | 2% |
| Grand Total | £890,792 | 100% |

| Welfare reform reason | Number of awards | % |
|-----------------------------|------------------|------|
| Benefit cap | 271 | 39% |
| LHA restriction | 51 | 7% |
| Non welfare reform | 293 | 42% |
| Social sector size criteria | 65 | 9% |
| Two reforms | 16 | 2% |
| Grand Total | 696 | 100% |

- 5.25 When considering discretionary housing payment applications, DHP cannot be paid until the confirmation is received from DWP that the applicant is eligible for housing costs under UC. The 35 plus days' period before UC decision is made creates delays in processing DHP applications by the Council which then impacts claimants' ability to secure their new tenancies where the claimant requested a DHP payment towards their rent deposit and rent in advance. Many landlords are reluctant to wait such long periods of time and in some cases claimants lose their chance for a new tenancy.
- 5.26 Discretionary housing payment applications from UC claimants also tend to be more complex and time consuming. DWP provides direct access to their IT systems so Benefit Officers can confirm entitlement to any DWP benefit when processing claims. The information available on Universal Credit, however, is limited therefore further information needs to be requested from the claimant.
- 5.27 This creates additional levels of administration and increases the time it takes to make a decision on these claims. In most DHP cases the decision can only be made after DWP confirmed entitlement to housing costs and this in effect increases the risk of the customer losing their tenancy and becoming homeless.
- 5.28 Local Welfare Assistance team has recorded an increasing number of Universal Credit claimants who apply for crisis payments to help them with food and living expenses. The reasons for applications are mainly due to the 35-day wait before the payment of UC is made.
- 5.29 Some applications for LWA are made because a UC claimant has sanctions or deductions taken off their benefit, which can be as high as 40% of their standard allowance (money paid towards living expenses), leaving the claimant unable to pay for food, utilities and other essentials.

6 Changes to Council Tax Support scheme to mitigate impact of UC

- 6.1 The Benefits Service currently assess Housing Benefit and Council Tax Support at the same time which provides significant efficiencies. The move from Housing Benefit to Universal Credit means that the dual processing of Housing Benefit with Council Tax Support is being lost and the Benefits Service will deal with increased numbers of Council Tax Support only claims. This means increased costs of administration in real terms and it is estimated that the cost of CTS administration will increase by around £450k over the next 2 financial years if the scheme is not reviewed.
- 6.2 With the roll out of Universal Credit and reducing grants, many councils are looking at simplifying their CTS schemes. As Council Tax Support is

considered a discount and not a benefit, and a number of councils have already introduced banded schemes: Sutton, Bexley, Barnet with many more councils working on similar, banded approach for 2020/21. There are also a number of other councils nationally who already operate the income banded schemes. Neighbouring boroughs, Brent, Hillingdon and Harrow will be implementing income banded schemes from April 2020.

- 6.3 To mitigate the impact of Universal Credit, the service is proposing to implement a new Council Tax Discount scheme in place of the current Council Tax Support scheme. Implementation of income banded scheme presents an opportunity to simplify the rules for claiming Council Tax Support and as a result to improve take up of the support and overall customer experience. It will also allow the Service to reduce the burden of administration and an increase in related costs reducing number of reassessments and less verification requirements.
- 6.4 Current Council Tax Support scheme is a means tested scheme and it is calculated in a very similar way to the national Council Tax Benefit which ended in March 2013. Calculation includes an intricate set of rules and a formula. The formula uses 'personal allowances, premiums and disregards' above which 20% of income is taken off towards weekly council tax and for every £1 above these allowances Council Tax Support is adjusted by £0.20.
- 6.5 The calculation is complex and residents do not usually know whether they would be entitled to any support unless advised by professionals, i.e. Council staff, DWP, or specialist advisory service. This prevents take up and creates dependency on the Council front line services.
- 6.6 On the other hand, the income banded scheme is simple and transparent as it only takes into account resident's income, placing them in a relevant income band and awarding them a percentage of their council tax liability if they qualify. The award will only be adjusted if the change in income puts the claim in a different income band thus doing away with adjusting the awards with every smallest change in circumstances.
- 6.7 A scheme with simple rules is easier to promote and encourages better take up enabling residents to determine whether their income qualifies them for support without input from 3rd parties.
- 6.8 Transparent rules also help individuals with budgeting and decision making as residents will be able to see how a change in their income; i.e. due to increase or reduction in hours or changing jobs, will change their entitlement to the support. In return, better take up of Council Tax Discount will help with reduction of poverty in the borough and will help reduce Council Tax arrears for some.
- 6.9 It will also make residents more independent and less reliant on Council staff and advisory services in matters of Council Tax Support/Discount.
- 6.10 There is an emerging evidence nationally that the take up of Council Tax Support amongst Universal Credit claimants is lower than amongst those who are in receipt of legacy benefits. This is because those claiming UC have to also make a separate claim for Council Tax Support to the Council and they are not always advised of this option at the point of making a claim for UC.
- 6.11 Simplification of rules will also reduce residents' requirements for notifying the

Council of changes of circumstances and providing supporting evidence as they will only be required to notify the Benefits Service if the income change places them into a different income band.

6.12 This will reduce customer contact and enquiries regarding the awards and Council Tax bills overall. It will also help prevent overpayments of the Council Tax Support which often lead to Council Tax arrears and residents getting into debt.

7 Overview of the proposed income banded scheme

7.1 The Council is proposing to implement an income banded scheme to address the issue of increasing costs of the administration due to the implementation of Universal Credit and reducing DWP grants. Income banded scheme simplifies the assessment process leading to reduced number of reassessments, less customer contact and fewer changes to Council Tax bills and instalments. At the same time, the Council Tax Support expenditure will remain unchanged and will continue to support those on lowest incomes.

7.2 The proposed scheme will only take into account the claimant's 'true income' such as earnings and will disregard all the means tested benefits, some of which are currently taken into account when calculating entitlement.

7.3 The benefits disregarded from the proposed scheme will be:

- 'passported' benefits – Income Support, Jobseekers Allowance income based, Employment Support income based
- Contributory Jobseekers Allowance and Employment Support allowance
- Child tax credit
- Working tax credit
- Universal Credit
- Child benefit

7.4 Those who are not in work or self-employment and receive 'passported benefits' will automatically be placed in the lowest band and will be entitled to maximum Council Tax Support. This will also apply to Universal Credit cases without earnings.

7.5 Disregards of child benefit, child tax credit and working tax credit would take the 'means test' out of the local Council Tax Discount scheme but would ensure that any changes in customer's household composition and/or earnings are still reflected within customer's overall income but no longer need to be reported for the purposes of calculating Council Tax Discount.

7.6 The only income taken into account for the purposes of the calculation would be earnings, self-employed income, rental income and other not related to means tests.

7.7 All disability benefits will continue to be disregarded:

- All disability living allowance
- All personal independence payment

- Carers' allowance

Other simplifications of the rules include:

- Reduction in number of earnings disregards from 4 to 1,
- Reduction in number of non-dependent deductions from 6 to 2: one for working and one for non-working non-dependants
- Introduction of minimum award of £2 per week to reduce the number of recipients with low awards whose claims still need to be maintained by the Council

7.8 Main features of the proposed scheme

| COUNCIL TAX DISCOUNT | | | | |
|---|--|---|--|---|
| Support paid as a percentage of Council Tax liability depending on household income | | | | |
| Income Disregarded: | Income taken into account: | Non-dependent deductions | Earning disregards: | Minimum entitlement to CTS: |
| <ul style="list-style-type: none"> - All disability benefits: DLA, PIP, Carers Allowance, - All income related to means testing: DHB, C14, W1C, IS, ISA (IB), LSA (IR), UC - Customers entitled to passported benefits (IS, ISA, LSA, UC and not working) placed in the lowest bands | Earnings, self-employed income, private pensions, rental income (all income as calculated by DWP for the purpose of UC where applicable) | Reduction in number of deductions from 6 different amounts to only two which will allow to reduce verification of non dependant income. * £6.50pw – for non-working * £18pw – for working | One universal earning disregard of £30pw, not applicable to single claimants | Where the claimant is entitled to less than £2 per week of CTS, this will not be paid to reduce the administration costs. |

8 Income bands and maximum awards

8.1 Under the current scheme some recipients are treated as 'vulnerable or household vulnerable' and are entitled to a maximum of 100% of their Council Tax liability. The non-vulnerable groups receive up to 75% of their Council Tax liability.

8.2 The proposal merges two 'vulnerable' groups into one 'protected' group which will still be entitled to maximum of 100% of their liability. There are also no changes to the whom the current scheme protects. The following groups will continue to be protected under the proposed scheme:

- Lone parents with children under 5 years of age
- Those in receipt of a disability benefit, Carer's Allowance, Employment and Support Allowance, Personal Independence Payment, Attendance Allowance or Disability Living Allowance
- Those in receipt of Universal Credit which includes one of the following elements: limited capability for work, limited capability for work related activity, disabled child or carer
- Care leavers under the age of 25
- Those in receipt of an Armed Forces Independence Payment

- Carers in receipt of Carer's Allowance or have an underlying entitlement to it.

8.3 As we retain 2 groups, protected and non-protected, there will be 2 different levels of income bands applicable. Income taken into account will be net of tax, national insurance, 50% of pension. Also, £30 earnings disregard will apply. The cut off point for non-protected groups will be an income of £240 per week, and £20 higher for the protected groups. The proposed income bands are as follows:

| ALL PROTECTED GROUPS | | ALL NON PROTECTED | |
|-----------------------------|------------------|--------------------------|------------------|
| Income From | % OF CTAX | Income From | % OF CTAX |
| 0.00 -119.99 | 100 | 0.00-119.99 | 75 |
| 120.00 -139.99 | 75 | 120.00 -139.99 | 60 |
| 140.00-159.99 | 60 | 140.00-159.99 | 50 |
| 160.00-179.99 | 50 | 160.00-179.99 | 40 |
| 180.00-199.99 | 40 | 180.00-199.99 | 30 |
| 200.00-219.99 | 30 | 200.00-219.99 | 20 |
| 220.00-239.99 | 20 | 220.00-239.99 | 10 |
| 240.00-259.99 | 10 | 240.00 | 0.00 |
| 260.00 | 0.00 | | |

- 8.4 The claimants will be awarded percentage of their liability depending on their income band they fall into and whether they are in a protected or non-protected group.
- 8.5 Claimants, who are in employment and receive Universal Credit, will have their Universal Credit disregarded and only their earnings and other income will be taken into account as calculated by DWP.
- 8.6 It is estimated that 6,786 current claimants of CTS will see no change to their entitlement when transitioning onto the new scheme, 5,055 will receive more discount and 2,029 current claimants will have their entitlement reduced.
- 8.7 In recognition that some customers will receive less discount under the new scheme in comparison to their Council Tax Support entitlement on 31/03/2020 under the current scheme, transitional capping will be introduced from 01/04/2020.
- 8.8 This capping will ensure that at the point of transfer to the new scheme no customer will gain or lose more than £2 per week unless their entitlement is less than £2 per week in which case they will receive no discount.

8.9 The capping will continue to apply to customers until they have a change in their circumstances that requires a reassessment of their entitlement which results in a different level of discount.

8.10 The Council's public consultation on the new Council Tax Discount scheme will run from 16 September until 27 October 2019 and the decision whether to adopt the proposed scheme will be made by the Full Council in February 2020. If ratified, the scheme will be effective from 1 April 2020.

9 Impact of Universal Credit on council and temporary accommodation tenants and Council Tax collection

9.1 As a result of increased number of council tenants claiming Universal Credit the overall rent arrears for tenants claiming UC has also increased. There are currently 1,030 tenants in receipt of Universal Credit and the total rent arrears for these tenants amounts to £638k. Average rent arrears per UC claimant equates to £620.

9.2 Below tables shows how rent arrears have been increasing in line with increasing numbers of tenants claiming Universal Credit.

| Month | Number of tenants on UC | Amount of arrears |
|-------------------------------|-------------------------|-------------------|
| Sep-16 | 8 | £1,780 |
| Dec-16 | 6 | £3,196 |
| Apr-17 | 0 | £3,196 |
| Jun-17 | 9 | £6,879 |
| Sep-17 | 7 | £7,342 |
| Dec-17 | 34 | £13,497 |
| Mar-18 | 94 | £34,915 |
| Jun-18 | 216 | £148,006 |
| Oct-18 | 403 | £286,988 |
| Dec-18 | 503 | £364,648 |
| Jan-19 | 679 | £686,780 |
| Feb-19 | 730 | £742,146 |
| Mar-19 | 780 | £422,584 |
| Apr-19 | 885 | £475,820 |
| May-19 | 934 | £514,988 |
| Jun-19 | 978 | £579,582 |
| Jul-19 | 1030 | £638,262 |
| Total Arrears @ 1/7/19 | 1030 | £638,262 |

9.3 As the numbers of tenants in receipt of UC are increasing as we there is a growing number of those in need of further, in-depth support.

9.4 There has also been an increase in the number of council tenants experiencing financial hardship resulting in more requests for assistance with claims for

discretionary housing payments, food banks, and local welfare assistance payments.

- 9.5 More vulnerable tenants also require assistance with applying for Universal Credit on line.
- 9.6 More tenants also require additional support with benefit checks and income maximisation, making enquiries with DWP regarding their applications and payments of UC.
- 9.7 To help cope with the demand, Housing Department employed 2 additional Financial Inclusion Advisors who are based at the housing hubs across the borough.
- 9.8 The Financial Inclusion Advisors will focus on support for council tenants in debt management, negotiation with creditors like energy and water companies as well as arrangement for paying rent and council tax debt.
- 9.9 Current statistics show that collection rates for Council Tax were slightly lower amongst the Universal Credit claimants in comparison with the overall collection rate for all Council Tax Support recipients. In July 2019 the collection rate for all working age CTS recipients was 35.9% and for UC claimants only 31%.
- 9.10 Housing Demand department is experiencing more difficulties with acquiring Private Rented Sector (PRS) accommodation as private landlords are confused about Universal Credit and often do not understand it.
- 9.11 Where landlords understand how Universal Credit operates, they do not want to take clients in receipt of UC as they are used to the direct housing benefit payments that we have offered under the Council's Direct Lets scheme. This means acquiring direct let PRS accommodation where the Council can cease its housing duty has become more difficult.
- 9.12 Due to the introduction of UC landlords want guaranteed rental schemes, such as our PSL leasing arrangements as the financial risk for non-payment of rent by the resident sits with the Council and not the landlord. This increases the risk for the Council and makes it harder to discharge housing duties, which is a key deliverable in the current Housing and Homelessness Outcome Review to move households out of temporary accommodation and reduce overall costs.

10 Impact of Universal Credit on local voluntary sector – local foodbanks and Ealing Advice Consortium

- 10.1 Ealing Foodbank has around 280 volunteers and operate 7 clients centres in 6 different venues. Each venue is open for 3 hrs per week, 52 weeks of the year, in one of the previous years, one of the centres was opened Christmas Day.
- 10.2 Premises are donated by local churches, although Foodbank pays rent on their office and warehouse space in a church hall in Hanwell.
- 10.3 Between April 2018 and March 2019 Ealing foodbanks gave away 99.2 tonnes of food and served 11,546 people. That is an average of 8.6kg of food per person.
- 10.4 Tesco calculate an 'average' kilogram of food costs £1.75.

- 10.5 8.6kg x £1.75 = £15.05 per person, so a family of 4 would receive around £60 worth of food and other items.
- 10.6 The Foodbank gives out sufficient food for 3 meals for 3 days, and clients may return no more frequently than once per 7-day period as foodbanks cannot be the only provider of individual's food needs, and foodbank use is not designed to be the long term.
- 10.7 Clients may attend any of the centres, on referral, for as long as they are in crisis. The Foodbank monitors voucher use and will follow up with the referral agency if there is cause for concern such as multiple agency referral, apparent dependency or any abuse of the system.
- 10.8 Nearly all the food received is donated, but last year the Foodbank spent over £15,000 to top-up stock when there were shortages in particular items. Foodbank send out our monthly shopping list to over 650 people and have permanent collection baskets in store at Tesco Hoover and Ealing Broadway, Waitrose West Ealing, Sainsbury West Ealing and Asda Park Royal. These are collected weekly by volunteer drivers.
- 10.9 Food donations are just keeping up with demand, but the increase in numbers needing support during the longer school holidays creates stress on the donations and in August this year many items are extremely low or out of stock.
- 10.10 Foodbank also work with Help through Crisis – Big Lottery funded consortium of agencies, which allows presence of professional support at each of the centres, giving further advice and ongoing support to clients in the form of help with form filling, making claims, getting help with grant applications, etc.
- 10.11 Use of foodbanks is increasing in the borough and is generally associated with low income and changes in benefits. Benefit changes such as introduction of benefit cap, social sector size criteria, LHA capping and general freeze to benefits and recently UC have all contributed to an increase in use of foodbanks. Trussell Trust has suggested that use of foodbanks increases by 30% in the six months after Universal Credit roll out in the area compared with 12% in non UC areas.
- 10.12 Ealing Foodbank has kindly provided some statistics which show an increase in Foodbank use since last year. There has been a 64% increase in use of foodbanks in the borough in the first quarter of the year in comparison to the same period last year. The biggest increases have been recorded in Greenford, Southall and Northolt areas.
- 10.13 Table below shows number of foodbank clients broken down by area:

| Client Centre: | Apr-Jun 2018 | Apr-Jun 2019 | % change |
|-----------------------|---------------------|---------------------|-----------------|
| Acton | 485 | 724 | +49% |
| Ealing Green | n/a | 142 | - |
| Greenford | 522 | 876 | +68% |
| Hanwell | 343 | 508 | +48% |
| Northolt | 193 | 296 | +53% |
| Southall | 521 | 841 | +61% |

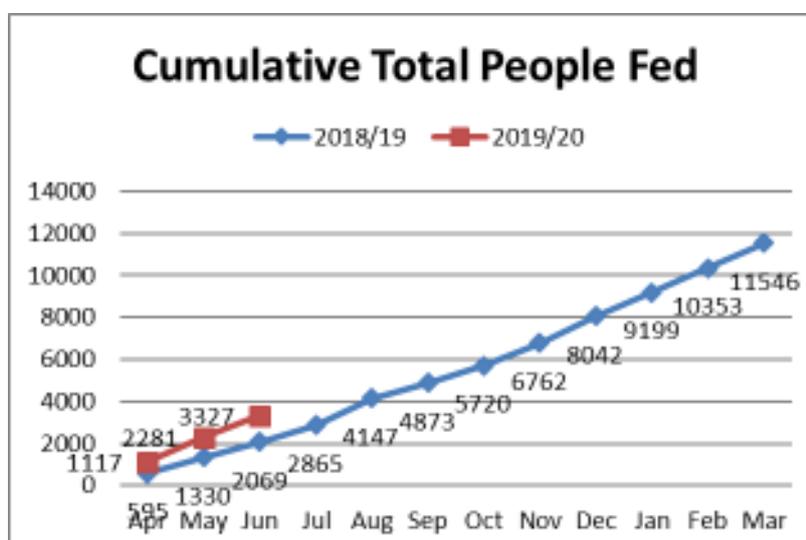
| | | | |
|--------------|--------------|--------------|-------------|
| Others | 5 | 0 | - |
| Total | 2,069 | 3,387 | +64% |

10.14 Top 5 causes of food poverty in Ealing as recorded by the local foodbank:

| Apr-Jun 2018 | Total Fed | Apr-Jun 2019 | Total Fed |
|--------------------|-------------------------|------------------------|-------------------------|
| Low Income | 489 | Low Income | 1,188 |
| NRPF | 452 | Benefit delays | 626 |
| Benefit delays | 398 | NRPF | 527 |
| Benefit changes | 205 | Benefit Changes | 321 |
| Debt | 127 | Children holiday meals | 213 |
| Total of top five: | 1491 | Total of top five: | 2,875 |
| | Represents 72% of 2,069 | | Represents 85% of 3,387 |

*NRPF – no recourse to public funds

10.15 Total number of people fed by the foodbanks in 2018/19 was 11,546. In the first quarter of this year, the number of people supported by the foodbank was 6,725.



10.16 The data for quarter 1 of the new Ealing Advice Service (EAS) consortium shows that 8% of all the welfare benefit inquiries received were related to UC. This has doubled since last year when ESAS (Ealing Specialist Advice Service) saw 4% of all enquiries relating to UC in quarter 4 of the previous financial year.

10.17 The increase in enquiries is partially due to the roll-out of UC, but also due to additional working age clients without disabilities or health conditions who are accessing the new Ealing Advice Service which came to live in April 2019 and which is now available to all and no longer solely for vulnerable adults who tend to be eligible for disability benefits instead.

10.18 EAS have been referring new UC applicants to the Citizens Advice services that are based at the Job Centres as they are funded by the DWP specifically to deliver 'Universal Credit Support' but EAS still find themselves dealing with cases before and after the initial claim for UC has been made.

- 10.19 EAS expected a sudden increase in UC inquiries when it was first rolled out in the borough but this has not happened. However, EAS believes that some of the enquiries go to the smaller Southall based advice services (GOSAD in particular) which seem to be taking on many of the local cases and have relayed to EAS that they are struggling with demand.
- 10.20 Despite the relatively low number of UC inquiries, the cases seen by EAS tend to be complex - clients who have been turned down due to failing the habitual residency test; clients who have applied for UC while mandatory reconsideration of Employment Support Allowance decisions are being processed; and clients who have encountered issues covering their rent when they switch to UC from other benefits and HB stops resulting in arrears and eviction proceedings.
- 10.21 Many clients also require assistance from EAS with Capability for Work questionnaires required for Universal Credit when claimant has limited capability to work and these can take up to 1 and 2 hours to complete.

11 Supporting residents on Universal Credit

- 11.1 Local Authorities were initially tasked by DWP to provide support for vulnerable Universal Credit claimants in the form of personal budgeting support and digital support. Ealing linked the budgeting support with Local Welfare Assistance (LWA) team which allowed the Council to streamline support for those who found it difficult to budget and may have been at the point of crisis or at risk of eviction.
- 11.2 Such arrangements allowed LWA team to provide budgeting support and, at the same appointment, to identify those who were in need of a crisis payment or discretionary housing payment. Such approach enabled early identification of potential rent arrears cases building up due to residents mismanaging their money and provided an opportunity for the Council to intervene early which in the long term will prevent evictions of residents into temporary accommodation.
- 11.3 The residents who appeared to be in need of support with budgeting were identified by Jobcentre staff and referred to LWA team for intervention. In 2018/19 the LWA team received around 400 referrals for personal budgeting support.
- 11.4 Digital support was also provided at the Council's Customer Contact Centre to those who struggled with their digital skills. The support included help with making a Universal Credit claim and managing an online UC account.
- 11.5 DWP used to provide a small amount of funding to Local Authorities for this piece of work and the amount of funding was dependent on expected volumes of UC claimants requiring support. In October 2018, however, DWP announced changes to Universal Support and that LAs would no longer be expected to provide this and the funding would cease from April 2019.
- 11.6 In the justification of their decision to cease provision of support through local councils, DWP stated that the level of support provided via local councils was not consistent with some councils providing comprehensive support and others providing no support at all.
- 11.7 DWP has now commissioned Citizens Advice Bureau who have been

commissioned to support Universal Credit nationally. The support provided under CAB varies greatly to the support provided by the Council and has been limited to online support and help with the management of online claims.

- 11.8 As Ealing has not got a Citizen's Advice Bureau, the CAB officers are based within the local jobcentres some days of the week.
- 11.9 Ealing Council continues to provide Universal Credit claimants and the support provided is at the level available to non UC claimants.
- 11.10 There is no longer specific Council's provision to support UC claimants unless they are accessing Council's services and receive support as part of that service.
- 11.11 As part of ongoing digital support, all residents are able to access internet free of charge for up to 2 hours. This should help those who need to make a claim for any benefits but do not have access to internet.
- 11.12 If a claim is received for Local Welfare Assistance payment or a Discretionary Housing Payment from a UC claimant, they are provided with money and budgeting support. Where appropriate, they may also be referred to a work club or for other employment support.
- 11.13 Skills Escalator can support Ealing residents in receipt of Universal Credit to access advice and guidance services to help them understand what options are available to help them improve their earning potential. The project also has the ability to offer financial support with study and associated costs to enable residents to access & enrol on training that will help them progress in their chosen career path.
- 11.14 Residents claiming UC will be able to gain additional support through the council's new job brokerage service. The employment and skills team are working on understanding of employer needs and skill gaps to generate job opportunities and boost employment in the area. The main objective of the new job brokerage service is to manage relationships with local employers to secure vacancies and apprenticeships for UC claimants and economically inactive residents.
- 11.15 The service will offer a range of vacancies, facilitate basic skills and employability training that UC claimants can access which will lead local claimants into employment. Claimants will also receive 121 support and if needed intensive support through partner agencies who offer specialised employment support.
- 11.16 UC claimants in Ealing can also access Ealing Advice Service consortium which is an independent service commissioned by the Council to provide free advice and assistance in social welfare law across a range of areas including welfare benefits, landlord & tenant, homelessness, debt, employment, consumer, family and immigration.

12 Legal Implications

- 12.1 The Social Security Administration Act 1992 (“the SSAA”) requires local housing authorities to administer a housing benefit scheme under section 123 of the Social Security Contributions and Benefits Act 1992.
- 12.2 S 140A of the SSAA requires the Secretary of State to pay a subsidy to each authority administering housing benefit.

13 Financial Implications

- 13.1 As more council tenants migrate onto Universal Credit, there is a risk of rent arrears increasing on their accounts and the Council having difficulty to collect the rent. This may lead to increased bad debt
- 13.2 Long waiting periods before the first payment of Universal Credit is made will increase demand for local welfare assistance payments
- 13.3 Direct payments of UC to claimants including housing element will increase the number of claimants who experience difficulty paying the rent in full, and in particular those who have other deductions from their UC payments. This will increase number of applications for discretionary housing payments to help with rent arrears
- 13.4 There is an emerging evidence that UC claimants have higher rent arrears than those on legacy benefits therefore they are at higher risk of becoming homeless. This will result in increasing demand for homelessness services and therefore cost of homeless prevention.

14 Other Implications

- 14.1 Continually changing timetable for the completion of the Universal Credit implementation and amendments to UC regulations create volatile environment for Benefits Service and makes it difficult to plan long term and staff retention is more challenging.

15 Background Papers

Appendix 1: Universal Credit Briefing prepared by Marj Shanahan, Customer Services Operational Manager, Department of Work and Pensions

Appendix 2: ‘Rolling out Universal Credit’ -National Audit Office, 15 June 2018

Appendix 3: ‘Universal Credit: What needs to change to reduce child poverty and make it fit for families’ – Child Poverty Action Group, June 2019

Appendix 4: ‘State of the PRS (Q1 2019), A survey of private landlords and the impact of welfare reforms’ – Residential Landlords Association, July 2019

Report Consultation

| <i>Name of Consultee</i> | <i>Department</i> | <i>Date Sent to Consultee</i> | <i>Date Response Received from Consultee</i> | <i>Comments Appear in Report Para</i> |
|---------------------------------|---|--------------------------------------|---|--|
| <i>Internal</i> | | | | |
| Cllr. Bassam Mahfouz | Cabinet member: Finance and Leisure | 03.09.19 | | |
| Cllr. Jasbir Anand | Cabinet member: Business and Community Services | 03.09.19 | | |
| Cllr. Bassam Mahfouz | Cabinet member: Finance and Leisure | 03.09.19 | | |
| Ross Brown | Director of Finance | 03.09.19 | | |
| Alison Reynolds | Director of Customer and Transactional Services | 03.09.19 | | |
| Mark Wilshire | Director of Housing and Safer Communities | 03.09.19 | | |
| Nick Rowe | Head of Local Tax and Accounts Receivable | 03.09.19 | 04.09.19 | 9.9 |
| Keith Robinson | Senior Lawyer | 03.09.19 | | 12.1, 12.2 |
| Kulbinder Thakur | Housing Benefits Operations Manager | 03.09.19 | | 5.4, 5.12, 5.14 |
| Gail Pilides | Head of Service Improvement - Housing | 03.09.19 | | 9.2 to 9.8 |
| Lynne Duvall | Head of Housing (Prevention) | 03.09.19 | | |
| Jack Dempsey | Head of Allocations and Accommodation | 03.09.19 | 04.09.19 | 9.10, 9.11, 9.12 |
| Syreeta Augustine | Economic Development Officer | | 11.09.19 | 11.14, 11.15 |
| <i>External</i> | | | | |
| Janet Fletcher | Ealing Foodbank Manager | 03.09.19 | | 10.01 to 10.15 |
| Matthew Coulam | Service Development Manager Ealing Advice Forum | 06.09.19 | | 10.16 to 10.21 |
| Marj Shanahan | Customer Services Operational Manager, DWP | 06.09.19 | | Appendix 1 |

Report History

| | |
|------------------------------|-----------------------------|
| <i>Decision Type:</i> | <i>Urgency item?</i> |
| Non-key Decision | No |

| | | | |
|--|---|-------------------------|--------------------------|
| Authorised by Cabinet Member: | Date Report Drafted: | Report Deadline: | Date Report Sent: |
| N/A | | | |
| Report No.: | Report Author and Contact for Queries: | | |
| | Joanna Pavlides, LWA and Benefits Support Manager, 020 8825 9279 | | |