

**SUPPLEMENTARY REPORT FOR  
CABINET  
Thursday, 13 September 2018 at 7.30 pm  
Council Chamber, Civic Centre**

The attached documents are due to be considered at the meeting listed above and were unavailable for circulation when the agenda for the meeting was published. The agenda item to which the documents relate is noted below.

**AGENDA**

18. Communications from Committees/Working Groups/Parties and Panels
  - b) Referral from Scrutiny Committee - Review of Universal Credit in Harlow - Update Report (Pages 2 - 13)

**REPORT TO:** CABINET

**DATE:** 13 SEPTEMBER 2018

**TITLE:** REFERRAL FROM SCRUTINY COMMITTEE –  
REVIEW OF UNIVERSAL CREDIT IN HARLOW–  
UPDATE REPORT

**PORTFOLIO HOLDERS:** COUNCILLOR MIKE DANVERS, PORTFOLIO  
HOLDER FOR RESOURCES

COUNCILLOR MARK WILKINSON, PORTFOLIO  
HOLDER FOR HOUSING

**LEAD OFFICERS:** SIMON FREEMAN, HEAD OF FINANCE  
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**This is not a Key Decision**

**The decision is not subject to Call-in Procedures for the following reason:**

The report is for noting only.

**This decision will affect no ward specifically.**

**RECOMMENDED that Cabinet:**

- A** Notes the continued operational issues that the transition to Universal Credit is having for the Council and its services during the first 12 months of the live scheme in Harlow and in particular:
- i) Delays in payments being made to housing providers.
  - ii) The increased level of rent arrears.

**REASON FOR DECISION**

- A** The Scrutiny Committee considered a report on Universal Credit in Harlow at its meeting on 4 September 2018 and asked Cabinet to note specific transitional issues.

## **BACKGROUND**

1. At its meeting on 4 September, the Scrutiny Committee received an update report on the review of Universal Credit and asked questions of Dave Cope, the District Operations Manager for Essex DWP.
2. The Committee has asked Cabinet to note the ongoing operational issues surrounding the transition to Universal Credit to highlight some specific issues.

## **IMPLICATIONS**

Implications of the recommended decision are outlined in the 'Implications' section of the original report, which is attached as Appendix 1.

## **Appendices**

Appendix 1 – Original report to the Scrutiny Committee, 'Review of Universal Credit in Harlow – Update Report'

## **Background Papers**

None.

## **Glossary of terms/abbreviations used**

DWP – Department for Work and Pensions

## Appendix 1

**REPORT TO:** SCRUTINY COMMITTEE

**DATE:** 4 SEPTEMBER 2018

**TITLE:** REVIEW OF UNIVERSAL CREDIT IN HARLOW –  
UPDATE REPORT

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### **RECOMMENDED that the Committee:**

- A** Considers the evidence produced both within the report and from the discussions that will take place at the meeting on 4 September 2018 and makes any necessary recommendations to Cabinet for its consideration.
- B** Notes the continued operational issues that the transition to Universal Credit is having for the Council and its services during the first 12 months of the live scheme in Harlow.

### **BACKGROUND**

1. The Committee received a report and participated in a discussion and Question and Answer session with external organisations at its meeting on 13 March 2018. The background to the new benefits system was discussed and evidence was provided by external organisations and claimants (and collected through work by the Citizens Advice Bureau).
2. The Committee was updated in relation to the delays and changes to the scheme since its initial introduction and it was explained that the implementation of Universal Credit (UC) in Harlow began in February 2016 and was finally rolled out to all eligible claimants in September 2017.
3. The administration and management of UC is carried out by the Department for Works and Pensions (DWP) and locally is accessed via the Job Centre Plus.
4. Owing to the fact that information relating to the scheme was only available for a six month period at the Scrutiny Committee meeting in March 2018, the

Committee requested that further information be reported to this meeting in order to have access to more data covering a 12 month period post roll out.

- The key issues and local impacts will be explored further through the discussions that will take place at the meeting itself and from evidence provided by those organisations represented at the meeting or the written responses to the pre-determined questions submitted to the Council.

## ISSUES/PROPOSALS

### Impact on Housing Services and Rent Arrears

- The table below shows the month by month increase in the number of UC claimants, and the effect on arrears since the end of September 2017.

**Table 1 – Number of Universal Credit Claimants and Value of Arrears by Month**

	<b>Total No. of Council tenancies</b>	<b>No. of Council tenants in receipt of UC</b>	<b>No. of UC Council tenants in rent arrears</b>	<b>Total value of arrears for UC tenants</b>
Sept 17	9223	228	170	£92,605
Oct 17	9219	341	266	£153,778
Nov 17	9203	480	366	£213,904
Dec 17	9190	531	442	£264,593
Jan 18	9179	615	486	£276,600
Feb 18	9143	675	521	£255,045
Mar 18	9144	745	548	£272,055
Apr 18	9150	787	568	£289,603
May 18	9154	834	634	£322,570
Jun 18	9143	895	668	£351,111
Jul 18	9135	933	680	£358,032

- As at 28 July 2018, 933 Council tenants were recorded as being in receipt of UC, equating to 10.2 percent of all Council tenancies. Of these 933 cases, 680 were showing arrears at this date, amounting to a total debt due of £358,032. The average level of arrears for tenants on UC at this date amounted to £526.52.
- In context the average level of arrears for all Council tenants in arrears at this date was £375.15.
- As noted in the previous report submitted, due to the nature of UC, with claimants receiving payments on differing dates, and the four weekly schedules for receiving managed payments, it should be noted that these figures can only represent a snapshot of the position at the relevant date in question.

10. As highlighted previously, a significant issue is the delays that can be experienced in processing requests for landlord managed payments and arrears deductions. For information purposes the payment schedule received from the DWP dated 11 July 2018, included just under £47,000 worth of managed payments and direct arrears payments. This schedule showed that some of the payments included had been deducted from claimants' UC payments as long ago as 8 June 2018. These payments were applied to rent accounts on 19 July 2018, and in these cases there was therefore a near six week delay between the payment being taken from the claimant and the sum being applied to their rent account. This is an issue highlighted by many landlords in managing UC cases and has been reflected in landlord surveys regarding UC.
11. Managed payments are received from the DWP as a lump sum payment on a monthly basis. The Revenues and Benefits service receives a schedule of individual payments which requires manual checking by housing staff, with payments being manually posted to the individual rent accounts by the Revenues and Benefits service.
12. In March 2018 the Council signed up to the Universal Credit Full Service Landlord Portal as a Trusted Partner, enabling Officers to verify claims for housing costs, and request managed payments more easily. While this does not address the fundamental issues with delays, which is due to payments being made once a month as above, it does streamline the initial application process.

### **Changes in Service Demands for Revenues and Benefits**

13. Following the roll out of UC in Harlow, the Revenues and Benefits service has seen a number of impacts in terms of its day to day work.
14. There has been a considerable increase in documentation received by the service in relation to UC since Universal Credit Full Service was introduced in Harlow in July 2017, with 14,826 documents being received in the period 19 July 2017 to date. For comparison, the service received 1,328 documents relating to UC in the period 1 February 2016 to 18 July 2017 under the now closed UC Live Service. As previously reported the service has also experienced a high level of duplicate requests for information from the UC service centres, which is resulting in duplication of work and confusion within the team.
15. The UC documentation received provides details of changes to a claimant's entitlement to UC in each UC assessment period. Where the claimant is in work, then weekly, fortnightly or monthly notifications are being received. This variation in the amount of UC awarded results in a re-assessment of any local Council Tax Support awarded. Analysis of Council Tax Accounts where the claimant is claiming UC, and where Local Council Tax Support is in payment, shows that the collection and recovery of Council Tax is being adversely affected as a result of the multiple changes in the amount the Council Tax payer is required to pay. Tax payers are being issued with revised bills each time a change is made, and the analysis has identified accounts where the taxpayer has been issued with up to eight Council Tax bills in this financial year, each bill demanding different instalments to the previous bill.

16. The DWP have announced that all working age claimants of legacy benefits, including Housing Benefit, will move to UC on a phased roll out basis, but no details have been received as to when this will take place in Harlow. UC was designed to encompass all welfare benefits, including the payment of housing costs. Under UC Full Service, certain situations give rise to the claimant receiving UC living costs, but the claimant must claim Housing Benefit as UC Full Service cannot pay the housing costs, mainly due to complexity. Currently this arises where the claimant is resident in supported exempt accommodation and with effect from April 2018, temporary accommodation. The claimants in these circumstances tend to be the most vulnerable of claimants. There has also been a recent indication that claimants in receipt of severe disability premium may also be required to claim Housing Benefit for their housing costs, rather than UC. Pensioners continue to claim Housing Benefit and currently there are no plans to move pensioners to UC as originally intended. It is clear that even when working age claimants of housing benefit are migrated to UC, the Council will continue to be required to assess and pay claims for Housing Benefit to those of working age and pension age.
17. The Council receives funding directly from the DWP to provide discretionary awards of housing payments to those affected by welfare reforms. In 2017/18 this funding amounted to £305,579. Applications from residents for Discretionary Housing Payments (DHP) have increased by 40 percent in 2017/18 compared to the same period in 2016/17. This is partially due to UC, but is also due to the wider welfare reforms such as the benefit cap. At the time of writing this report the service has received 169 applications for DHP in the 2018/19 financial year compared to 148 applications received in the same period in 2017/18. The applications received continue to be more complex for Officers to assess with residents presenting with multiple issues. The amount of DHP funding received from the DWP has reduced from £305,579 in 2017/18 to £253,021 in 2018/19, with further reductions expected. At the time of writing this report, DHP expenditure amounts to just under £100,000. Due to software limitations, payments of DHP have to be processed manually by the Revenues and Benefits service where the recipient is receiving UC and is also a Council tenant.
18. The service believes that take up of Local Council Tax Support continues to be an issue under UC. The local Job Centre has agreed to issue an application form to UC claimants when they attend the Job Centre, and also advise claimants of the ability to make a claim online.
19. The design of Universal Credit has two key principles, namely:
  - a) It is digital by default and therefore applications must be made on line and once accepted, the customer must maintain their online journal; and
  - b) Applicants must budget monthly to prepare them for the world of work.
20. The Council's Revenues and Benefits service, and Housing Service look to identify those residents that require Assisted Digital Support and Personal Budgeting Support as the DWP do not provide these services. Referrals are

made to the Citizens Advice Service, who provides the support services. Whilst the Council receives funding from the DWP for these services, the DWP have reduced the guaranteed funding for these services in 2018/19.

### **Impacts on Claimants and Other Support/Advice Providers**

21. Local impacts were discussed in detail at the Committee meeting in March and the information provided by the support agencies was particularly helpful in gaining a better understanding of the local impacts for both the organisations and the residents. We have been in further contact with the Citizens Advice Bureau who have submitted an update on the impact of UC (attached as Appendix A to the report).

## **IMPLICATIONS**

### **Place (Includes Sustainability)**

None Specific.

**Author: Jane Greer, Head of Community Wellbeing, on behalf of for Graeme Bloomer, Head of Place**

### **Finance (Includes ICT)**

Arrears are closely monitored both on Council Tax and Housing Rents which may require additional resources allocating to the bad debt provisions if recovery proves difficult to achieve. Resourcing the additional and more complex work is also a concern in terms of potential requirements for additional staffing to be able to deal with the changes that UC is creating.

**Author: Simon Freeman, Head of Finance**

### **Housing**

As outlined in the body of the report.

**Author: Andrew Murray, Head of Housing**

### **Community Wellbeing (Includes Equalities and Social Inclusion)**

None Specific.

**Author: Jane Greer, Head of Community Wellbeing**

### **Governance (Includes HR)**

None Specific.

**Author: Colleen O'Boyle, Interim Head of Governance**

## **Appendices**

Appendix A – Update on the Impact of Universal Credit from the Citizens Advice Bureau

## **Background Papers**

None.



## **Glossary of terms/abbreviations used**

DHP – Discretionary Housing Payments

DWP – Department for Work and Pensions

UC – Universal Credit

## Scrutiny Committee – Universal Credit Review

1 March 2018 - 31 July 2018 – Citizens Advice Harlow

### Questions for all organisations –

#### 1. What evidence is there to suggest that the transfer to UC has caused –

- **Rent arrears, or increased rent arrears**

90% of clients claiming UC report they were in rent arrears. Some clients report they have never had arrears prior to their UC claim. The other 10% were supported by family members.

Client's site delay's in making their claim, delays with payments, deductions and sanctions are the reasons why they are in arrears or their arrears have increased.

Vulnerable clients who have limited capability for work are often placed in the basic UC group whilst they await their work capability assessment. They're vulnerable to sanctions as they they are more likely to have difficulty in complying with claimant commitments during this time.

45% of CAH clients have Disabilities or long term health problems. Vulnerable UC claimants report they are unable to manage their claim leading to delays in their payments, leading to rent arrears.

Delays in claims can be due to Clients having issues with their online journals and a delay in the response from their Work Coach. Advisers have recently reported lengthy delays to get through on the helpline

APA-There have been a number of clients reporting issues with their Alternative Payment Arrangements where there has been significant delay in rental payment to their landlord. In one case the vulnerable client had an APA arrangement in place, there was a change of circumstances during the UC claim and the APA broke down completely. When the next UC payment was paid to the client, they were paid the Housing Cost element directly and spent the money, leading to rent arrears.

Our Housing Specialist has reported some Private rented clients have been issued with a S21 notice as a direct result of rent arrears due to UC delays, confusion over Housing Cost element of UC payments and their inability to 'catch up' once payments are in place.

4 Clients failed their Habitual Residence Test for UC after the DWP misapplied the correct test. This led to no income for a period and rent arrears. CAH successfully challenged and the claims processed enabling Homelessness Prevention. There continues to be confusion by the DWP on HRT.

- **Debt issues for claimants**

Citizens Advice 2017 report on UC and debt found that clients we advised on Universal Credit were 37% more likely to need debt advice than clients on legacy benefits.

Working clients report difficulty in managing a budget where their UC claim fluctuates (Often Zero hours contracts) where they may have worked more hours in a month, leading to a 0 award of UC claim, their claims have been stopped completely. They then have to reclaim UC. The DWP now have a rapid reclaim process.

An increasing number of clients have reported they cannot manage to pay their priority expenditure or debts due to deductions taken from their UC monthly payments. This often includes existing agreements for repayment of rent and Council Tax arrears.

As with legacy benefits, the Department for Work and Pensions has the power to deduct sums of money directly from UC claimants. Citizens Advice Nationally saw 2,300 deductions cases in the first three months of 2018, around 5% of all our UC caseload. Locally, Citizens Advice Harlow saw 13.5% of all our UC caseload with deductions issues although we estimate the problem is higher due to the cross over with debt recording. The problem claimants face as they move to UC is that these deductions and recoveries are levied at higher rates than under the old system.

Currently an overall cap of 40% of a claimant's standard allowance applies to most types of deductions, and other rules limit what can be taken. This potentially leaves single people with budgets of around £45 a week (excluding housing costs). With recovery of loans and overpayments, as well as deductions made to pay third parties, we see many cases where 40% of the standard allowance is taken as well as somewhere that cap is exceeded. Looking at our data, evidence forms and discussions with clients, key issues include:

- High deductions rates causing hardship. Deductions in UC are made for the same reasons as legacy benefits, but at higher rates, so lead to a greater loss of income.
- Multiple issues meaning the 40% cap is exceeded. Claimants who owe money to third parties like landlords and utility companies often also have advances or other loans they are repaying, as well overpayments that are being recovered.
- Inflexibility in the system. The rules that decide how much is deducted and what for are rigid and may not take a claimant's ability to pay into account.
- Communication issues. Claimants are told about deductions from their UC payments in monthly award letters, which usually arrive a few days

before the payment date. Many clients do not understand their deductions, why they are being made or how to challenge them.

- **Referrals to agencies such as the Food Bank/CAB, or an increase of referrals.**

Issues with UC claim, monthly payment reductions due to deductions and periods of no income (due to appeals, sanctions) continues to be the top reason why clients require a Foodbank voucher.

We have seen a rise in the number of referrals we make to organisations offering support and specifically Mental Health support.

We have seen a marked increase in the number of clients whose UC claims are causing their mental health to deteriorate. Clients reported feeling pressured to look for work when they may have not worked for a substantial period of time due to ill health or their Disability, they are often in receipt of PIP and were previously claiming ESA. Clients have reported feeling very anxious and stressed trying to manage their claim without support.

We have had a large number of clients expressing that they cannot cope and the UC issues are directly impacting on their wellbeing. Some clients have disclosed they are feeling suicidal.

- **People to approach pay day loan type facilities to support themselves of their families?**

The Debt Advisers have reported no significant increase in the number of clients presenting with Pay day loan debts although we have seen a number of working clients on low incomes accessing online loans from Sunny and Quick quid in particular. This normally 'tops up' their income or is accessed in an emergency.

## **2. What impact is the introduction of UC having on the rental/housing market?**

We have had reports that Landlord are refusing to accept tenants on UC due to the delay in processing housing payments. This does not appear to be a marked increase compared to tenants claiming benefits/ Housing Benefit. This has historically been a barrier to Landlords renting to benefit claimants.

## **3. What is the impact of UC on your organisations resources?**

For the period of March-July 2018, on average, Clients with UC issues present with at least 2 other advice issues such as debts, housing issues, relationship and family issues and employment issues.

50% of all clients presenting to CAH with UC issues for the period of March to July had issues with making their initial claim.

In March/April this year we saw a marked increase in clients presenting requiring help with making their claim. The Job centre were sending UC claimants to CAH as initially

their computers were not working (which was confirmed by the regional manager) however, this has continued. We spoke to a manager in the job centre who confirmed 'they do not have the resources to help people with their claims, they are signposted to a partner agency , normally the Citizens Advice'. This put added pressure on the frontline as each new claim takes on average 60 minutes from our initial advice process to making the claim. An appointment is normally required which means the claim is delayed by at least a couple of days to a week, depending on resources. Clients who are referred or require Personal Budgeting support normally have a immediate issue to address normally a problem with their claim, they are not in the correct group and more often have no income at all. The UC lead Adviser can take 1-2 appointments assisting the client to a stable point, addressing the immediate and priority issues before they can get to the actual budgeting support where their income is stable and consistent. This can take a number of weeks, even months.

Again, clients presenting with increasing complex needs especially Mental Health issues, does place an increased demand on resources and time. Citizens Advice Harlow have arranged for West Essex Mind to deliver Mental Health First Aid training to frontline staff to ensure they are trained to respond to the increasing clients presenting in Mental Health crisis.

**4. Are there any requirements for the links between the agencies to be strengthened and if so in what way?**

We initially had excellent communication from the Job Centre and there was regular partnership meetings set up. With staff changes they appear to have fallen off the agenda. The fact that clients, especially vulnerable clients, report there is no assistance available from the Job Centre to help them make and manage their claim is concerning and falls to non-statutory organisations to support the client, not just with the long term budgeting support but the full making and managing the claim.

Deductions policies are complex, and so the practice and effect of deductions policy are not well understood by all parties. Citizens Advice nationally are working on this as a UC campaign. With the evidence we gather, and the government's 'test and learn' approach, we hope to make practical recommendations for improving the system and have good reason to believe these will be heard.

**5. Are that any areas in which you believe Harlow Council can provide additional assistance to help in managing the challenges of Universal Credit?**

We would ask Harlow Council to continue to be patient in regard to rent arrears/possession proceedings and Council Tax proceedings when a UC claim is involved and the client is working with our Advisers for Specialist Debt, Housing, Benefit or Personal Budgeting support. In addition, if a change of circumstances occur, this can lead to further delays in payments and we would ask for the council to also be considerate of these situations.

We have regular communication with a number of council departments who continue to refer clients for Personal Budgeting Support and Specialist Advice which is a great example of partnership working.