

## **Cabinet 19 March 2018**

**Report title:** Financial Resilience Strategy and Universal Credit

**Wards:** All

**Portfolio:** Councillor Paul McGlone, Deputy Leader of the Council (Investment and Partnerships)

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### **Report summary**

The Council's Financial Resilience Strategy sets out the focus and priorities to support Lambeth residents to become more financially secure. To deliver the strategy, a range of services and activities have been commissioned to provide advice and support to residents experiencing financial difficulty including the Council's Every Pound Counts service, access to advice from local advice agencies through One Lambeth Advice, advice and support at Children's Centres, and peer to peer support enabled by Money Champions training. Through these services, around 28,000 residents were able to access advice and support in 2016/17 helping them to resolve financial problems, develop budgeting skills, and maximise their incomes. Around 56,000 residents have been supported through Financial Resilience activities since 2014.

Universal Credit Full Service began in Lambeth in December 2017, and a full rollout to all postcodes will be complete for new claimants or those who have a change of circumstance by February 2018. Universal Credit is a new working age benefit that replaces six previous working-age benefits and tax credits, and is paid monthly in arrears to households. Most claimants must wait 4-6 weeks to receive their initial payment. In Universal Credit, housing costs are paid directly to claimants, which is a change from housing benefit which is paid directly to landlords. This change, alongside the initial payment delay, has resulted in an increase in rent arrears and other debts accrued by claimants.

This report provides a summary of council-funded activity over the last two years and highlights the Council's concerns about the potential impact of Universal Credit on Lambeth residents.

### **Finance summary**

Currently financial resilience projects are funded by a combination of core revenue and through the use of some grant funding provided by Department for Work and Pensions, and the Housing Revenue Account. This report does not represent any additional funding requests at this time.

### **Recommendations**

1. To recognise the achievements of Lambeth's Financial Resilience activities in 16/17 and 17/18 in supporting residents to increase their incomes and financial capability.
2. To highlight ongoing concerns about the rollout of Universal Credit Full Service in the borough, particularly around the risk of rent arrears accrued by Council tenants.

## 1. **Context**

1.1 Financial resilience is about ensuring residents have the skills and resources to be able to cope with difficult situations as well as making the most of opportunities for the long-term. The Financial Resilience Strategy 2016-19, agreed by Cabinet in January 2016, highlighted the following priorities for activity:

Priority 1: Increasing people's incomes:

- People can access personalised employment support;
- People are able to progress in work and earn at least the London Living Wage; and,
- People get the benefits and credits they are entitled to.

Priority 2: Increasing people's financial capability:

- Tenants are able to pay their rent;
- People have access to the financial products they need;
- People can plan and manage their finances; and,
- Levels of problematic debt are reducing.

- 1.2 The strategy identified priority groups for this work, namely those earning low pay, looking for work, or claiming benefits.
- 1.3 The Financial Resilience Strategy was part of the Council's response to pressure being faced by low income households in the borough. This pressure was further exacerbated by some of the Government's welfare reforms, such as the Benefit Cap and Bedroom Tax, which further reduced incomes for some residents. A strategy was first adopted by Cabinet in April 2014 and subsequently updated in January 2016.
- 1.4 The most significant welfare reform proposed by the Government is Universal Credit (UC). UC is the most fundamental reform to working age welfare benefits since 1945. According to the Government, the aims of the new benefit are to simplify the working age benefit system, to strengthen incentives for claimants both to take work and to do more work, and to reduce administration costs. Six existing benefits will be gradually be phased out for those of working age and replaced by a new, single, household payment that will be paid monthly and that will include an amount in respect of housing costs where the claimant pays rent. The service will be offered through a digital channel and claimants will be required to create their own online account and manage that account, updating it to reflect changes in their household circumstances.
- 1.5 UC was first introduced into Lambeth in February 2016 for a limited number of claimants. UC "full service" began to be rolled out in Lambeth in December 2017, and was active in all Lambeth postcodes by February 2018. This means that anyone making a new claim or on an existing benefit but with a change in circumstances will be moved on to UC. Issues regarding Universal Credit were highlighted to Cabinet in a report in April 2016. This report expands on the issues featured in that report, and draws on the experience of UC in Lambeth so far.
- 1.6 The Local Welfare Safety Net is comprised of the Emergency Support Scheme, Discretionary Housing Payments, and Council Tax Support. The schemes are underpinned by the Income and Debt Strategy 15-17, which distinguishes between residents who have means but neglect their financial responsibilities, and those more vulnerable residents who do not have the means to pay. There is a policy to minimise evictions and support tenants to maintain their tenancies where possible. Further, enforcement action taken around Council Tax debt is restricted to methods that encourage compliance without bailiff enforcement for debtors who are most vulnerable.

- 1.7 As part of the local welfare safety net, the Council Tax Support scheme (which replaces Council Tax Benefit) ensures that vulnerable residents are protected from changes to the help they receive with Council Tax. Discretionary Housing Payments provide extra support to residents affected by the Bedroom Tax.

## **2 Proposal and Reasons**

- 2.1 To deliver the priorities of the Financial Resilience Strategy, the Council has commissioned a range of services to provide advice and support to local residents. These services are funded through a combination of core council funding, Housing Revenue Account, grant funding from DWP and contributions from the Clinical Commissioning Group. The range of services provided includes:
- Every Pound Counts, the Council's in-house welfare benefits advice service for residents with disabilities and long-term health conditions;
  - One Lambeth Advice, a website and telephone advice service which links residents with four local advice organisations and provides appointments through the Lambeth Advice Network;
  - Lambeth Advice Network, a consortium of advice agencies in the borough providing direct support;
  - Advice in Children's Centres provided by Citizens Advice Merton and Lambeth;
  - Advice and support for residents entitled to Council Tax Support but still getting into debt, provided by Advising Communities;
  - Money Champions, a peer support training programme provided by West London Mission; and,
  - Digital and personal budgeting support for Universal Credit claimants provided by Advising Communities (which has superseded the previous digi-buddies project).
- 2.2 This supplements the support provided through the Council's Local Welfare Safety Net. This safety net comprises three elements and allows the Council to support residents who are on the lowest incomes.
- Council Tax Support, providing a reduction in Council Tax for vulnerable residents;
  - Discretionary Housing Payments, time-limited financial support for residents who are adversely affected by welfare reforms; and,
  - Emergency Support Scheme, provides in-kind support to residents who are experiencing a crisis or emergency, or living independently following a period of residential care.
- 2.3 In addition, the Council also commissions and provides a range of programmes to provide personalised employment support to Lambeth residents. This support is particularly focused on residents who are long-term unemployed, or at risk of being so, or face other barriers to employment. This has helped the Council and its partners to demonstrate more effective models of employment support to Government and regional partners. This includes the Council's Lambeth Working service, which has provided one-to-one support to Lambeth residents and been successful in getting 400 people into work from 2016-2018.
- 2.4 In addition, the Council has been working in partnership with Southwark and Lewisham Councils to deliver the Pathways to Employment programme. It particularly focuses on helping people overcome barriers they may face in getting a job, or getting a better job; be that housing problems, debt, childcare needs, mental health issues, a lack of suitable skills. People are referred to the service by Jobcentre Plus at points where they are found to be at risk of long-term unemployment or already experiencing an extended period of joblessness, and offers one to one support. Since 2014 when the programme first started more than 400 long term unemployed people have been helped into jobs and in total 2,000 people have been helped move towards work, better jobs or a new career.

- 2.5 Alongside personalised employment support, the Council continues to promote the London Living Wage. The Council has been a Living Wage accredited employer since 2012, with all Council employees at a minimum earning the London Living Wage as do people working on 99% of the Council's contracts. Particular successes include getting all 30 of the council's adult home care providers paying the wage to their 2,217 employees, three-quarters of whom live in Lambeth. And more recently the Council's waste contractor Veolia has agreed that staff on the contract will be paid the London Living Wage for the first time. This will mean Veolia staff in Lambeth will get a minimum of £10.20 an hour from April. The decision will affect around 160 Veolia staff, 45 per cent of whom live in Lambeth.

### **Financial Resilience Advice Services**

- 2.6 Below is a summary of the support provided to Lambeth residents through this range of activities from April 2016 through December 2017. The data shows that there were around 30,000 advice appointments or support interactions over this period (it is not possible to say these were all separate individuals as some people may have used more than one service or used the same service more than once).

#### **2.6.1 One Lambeth Advice**

One Lambeth Advice provided advice to 12,704 people in 2016/17. The majority of support was provided via telephone or with contact from an advice guide. 2037 people were referred to external services by One Lambeth Advice, and 1478 were booked into appointments with the Lambeth Advice Network or other agencies. Just over half (51%) of advice requests concerned benefits or debt/money issues. Housing queries made up an additional 20%.

In the first three quarters of 2017/18, 7,810 residents contacted the service for advice. The majority contacted via telephone or through an advice guide. 4,273 people had their issue resolved by the service. 1,286 were signposted to an external agency, and 440 were booked for appointments with the Lambeth Advice Network. Over half of the queries were related to benefits or debt/money issues.

#### **2.6.2 Lambeth Advice Network**

In 2016/17, there were 2,196 appointments available that were funded by the Council. 79% of the appointments were filled. Over half of the cases were related to welfare benefits and a quarter to housing. A smaller percentage of cases related to debt.

In the first half of 2017/18, there were 882 appointments available that were funded by the Council. 81% of the appointments were filled, which suggests there is some capacity within the Lambeth Advice Network (LAN) to support more residents. Over half the cases were related to benefits, money advice, or debt.

#### **2.6.3 Every Pound Counts**

In 16/17 the service supported 2790 new cases, and supported clients to access £7,911,657 in benefit income through resolved claims. Due to the nature of the service, cases remain open for long periods of time, so the overall caseload is much higher than is represented by new case numbers.

EPC received 1408 new enquiries in the first three quarters of 2017/18, bringing the open caseload number to 5600. Clients were supported to access £ 5,754,609 in benefit income through resolved claims during this nine month period.

There is still insufficient capacity to deal with the demand, and low priority cases (e.g. benefit checks). One Lambeth Advice have agreed to pick up some of the low priority cases as there is capacity within One Lambeth advice services.

#### **2.6.4 Council Tax Debt Advice**

In 2016/17, 401 people were supported by Advising London through the Council Tax Summons Support project. 191 received support at Olive Morris House, and a further 210 clients accessed the service through outreach, other Advising Communities services, telephone or email.

40% of people supported were council tenants, and 25% were housing association tenants. A smaller percentage were private tenants or homeowners. In total Council Tax debt of around £330,767 has been managed over the year, with the Council writing off only £9,187.

In the first three quarters of 2017/18, 453 people were supported by Advising London through the Council Tax Summons Support project. 228 received support at Olive Morris House, and a further 225 clients accessed the service through outreach, other Advising Communities services, telephone or email.

Similarly to 2016/17, 40% of people supported were council tenants, and 30% were housing association tenants. A smaller percentage were private tenants or homeowners. In total Council Tax debt of around £591,991 has been managed over the 9 month period, with the Council writing off only £6,697.

#### **2.6.5 Advice in Children's Centres**

In 16/17 there were 660 sessions run by Citizens Advice volunteer advice guides in Children's Centres around Lambeth. For those needing more in-depth support, there were 196 appointments available each quarter with a Citizens Advice advisor in Children's Centres.

In the first three quarters of 2017/18, there were 392 advice appointments available run by Citizens Advice volunteer advice guides in Children's Centres around Lambeth. 80% of these appointments were filled.

Welfare benefits continues to be the top enquiry area which reflects the core services of CAML followed by Housing, Debt/Money Advice and Other.

#### **2.6.6 Money Champions**

Money Champions has been delivered by West London Mission since September 2014. There are currently over 500 Money Champions in Lambeth who informally support peers to gain more confidence with budgeting and money management. The training continues to attract people from a diverse range of communities and organisations. The majority of Money Champions use their training while at work or volunteering.

The Money Champions training has taken on a Universal Credit focus for 17/18, with all new Champions receiving information about supporting individuals to make and maintain a Universal Credit claim. In the first three quarters of 17/18, 128 people received the updated Universal Credit Money Champions training. 100% of those attending reported that they had a better or much better understanding of how Universal Credit operated after the course.

#### **2.6.7 Digi Buddies**

In 2016/17, 1,341 people were supported by digi-buddies. This is thought to be an under-representation of the numbers actually helped as some digi-buddies struggle to complete the monitoring forms with service users. There were 22 active volunteers at year end. In 17/18, digital support was incorporated into our Universal Support delivery and is targeted towards residents claiming Universal Credit. One Digi Buddies service runs weekly at St Luke's Hub provided by West

London Mission, but the majority of digital support is via sessions in Job Centres provided by Advising Communities.

## **Local Welfare Safety Net**

### **2.7 Emergency Support Scheme**

Age UK Lambeth has been involved in providing an installations and handypersons service to residents assessed as being eligible for support through the Council's Emergency Support Scheme since the scheme's inception in April 2013. In 2016/17, 1440 individuals were supported to make applications and 657 awards were made. The value of the awards is an estimated £366,307. 1717 households received white goods or furniture, and 336 have received food or fuel assistance.

In the first three quarters of 2017/18, 1359 individuals were supported to make applications and 606 awards were made. The value of the awards is an estimated £304,324 although this has not yet been reconciled. The majority of awards involved white goods and furniture (81%).

**2.8 Discretionary Housing Payments (DHP)** cover the gap between Housing Benefit or Universal Credit and actual housing costs. A smaller number of applications are made for rental deposits. They are usually awarded to households who have been affected by the benefit cap. In the first three quarters of 2017/18, 2252 successful applications were made for DHP, which was about 2/3 of the total applications made. The value of these awards is an estimated £1,470,000.

**2.9 Council Tax Support (CTS)** replaced Council Tax Benefit (CTB) from April 2013. The council's Council Tax Support (CTS) scheme was developed with the intention of ensuring vulnerable residents are protected from changes to the help they receive with Council Tax (CT) costs. Those with more income would contribute more towards their CT costs and the scheme would operate within the financial envelope of the budget allocated by government. These key features underpin the scheme both now and moving forward.

**2.10** The key feature of the scheme protects vulnerable residents on low income, from changes to their help with CT costs by making them exempt from the baseline reduction. These groups are:

- All disabled people;
- Carers;
- Families affected by the overall benefits cap; and,
- War widows and widowers.

**2.11** Lambeth's scheme remains unique in London in providing protection from a reduction in CTS to this whole group of vulnerable residents. Residents of pension age are automatically protected from any changes to the levels of CTS they receive by law.

**2.12** There are now 6,589 vulnerable working age households in Lambeth that we have fully protected via the CTS scheme from any form of council tax liability. There are a further 13,398 households receiving some degree of assistance from CTS to meet their full obligation. In addition 9,865 residents of pension age are protected from any reduction in CTS support. This makes a total of 29,852 CTS claimants that the council helps with meeting their council tax at a cost of £17.870m.

**2.13** From April 2018 the CTS scheme will be changing. This is because the current scheme whilst still achieving its original objectives of protecting vulnerable residents has become unaffordable due to the continuing reductions in the Settlement Funding Assessment (SFA) from the Government. It is therefore unsustainable for the council as the gap between funding and expenditure continues to widen.

- 2.14 The changes agreed by the Council in February 2018 ensure that the scheme remains able to support our most vulnerable and hard-pressed residents. To achieve this, some changes have been designed which will spread the burden of savings widely, lessening the chance of any given households experiencing a sudden and substantial reduction in support. One of the principal changes being introduced is a Discretionary CTS Hardship scheme.
- 2.15 The discretionary scheme creates provision to help mitigate the potential impact of the scheme changes that the council has agreed. The fund will be allocated by need and will support those who can't pay. The discretionary hardship scheme will work in a similar way to the council's current approach to discretionary housing payments and will become a key part of the council's financial resilience strategy. The expected value of the scheme fund is £400k and is open to any household impacted by the scheme changes for 2018/19.
- 2.16 Since 2015 the Income and Debt Strategy has informed our approach to managing the collection of council tax debt and distinguishes between those who can't pay and those who can. We have established that residents receiving CTS broadly fall in to the former category. Understanding this means that a different approach to collection and more importantly to enforcement is needed for CTS recipients. The process for CTS recipients uses soft reminders and final letters, text messaging, and free impartial debt and money management advice from our partners, Advising Communities.
- 2.17 We began using this revised approach in 2015/16 and saw summonses for CTS cases reduce from 8,933 to 2,176 as a result. Summonses for 2016/17 were 3,126. Similarly, reductions in enforcement agent action went from 3,244 CTS cases to zero. Enforcement Agents (bailiffs) have not been used for any CTS recipients in 2015/16 and 2017/18. In September this year 1,002 cases were referred to enforcement agents for compliance but crucially not enforcement action. This means that although these residents will receive contact from our enforcement agents no CTS recipient will receive a knock on their door. The cases are exclusively residents who are neither paying nor engaging with the council with regard to their debt. This approach is another opportunity for them to begin dialogue with the council whereby we can begin to help them either make arrangements to pay or manage any debt issues they may have.
- 2.18 As a result we have helped hard pressed CTS recipients avoid a total of £2.56m in enforcement agent charges which has ensured this debt has not been added to the burden of households who may already find themselves in hardship. This in turn leaves the Council Tax team free to pursue those who can pay but won't and also reduces the need to write off debt. In addition more than 419 referrals to the Financial Resilience team have been received from Advising Communities and both payment arrangements to clear arrears as well as attachment of benefits have increased significantly. Additionally through a one council approach we have been able to move credits on rent accounts for our tenants to their council tax accounts where they are in arrears reducing debt and helping residents manage their finances better.

### **Universal Credit**

- 2.19 Universal Credit (UC) 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 working age benefit claimants. Since February 2016 in Lambeth, new single JSA claimants in Lambeth have claimed Universal Credit Live Service. This has so far only affected 2,204 residents, but the numbers of Universal Credit claimants are expected to grow dramatically over the next year. Universal Credit Full Service has been introduced in Lambeth from December 2017 to February 2018. From now on, anyone making all new claim for the benefits listed above, or an existing claimant with have a change of circumstance, will claim UC. Existing Universal Credit Live Service claimants will be migrated onto the Full Service system in spring 2018.

- 2.20 The introduction of Universal Credit Full Service 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 continue, 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. Further, it is likely that there will be an increase in the level of support that some residents – particularly those who are most vulnerable – will need to interact with Universal Credit successfully.
- 2.21 The council is continuing to use its local welfare safety net and commissioned services 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.
- 2.22 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 has given the Council a grant for providing 'Universal Support,' personal budgeting and digital support for residents identified by DWP as requiring help, although we believe that DWP's projections of the number of residents needing support is low. This grant payment is linked to outcomes.
- 2.23 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. DWP are testing a range of interventions designed to reduce rent arrears associated with the introduction of Universal Credit, but it is not yet clear when these tools will be available. There are some mitigations in place where rent can be paid directly to a landlord via an alternative payment arrangement, but this does not always operate smoothly.
- 2.24 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.
- 2.25 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 in 2015 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 result. Low-income households are expected to lose around 4% of their income through planned benefit cuts between now and 2020. 1 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<sup>2</sup>. Lack of

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<sup>1</sup> IFS, 2017.

<sup>2</sup> IFS, 2016.

clear information about the in-work taper and the need to top up part time work with further job-searching also reduce incentives to work.

- 2.26 There are some 4,000 people currently claiming Job Seekers' Allowance in Lambeth, 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). Currently there are 2,204 people claiming Universal Credit Live Service, which applies only to new single income related benefits claimants. The roll out of Universal Credit Full Service beginning on 6th December 2017 will reach slightly more than the standing 1,200 new claimants per month because existing claimants to 'legacy' benefits like Jobseekers' Allowance, Working Tax Credits etc who experience a change of circumstance will be moved onto Universal Credit. Because Universal Credit is a household benefit, residents claiming 'legacy' benefits whose partners have a change of circumstance will also be migrated to Universal Credit. It is expected that fewer numbers of claimants will 'sign off' each month due to the functionality of Universal Credit: a Universal Credit claim stays open for 6 months after a claimant starts work, and many individuals will continue to claim Universal Credit whilst working.
- 2.27 Individuals claiming existing 'legacy' benefits will not be migrated to Universal Credit without a change of circumstance until at least 2020.
- 2.28 Universal Credit Full Service will affect everyone signing-on to a working age benefit 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 23,720 people in Lambeth on out-of-work benefits (not including residents claiming Universal Credit Live Service), 26,400 families claiming tax credits, and 34,661 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. It is expected that vulnerable residents will need a great deal of support to interact with Universal Credit in its current form.

### **Universal Credit and Housing**

- 2.29 Universal Credit is paid monthly in arrears, in one lump sum for a household. Claims have a built-in waiting period, so currently an average claim takes 6 weeks for payment to begin. In comparison, the Council currently processes claims for housing benefit in 25 calendar days on average. The onus is on the resident to pay their housing costs directly unless an alternate arrangement has been made. There is a risk that residents will get into rent arrears from the start of their claim due to the lag time built into the system, and there have been teething problems with the UC system which has resulted in the housing element of the claim being paid late or, in some cases, not at all, due to administrative errors on the claimant's behalf. DWP's own research has shown a link between a new UC claim and rent arrears – 82% of UC claimants surveyed who were in rent arrears reported that they had not been in rent arrears before making their UC claim.<sup>3</sup>
- 2.30 The Council, acting as an agency of the state in administering Housing Benefit and Council Tax Support, has a current caseload of some 34,661 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.
- 2.31 The Council receives an annual DWP Benefits Administration Grant of £2.9m, although the combined Housing Benefits and Council Tax Support administration costs amount to £4.9m.

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<sup>3</sup> "Universal Credit Test and Learn Evaluation: Families", Department for Work and Pensions, 15 September 2017.

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.

- 2.32 Universal Credit has a number of features that residents at risk for falling into rent arrears and other debts. Unlike housing benefit, the housing element of UC is paid directly to claimants, who must then pay housing costs themselves. The first payment a claimant receives is 4-6 weeks after a claim has been opened. From February 2018 the 7 day 'waiting period' at the beginning of a claim will be removed for all claimants, but claims are still paid a month in arrears and discrepancies on the claim system can lead to further payment delays. The combination of the payment delay and the shift to claimant payment of housing costs has meant that a significant number of claimants accrue rent arrears in the first three months of their claim – some studies show arrears levels as high as 50%.
- 2.33 The financial implications for the Housing Revenue Account are therefore 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. 284 tenants claimed UC during the first two months of UC Full Service rollout, and currently 3.4% of those tenants are in arrears. They are in arrears at a higher level than Housing Benefit claimants - £1237 on average as compared to HB claimants at £575. The number of tenants – and therefore the percentage in arrears – is expected to grow as the number of residents on UC grows.
- 2.34 There are some risk mitigations possible – landlords can apply for an 'Alternative Payment Arrangement' (APA) where the rent is paid directly to the landlord from DWP. Additionally, claimants can apply for an advance payment of up to 50% of their first month's claim payment, to be paid back over a 12 month period. DWP has not made available data about the numbers of claimants opting for an advance payment.
- 2.35 Further concerns relate to the online-only nature of a UC claim. While support is available for residents to improve their digital skills and receive assistance while making their claim, the online nature of the claim process disadvantages residents who have low levels of digital skills and literacy. Individuals with complex needs often cannot consistently manage an online claim, and some people cannot manage it at all. These residents need high levels of support and assistance to manage their benefits, which often falls to already-overstretched services like Every Pound Counts. DWP have acknowledged that some individuals will not be able to interact with an online-only benefit, but have not yet devised an alternative system.
- 2.36 Additionally, the monthly household payment is a drastic change from 'legacy' benefits, which are paid fortnightly and individually. While some residents will struggle with budgeting on a monthly basis, the larger concern is around increased child poverty. Organisations like Women's Aid have flagged concerns that some women and children may be at risk of increased poverty since women will no longer be the main recipients of children's benefits. Most two-parent families are required to choose one parent to be the 'lead carer' and the other to be the 'lead worker,' and a household will be sanctioned for the main earner's noncompliance with their Claimant Commitment. This can leave the lead carer – most often a woman – without the money she needs to look after her children.
- 2.37 In the 2017 Autumn Budget, the Government announced some changes to UC that recognise some of the concerns raised by councils and other agencies. The 7 day waiting period at the start of a new

claim will no longer apply, reducing the length of time claimants must wait before receiving their first payment. Also, from April, people living in temporary accommodation will claim Housing Benefit rather than UC. This will go some way to better supporting those living in temporary accommodation, ensuring their rent can be paid.

### **Universal Support**

- 2.38 Universal Support is provided to help claimants to make or maintain their online UC claim, and to increase their personal budgeting skills. Funding for Universal Support comes via a DWP grant and targets for delivery are set by DWP. In 2016/17, Universal Support was commissioned on a tri-borough basis with Southwark and Lewisham Councils. Citizens Advice provided this support predominantly in Job Centres. This provision ended in September 2017 and following an open tender process, Advising Communities began providing Universal Support in Lambeth and Southwark. Lambeth residents claiming Universal Credit currently can access support on a drop-in basis at Stockwell, Streatham, and Kennington Job Centres as well as the Brixton Customer Service Centre. Additional digital support is provided one day a week at St Luke's Hub in Kennington.
- 2.39 To date, lower numbers of Universal Credit claimants than expected were supported to make or maintain a Universal Credit claim. This is due in part to the overall low number of UC claimants in the borough until early 2018. As the numbers of Universal Credit claimants dramatically increase throughout 2018, there should be a correlative rise in numbers of residents supported to make and maintain their UC claim.
- 2.40 157 people received Universal Support in 2016/17 and 104 have received US in Q1-Q2 of 2017/18, which is the equivalent of 70 hours of support.
- 2.41 Residents also benefit from West London Mission's Universal Credit focused Money Champions peer training scheme, which has trained 54 new Money Champions in 2017/18. This training builds on the success of the previous Money Champions programme referred to earlier, but with a greater emphasis on what UC is and how it might impact residents.
- 2.42 This support offer supplements other support available from the Council. This includes the Housing Options and Advice service which has dedicated advisers to support residents affected by welfare reforms, including Universal Credit. Additionally there is dedicated team to support council tenants affected by welfare reforms. This team takes a proactive approach in encouraging tenants to access support and advice at an early stage to prevent rent arrears and other debts from accruing.
- 2.43 The Council has lobbied the Government on a range of UC topics over the last two years. Evidence has been provided to several inquiries conducted by the Work and Pensions Committee of the House of Commons. This included an invitation for the Deputy Leader Investment and Partnerships to give evidence to a Work and Pensions Committee hearing in December 2015. Recent submissions by the Council to Work and Pensions Committee inquiries into Universal Credit have included highlighting concerns about rent arrears, a lack of support for vulnerable claimants (for example, through the removal of implicit consent for advice agencies to make representations on behalf of UC claimants) and the need for more intensive support with making and managing a claim for people with complex needs. Further lobbying has also taken place through our membership of London Councils and our joint working with Southwark and Lewisham Councils.

## **3. Finance**

- 3.1 In 2016/17, the Financial Resilience services were funded through £589,633 core council funding, £240,000 from the Housing Revenue Account, and combined grants of £356,000.

- 3.2 In 2017/18, the Financial Resilience services have been funded through £475,000 core council funding, £240,000 from the Housing Revenue Account, and a grant of around £75,000 from DWP.
- 3.3 These funding streams will continue in 2018/19. We are awaiting notification from DWP of final amounts of grant funding for the forthcoming year.

#### **4. Legal and Democracy**

- 4.1 There are no specific legal issues arising from the content of this report.
- 4.2 There were no further comments from Democratic Services.

#### **5. Consultation and co-production**

- 5.1 The development of the Financial Resilience Strategy was undertaken using co-operative commissioning principles and methods including:
- Several co-production sessions with providers and relevant other stakeholders;
  - Mystery shopping of existing service provision to identify weaknesses and areas for improvement undertaken by residents/service users;
  - Focus groups with residents engaging with advice and support services;
  - Analysis of data on need, demand patterns and outcomes; and,
  - Asset and resource mapping to make full use of non-funded services.
- 5.2 In the last six months, council officers have engaged with service providers and other relevant local stakeholders (25 interviews) to understand the needs of residents and issues they are facing. This research has further endorsed the priorities in the Financial Resilience Strategy, and in particular highlighted issues with welfare benefits as being a major factor with residents getting into financial difficulties. This research will inform which services the Council commissions in the future.

#### **6. Risk management**

- 6.1 The risks associated with this report relate mainly to the implementation of Universal Credit Full Service by Department for Work and Pensions. Throughout the country, there have been high levels of rent arrears accrued by individuals starting Universal Credit claims, particularly in the first three months of a claim starting<sup>4</sup>. This is due in part to the delay in first payment, which in many cases is a minimum of 6 weeks after the claim is made. Government have acknowledged this delay as a problem and will reduce the waiting period to 4-5 weeks from February 2018. However, there are further features of Universal Credit that increase the likelihood of claimants accruing rent arrears and other debts: a transition to monthly payment rather than biweekly, household payments rather than individual payments, direct payment of housing costs to tenants, and general benefit decreases all impact on residents' financial well-being.
- 6.2 Government have promoted the use of advance payments, where claimants can receive up to 50% of the amount of one month's payment at the time of making a claim, to be paid back over the following 12 months. There is not yet data on how this impacts rent arrears or other debt accrual.

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<sup>4</sup> Nationally, half of all council tenants on Universal Credit are 1 month behind on rent payments, and 30% are 3 or more months behind. This is in comparison to 10% of tenants on housing benefit who are 1 month behind on rent payments. <https://www.theguardian.com/society/2017/sep/16/universal-credit-rent-arrears-soar>

6.3 Some of the risk of rent arrears can be mitigated by landlords, including the Council, setting up Alternative Payment Arrangements (APAs) which instate direct housing payments to landlords rather than tenants for a fixed period of time. DWP have created a Landlord Portal which will allow the Council and other social landlords to have greater control over rental payments via Universal Credit.

6.4 The Council recognises that the support available to residents claiming Universal Credit does not address the needs of residents with complex needs. Universal Credit is a benefit that is claimed online, but many residents are not consistently capable of interacting with their online account. DWP have acknowledged that some individuals will not be able to interact with an online-only benefit, but have not yet devised an alternative system. In many cases specialist services, including Every Pound Counts, must provide high levels of support for these residents to access their benefits, which reduces the overall number of residents supported.

## **7. Equalities impact assessment**

7.1 An Equalities Impact Assessment was completed for the Financial Resilience Strategy which demonstrated the positive impact of supporting residents through advice and support.

## **8. Community safety**

8.1 Access to appropriate benefits and credits, reducing problematic debt and preventing homelessness are all likely to impact positively on offending rates and community safety.

## **9. Organisational implications**

9.1 There are no organisational implications.

## **10. Timetable for implementation**

10.1 Not applicable – these projects have been implemented.

<b>Audit trail</b>				
<b>Consultation</b>				
<b>Name/Position</b>	<b>Lambeth cluster/division or partner</b>	<b>Date Sent</b>	<b>Date Received</b>	<b>Comments in para:</b>
Councillor Paul McGlone	Deputy Leader of the Council (Investment and Partnerships)	26/02/18	28/02/18	
Sue Foster Strategic Director	Neighbourhoods and Growth	16/02/18	21/02/18	
Paul Badiani	Finance Corporate Resources	14/02/18	16/02/18	3.1
Andrew Pavlou	Legal Services Corporate Resources	09/02/18	08/03/2018	
David Rose	Democratic Services Corporate Resources	09/02/18	16/02/18	4.2
Sandra Roebuck, Director Growth Planning and Employment	Neighbourhoods and Growth	14/02/18	26/02/18	
John Bennett Lead Commissioner Welfare, Employment and Skills	Neighbourhoods and Growth	09/02/18	16/02/18	Throughout

<b>Report history</b>	
<b>Original discussion with Cabinet Member</b>	28.02.18
<b>Report deadline</b>	07.03.18
<b>Date final report sent</b>	09.03.18
<b>Part II Exempt from Disclosure / confidential accompanying report?</b>	No
<b>Key decision report</b>	No
<b>Date first appeared on forward plan</b>	Not applicable
<b>Key decision reasons</b>	Not applicable
<b>Background information</b>	1. Financial Resilience Strategy <a href="http://moderngov.lambeth.gov.uk/ieListDocuments.aspx?CId=225&amp;MIId=9377">http://moderngov.lambeth.gov.uk/ieListDocuments.aspx?CId=225&amp;MIId=9377</a>  2. One Lambeth Advice website <a href="https://onelambethadvice.org.uk/">https://onelambethadvice.org.uk/</a>
<b>Appendices</b>	N/A