

Report to: **Housing Review Board**

Date of Meeting: 11 January 2018

Public Document: Yes

Exemption: None

Review date for release None

Agenda item: 12

Subject: **Universal Credit**

Purpose of report: This report sets out the latest information on the roll out of Universal Credit and describes the actions being taken to mitigate, as far as possible, potential loss to HRA income.

Recommendation:

That the contents of the report informing the Board of preparations for the further roll out of Universal Credit during 2018/19 be noted.

That the Board agree with the course of action suggested: that we invest in supporting tenants in order to mitigate the effects of Universal Credit on their own wellbeing as well as the impact on the Housing Revenue Account.

That we take up the offer from Housing Benefit colleagues to support us through the rollout with two members of staff, and reassess the staffing capacity required to manage the change later in the financial year.

Reason for recommendation: To update the Board.

Officer: Sue Bewes Landlord Services Manager sbewes@eastdevon.gov.uk

Financial implications: Financial implications are contained within the body of the report

Legal implications: There are no legal implications contained within the report.

Equalities impact: Low Impact

Risk: High Risk

There is the risk of reduced income to the HRA and of many tenants falling behind on their rent, which could lead to an increased number of evictions.

Links to background information: .

Link to Council Plan: Encouraging communities to be outstanding.



1.0 Background

- 1.1 Universal Credit (UC) is the new single monthly payment for people who are looking for work or on a low income and will replace:
- Income-based Jobseeker's Allowance.
 - Income-related Employment and Support Allowance.
 - Income Support.
 - Child Tax Credits.
 - Working Tax Credits.
 - Housing Benefit.
- 1.2 Universal Credit should not be seen as a re-working of the current welfare system, it is an entirely new benefit. The key features are:
- Most people will apply online and manage their claim through an online account which should be checked daily as messages will be posted there from DWP (Department for Work & Pensions) e.g. appointments to be kept or outcomes of requests.
 - Universal Credit will be responsive – as people on low incomes move in and out of work, they'll get ongoing support, giving people more incentive to work for any period of time that is available.
 - The DWP will make the payments monthly into a bank account of the tenant's choice.
 - Most claimants on low incomes will still be paid Universal Credit when they first start a new job or increase their part-time hours.
 - Claimants will receive just 1 monthly payment, paid into a bank account in the same way as a monthly salary.
 - Support with housing costs will go direct to the claimant as part of their monthly payment.
- 1.3 Universal Credit will only affect working age people (18-60 yrs. and 6 months); they will be paid a monthly payment per household, direct into a bank account and this amount will include their housing element.
- 1.4 There is a provision for housing providers to apply for the housing element of UC to be paid to them direct at the start of the claim, if it can be proved the tenant falls into one or more of a number of vulnerability categories (set by the Department of Work & Pensions (DWP)). Also if a tenant has rent arrears of 8 weeks or more the housing provider can apply to the DWP to have the housing element of the Universal Credit payment paid direct to them.
- ## 2.0 The current position for East Devon
- 2.1 There is a programme for UC rollout across the region. For our tenants UC goes live for new claims on 4 July 2018 for those with Honiton postcodes (or tenants whose Job Centre Plus is Honiton) and goes live on 26 September 2018 for those with Exeter postcodes (or those whose Job Centre Plus is Exeter).
- 2.2 Legacy benefit claim gateways will be closed on these dates unless claimants have more than two children.
- 2.3 It has initially only affected single people aged between 18 and 60 years and 6 months who are making a new claim as these would have traditionally gone onto Job Seekers Allowance. But as of July/September 2018, all new claims made will be assessed for UC.

2.4 All other claimants (i.e. those currently claiming the legacy benefits) will be transferred over to UC between 2019 and 2022 inclusive.

3.0 Concerns about the new system

3.1 While it is evident that there are some positives to the new UC benefit, particularly around unifying multiple benefits, I also have concerns on several levels as a social landlord.

3.2 As UC may include money towards housing costs, tenants will have to arrange with us to start paying their own rent, if they do not do so already.

3.3 Some individuals may not be good at prioritising their bills or managing a budget and could easily get into debt.

3.4 It takes five weeks to process claims, during which time claimants who have not applied for an advance at the point of their initial claim may well build up debt during this period. On the positive side though, the amount a claimant can claim in advance has in November 2017 been increased from 50% to 100%. By the time we go live in East Devon all claims will be recoverable over 12 months if this is what the claimant wants, regardless of the level of the advance claimed, and advances will be claimable online, making them more accessible for those who need them.

3.5 This could have a serious impact on our rental income. We have identified 1,241 working age tenants on Housing Benefit (HB), and the total HB figure for these tenants is £84,315. Looking at the worst case scenario, if all of these tenants had changes in circumstances that required a UC claim, and none of these tenants paid their rent over the six week period, then our income figure would decrease by £505,890.

3.6 However, this figure would increase to £674,520 taking into account that we cannot request the DWP to make payments direct to us when arrears reach two months or more. Making the landscape appear even bleaker, the maximum the DWP will deduct from the claimant in these circumstances to start paying the arrears back is 20%.

3.7 In terms of yearly rent loss, we always work to a maximum of 8 weeks arrears, so as long as no one else applied for UC during the year we would be chasing the £674,520, with a maximum repayment of 20%, and calculate it would take approximately 40 weeks for each of those in arrears to clear their arrears.

3.8 This could mean we evict more people for rent arrears, receive more homeless applications, and in effect find ourselves in a position where we, as a social landlord, have to do more with less income over the coming months.

4.0 Preparations underway

4.1 Clearly prior preparation is crucial, and we are already working with identified tenants within our sheltered housing to encourage them to put some money by each week in case they should have a change of circumstances and need to make a fresh benefits claim.

4.2 We have looked at the wording of our rent statements and other documentation to ensure they are easy to understand and follow.

4.3 We have met with Housing Benefit managers to synchronise messages on the EDDC website, plan publicity via the tenant magazine, leaflets, etc.

- 4.4 The Rental Manager, Support Services Manager and I have visited officers of Taunton Deane Borough Council to glean advice since they went live in October 2016. We have also visited Yarlinton Homes to compare their approach over their first live year.
- 4.5 We have discussed issues regarding UC rollout at the Tenant Involvement Forum, and attended an event set up by EDDC's Benefits team alongside the DWP which will help housing officers across the county set up better lines of communication.
- 4.6 We have presented at the Housing Staff Briefing in November on UC, alerting all officers to what is coming and how they can help mitigate losses.
- 4.7 Our Regional Manager at the DWP is coming to speak at the next team meeting of Mobile Support Officers and Housing staff from other Landlord Services teams will be invited. I will ask him to come to speak to the Housing Review Board should this be your wish.
- 4.8 Staff training from a specialist trainer has been arranged for Landlord Services teams to take place over two days (16 & 17) in January 2018.
- 4.9 A series of 12 customer drop-ins have been set up across the district for us to explain to customers what is happening and how we can help. Where we can we will encourage people to register on the 'verify' part of the UC system now, which will make verification of their identity and claim easier and quicker should they make a claim at some point in the future. We are inviting two credit unions to attend/provide leaflets to show tenants that do not have bank accounts that there is a possible alternative.

Thursday 7 December 2017	Lymebourne Park Community Centre, Sidmouth	Trumps Court Community Centre, Sidmouth
Friday 8 December 2017	Park Close Community Centre, Woodbury	Albion Court Community Centre, Exmouth
Monday 11 December 2017	Dunning Court Community Centre, Honiton	Broadview Community Centre, Broadclyst
Tuesday 12 December 2017	Millwey Community Centre, Axminster	St Gregor's Church Hall, Seaton
Wednesday 13 December 2017	Churchill Court Community Centre, Lympstone	Bidmead Community Centre, Exmouth
Friday 15 December 2017	Palmer House Community Centre, Exmouth	Ratcliffe House Community Centre, Exmouth

- 4.10 Plans are underway adapting our digital project which has not been particularly successful in encouraging people of working age to come forward and improve their confidence and digital skills.
- 4.11 We are in the process of upgrading the Wi-Fi within our community centres so that these can be used by tenants to go online and access their UC accounts.

5.0 Plans for the future

- 5.1 We will continue to work closely with staff from Revenue and Benefits and the DWP and local partner agencies to ensure that claimants are supported throughout the Universal Credit application process.
- 5.2 The DWP are undertaking some digital mapping and will soon be able to provide us with places where tenants can go in our area to use digital facilities and log in to their journals daily.
- 5.3 We will firm up our plans on how to triage new claimants. Record claim date, payment date, methods of payment etc., so that if the tenant cannot recall details we have some on record.
- 5.4 Visits to other landlords showed that the supportive approach, while essential in terms of managing our rent collection rates effectively, will come at a price. Both Taunton Deane and Yarlington have dedicated teams of four officers plus a manager to cope with this extra work. Having looked at the tasks required I believe that one officer and one assistant would be a reasonable response initially, with the intention of reviewing our position in a year's time.
- 5.5 We will develop further our digital training programme with particular focus on how we will hook people in that need it. This piece of work has been tasked to one of our Community Development Workers initially.
- 5.6 We will also provide digital access points in Exmouth and Honiton, plus other locations if necessary. Both Yarlington and Taunton Deane have stressed this is key.
- 5.7 It is clear that we need to work much more closely and proactively with our customers if we are to help them manage their income effectively. The vulnerable in particular will require our intensive support and close working across teams to achieve this. It is clear we are facing greater demand for support than we can handle within current resources. I estimate that we will need two extra members of staff initially. Housing Benefits colleagues who have expertise in this area of work will be facing a reduced workload and some freed up capacity. We have been offered additional support for the UC rollout and I am proposing that we accept this support (equivalent to two FTEs) and suggest that we review the need for any further capacity after a period when we can assess the impact on our tenants.
- 5.8 We must, as a priority, work with our Systems Team to establish what the Open Housing system can offer us and how we can use it to effectively co-ordinate our approach.

6.0 Conclusion

- 6.1 We have learned from Yarlington and Taunton Deane that most tenants will be fine under the new UC system, but they will need a lot of support from us across services and teams to achieve this.
- 6.2 We will face the challenges by working more closely with partners both in the public and voluntary sector. It will also, however, take significant investment in supporting tenants to mitigate the worst of the impacts of the changes.
- 6.3 Results from the direct payment pilot sites across the country endorse this approach in helping tenants maintain their tenancies.
- 6.4 The Housing Service has been working with tenants and partner agencies to counter the impact of welfare reform changes including Universal Credit on its rental income and will continue to monitor and review it throughout the year.

- 6.5 It is good to see the DWP continue to make alterations to the UC rules, as these will have a less negative effect on our tenants and our HRA, as exemplified by the newly introduced 'support with housing costs' Nearly all of the most vulnerable claimants currently receive Housing Benefit, so claimants who were previously receiving Housing Benefit will receive a transitional payment – an extra two weeks support worth on average £233 per claimant – when they move to UC. This will be unrecoverable, automatic and received early in the first assessment period.
- 6.6 Based on the information we received during our visit to Taunton Deane District Council, their rent debt increased from approximately £360,000 before UC to £600,000 after UC, or a percentage increase of 66% and is still at this figure a year into live service. If our performance is affected at a similar rate, our rent arrears would increase from £209,400 (as at the end of 16/17 financial year) to £347,604 or an increase of £138,204. The rent arrears of current tenants as a percentage of rent due was 1.1% at the end of last year and this would increase to 1.85%. As Taunton Deane have roughly 1800 more council properties than East Devon, we are unlikely to be affected at quite the same rate, especially now we are aware that the increase in UC applications is a 'drip-fed' approach rather than en-masse.
- 6.7 As a priority we must invest in assisting our most vulnerable tenants in setting up for UC and managing their accounts into the future. The disabled, large families and, in limited cases, the occupants of our sheltered homes, could all face more financial difficulty and housing insecurity as a result of migration to UC. The income to the Housing Revenue Account is at risk, and we must do everything we can to protect it, if we value our services and current ability to be creative with how we deliver them.