

## For publication

### Universal Credit

<b>Meeting:</b>	CCO Scrutiny Committee
<b>Date:</b>	25 November 2021
<b>Cabinet portfolio:</b>	Business Transformation and Customers
<b>Directorate:</b>	Digital, HR and Customer Services

#### **1.0 Reason for including in the work programme.**

1.1 This item has been included in the scrutiny work programme so that members can understand the impact of universal credit on our communities and on our workforce. The report provides members with the latest statistical position and reflects on the impact of the Coronavirus pandemic.

#### **2.0 Summary**

**2.1** Universal Credit (UC) Full Service was implemented in Chesterfield in November 2017 and implemented in Staveley in June 2018. It replaced the following benefits:

- a.** Child Tax Credit
- b.** Housing Benefit
- c.** Income Support
- d.** Income-based Jobseeker's Allowance (JSA)
- e.** Income-related Employment and Support Allowance (ESA)
- f.** Working Tax Credit

**2.2** Universal Credit has been in place for four years and scrutiny members have received regular updates on the topic during this period. It has been a complex system to embed, and it has been challenging to administer, with many manual workarounds required throughout the four years that the system has been in place.

**2.3** The benefits team have dealt with the changes well. Well defined procedures have been developed and implemented and close working

relationships have been developed with the Job Centre +, and with voluntary sector organisations, so that our residents can be effectively signposted to the appropriate assistance and advice.

- 2.4 The planned migration of existing benefit claims into the universal credit system has been delayed following the Coronavirus pandemic. Originally expected to complete by 2023, it is now unclear when, or if this section of the caseload will be moved automatically onto universal credit. Natural migration to universal credit is gradually taking place when claimants have a change of circumstances to their existing benefit payments. Interestingly, the team is also now experiencing a trickle of residents moving back into the housing benefit system from UC. These are claimants who are reaching state pension age and moving to pension credit which is unsupported through the UC process.
- 2.5 Staff members are having many conversations with residents who are 'in crisis' and who are desperately in need of additional support. The impact of the removal of covid 19 support mechanisms, together with rising electricity and food bills is having a negative impact on our communities. Close partnership working has been implemented between Benefits teams, Housing Services and the voluntary sector, to ensure that we can maximise the support offered to this group of people and minimise more severe consequences such as homelessness. Actions include reviewing opportunities for discretionary housing support payments, maximising additional benefit take up, providing wider tenancy support and budgeting support and signposting access to cheaper and healthy food.
- 2.6 The changes made by central government to the Universal Credit scheme are generating an additional administrative burden on Local Authorities. The removal of the Universal Credit uplift of £20 in October 2021 has resulted in the need to recalculate Council Tax Support benefit for all claimants on UC.
- 2.7 Work is now underway with Derbyshire County Council to develop the Household Support Grant scheme, which is a scheme which aims to provide further additional support to residents who are in need over the winter period. This will require the development of an additional administrative process.
- 2.8 In addition, the government have recently announced a change to the Universal Credit taper, which will mean that some households have more universal credit income, which is very welcome following removal of the

£20 weekly top up. The change in taper will result in a further requirement to recalculate Council Tax Support benefits.

- 2.9 When Universal Credit was originally implemented, it was expected that the administrative demand within Local Government Benefit Services would reduce. The workload and complexity of benefit processing has, in reality, increased following its introduction. Recent changes have not been forward planned and our Benefits Team members have shown dedication and commitment to ensure that they are delivered quickly and efficiently.
- 2.10 As work levels continue to increase, it will be critical that central government continues to provide the appropriate funding subsidy so that an efficient and effective benefits service can be maintained in the future.

### **3.0 Report details**

#### **The number of people on Universal Credit**

- 3.1 At the time of writing this report we are unable to provide the total number of people who are claiming universal credit in the borough of Chesterfield. The data we hold shows:
- There are 3722 households in receipt of Council Tax Support, who are in receipt of Universal Credit. (1504 in 2019)
  - There are 2812 Council Housing tenants who are in receipt of UC. This equates to 32.5% of council tenants.
  - There are 1236 tenants where the Council claims a management payment from the DWP. This equates to 22.3% of council tenants and 44% of people who are council tenants in receipt of UC
  - There are 907 former tenants who are in rent arrears and who are in receipt of UC.

#### **Council Housing Rent Arrears**

- 3.2 Rent arrears and former tenant arrears for tenants in receipt of universal credit totalled £1,306,507 at the end of October 2021.

- 3.3 The average rent arrears for tenants responsible for paying rent directly increased from £184.57 in March 2021 to £228.17 in October 2021.
- 3.4 The average rent arrears for tenants who are on a managed payment reduced from £537 in March 2021 to £365 in October 2021. Applications for direct payments are proving to be a successful method to ensure rent is paid.

### **Changes to Universal Credit - Reduction of the earnings taper**

- 3.6 It has been announced that the earnings taper used in the Universal Credit calculation will be reduced from 63% to 55% **by the 1 December 2021**. This will increase the Universal Credit award for people with earned or self-employed income. It will also increase the number of people working that qualify for Universal Credit.
- 3.7 This change when implemented will mean that the level of Council Tax Support that claimants receive will reduce because they are in receipt of higher income levels. This will affect approximately 550 of our current Council Tax Support cases
- 3.8 Examples of the changes which will be experienced have been modelled using 5 of our existing Council Tax Support cases to calculate what the increase in Universal Credit will be and to identify the reduction in Council Tax Support. All the examples below have a housing costs element in the Universal Credit calculation.

#### **Example 1 - A couple with one child**

Current income before the taper change

Earnings	£304.00 a month after tax and NI
Child Ben	£91.65
UC	£1579.10
CTS	<u>£53.32</u>
Total	£2,028.07

Earnings used in the Universal Credit calculation

Starting earnings	£304.00
Less work allowance	<u>£293.00</u> (responsible for a child)
	£11.00
63% taper	£6.93
55% taper	£6.05

With a change of taper to 55%, this family will experience a

Monthly Increase in UC of £0.88

Monthly Reduction in CTS of £0.17

### **Example 2 – A Lone Parent with 2 children**

Current income before the taper change

Earnings	£946.05
Child Benefit	£152.32
UC	£761.68
CTS	<u>£1.00</u>
	£1,861.05

Earnings used in the Universal Credit Calculation

Starting point	£946.05
Less work allowance	<u>£293.00</u>
	£653.05
63% taper	£411.42
55% taper	£359.18

With a change of taper to 55%, this family will experience a

Monthly increase in UC £52.24

Will no longer qualify for CTS

### **Example 3 – A couple with 2 children**

Income before the taper change

Earnings	£569.06
Carers allowance	£292.93
Child Benefit	£152.32
UC	£1248.77
CTS	<u>£26.07</u>
	£2,289.15

Earnings used in the Universal Credit calculation

Starting point	£569.06
Less work allowance	<u>£293.00</u>
	£276.06
63% taper	£173.92
55% taper	£151.83

With a change of taper to 55%, this family will experience a

Monthly Increase in Universal Credit	£22.09
Monthly reduction to Council Tax Support	£4.42

#### Example 4 - Lone Parent two children

Current Income before the taper change

Earnings	£803.04
Child Benefit	£152.32
UC	£973.08
CTS	<u>£15.38</u>
	£1,943.82

Earnings used in the Universal Credit calculation

Starting point	£803.04
Less work allowance	<u>£293.00</u>
	£510.04

63% taper	£321.33
55% taper	£280.52

With a change of taper to 55%, this family will experience a

Monthly increase in UC	£40.81
Monthly reduction to Council Tax Support	£8.16

#### Example 5 - A Single Person

Current Income before the taper change

Earnings	£721.72
UC	£112.41
CTS	<u>£35.36</u>
	£869.49

Earnings used in the Universal Credit calculation

Starting point	£721.72
Less work allowance	<u>£0.00</u> (no work allowance)
	£721.72

63% taper	£454.68
55% taper	£396.95

With a change of taper to 55%, this person will experience a

Monthly increase in UC	£57.73
Monthly reduction to Council Tax Support	£11.53

### **Changes to Universal Credit - Removal of the £20 UC top up**

- 3.9 During the coronavirus pandemic, central government increased universal credit payments by **£20 a week**, to financially assist claimants whilst the restrictions were in place. This top up payment was removed in October 2021.
- 3.10 As earnings have changed, there is a requirement for Council Tax Support payments to be reassessed. The benefits team have worked quickly to complete this activity and ensure that claimants are receiving the maximum benefit possible.

### **Discretionary Housing Payments**

- 3.11 Discretionary Housing Payments provide additional support to people who need extra help with their housing costs. Residents are asked to apply for a Discretionary Housing Payment and the application is assessed against fixed criteria.
- 3.12 This year, Chesterfield Borough Council has been allocated £198,157 to award in the form of discretionary housing payments.
- 3.13 181 payments have been awarded up to October 2021, of which 123 have been made to people claiming universal credit and 108 payments to people who are council tenants. There are 55 applications which are currently being assessed.

### **Household Support Fund**

- 3.14 The government has made available £500m of additional funding to support vulnerable households over the winter period. Derbyshire County Council has received £5,404,080 and is now working with Districts and Borough Councils to define how this money is used. Early thinking suggests that an amount of money is provided directly to Districts and Borough Councils to enable them to provide additional housing support. We are considering the following areas:

- A proportion of money is used to provide a top up of the DHP fund, which will help extend existing DWP awards and allow larger awards for rent arrears.
- A fund for Homeless Prevention is developed, which will provide assistance with rent in advance and deposits.
- An amount is used to assist with Council Tax arrears for low income families where we are not able to provide support through the Council Tax Support Scheme
- An amount is used to help with rent arrears for low income families where they are not eligible for a Discretionary Housing Payment,

### **Workload**

- 3.15 Since 2018 the 'business as usual' benefits workload has increased by 13%. This does not include the additional activities that have been undertaken in the team such as Test and Trace payments.
- 3.16 The number of people needing to claim benefits has increased by 24%.
- 3.17 Despite this increase, the outstanding assessment work has reduced from 2122 items in 2019 to 689 items in 2021. This has been achieved through digital automation and through the dedication and hard work of the benefits team.

### **4.0 Potential barriers**

- 4.1 The coronavirus pandemic has had a significant impact on our community, and as a result we have seen an increase in the numbers of people needing benefit support. This has increased the workload of our teams, which, to date has been managed without the need for additional resources, but this cannot be sustained.
- 4.2 The average level of arrears for those council tenants who are in receipt of universal credit is increasing and it is important that support can be provided to tenants before the level of arrears becomes unmanageable for tenants to pay back.

## **5 Future plans and areas for further scrutiny involvement**

- 5.1 Customers, Revenues and Benefits services are currently being reshaped to ensure that the appropriate resources are in place and that adequate training and succession plans are in place to ensure that the council can continue to deliver benefit services that meet the requirements of our community. This will result in a number of additional staff being trained on benefits processes.
- 5.2 Rent recovery processes will be reviewed and potentially redesigned, to ensure that Council Housing tenants are provided with early support so that we can mitigate increasing levels of arrears. Technology enhancements can be made to support this work. This is an area that members of scrutiny may wish to be involved with.

## 6 Implications for consideration

- 6.1 The Benefits team continue to work closely with internal and external partners to ensure that our communities are supported. In particular, the team plays a key role in the financial subgroup which supports our overall Community Recovery Plans.

### Document information

<b>Report author</b>	
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<b>Background documents</b>	
These are unpublished works which have been relied on to a material extent when the report was prepared.	
<i>This must be made available to the public for up to 4 years.</i>	
<b>Appendices to the report</b>	
Appendix 1	
Appendix 2	

