



## Audit and Standards Committee Report

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**Report of:** Tim Hardie – Head of Commercial Business Development

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**Date:** 23<sup>rd</sup> January 2020

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**Subject:** Universal Credit Update

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**Author of Report:** Tim Hardie & Cat Arnold

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### Summary:

Universal Credit (UC) has now been in operation in Sheffield for over 12 months. This report provides further information on how UC has impacted Council housing rent arrears, take up of Council Tax Support and the experiences of vulnerable groups in the city.

Rent arrears are rising still for a small group of tenants who have gone onto UC. However, based on the experiences of landlords in areas that went on to Full Service UC before Sheffield, an increase in rent arrears was expected. Despite this upwards trend the Council Housing Service have revised down its arrears projections because arrears, so far, are not as high as originally anticipated. This reflects the good work by Council Housing to support their tenants, as well as the strong cross-agency collaboration in the city to work together to mitigate the impacts of UC.

The number of Council Tax Support (CTS) cases has reduced since the introduction of UC. Analysis has been carried out into this reduction which suggests that at least some of it is due to UC claimants not claiming CTS despite being eligible for it. The Revenues & Benefits service therefore intend to use notification of a new claim for UC as an application for CTS, which will mean that UC claimants do not have to make a separate claim for CTS and should increase the number of UC claimants receiving CTS.

Some groups have particular issues and challenges with UC, including BAMER communities; private-rented tenants; people with disabilities and health conditions; carers; families, particularly lone parents and families with more than two children; people who have made a UC claim based on poor advice or been the result of fraud; young people and people experiencing domestic abuse.

Accompanying this report are:

## Appendix A: Data dashboard of UC Impacts

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### **Recommendations:**

That the Audit & Standards Committee:

- Note the information set out in the report and appendices.
  - Request any further information or briefing on the Universal Credit work as appropriate.
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**Background Papers:**      None

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**Category of Report:**      OPEN

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## Statutory and Council Policy Checklist

<b>Financial Implications</b>
NO
<b>Legal Implications</b>
NO
<b>Equality of Opportunity Implications</b>
NO
<b>Tackling Health Inequalities Implications</b>
NO
<b>Human rights Implications</b>
NO:
<b>Environmental and Sustainability implications</b>
NO
<b>Economic impact</b>
NO
<b>Community safety implications</b>
NO
<b>Human resources implications</b>
NO
<b>Property implications</b>
NO
<b>Area(s) affected</b>
None
<b>Relevant Cabinet Portfolio Member</b>
Councillor Terry Fox, Cabinet Member for Finance
<b>Is the item a matter which is reserved for approval by the City Council?</b>
NO
<b>Press release</b>
NO

## REPORT TITLE

### 1.0 INTRODUCTION

- 1.1 An update on Universal Credit (UC) was last brought to this Committee back in January 2019. The Committee noted that UC was in its early days of implementation and requested that a further update be provided at a future meeting.
- 1.2 'Full Service' UC has now been in operation in Sheffield for over 12 months. This report provides further information on how UC has impacted Council housing rent arrears, take up of Council Tax Support and the experiences of vulnerable groups in the city.

### 2.0 BACKGROUND

#### 2.1 Overview of Universal Credit

The Department for Work and Pensions (DWP) started to roll out 'Full Service' UC in Sheffield in November 2018<sup>1</sup>. It is the Government's intention that UC will replace all working age income-related benefits (Income Support, income-related Employment and Support Allowance, income-based Jobseeker's Allowance, Housing Benefit and Tax Credits), but not Council Tax Support which continues to be claimed separately through a different process. According to DWP figures, at the end of **September 2019 there were 16,604 people** in the city on UC.

- 2.2 The default position with UC is **one monthly payment to a household**, including housing costs, **paid in arrears**. People then pay their rent, bills and other costs from that payment. UC is applied for and managed **online**. Different arrangements can be made for vulnerable people, although evidence suggests that these do not always work smoothly.
- 2.3 New claims for the old benefits (often known as 'legacy benefits') listed above now require an application instead for UC. Some claimants of legacy benefits who have a change of circumstances must also now claim UC. The DWP call this process 'natural migration'. At some point in the future, the DWP will contact all working-age people still on legacy benefits to notify them that their award will be ending and to invite them to apply for UC. This process is called '**managed migration**' and a date has not yet been set for it. It is currently being tested in Harrogate but the numbers are still extremely small and it is too early to draw conclusions at this stage.
- 2.4 Further information about Universal Credit can be found at [www.sheffield.gov.uk/universalcredit](http://www.sheffield.gov.uk/universalcredit) and [www.understandinguniversalcredit.gov.uk](http://www.understandinguniversalcredit.gov.uk).

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<sup>1</sup> 'Full Service' differs from a prototype version of UC called 'Live Service': Sheffield had the latter for some time, with around 3,700 in the city claiming it. All claimants on Live Service were transferred to Full Service at the end of 2018.

## 2.5 What has been done in Sheffield to respond to Universal Credit?

A **Universal Credit Partnership** was set up in May 2018 to coordinate the city's activity on UC, bringing together key representatives from Sheffield City Council, DWP and voluntary, community and faith organisations to share knowledge and create links between the different strands of activity around UC<sup>2</sup>, covering:

- Communications: Universal Credit Information Sheet and website have been developed [www.sheffield.gov.uk/universalcredit](http://www.sheffield.gov.uk/universalcredit) which set out key aspects of UC and where people can get help in Sheffield.
- UC awareness sessions have been delivered to partner organisations by Sheffield's DWP Partnership Manager and by Citizens Advice Sheffield.
- Community groups and public services are working closely together in localities to bring together support for people on UC and to provide information on UC.
- Comprehensive signposting information about locality-based support has been compiled and made available to staff in libraries, housing offices, job centres, GP receptions, community hubs and other services to help ensure that people are directed to the best support for them.

2.6 When UC was first introduced, DWP provided funding to the Council Housing service and SCC staff provided support (to all tenures) within job centres<sup>3</sup>. From April 2019, after a national agreement, funding was given to Citizens Advice for UC support. Citizens Advice have therefore set up the **Help to Claim** service, which is usually initially accessed via phone (**Freephone 0800 1448 444**) and then face-to-face appointments are arranged if needed. The service can also be directly accessed face-to-face at their drop in sessions. Sheffield Citizens Advice have also set up a local Consultancy Line for partners and organisations to help them support people on UC (0114 354 0656).

The DWP-Citizens Advice contract only covers support up to the first payment – however, Citizens Advice Sheffield also provides support to those who need to manage their existing UC claim, a service made possible by SCC grant funding. The DWP contract is for 12 months until April 2020.

2.7 Internal SCC groups are also monitoring and responding to UC impacts on services and our citizens. SCC has a UC Operational Group, chaired by the Head of Commercial Business Development, which pulls together the key services most impacted by UC to coordinate organisation-wide activity, including the production of a data dashboard on UC impacts. This Operational Group reports to a small group of directors and to a UC Cabinet Member Steering Group (currently Cllrs Jackie Drayton, Paul Wood and Terry Fox).

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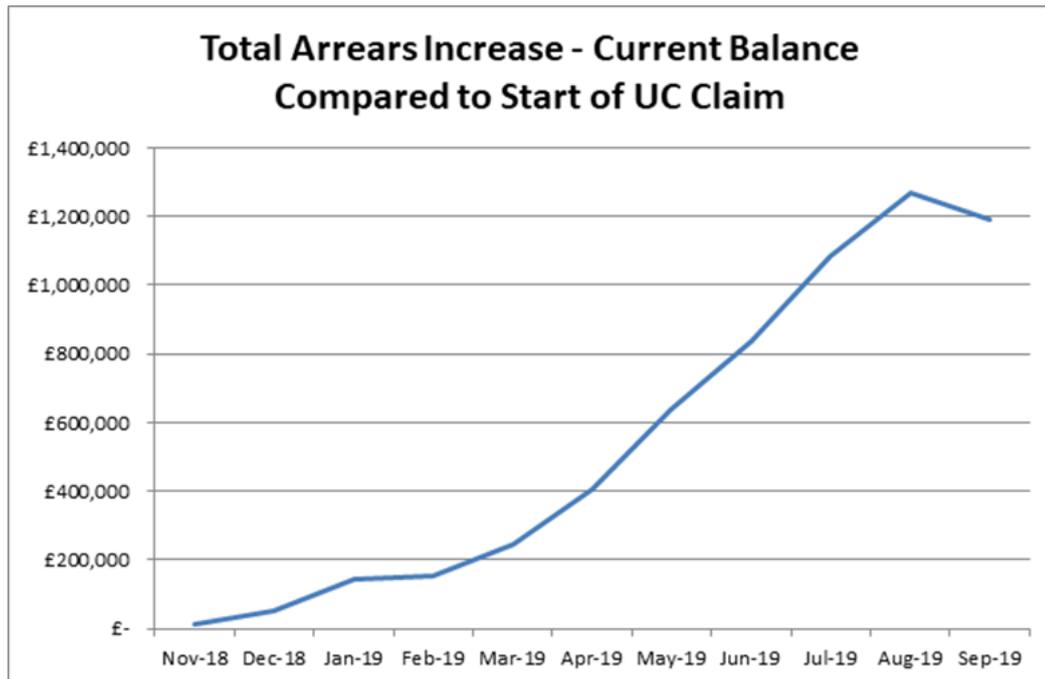
<sup>2</sup> Organisations represented include: Sheffield City Council, DWP, Citizens Advice Sheffield, Housing Associations, Manor & Castle Development Trust, ZEST, SOAR, Sheffield Credit Union, Shelter, Church Action on Poverty, CCG, and Sheffield Food Bank Network.

<sup>3</sup> Our Council Housing staff now only provide UC support to our tenants.

## IMPACT OF UNIVERSAL CREDIT (SECTIONS 3-6)

### 3.1 Housing Rent Arrears

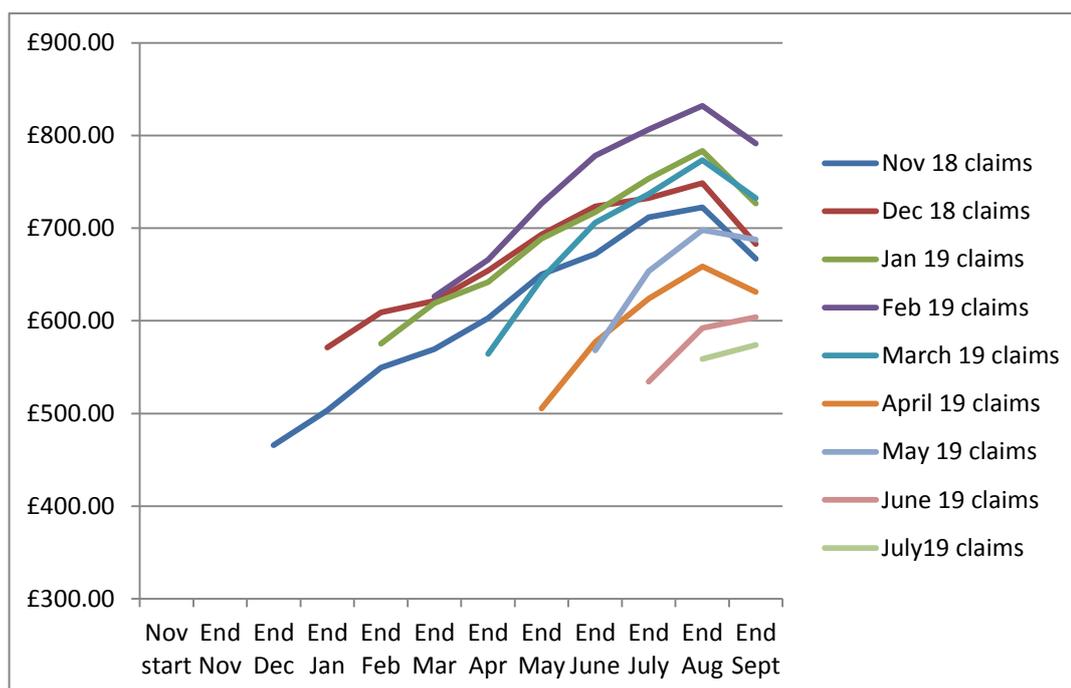
Analysis shows that rent arrears have continued to rise for some tenants who have gone onto UC. This chart shows the total arrears increase for tenants on UC compared to the start of UC claim (NB: the number of tenants on UC also increases over this period). To put into context, the total rent arrears for all current tenants at September 2019 were £8,330,918.



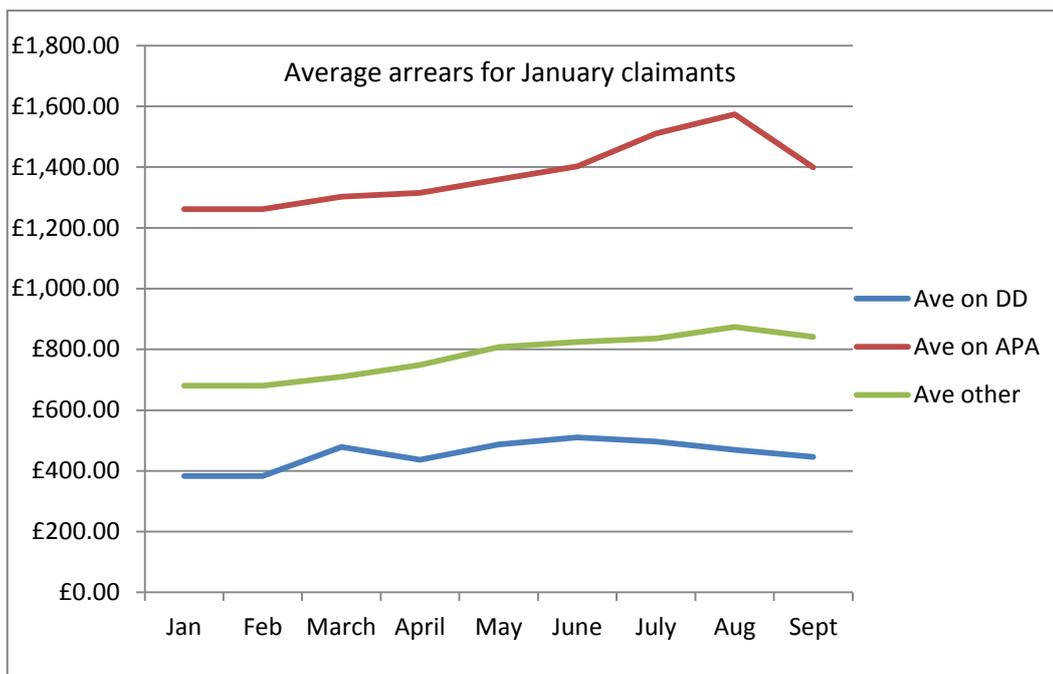
3.2 The chart below shows the average rent arrears for tenants according to when their UC claim started. The apparent dip for September is due to two four-weekly direct payment from the DWP falling in September<sup>4</sup>, rather than a reflection of a change in the overall pattern of arrears.

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<sup>4</sup> Direct payments from DWP are paid four-weekly, so once per annum we receive two payments.



- 3.3 Ideally we would see these rent arrears, particularly for the earlier claims, starting to level off and fall by now. However, at this point in the roll out of UC, arrears for some remain on a steady upwards trajectory for those Council tenants now claiming UC.
- 3.4 It is important, however, to put this trend into context. Arrears for UC claimants were expected to increase, as this was the norm across most other organisations nationally that moved to full service before Sheffield.
- 3.5 Despite this upwards trend the Council Housing Service have revised down its arrears projections because arrears, so far, are not as high as originally anticipated. The reduction reflects the good work by Council Housing to support their tenants, as well as the strong cross-agency collaboration in the city to work together to mitigate the impacts of UC. Despite the improvement, the impact is still significant, with current projections estimating an arrears increase to £9.1m by the end of 2020/21 and £10.1m by 2022/2023.
- 3.6 Further analysis of one cohort of UC tenants is shown in the graph below: average arrears for tenants on UC whose claim was made in January 2019. This group of tenants is representative of claims made in other months. The analysis shows how housing costs are being paid:
- Direct Debit (DD) – currently 37% (2,071 tenants) pay this way
  - Alternative Payment Arrangement (APA – this is a direct payment to landlord) – currently 12% (717 tenants) pay this way, or
  - Neither of these – the remaining 51% (2,584 tenants) pay by other methods



- 3.7 The average arrears for those claimants on APAs continue to increase, when you disregard the additional payment in September. This group of customers are the most financially challenged/vulnerable, as evidenced by the high starting point (£1,261) and often the use of the APA is a last resort, to try and avoid further legal action being taken.
- 3.8 For those on direct debit, average arrears are starting to fall. This is the preferred payment method (and is also a condition of new tenancies) and is promoted by staff in IMFIT when managing tenants rent accounts.
- 3.9 It is possible that many of the claimants who have gone on to UC in these early stages have done so because they have less stable lives and therefore experience more changes of circumstance in terms of their benefits/work/housing. They are therefore a group more likely to have complex case histories and accrual of rent arrears anyway. Future cohorts of UC claimants may have more stable work/benefit patterns and therefore have a different pattern of arrears. The data will continue to be monitored for impacts by the Council's UC Operational Group.

### 3.10 Support for Council Housing tenants on UC

Council Housing are doing a lot of work with our UC claimants to help ensure that they have stable tenancies and get the support they need. They proactively contact all tenants who claim UC, a process that has been helped by a joint-working pilot started at Cavendish Court job centre and recently expanded to include Bailey Court job centre. Income Management are located there two days a week and DWP staff make appointments for our staff to see our tenants. This time can be used to discuss rent arrears, make CTS/DHP claims, set up direct debits, etc. We would be seeking to discuss all these with tenants anyway, but this is an easier way to make contact with them. SCC staff are also training DWP

on claiming Discretionary Housing Payments (DHP) and CTS so they can also support clients.

- 3.11 Excellent relationships have been developed between teams in the Housing and Neighbourhoods Service (H&NS), such as Income Management and Financial Inclusion Team (IMFIT) with the DWP and Citizens Advice. This has allowed us to identify and resolve issues quickly, to the benefit of claimants.
- 3.12 Other work includes learning from other organisations that had moved to full service earlier and close relationships with many of these facilitating the sharing of best practice; and the provision of new software (RentSense system) that allows staff to more efficiently identify those accounts not paying and in arrears, therefore promoting quicker intervention.

#### 4.1 **Council Tax Support & UC**

Since the wider rollout of UC in Sheffield, the Council has been monitoring the Council Tax Support (CTS) caseload to see if UC has had any detrimental impact. When a customer made a new claim for a legacy benefit, the DWP also provided a new claim for CTS, which was sent to SCC. However, under UC, the DWP do not send us a claim for CTS, but instead notify us that a claim for UC has been made, and advise the claimant that they must make their claim for CTS directly with the Council. However, there is a concern that some UC claimants are not following this advice, and are not making a claim for CTS. Anecdotal evidence suggests that this could be due to 'claim fatigue'. The Revenues & Benefits Service has therefore done some analysis on this cohort to better understand the circumstances.

- 4.2 Whilst the CTS caseload has reduced over the last several years, the rate at which it had reduced has increased since the wider rollout of Universal Credit. Analysis on this reduction shows that there are three main reasons for CTS not being claimed:
  - 1. Customers who claim UC fail to make a claim for CTS. This may account for about 30% of the reduction in the working age caseload. However, there is no guarantee that all these customers would qualify for CTS, as outlined in point 2, below.
  - 2. Customers who do not qualify for CTS due to the level of their income from UC. For some, UC is more generous than legacy benefits, meaning they can earn more, and still receive UC, but not CTS, as CTS eligibility is dependent on income.
  - 3. Some customers don't follow up their initial claim for UC, and don't make a claim for CTS. This may be due to a change in circumstances or could be due to issues with the UC claim.
- 4.3 Steps can be taken to make it easier to claim CTS, and we are planning to use a notification of a new claim for UC as an application for CTS, which will mean that UC claimants do not have to make a separate claim for CTS. Further to this, a

proactive exercise to identify those who had failed to claim CTS will be undertaken to ensure those who are entitled to assistance receive it.

- 4.4 It is also worth noting that the Revenues & Benefits Service has made claiming CTS simpler for new UC claimants, as initial awards are processed based upon the information disclosed on the CTS application form, and therefore customers do not have to wait the 5 weeks for UC to be awarded before their claim is assessed.

#### 5.1 **Impacts on vulnerable people**

The Universal Credit Partnership held a workshop in June 2019 to gain a shared understanding of how different types of people in Sheffield are experiencing UC and to explore solutions for improving their experiences, with representatives from community groups, charities, DWP, SCC, NHS, and equality groups. Much of the evidence in this section comes from this workshop, along with other case study information shared with the UC Partnership.

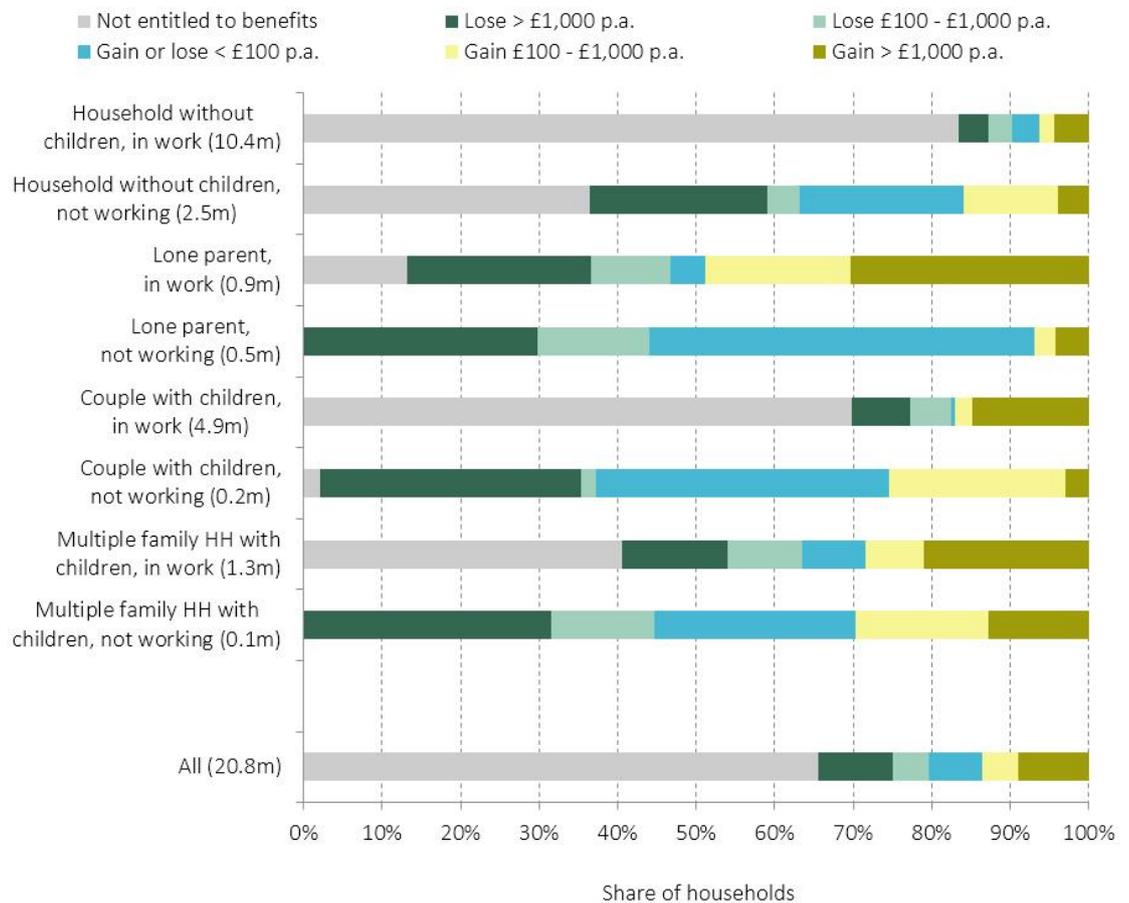
#### 5.2 **Impact of universal credit reform on working-age households' entitlements (number of households in parentheses)<sup>5</sup>**

The graphic below from the Institute of Fiscal Studies shows the impact of UC on specific types of households can and does vary, creating a complex picture that is difficult to interpret. Some families will actually be better off under UC, although the overall trend is towards a less generous welfare system. Some households are more adversely affected than others. For example, lone parents not in work are unlikely to be better off, whilst 50% of lone parents in work would gain under UC.

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<sup>5</sup> Institute of Fiscal Studies briefing: Benefit Changes set to take effect during the next parliament 18 Nov 19 <https://www.ifs.org.uk/election/2019/article/benefit-changes-set-to-take-effect-during-the-next-parliament>

NB: Working-age households are those containing an adult below pension credit age. Households are categorised as 'not entitled to benefits' if they would not be entitled to any legacy benefit or universal credit.



5.3 The UC data dashboard, included as Appendix A, has been expanded to include some information from food banks in S2 and Parson Cross. This shows that the demand for food support – anecdotally often the result of delays and issues with benefit – is consistently high among vulnerable people in these communities, and in Parson Cross in particular, has increased significantly since November 2018, when UC was introduced. More specifically, some groups have particular issues and challenges with UC, which are explored further below.

5.4 **Black, Asian and Minority Ethnic People and Refugees**

People from these communities are more likely to face language barriers and have lower digital skills, which makes managing the UC process more difficult. There is a general lack of understanding of UC among some BAMER people. This lack of understanding can easily be exploited; in Burngreave there has been a significant increase in vulnerable people being charged for help completing forms, or ‘friends’ helping with the process and then taking the UC money. It is likely that these practices are not just confined to this locality. Refugees are particularly vulnerable to the complexities of the UC system and have fewer resources to fall back on when things go wrong.

It should be noted BAMER people are more likely to be private-rented tenants and families with more than two children, both of which are disproportionately affected by UC.

## **5.5 Private-rented tenants**

Many people in rented accommodation, including social-rented tenants, are more likely to be negatively impacted by UC because they are more likely to be on a low income and financially excluded. However, social-rented tenants, particularly Council tenants, have a secure tenancy and access to support from their landlords if they are struggling financially. Social landlords are also able to liaise with DWP on their behalf. We recognise that tenants do not always take this support up, but it is available. Private-rented tenants, on the other hand, are far less likely to have secure tenancies and there are also widespread reports of private landlords refusing to take tenants on UC. Even where landlords are prepared to take on UC claimants, they are less likely to have knowledge of the system if something goes wrong with the claim and they do not have access to the online DWP portal that social landlords have. Anecdotal evidence from our Housing Solutions service and partners such as Shelter show that the negative impact of UC on private-rented tenants can be significant.

## **5.6 People with disabilities and health conditions; Carers**

When UC was originally rolled out there were some people who had previously been receiving Severe Disability Premium as part of their legacy benefits who lost a significant amount of income when they moved onto UC. This has been temporarily fixed by preventing those claimants from moving onto UC and refunding those who were affected.

Whilst this has been a positive change, there are still many people with disabilities or long-term health conditions who are struggling with UC. Issues highlighted at the UC Partnership impact workshop held in June include:

- conditionality may require them to attend job centre appointments that clash with medical appointments;
- they may find themselves pushed into a digital claim that they are unable to manage due to their disability;
- even where people are allowed to use the phone line to manage UC, repeated phone calls can exacerbate mental health issues;
- the wording used by DWP can exacerbate anxiety, making it harder for some people to engage;
- hospital in-patients (particularly those within mental health wards) are struggling to make a UC claim and some have been advised that they need to attend a job centre in order to prove identity before they can be paid; a process that is highly ill-advised.

Carers have also reported struggles with the UC system. They are often dealing with DWP on behalf of someone else's claim and find a lack of understanding or processes that allows them to facilitate that. The responsibilities carers have can mean that they are unable to leave home to attend DWP appointments. This is

often not recognised and they are penalised for not attending their own appointments. We know that Sheffield Carers Centre emergency hardship payments have increased significantly over the last year as their members come to them in financial difficulties.

## **5.7 Families**

The impact of UC on families varies according to circumstances, as demonstrated by the IFS graphic shown in 5.2 above. Two groups likely to be particularly negatively impacted include lone parents and families with more than two children. This latter group will be increasingly affected by the 'two-child limit' on support through means-tested benefits that apply to children born after 2017, and all families on UC will be impacted by the abolition of the extra support that families get for their first child (known as the 'family premium'). Over time, these reforms will put pressure on the incomes of poorer families with children, especially larger families who are disproportionately in poverty. This group also intersects with BAMER and private rented tenants.

## **5.8 People who have made a UC claim based on poor advice or had UC fraudulently set up without their knowledge**

We do not have exact numbers of how many people are affected by this in Sheffield or nationally and, although it is unlikely to be huge, the impact on those affected is very severe. Once a household has moved onto UC, it is in practice virtually impossible to move back to legacy benefits, even if someone is worse off or if they have had UC set up fraudulently without their knowledge. The latter, in particular, can leave households with no income (until resolved) and no means of returning to their previous benefits. It should be noted that people were subject to financial exploitation and abuse under the legacy system. The problems with UC partly reflects a continuation of this abuse, but also represents some new issues, including UC advances being claimed fraudulently and people being unable to move back of UC.

## **5.9 Young people**

Under 25s are on lower incomes so have considerably less to live on. This is feasible if they are able to live with their parents, but can create a big strain when living independently. Care leavers and young offenders are particularly vulnerable to negative impacts from Universal Credit. In addition, evidence from the UC Partnership impact workshop held in June and elsewhere suggests that young people are less likely to engage with support even when it is made available.

## **5.10 People experiencing domestic abuse**

The default UC payment is one whole-household payment. This can increase the likelihood of financial abuse because an abuser has access to their partner's benefit. Although people are allowed to request a split payment (a type of APA) in the case of abusive relationship, requesting one can put someone experiencing abuse at further risk.

## 5.11 Approach

This information about the impacts on vulnerable people is being used in various ways to inform SCC and partners' responses to UC. The communications work is being developed to appeal to people from different communities to help ensure they access UC support. The SCC Private-rented Solutions team have spent time in job centres to improve the UC experiences of the private-rented tenants they support. The DWP Partnership manager organises regular training for job centre staff to increase their understanding of the challenges faced by different groups, including refugees, carers, people with disabilities.

## 7.1 Next steps

Sheffield still has approximately 75% of UC process to get through between now and the planned UC completion date of 2023. This process will include 'managed migration', the date of which is still unclear, where the government will start to actively move claimants of existing benefits over to UC. Rather than transferring people onto the new system automatically, the government's current plan involves ceasing payments of legacy benefits and requiring individuals – some of whom will not have made a new benefit application for years – to make a new claim for UC within a specific time frame. This may be particularly difficult for some claimants with disabilities or other vulnerabilities, who make up about half of the group who will be moved over to UC. Technical errors on the government's part, or claimants not filling in the requisite forms, could result in families being left without support.

7.2 The UC Partnership has been meeting approximately every three months. At the last meeting in October it agreed to meet again in six months unless there is a significant development during that time, such as the announcement of a managed migration date. There will continue to be a core group of SCC, DWP and Sheffield Citizens Advice meeting regularly.

7.3 Updates on UC are due to go to the following groups:

- Health & Wellbeing Board (February 2020)
- Cabinet Member UC Steering Group (expected to take place in February 2020)

7.4 Continuing SCC work on UC includes:

- Communications, capturing some video 'stories' from experts and UC claimants about what UC is and where people can get support. We can then use these on social media and in local press. Personal stories are a very powerful way of getting messages across and can also be a lot more accessible for those with low literacy or other vulnerabilities.
- Work to support tenants (see section 3.10 above)
- Use a notification of a new claim for UC as an application for CTS (see section 4.3 above)
- Continuing to monitor impacts of UC through the UC Operational Group.

## **8.0 RECOMMENDATIONS**

8.1 That the Audit & Standards Committee:

- Note the information set out in the report and appendices.
- Request any further information or briefing on the Universal Credit work as appropriate.

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