

Universal Credit Update

Audit and Standards Committee 25th March 2021

1.0 INTRODUCTION

- 1.1 An update on Universal Credit (UC) was last brought to this Committee in January 2020. The Committee 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 24 months. Over the last year the Covid-19 pandemic has seen the number of claimants for UC increase substantially. However, it also means that the impacts of UC are now difficult to distinguish from the wider impacts of the crisis.
- 1.3 This report sets out: the background to UC including the issues faced by claimants before Covid-19; what has happened to UC since the pandemic; how the city and SCC has responded to UC; information about Council Tax Support and Council Housing; the poverty and income impacts of Covid-19 (including UC); and forthcoming issues.

2.0 BACKGROUND

- 2.1 Detailed information about Universal Credit can be found at

www.sheffield.gov.uk/universalcredit and
www.understandinguniversalcredit.gov.uk.

Information about the support available to people during the pandemic can be found at

www.sheffield.gov.uk/home/your-city-council/coronavirus-hub/support-for-people

Information for people who are facing redundancy can be found at

www.sheffield.gov.uk/redundancy

2.2 What is Universal Credit and what were the issues before Covid-19?

The Department for Work and Pensions (DWP) started to roll out 'Full Service' UC in Sheffield in November 2018¹. 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.

- 2.3 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.

¹ '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.

- 2.4 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 seems unlikely that it will happen soon given the substantial increase in claimants since the pandemic started.
- 2.5 As reported in the last update to this Committee, some people, particularly those who are more vulnerable, have struggled with aspects of Universal Credit. For example, a Citizens Advice report from February 2019 states that²:
- The wait for an initial payment still leaves half of the people they help unable to keep up with bills, rent or going without essentials.
 - 7 in 10 (70%) of the people they see on Universal Credit who take out advances are also getting into arrears on bills or rent.
 - Debt problems are more common for the people they help with Universal Credit than those claiming legacy benefits, with 24% of people they helped also seeking debt advice.
 - Only 45% of people they helped last year who were in work before claiming Universal Credit were paid monthly.

3.0 What has happened to Universal Credit since the Covid-19 pandemic?

- 3.1 The DWP increased UC by £20 a week at the beginning of the pandemic. It has recently announced in the Budget that this uplift will continue for another six months, although there are now concerns about the financial cliff edge that will households face going into the coming winter³. The DWP also suspended conditionality during the pandemic to focus on getting money to claimants; it has been reintroduced gradually since then.
- 3.2 The impacts of lockdown have led to a significant increase in the numbers of people claiming UC in the city. According to DWP figures, on 7 February 2021, there were **49,420 people in the city** on UC. This is roughly double the number of claimants at the beginning of the pandemic, and contrasts with the last figure reported to this Committee of 16,604 people the end of September 2019.
- 3.3 There is a detailed report on the national changes to UC since the pandemic here:
<https://commonslibrary.parliament.uk/research-briefings/cbp-8999/>
- 3.4 As noted in the report, whilst there are many issues with UC, in particular the initial 5-week wait for payment, if UC had not been in place at the beginning of the pandemic, the situation is likely to have been far worse as the legacy system would not have been able to cope with the massive rise in claims and workload.
- 3.5 Although we do not have a breakdown of the numbers, anecdotal evidence suggests that the new claimants comprise both people already on legacy benefits whose circumstances changed due to

² <https://www.citizensadvice.org.uk/about-us/our-work/policy/policy-research-topics/welfare-policy-research-surveys-and-consultation-responses/welfare-policy-research/managing-money-on-universal-credit/>

³ <https://www.jrf.org.uk/press/jrf-responds-chancellors-spring-2021-budget>

lockdown and therefore needed to apply for UC, and those who were new to the welfare system who lost their job or reduced their work hours.

- 3.6 The extremely rapid increase in claims meant that waiting times to apply for UC was very long in March and April 2020, and people had to wait for money, increasing the already huge difficulties of lockdown. Waiting times reduced as the DWP redeployed staff into UC processing and the DWP have continued to recruit new staff to meet the increased workload.

4.0 What has been done in Sheffield to respond to Universal Credit?

- 4.1 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 UC⁴, for example, developing communications and an information sheet (available here www.sheffield.gov.uk/universalcredit). Prior to Covid it had been agreed to stretch out the meetings of the Partnership due to UC becoming business as usual and the managed migration date being unknown.
- 4.2 The pandemic meant that the focus for all the organisations involved moved primarily to Covid-response so the Partnership has not met over the last year, but some members have kept in touch to discuss UC issues as they've arisen. UC has also been part of discussions of the Supporting Vulnerable People Group, an informal group that came together in the first days of lockdown to keep up to date on how vulnerable people in the city were being supported and make links to help support that work. This included people from across SCC along with Citizens Advice, Shelter, DWP, Police and the ACP. It has continued to meet weekly and then fortnightly.
- 4.3 Citizens Advice Sheffield provide a **Help to Claim service (Freephone 0800 1448 444)**, funded nationally by DWP to support people up to their first successful payment. Citizens Advice Sheffield also provides support to those managing their existing UC claim, a service made possible by SCC grant funding. Their advice line has recently been changed to a freephone number **0808 278 7820**. The current DWP contract runs until April 2021 and, although it is expected to continue, there has not yet been confirmation either of funding or of funding levels.
- 4.4 Locally, the Sheffield DWP Partnership team has worked very closely with partners and claimants to support them during the pandemic. For example, some claimants such as rough sleepers do not have access to a bank account and therefore need payment of UC in cash. During the first lockdown this became particularly difficult due to many PayPoint outlets being closed, so the DWP Partnership team liaised closely with Framework (the main organisation supporting rough sleepers), finding PayPoints near job centres that were still open and ensuring that vulnerable people had the money they needed as quickly as possible. Job centres have remained open – although mostly by appointment and on reduced hours – for vulnerable claimants throughout the pandemic.

⁴ 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.

5.0 Internal SCC co-ordination

5.1 The internal SCC UC Operational Group, chaired by the Head of Commercial Business Development, 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 group has continued to meet periodically over the last year, and UC impacts continue to be collected. However, the impacts of UC both on SCC and the city have now been overtaken by the wider impacts of the pandemic, so it seems likely that this UC-specific work will be incorporated into wider work in the longer term.

6.0 Council Housing and Universal Credit

6.1

SCC tenants claiming UC - at 1.3.21									
Jan-20	Feb-20	Mar-20		Apr-20	May-20	Jun-20	Sep-20	Dec-20	Feb-21
6,266	6,615	7,365		8,009	8,211	8,422	8,948	9,495	9,832
16.3%	17.3%	19.2%		20.9%	21.5%	22.1%	23.7%	25.2%	26.1%

The figures above reflect that over 1 in every 4 tenants are now claiming Universal Credit. Prior to Covid (March 20) the average monthly increase was approximately 360 tenant per month moving to UC, however March and April saw a period of volatility and this number increased to around double that amount.

- 6.2 Since May, however, the rate at which tenants are going onto UC have reduced, as their income has become more stable, whether that be still in employment, on the furlough scheme, or losing their job and had already claimed UC. It is worth noting that had the numbers continued to increase at their pre-Covid levels then we would currently have more tenants on UC than we now have⁵.
- 6.3 There are still 17,908 tenants claiming Housing Benefit. Of these, 10,810 are of working age, and they will eventually move to UC through managed migration.
- 6.4 The Income Management and Financial Inclusion Team (IMFIT) continue to promote Direct Debit as preferred payment method for all tenants, and for those claiming UC it increases the likelihood of receiving full and prompt payment when monthly rent is due. There are currently 38.7% of tenants on UC paying by Direct Debit.
- 6.5 Applying for Managed Payments and Third Party Deductions however are a valuable option if arrears are increasing. Over 27% of tenants on UC have their rent money stopped at source and paid directly to us, resulting in the DWP sending us almost £900k every month.
- 6.6 The largest age group of tenants claiming UC is the 25-40s, who make up almost 47% of all claims. Details are:
- Under 25 9%

⁵ As noted above, anecdotally we believe that a significant proportion of the new UC claimants are people who are new to the welfare system and the UC cohort is therefore likely to include a lower proportion of social-rented tenants than previously.

- 25-40 47%
- 41-50 21%
- 51 and over 23%

6.7 Rent Arrears

Arrears Info	Feb-21
Total balance of all accounts at start of claim	£3,765,815
Current Balance of all accounts	£5,230,764
Total increase on UC accounts	£1,473,949
Average arrears increase per claim	£153.01
% arrears increase, since UC start date	39.2%

As figures above show, rent arrears for UC claimants continue to be an issue, as reported in the last update to the Committee. However, considering the numbers currently claiming UC, and the impact Covid is having on many people, performance on arrears is still positive. The average increase in arrears (£153.01) is around 2 weeks gross rent, despite the continuing number of new claims still being made. This reflects the support and help provided by IMFIT's dedicated team, helping tenants to manage their money and understand their commitment to paying rent, especially in the first few weeks of any new claim being made.

6.8 Partnership working

6.8.1 Work continues with partners to support tenants claiming UC wherever possible. IMFIT hold regular meetings with the DWP, Citizens Advice, Revs and Bens etc to understand and react to any changes and provide a joined-up service to customers and support agencies.

IMFIT continue to fund Sheffield Credit Union budgeting accounts for those tenants who would otherwise struggle to manage their money. This helps ensure rent is paid, as well as other outgoings such as Council Tax and utility bills.

7.0 Council Tax Support and Universal Credit

7.1 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'.

7.2



As the graph above shows, whilst the CTS caseload had reduced over the last several years, since the onset of the pandemic we have seen an increase in our working age CTS caseload.

- 7.3 As a discrete exercise to respond to the large number of new UC claimants at the beginning of the pandemic, many of whom will have been new to the benefits system and therefore not know about CTS, SCC treated UC notifications from DWP as an application for CTS. Since the situation has stabilised, the Benefits Service writes to all new UC claimants to advise them that they need to make a separate claim for CTS. They also continue to liaise with DWP and other partners to encourage take-up of CTS; for example, exploring whether messages can be included in UC journals.
- 7.4 The Revenues & Benefits Service has made also 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.
- 7.5 The Government provided the SCC with additional funding from the Council Tax Coronavirus Hardship fund, totalling £6,058,517, to provide additional support to working age households who received an award of Council Tax Support in 2020/21. The Council used this funding to further reduce the amount of Council Tax owed by these households by up to £150. This hardship payment will not be repeated in 2021/22, but the Council will continue to be able to offer assistance to households who are in receipt of CTS through the Council's Council Tax Hardship Scheme, which has a budget of £1.8m in 2021/22.

8.0 Impact on Citizens

- 8.1 As has been highlighted throughout this paper, the impacts of Universal Credit are now very difficult to unpick from the wider impacts of the pandemic. The impact of the latter has been set out in a Rapid Health Impact Assessment, particularly its Poverty & Income theme, commissioned

by the Sheffield Health and Wellbeing Board and published in September 2021⁶. The impacts on poverty and income include:

- **Financial insecurity is significantly more widespread and more severe since the beginning of the pandemic.** Demands on food banks increased four-fold during the initial crisis, the number of people who are on Universal Credit in Sheffield have doubled to 44,000 and rent arrears have increased.
- Although many people have been able to take a breath after the initial crisis, **we expect people's financial situation to get increasingly worse over the autumn and beyond** as creditors are able to start recovery action again, the job retention scheme is phased out and the economic recession hits.
- There was a significant decrease in people accessing many types of financial support and advice during lockdown, particularly disability benefits and debt advice. However, the **demand for advice is now increasing rapidly** and is expected to rise by 30% over the next few weeks and months.
- Barriers to accessing services and support have exacerbated poverty: **many people have not been able to afford to get online** at a time when digital access is more crucial than ever; some people with complex, chaotic lives have suffered because even the best remote service is not the same as face-to-face support; people who rely on cash who have struggled to buy essentials in places where only cards are accepted; and the pandemic has left many increasingly vulnerable to crime and exploitation.
- After ten years of austerity and welfare cuts, **many people were already struggling before the pandemic** leaving them with few resources to cushion the crisis. There is a strong link between low income and ill health.
- **Certain groups have been disproportionately affected** by the financial insecurity caused or exacerbated by the crisis. Poorer people and those in deprived communities have been hit hard, and we've seen many people newly entering the benefits system. Tenants in private-rented accommodation, people from black, Asian and minority ethnic communities, refugees and asylum seekers, women, people with disabilities and health conditions, and younger people (both adults and children) have all been disproportionately negatively affected by the financial impacts of the pandemic.

9.0 Future developments

9.1 There is uncertainty about the number of UC claims likely to be made over the coming months. The furlough scheme has been extended now to September 2021, as has the extra £20 per week top-up for UC claimants, so this is positive news for employees and UC claimants. At the same time, however, government funding that has helped to support people on low incomes, such as the DWP Winter Grant that we used to fund Free School Meals over holidays⁷, and Defra funding that has provided emergency grants for people affected by Covid-19, will cease after March 2021.

⁶ The full RHIA is here, with the Poverty & Income theme at p.106
<http://democracy.sheffield.gov.uk/documents/s42725/The%20Impact%20on%20Health%20and%20Wellbeing%20in%20Sheffield%20of%20the%20Covid%20Pandemic.pdf> .

⁷ The latest news is that the DWP Winter Grant and FSM vouchers have been extended slightly to cover Easter holidays, which is positive news, but financial hardship for families will continue into 2021.

- 9.2 It is also possible that, as furlough is phased out, more people lose their jobs and therefore need to apply for Universal Credit. As part of the supporting vulnerable people group some resources have been developed to help people facing redundancy and/or those who are supporting them. Further information can be found here www.sheffield.gov.uk/redundancy .
- 9.3 The date for managed migration, when all those on legacy benefits are moved to UC, is still uncertain, although the latest Government information available is that this is unlikely to happen before 2024. The managed migration pilot in Harrogate has had very little/no publicity over the last few months, with Covid becoming the priority for most organisations. When we get more information about the likely date of managed migration we will assess what SCC and wider co-ordination may be needed to respond.

10.0 RECOMMENDATIONS

- 10.1 That the Audit & Standards Committee note the information set out in the report.