

SUBJECT:	OVERVIEW OF LOCAL IMPACT OF WELFARE REFORM
DIRECTORATE:	CHIEF EXECUTIVE'S AND TOWN CLERK
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1. Background

1.1 On 3 July 2018, Community Leadership Scrutiny Committee (CLSC) met to consider the feedback from Executive on the citywide review of inclusive growth. In addition, CLSC discussed the background to welfare reform, particularly focusing on;

- a) Changes brought about by the Welfare Reform Act 2012
- b) Government targets implemented to reduce the benefits bill
- c) The introduction of a benefit cap for working age people
- d) Removal of the Spare Room Subsidy
- e) Introduction of the localised Council Tax Support Scheme
- f) Introduction of a benefits 'freeze'

1.2 Members also considered a case study of a resident in Lincoln that had received help from the city council's Universal Credit (UC) Support Team. This case study highlighted the complexity of issues faced, and the level of intensive support needed in assisting them. As an outcome of that discussion, CLSC agreed to lead an investigation into the local community impact of welfare reform, with a particular focus on UC.

2. Commonly Cited Challenges of Universal Credit

2.1 Two challenges often cited with UC are;

- A claimant must wait one month until their first payment is made, which is referred to as the 'assessment period'. It can then take up to seven days for the payment to be received in the claimant's bank account.
- The original delay in payments was six weeks, but this was changed to five weeks in the Autumn Statement 2017 by the removal of the initial seven day waiting period at the beginning of the benefit claim.
- UC is paid directly to people's bank accounts. Whilst this may be a positive in some circumstances, some tenants struggle to budget or make their money last the whole month, and may fall into arrears or debt as a result.

2.2 There are options available within the welfare system to help respond to both of

these concerns;

- In cases where a claimant is struggling with the cost of living during the initial five week waiting period, an advance payment of UC can be requested on the grounds of financial hardship. This advance will, however, need to be paid back a bit at a time from future UC payments, which could cause some financial issues later on.
- If a tenant is having difficulty paying their rent, or has a history of arrears, their landlord can request for a Managed Payment to be set up, which involves the landlord being automatically paid the rent due from a tenant's UC.

3. The Scale of Universal Credit in Lincoln

3.1 This data is from the first UC Quarterly Dashboard prepared by the UC Support Team and covers April 2018-June 2018. In the future, it will be possible to trend this data as subsequent quarterly dashboards are produced. However, an additional snapshot of some data from July 2018 has been captured for this committee meeting, and is included in Section 4.

3.2 At the end of June 2018, there were 2,090 UC claimants in Lincoln, of whom 769 were in employment, and 1,321 were not in employment. This shows 36.8% of UC claimants were in employment. The highest number of UC claimants was for those aged in their 20s, who accounted for 39.4% of all claimants. The numbers of UC claimants taper across the older age brackets.

3.3 UC claimants are placed into a work condition category for claiming, based on their personal circumstances. The table below shows the majority (53.2%) of UC claimants are out of work and seeking work, and a further 14.0% are in work but are required to work more hours than they currently do (e.g. underemployed).

Category		Claimants #	Claimants %	Example of Category
Not in work	Preparing for work	31	1.5%	A parent with a child aged 1-2.
	Planning for work	40	1.9%	A parent with a child aged 2-3. Receives set hours of free childcare.
	No work requirements	232	11.1%	Not required to work based on personal circumstances e.g. child aged 0-1; or full time carer; or disability.
	Searching for work	1,113	53.2%	Not currently in employment, but looking for employment.
In work	Working with requirements	294	14.0%	Working but not enough hours based on their personal circumstances (e.g. underemployed).
	Working with no requirements	383	18.3%	Working enough hours based on their personal circumstances.
Total		2,093*	100.0%	

*Figure differs slightly from the 2,090 UC claimants referenced in the commentary due to

time of data extraction.

4. Findings from the National Audit Office

4.1 On 15 June 2018, the National Audit Office published its report *Rolling Out Universal Credit*. It identified;

- DWP expects UC will get an additional 200,000 people into work through financial incentives; a simpler and smoother system; and applying conditionality to more claimants.
- DWP acknowledges it cannot measure the 200,000 expectation, as it is unable to isolate the effect of UC from other economic factors increasing employment.
- However, by comparing early adopters of UC Live in north-west England with areas that were still on legacy benefits, findings suggest that, based on claims up to April 2015, UC claimants were four percentage points more likely to have been in work at some point in six months after making their claim than if they were on legacy benefits.
- However, the National Audit Office highlighted the evaluation only compared single claimants without children making new claims to UC and JSA. The employment outcomes for different groups of UC claimants will vary because work incentives differ from group to group.
- The report notes DWP had intended to monitor the employment outcomes for families and couples without children, but has since advised it cannot because control groups of legacy claimants are disappearing as Full Service rolls out.

4.2 The National Audit Office report also identified;

- 60% of new claimants asked for, and received, a UC advance as they wait for their first payment
- Only 54% of UC claimants report they can make a claim online without help
- One in five claimants do not receive their full payment on time, with key reasons including;
 - Incorrect information on what benefit they should be claiming
 - Struggling to complete the requirements to submit a claim e.g. language barriers
 - Not having a bank account or identification

5. The Impact of Universal Credit on Council Tenants

5.1 Two snapshots of data were taken in the lead up to this meeting, one on 30 June 2018, and another on 31 July 2018. This data shows;

- At the end of June 2018, there were 421 city council housing tenants claiming UC. Their combined arrears at the date of their original UC claim was £132,687, which had increased to £182,307 by the end of June 2018. This is

a total increase in arrears since claiming UC of £49,620.

- At the end of July 2018, there were 622 city council housing tenants claiming UC. In total, their arrears at the date of their original UC claim was £191,853, which had increased to £239,899 by the end of July 2018. This is a total increase in arrears since their date of claim of £48,046.
- Whilst both the June and July snapshots show substantial increases in arrears, the data does suggest a marginally improved position one month on, with an average debt per UC council tenant of £433 at the end of June 2018, compared to £386 at the end of July 2018.
- However, the impact from an organisational perspective should also be considered, as the council's arrears amongst UC tenants has overall increased from £182,307 to £239,899.

5.2 It should be noted that two months' worth of data is insufficient to accurately monitor trends due to monthly fluctuations. Future data will need to be analysed to better understand the impact of UC on arrears. However, with increasing numbers of tenants claiming UC, which by its nature is paid one month in arrear, there is likely to be an increasing impact on the authority.

6. Evidence from the DWP

6.1 The Department for Work and Pensions (DWP) responded to this data to say because UC is paid monthly in arrears, then on paper, arrears will be seen to build up until the UC payment is made, at which point a tenant will pay their rent a month in arrear, and their arrear should therefore reduce. This would be an ongoing monthly cycle of managed arrears under the new welfare system.

- From a community impact perspective, a key challenge may therefore be understanding how the council is able to manage this increase in arrears; and understanding what proportion of the arrears is a result of the new system vs. what proportion is a result of people struggling under UC (this latter group is at risk of being hidden in the data).
- In relation to the question regarding transitions into employment, DWP reported that anecdotal information does support that UC helps people into work faster. We do not have access to local data to show this, for inclusion in this report. However, this should be considered in light of the findings from the National Audit Office highlighted in Section 2.

7. Evidence from the UC Support Team

7.1 There are two frontline teams at the city council that are available to support residents with advice and guidance in relation to benefits and budgeting. These are the Welfare Advice Team based in Customer Services, and the UC Support Team based in Revenues and Benefits.

7.2 Feedback from the UC Support Team shows over the first full quarter since the start of UC Full Service, they have provided 185 residents with digital support, 93 residents with budgeting support, and 32 residents with combined digital and

budgeting support. The average time spent with a customer over this quarter was 42 minutes.

- The majority of people helped with digital support was for processing a new UC claim, or a change of circumstance for UC.
- The most common reason for helping someone with budgeting support was to support them in requesting an advance payment of UC, followed by arranging a Managed Payment directly to their landlord.

7.3 In regard to Zero Hour Contracts, as long as earnings and personal circumstances stay the same, then UC payments should stay the same. If a person's income changes from month to month (e.g. as it would with a Zero Hours Contract), then the UC payment will change to reflect that automatically, based on the person's previous month's earnings. This provides flexibility to take on additional work without needing to re-claim. It does however make effective budgeting vital.

8. Evidence from the Welfare Advice Team

8.1 Feedback from the Welfare Advice Team shows their workload has been at a sustained level for a number of months. This has been achieved by many of the additional UC enquiries being dealt with by the recently established UC Support Team. Feedback was that without the UC Support Team, the workload on Welfare Advice would be extremely difficult. The team identified;

- There has been a general increase in the number of vulnerable customers, who require much more help and assistance in claiming and maintaining their UC. In particular, people with limited literacy; English as a second language; no access to the internet or a device to get online; or people with learning disabilities or serious mental health issues have tended to struggle with the online application process.
- There appears to be a level of errors within the UC application process with time having to be spent picking up basic errors and requesting forms to be corrected. For example, housing costs are frequently calculated incorrectly; and there may be missing elements for certain UC entitlements.
- The Welfare Advice Team is increasingly providing a 'support role'. This is not necessarily as a result of UC, but because there are limited resources in some partner organisations (such as some in the voluntary sector), who may struggle supporting directly with all issues, but instead refer to the city council's Welfare Advice Team.

9. Evidence from the Revenues and Benefits Team

9.1 The Revenues and Benefits Team has had a period of exceptional performance, having significantly reduced its backlog of outstanding customer changes from 2016/17 to 2017/18. It has also been shortlisted for three 2018 IRRV Performance Awards focusing on 'Team of the Year'; 'Most improved Team of the Year'; and 'Excellence in Partnership Working', with IRRV assessors attending City Hall on 14 Aug 2018 to review its strong performance.

9.2 However, the recent introduction of UC Full Service is creating a number of new challenges for this service area.

- Whilst the number of new claims for Housing Benefit is reducing as a result of UC, those claims that are being received are for UC customers where Housing Benefit is still to be claimed (exempt categories). Before processing these claims, councils must first wait for the DWP to take a decision on the customer's UC application, which creates a delay. This delay has contributed to the average cumulative days to process new Housing Benefit claims increasing from 24 days in Quarter 4 of 2017/18, to 30 days in Quarter 1 of 2018/19.
- Additionally, the rollout of UC Full Service has had a significant impact on processing performance, with the section receiving 5,585 UC documents since 01 April 2018. Each of these documents requires assessment, with benefits officers having to review the document and make a decision as to the assessment required.
- The number of Housing Benefit / Council Tax support customers awaiting assessment has increased significantly from 577 in Quarter 1 of 2017/18 to 1,323 in Quarter 1 2018/19. Of the 1,323 customers, 890 are awaiting a first contact from a benefits officer. For the remaining 433 customers, benefits officers have made contact and are now awaiting information from the customer.

9.3 The processes involving UC are much more complex for staff, and require more time to be taken to ensure accurate processing. As a result, overtime has been offered to staff to improve the processing position, and this has been taking place during July and August 2018. Whilst it is expected the outstanding number of customers will reduce, it must be noted that the level of information from the DWP continues to be received at a significant rate.

10 Proposed Next Steps

10.1 On 03 July 2018, Committee agreed for the November 2018 meeting to consider;

- The background on housing and its affordability, including any link to UC and welfare reform
- Demand for affordable housing in the city
- The council's role as a landlord, and as an enabler of affordable housing
- How affordable housing is encouraged in the city, and what impact this is having
- The role of planning policies in delivering affordable housing

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