

Cabinet

Date of meeting: 11 April 2016

Report title: Introduction of Universal Credit in Lambeth

Wards: All

Report Authorised by: Strategic Director for Neighbourhoods and Growth: Sue Foster; and, Strategic Director for Corporate Resources: Jackie Belton

Portfolio: Deputy Leader for the Council (Finance and Investment): Councillor Paul McGlone

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Report summary

Universal Credit will replace Income Support, Jobseekers Allowance (JSA), Housing Benefit, Tax Credits and Employment Support Allowance (ESA), as part of the Government's radical programme to reform the benefits system for work-related benefit claimants. Since 8th February in Lambeth, new single JSA claimants in Lambeth have to claim Universal Credit under the final tranche of the national roll-out. This has so far only affected relatively small numbers of residents, but the numbers of Universal Credit claimants are expected to reach some 400 per month over the next year. It is currently expected that the full service, affecting all the above current claimant groups, will be introduced in Lambeth from February 2017.

The introduction of Universal Credit will affect large numbers of our residents over the coming years. The Government's intention is to facilitate and incentivise entry into work, but as cuts to welfare are introduced, we expect there to be a significant detrimental impact on many people. It is also likely that there will be a substantial impact on council budgets, as housing benefits administration is incorporated within Universal Credit, and benefit payments going direct to claimants could have a serious impact on the Council's ability to collect rents.

The process of fully implementing Universal Credit is still uncertain and has undergone a number of changes and delays since first planned, along with uncertainties about other aspects of the Government's welfare reform agenda. Despite the Government's decision to reverse planned cuts to Tax Credits following the broad-based campaign against the changes, these will still be incorporated into Universal Credit over the coming years.

In addition, cuts have been made to tapers and thresholds such as the work allowance, reducing even further the support claimants will receive. The council is continuing to use its local welfare safety net to mitigate against some of the negative effects of the introduction of Universal Credit and other welfare reforms, although this is made more difficult by the continuing reductions in the council's funding from central government and no guarantee of ring-fenced grants to continue providing this vital support.

Finance summary

There are no immediate cost implications for the Council of the implementation of Universal Credit, which is a Department of Work and Pensions (DWP) function. The DWP is covering the cost of personal budgeting and digital support for residents identified by DWP as requiring help, under the Delivery Partnership recently agreed between Lambeth, Lewisham and Southwark Councils with the DWP.

However, there are implications for council budgets, especially the Revenues and Benefits budget, as the Benefit Administration grant from Government is reduced. There are also likely to be significant impacts on the Housing Revenue Account (HRA) and Temporary Accommodation budgets if there is an increase in rent arrears and subsequently bad debt with the cessation of rent payment direct to landlords. There is also considerable risk to the existing collection of the £30m housing benefit overpayment debt, as one of the main collection methods is via ongoing housing benefit entitlement and as Universal Credit rolls out, this option will be replaced by cash invoicing, which has a low collection rate.

Recommendations

- (1) To monitor the impact of the introduction of Universal Credit on Lambeth residents and on council budgets, paying regard to the risks outlined in Section 6 of the report.
- (2) To monitor the provision of personal budgeting and digital support to residents and identify the extent to which their needs are met. This is to be reviewed each quarter with DWP, with a view to increasing support if necessary.
- (3) To identify mechanisms to maintain a good Council Tax Support service and Housing Benefit service for remaining customers within the reduced benefit administration grant over the coming years. This is a vital service supporting vulnerable residents, and proposed changes will be reported back to Cabinet, with details of future structure, funding and performance targets.
- (4) To provide targeted support for those tenants at risk of falling into arrears, to help them manage their finances, and where appropriate increase their income through entry into and progression to better employment.
- (5) To revise recovery procedures as appropriate and develop ways of working in order to provide more intensive support for tenants in rent arrears.
- (6) To provide briefings for councillors on the details, potential impacts, and mitigations being taken by the Council.
- (7) To incorporate any further requirements for support to residents into future commissioning exercises under the Financial Resilience Strategy, and review budget implications as appropriate.
- (8) To recommend to Cabinet any revisions to the Financial Resilience Strategy and the Income and Debt Strategy, where changes to the administration of benefits and implications of the Government's role in delivering Universal Credit require the Council to respond with a change in policy.

- (9) To continue making the case to Government to improve the process for introducing Universal Credit and associated welfare reform changes so that local authorities can:
- a. Monitor the implementation and impact of these changes, especially with Universal Credit claimants at risk of falling into problematic debt as a result of monthly payments in arrears;
 - b. Recover Housing Benefit overpayment debt effectively and agree specific arrangements with DWP for tenants in Temporary Accommodation in particular;
 - c. Receive ring-fenced funding to continue providing vital emergency and crisis support through the local welfare safety net.

1. History and Context

- 1.1 Universal Credit will dramatically simplify and change the benefits system for work-related benefit claimants, as it replaces Income Support, Jobseekers Allowance, Housing Benefit, Tax Credits and Employment Support Allowance.
- 1.2 After many delays, the government has begun to introduce Universal Credit for new single JSA claimants in Lambeth. From 8 February 2016 claimants have been making claims under the Universal Credit ‘live’ service. There has been a slow start, but the numbers will increase considerably over the year. The forecast figures for Lambeth claimants are some 400 per month. It is currently expected that the full service will be introduced in Lambeth from February 2017.
- 1.3 The purpose of this report is to advise Cabinet of the impact of the introduction of Universal Credit on Lambeth residents and council budgets, and to recommend a series of mitigating actions.

2. Proposal and Reasons

- 2.1 Universal Credit is being introduced by Government in an attempt to simplify the current benefit system and make moving into work more attractive. The application of a different approach to tapering the withdrawal of benefits as people’s income increases means that it will in theory be simpler for people to take work. However, the Government is introducing further cuts to benefits which will impact on household incomes. Government cuts announced last year, while preserving tax credits for the present, will reduce the entitlements under Universal Credit, as part of the government’s drive to move to a “low welfare” economy. When combined with the freeze on benefits, the introduction of Universal Credit will reduce annual benefit spending by a total of £2.7bn, meaning that 2.1 million households across the country (England, Wales and Scotland), will see their incomes reduced as a result¹.
- 2.2 The extent to which people will benefit from the operation of Universal Credit will depend on their circumstances. The Institute of Financial Service (IFS) report that it will weaken the incentive for single parents to work, and increase the incentives for couples to have one person in work.

¹ IFS, Feb 2016

- 2.3 There are some 6,000 people currently claiming Job Seekers' Allowance in Lambeth², which constitutes just over 25% of out-of-work benefit claimants. There are in the order of 1,200 new claimants per month (although slightly higher numbers each month signing off). Under the live service roll out from 8 February, Universal Credit will apply to single Lambeth Job Seekers' Allowance claimants, and is likely to affect around 400 people per month.
- 2.4 From February 2017 the full service is scheduled to start, and this will affect everyone signing-on or with a significant change to other benefits including ESA, Housing Benefit and Tax Credits. To give an idea of the potential scale when fully implemented, there are 23,540 people in Lambeth on out-of-work benefits, 24,500 families claiming tax credits, and 38,400 housing benefit claimants. Although it is not possible to say how many people will be affected because these claimant groups overlap, the total number of affected residents is likely to be over 40,000.
- 2.5 The cumulative equalities impact assessment carried out to inform the development of the Council's Community Plan identified a number of priority groups for whom inequalities are widening. These included long-term unemployed, those on low pay, and households with children living in poverty. All of these groups will be subject to the Universal Credit regime at some point over the coming years. The Community Plan seeks to narrow the gap between our residents, and commit the Council to using the proceeds of growth to improve the prospects of those who most need our support. This means we want to reduce the number of people in long-term unemployment, improve opportunities for people in long-term low pay, and improve the life chances of children living in poverty and those living with complex needs. They are also identified in the Council's Financial Resilience strategy for support through our commissioned projects, and we will factor in the implications of universal credit over the coming months as the new strategy is implemented.
- 2.6 Under Universal Credit, the Department for Work and Pensions is providing funding to cover digital support and personal budgeting support for those claimants that Work Coaches identify as needing assistance. They will also fund some one-off costs, and the additional costs incurred by the Council's benefit service in relation to Council Tax Support claimants. The total funding to be provided for Lambeth to cover these costs to the end of December 2016 will be £63,385.
- 2.7 The arrangement for providing this support has been set out in a Delivery Partnership agreed by the Leader of the Council, along with the Leader of Southwark Council and Mayor of Lewisham Council. This will be a jointly agreed approach, following up the partnership work with those boroughs through the award-winning Universal Support Delivered Locally (USDL) pilot. This provided the framework for our assessment of the most appropriate way to provide the digital and personal budgeting support. Personal budgeting and digital support will be provided for the residents of the three boroughs by the Citizen's Advice Bureau (CAB).
- 2.8 Universal Credit will be paid monthly in arrears and currently an average claim is taking at least 35 calendar days to be determined. In addition, for those claimants who would otherwise have claimed Jobseeker's Allowance, payment will not be made for the first week of the claim, meaning their first payment could arrive 42 days after making a claim.

² Nomisweb.co.uk

In comparison, the Council currently processes claims for housing benefit in 25 calendar days on average.

- 2.9 The Council, acting as an agency of the state in administering Housing Benefit and Council Tax Support, has a current caseload of some 38,400 Housing Benefit claimants. The Council administers approximately £260m in benefits per annum and holds the risk if overpayments are made, although we have a good record on benefit recovery. Following the full roll out of Universal Credit, the Council will remain responsible for pension age residents, tenants in exempt accommodation and complex cases – a total of around 15,000 residents, or one third of the current caseload.
- 2.10 The Council receives an annual DWP Benefits Administration Grant of £3.4m, although the combined Housing Benefits and Council Tax Support administration costs amount to £4.9m. Although the costs of the service are reducing as the caseload is reduced with the introduction of Universal Credit, the government grant is reducing at a faster pace, with a consequent risk of £1m deficit by 2019/2020. The falling workloads and budget will also reduce staffing requirements, although the impact will be gradual.
- 2.11 The financial implications for the Housing Revenue Account are even more significant, as the direct payment of benefits to claimants plus the payment delays and non-payment for the first week of the claim all mean that significant increases in rent arrears are anticipated. Independent research has indicated that this could be as much as £16m in increased arrears. A worst case scenario could see rent arrears increase from £5.8m currently to £21.8m by 2020. This would equate to a loss of approximately 2.5% of rental income between 2016 and 2020 with £16 million of rent arrears accruing out of an estimated total rent debit of £640 million across the 4 years.
- 2.12 There could also be risks to the General Fund if rent payments for Temporary Accommodation are paid directly to tenants and arrears increase. This should not arise if alternative payment arrangements are agreed for tenants in Temporary Accommodation and this is something the council will seek to reach an agreement on with DWP.

3. Finance

- 3.1 There are no direct costs implications to the Council of the implementation of Universal Credit, which is a Department of Work and Pensions (DWP) function. The DWP is covering the cost of personal budgeting and digital support for residents identified by DWP as requiring help, under the Delivery Partnership recently agreed between Lambeth, Lewisham and Southwark Councils with the DWP.
- 3.2 There are implications for Council Budgets. The Revenues and Benefits service Housing Benefit budget will significantly reduce and this will be matched by a corresponding amount of the Benefit Administration grant from government. The Housing Revenue Account (HRA) and Temporary Accommodation budgets may also change if there is an increase in rent arrears, and subsequently bad debt, with the cessation of rent payment direct to landlords.
- 3.3 There are significant indirect cost implications in Revenues and Benefits, which manage the collection of the £30m Housing Benefit Overpayment (HBOP) Debt. However, the 2 different approaches to collection have very different collection rates. The first is by collecting at source, through ongoing housing benefit entitlement and as long as the

individual remains on Lambeth's Housing Benefit system, the collection rate is high (about 85%). The second approach is through cash invoicing, when they do not receive Housing Benefit through Lambeth and this has a much lower collection rate (around 25%). As Universal Credit rolls out, many claimants' debt will only be collectible via cash invoicing. There has been no clear determination as to who will hold the risk for the outstanding debt collection (DWP or Lambeth) but depending on the timing of the roll-out, the level of financial risk is assessed at between £2.5m and £4.5m if the debt remains with Lambeth.

- 3.4 The HRA budget setting report for 2016/17 reflected this expected increase in bad debt and allowed for an increase in the bad debt provision up to 3% from the previously used figure of 1.8%. Performance against this target will be reviewed throughout the year and this figure will be adjusted in future years on the HRA business plan if necessary.
- 3.5 The additional costs for Temporary Accommodation will need to be borne by the service and managed alongside the current pressures existing on that budget.

4. Legal and Democracy

- 4.1 The Welfare Reform Act 2012 introduced Universal Credit, which is being implemented pursuant to further legislative provisions. The changes are being funded via the Department for Works and Pensions (DWP). There may be various agreements that need to be implemented with the DWP and Partners to ensure that the legislative provisions can be implemented with as little impact as possible on beneficiaries. Equalities Duties requirements would have been addressed by the DWP but the Council is duty bound to ensure the implementation is made with as little adverse impact as possible. Legal advice will be sought in relation to any proposed agreements and on specific matters arising on implementation.
- 4.2 This proposed key decision was entered in the Forward Plan on 26 February 2016 and the necessary 28 clear days' notice has been given. In addition, the Council's Constitution requires the report to be published on the website for five clear days before the proposed decision is approved by the Cabinet Member. Any representations received during this period must be considered by the decision-maker before the decision is taken. A further period of five clear days - the call-in period – must then elapse before the decision is enacted. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

5. Consultation and co-production

- 5.1 The work undertaken with Lewisham and Southwark Councils in trialling Universal Support Delivered Locally means that we have identified the best way to support residents with a number of the requirements of Universal Credit, and in particular, tested referral and support systems for digital and personal budgeting. This was undertaken in partnership with the CAB, who are now engaged in providing support under the Delivery Partnership across the three boroughs under Universal Credit.

6. Risk management

- 6.1 The key risks for the Council relate to the reduction in Benefits Administration Grant, the potential impact on the HRA if there is an increase in rent arrears, and the impact on the

Temporary Accommodation budget that would result if private landlords are more reluctant to house Universal Credit claimants.

- 6.2 The Council receives an annual DWP Benefits Administration Grant of £3.4m, although the combined Housing Benefits and Council Tax Support administration costs amount to £4.9m. In response to the fall in grant funding, the Council in March 2016 restructured the benefits service and reduced annual expenditure by £1.5m. This will be reviewed year on year and changes made in line with future grant reductions. Government has stated that TUPE will not apply as it is deemed that housing benefits and universal credit are distinct, so as an added pressure any associated costs in relation to future redundancies will be met by the Council.
- 6.3 There are also financial risks for the Council with regard to Housing Benefit Overpayments. The Council currently holds £30m debt on its balance sheet which is either recoverable from debtors through reductions in their on-going benefits or reduced by cash collection. It is currently growing at approximately £5m per year, due to Real-Time Data Matching exercises conducted with the Department for Work and Pensions (DWP). Resources have been allocated to support recovery, and the issue is under continual review due to the scale of risk attached. We are involved in discussions with the DWP around housing benefit overpayments in order to understand how debt will be handled following migration of responsibility for housing benefit under Universal Credit, and the potential risks to council budgets. It is not yet clear whether the Council will be expected to hold all of the debt or whether some or all will be transferred to the DWP.
- 6.4 The financial implications for the HRA are equally serious, as the direct payment of benefits to claimants plus the payment delays and non-payment for the first week of the claim all mean that significant increases in rent arrears are anticipated. Independent research has indicated that this could be as much as £16m in increased arrears.
- 6.5 The demand for and costs of Temporary Accommodation could increase if private landlords become increasingly reluctant to work with the Council and house Universal Credit claimants. We will attempt to mitigate against this by application for alternative payment arrangements for people housed in temporary accommodation, and this should mean that we are able to ensure payment of rent is separate to living costs, and payments can be made as normal, to the landlord.
- 6.6 To mitigate against the implications for these budgets, we will maximise the use of Alternative Payment Arrangements, which will allow payments direct to the landlord. We will also increase support provided to tenants to manage and increase their finances, including targeting further employment support where appropriate. Additionally, we are revising our processes and procedures to ensure that the income recovery service is fit for purpose to meet the challenges presented by Universal Credit.

7. Equalities impact assessment

- 7.1 The introduction of Universal Credit is a national policy change, and as such the government conducted an equality impact assessment, published in November 2011. We know that there will be a differential impact on different groups within the population, of this and related elements of the government's welfare reform programmes, and these were taken into account within the analysis undertaken for the EIA carried out in relation to the Council's Financial Resilience Strategy. The results were also considered in the

cumulative equalities impact assessment carried out in preparation for the Community Plan currently in development.

8. Community safety

8.1 There are no community safety implications from this report.

9. Organisational implications

9.1 Environmental
None.

9.2 Staffing implications

As the workload for the Council in administering benefits reduces, there will be a consequent impact on the requirement for benefits administration staff. Fewer administrators will be required and TUPE will not apply. In response to this reduction, the Council is reviewing how we manage the benefits service in order to reduce costs and keep them within the envelope of the Benefits Administration Grant, and manage the impact on staff.

9.3 Procurement
None.

9.4 Health
None.

10. Timetable for implementation

10.1 The roll out of Universal Credit full service is still subject to change. The roll out in Lambeth has now been timetabled, and is shown in the table below. It is, however, still potentially subject to change, and the incorporation of existing claimants not making a material change to their claim, has not yet been programmed.

	Date
Introduction of live service in Lambeth	8 th Feb 2016
Commencement of digital and personal budgeting support for claimants	15 th Feb 2016
First review of Delivery Partnership implementation	May 2016
Report to Financial Resilience Cabinet Sub-Group	May/June 2016
Agree revisions to rent recovery procedures if necessary	Summer 2016
Agree proposals for maintaining the Council's benefit service for remaining customers within budget	Summer 2016
Anticipated start of "full" Universal Credit service	Feb 2017

Audit Trail					
Consultation					
Name/Position	Lambeth directorate/department or partner	Date Sent	Date Received	Comments	in para:
Jackie Belton	Strategic Director for Corporate Resources	15.03.16	16.03.16	2.5, 10.1	
Sue Foster	Strategic Director for Neighbourhoods and Growth	15.03.16	16.03.16		
Adrian Smith	Director of Neighbourhoods, Environment, and Employment	11.03.16	15.03.16	Recommendations	
Tim Hillman-Brown	Head of Revenues and Benefits	11.03.16	15.03.16	2.8	
David Ashmore	Director, Business and Customer Service	15.03.16	18.03.16	6.2, 6.3, Finance Summary	
Neil Wightman	Director of Housing Services	14.03.16	14.03.16	2.11	
Gareth Robinson and Andrew Ramsden, Finance	Business Partnering	11.03.16	22.03.16	Finance comments	
Andrew Pavlou, Legal Services	Legal Services	11.03.16	17.03.16	Legal comments	
David Rose, Democratic Services	Corporate Resources	15.03.16 21.03.16	15.03.16 21.03.16	4.2	
Councillor Paul McGlone	Deputy Leader	21.03.16	30.03.16	Throughout	

Report History	
Original discussion with Cabinet Member	21.03.16
Report deadline	30.03.16
Date final report sent	30.03.16
Report no.	199/15-16
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	Yes
Date first appeared on forward plan	26 February 2016
Key decision reasons	Meets community impact test
Background information	<p>Universal Credit – government directions https://www.gov.uk/universal-credit/overview IFS report (February 2016) http://www.ifs.org.uk/publications/8135 Lambeth Financial Resilience Strategy https://moderngov.lambeth.gov.uk/documents/s78812/FR%20Strategy%20Final.pdf Cumulative Equalities Impact Assessment http://moderngov.lambeth.gov.uk/documents/s80060/FINAL%20Cumulative%20equalities%20impact%20analysis%200803.pdf</p>
Appendices	None.