

## **The impact of the introduction of Universal Credit in Hackney**

Universal Credit (UC) replaces six working age means tested benefits and is the biggest change in recent years to the Benefits system. Through the Council's Welfare Reform Working Group we have brought together key departments and partners (including DWP colleagues) to coordinate our joint approach through the Hackney UC Steering Group. We have developed a plan to address the key challenges, concerns, risks and opportunities that UC provides and details of this are outlined below.

We have seen from the experience elsewhere in early roll-out areas that Universal Credit has created some key challenges for residents, landlords, Local Authorities and partner organisations. Such a huge change in the way welfare support is administered requires a sophisticated approach in which organisations affected work together to minimise the impact on residents.

It is important to note that Universal Credit non digital service for single, unemployed residents was already in place in borough. The Universal Credit digital service has applied to all new claims made since 3 October 2018, including changes in circumstances. Residents now cannot (with some exceptions) claim any of the six existing working age benefits. It is important to note that residents only move to UC once they make a new claim.

The migration of all benefit claimants to Universal Credit was expected to start in summer 2019 but has now been delayed following an announcement by the DWP on 6 January 2019. Instead of the full migration process beginning in July 2019, parliamentary approval will now be sought only for a pilot programme to move 10,000 claimants across initially. Only once this pilot has been assessed will work begin on full scale migration of all claimants. DWP suggest that the full migration process will still be complete by 2023 but no indication has been provided yet on how this will be managed or where Hackney residents will feature in this timetable or the pilot programme.

### **Key Risks and how we are responding**

#### Rent arrears and increased financial hardship

One of the major risks for residents, the Council and housing providers is the move to make the majority of tenants responsible for paying their rent. UC is a monthly payment in arrears and this could mean that those who have no problem paying their rent currently could face difficulties in the future. There is an option to have a direct payment arrangement (Alternative Payment Arrangement) in place for some with vulnerabilities or who are in existing arrears but this will not be the default position. We are working with tenants so that they know the importance of paying their rent, provide support to manage their finances properly and have access to free advice and guidance.

We wrote to all working-age Council tenants in the Borough in September to advise them that UC is coming and to explain what this would mean if they had to make a new claim from October 2018. In addition to this we have been providing key messages to customers around key elements of UC - for example budgeting, banking and digital inclusion. This is

through a variety of methods such as the council's newsletters, messaging on other key documents such as rent statements and the use of social media. We have engaged with Tenant Management Organisations on our approach (including staff training).

A key issue is the five week wait for a first UC payment built into the system. Advances of the first months payment are available which are repayable over 12 months.. The priority for the Council is ensuring that residents who need support in making a claim are identified and that they receive it. JCP have clear criteria on who is deemed vulnerable under UC and this includes those with substance/alcohol problems, gambling addiction and other issues which require a greater level of support. Where tenants are already in rent arrears this will be considered a vulnerability. Those with such vulnerabilities will be offered a greater level of support by JCP colleagues to manage their claim and alternative arrangements such as direct payments to landlords put in place where this is appropriate.

There are also issues with the design of the Universal Credit system and the lack of flexibility built into the way it operates. An issue has been raised with DWP that every six to seven years 53 Mondays fall in a financial year and this will be the case in 2019/20. As rent debits are raised on Mondays this means that the Housing Revenue Account ordinarily benefits from an 'extra' week's rent when there are 53 Mondays in a year. However this will not be the case under Universal Credit as the system does not allow for 53 Monday years. Discussions are ongoing but there is currently no identified solution to this issue.

#### Vulnerable clients not identified and supported

There are set criteria for identifying vulnerabilities and JCP/DWP agreeing that a claimant should have an Alternative Payment Arrangement put in place. This criteria is wider than a standard definition of vulnerability. DWP Approach to Vulnerability guidance introduces a new description of vulnerability as 'an individual who is identified as having complex needs and/or requires additional support to enable them to access DWP benefits and use our services'. Complex needs are described as 'difficult personal circumstances and/or life events that affect the ability of the individual to access DWP benefits and use our services'.

There is a danger in vulnerable clients not properly identified by JCP staff and APA's and other support is not put in place when it is required. Council services and partners should work as closely as possible with JCP colleagues to ensure that vulnerable people are helped to claim UC and no-one misses out on the support they need.

Lack of disclosure on behalf of the claimant of issues such as substance misuse, gambling addiction or mental health problems creates risk and if the threshold for vulnerability is too high or not applied consistently, there is a danger that people will not have their needs identified. UC places an onus on claimant to control their own finances which many are ill equipped to do which services need to be aware of. There is also concern that a poor experience of making a UC claim could exacerbate pre-existing issues such as debt, gambling addiction and substance misuse issues and poor mental health.

A refusal or inability to engage in the claim process could lead to significant delays and potential financial difficulties, loss of tenancy and homelessness. This creates crisis for the claimant as well as potential costs for Council statutory services down the line. Whilst JCP staff will support residents to manage their claim, the onus is on the client to resolve outstanding queries on their journal. Poor literacy and digital skills are also key concerns and

there needs to be support in place for all claimants who need it to make a claim.

In the lead up to the roll out we identified Council tenants who were potentially vulnerable if they were to switch to UC and sent them information about it to raise awareness. Key criteria for this was those with existing arrears. A range of commissioned services are in place to support claimants and JCP centres have been well resourced to support residents. In addition many Council staff and partner organisations have received JCP led information and training sessions, as well as bespoke courses being delivered to Hackney Service Centre staff. It is important to note that as the Housing Benefit caseload falls funding for Council benefit administration will continue to reduce and no additional funding made available for the Council to support UC related initiatives.

### Additional needs

Most claimants will not require additional support to make a successful claim. However we know that some residents will have additional needs which if not addressed could be a barrier to making a timely and successful claim. The responsibility for meeting such needs will fall to the DWP but they will require the effective support and engagement of Council services and that of partners to ensure that residents receive this. The needs of Hackney's diverse communities must be understood and require tailored approaches to ensure needs are met.

There is a large onus on residents to manage their claim online but there is a considerable lack of digital skills for some who will be unable to manage claim online. This is especially the case for groups such as Charedi Orthodox Jewish (OJ) residents where use of the internet is much lower than for the general Hackney population. The exemption for (large) families with more than two children to be able to claim UC will be lifted in February 2019 which is highly relevant to this group. Local and national discussions are taking place to understand the specific needs of the OJ community. DWP officials approached Interlink, the umbrella organisation for the OJ voluntary and community sector to facilitate a discussion on the particular challenges which may be faced by Charedi residents in claiming UC. This will also be attended by Agudas Israel Community Services and representatives from OJ communities in the north of England concentrated around Manchester and Gateshead.

Locally, the Council and JCP colleagues have also contacted Interlink to identify mitigating actions which can be taken, with particular reference to the lift on the exemption for larger families. It is hoped to attract a range of stakeholders working within the OJ community who may be approached to assist claimants and to help understand the specific challenges locally to be overcome particularly in relation to the difficulties many may experience in managing their claim online.

It is important to note that there are also many larger non-Charedi families in the Borough and the lifting of this exemption will require support across Hackney's diverse communities. The two child limit policy is of particular relevance as for new claims it will apply to all children regardless of when born and put many at a disadvantage compared to legacy benefits. There are some protections for those previously eligible for Child Tax Credits but not if there were to be any more than a six month break in a claim. Those claiming UC due to a change in circumstances should not be affected but brand new claimants with three children or more will lose out.

There are also language barriers and with a requirement to be able to use another language in making a UC claim and obtaining support where needed. Other groups who may have additional needs that are not met include those with multiple needs and vulnerabilities such as care leavers, claimants with literacy problems and new claimants not familiar with the

Welfare Support system finding it hard to navigate the system. Those in supported and exempt temporary accommodation will continue to receive housing benefit following changes which removed such tenants from UC. Assisting in the process for claiming UC is part of the package of support provided to residents moving on from such accommodation and specialist teams have benefited from staff training in Hackney.

Digital support and translation services are available in local Job Centres but there needs to be an understanding that residents will seek support from elsewhere within their networks and community groups will not have the capacity or knowledge to provide effective support. We have worked hard to build understanding of UC amongst frontline staff and will continue to do so over the coming months.

### Information and Data Sharing Barriers

UC makes it more difficult for third parties such as Local Authorities and Advice providers to access relevant information to support clients. Client confidentiality is important and should be protected but there also needs to be pro-activity to assist residents who are struggling to manage their claim.

Explicit consent rules can make it harder for clients to be supported than under the existing welfare support arrangements. The Council and partners do not have access to UC claimant data to help when approached and can only properly assist a claimant in approaching JCP if explicit consent is provided. This makes it harder to support claimants who are hard to engage. New GDPR rules potentially create a barrier to promoting access to services because services will not be able to contact residents about issues that they have not asked to be contacted about.

In addition unlike under the current Housing Benefit arrangements the Council Tax Reduction Scheme (CTRS) is not automatically linked and a separate application needs to be made. There is a real danger that some UC claimants will fail to make a CTRS claim and some will only do so once they've experienced financial crisis and are being chased for payment.

Early indications are that consent rules are not creating a huge difficulty yet though there has been some evidence of UC claimants have to be reminded to make a separate CTRS claim.

### **Opportunities**

The principle of UC to streamline the benefits system and 'make work pay' offers positive potential benefits. The main advantage of this new approach will be that once a UC claim is established, it is responsive to changes in circumstances and adjustments can be made to take account of a claimant working more or less hours or other change in personal circumstances. The legacy benefits system offers little or no flexibility and changes in circumstances would usually involve a shut down of a claim and opening of new claim which then results in delays for the claimant to receive support.

Whether a claimant is better off under UC is a complex picture dependent on individual circumstances but overall the system is designed to ensure that claimants are not penalised if they work more hours per week. One issue for the self-employed is that there is an assumed minimum income floor which requires claimants who have been self-employed for a year or more to earn at least the minimum wage. If they earn less than this, their universal credit payment will not make up the difference. Some changes were made in the 2018 budget which offer a degree of additional protection for this group but there is a need to

focus on whether the circa 2000 residents are worse off under UC and further change is need to help this group.

UC mirrors what it is like to be in work and payments in arrears largely replicate the experience for residents in work who are paid monthly in arrears. This could have the advantage of making the transition to work easier than it is currently for residents on legacy benefits. Financial support for childcare costs are also more generous than under legacy benefits rising from up to 70% to 85% of the total cost. However, the cap of monthly costs is set at a level which is insufficient in Hackney to meet the actual cost of full time care.

UC has provided an opportunity to increase collaboration between JCP and council services such as Employment Support provided by Hackney Works. It ensures that services can be more closely aligned and provide the potential to offer a more seamless service to residents.

### **UC Full Service in Hackney - Initial feedback to December 2018**

As at mid December 2018 there had been 1490 Full service Universal Credit claims made at Hackney JCP with additional numbers at Hoxton/City (shared with Tower Hamlets and City). Key points to note: -

- Latest data shows that 87 - 88% of claims are being paid on time
- Major challenge and cause of delay is verifying the correct rent within a claim
- Some claimants are not understanding the claim process correctly and are having to be contacted to arrange a JCP interview to progress their claim
- JCP and partners do not have major concerns yet about UC causing problems for residents but it is very early stages and patterns and issues of concern are likely to become evidenced over the coming months
- Around 600 Hackney tenants are now on UC. Indications are that rent arrears are slightly higher for those on UC compared to Housing Benefit. This reflects the experience of housing providers and will be monitored
- Some concerns about telephone queues to get through to staff at times
- Commissioned personal budgeting service in place with positive feedback. New Citizens Advice Bureau 'Help to Claim' service in place from January 2019 which be co-located in Job Centres and potentially Council offices
- There are some specific challenges with non-standard claimant groups such as Corporate Appointees, Traveller sites (dual housing benefit claims), victims of Domestic Violence and residents with English as Additional Language which JCP is focusing on to identify solutions to challenges with a relatively 'one size fits all' UC claim process

Lines of communication are in place between JCP colleagues, Council services and partners so that we can identify quickly issues with Universal Credit and address these so residents do not experience unnecessary hardship. A significant challenge is the lack of data that the Council has to access on claimants compared to the Housing Benefit caseload. It creates a different dynamic in terms of relationships and reliance on local DWP staff to provide data and insight that can be used to monitor the roll-out. Increased collaboration is key to make sure UC works for Hackney residents.

The Hackney Universal Credit Steering Group will continue to meet on a six weekly basis in 2019 to coordinate our efforts in working with DWP to make sure that Universal Credit works as it is intended to provide the support residents need.

### **Continuing to press for changes to Universal Credit**

Alongside support to residents, elected members have continued to lobby for changes to Universal Credit so that it does make work pay as originally intended in its design. The Mayor wrote to the Secretary of State in November 2017 calling for a halt to the roll-out and some changes were made in the 2017 Autumn statement in light of representations from Local Authorities including the removal of Temporary Accommodation from UC until 2022.

The Cabinet Member for Finance and Housing Needs wrote in September 2018 outlining ongoing concerns with the design and implementation of UC. Such representations and that of other Local Authorities saw further changes made in the 2018 budget which have increased work incentives and ensured that those transitioning across to UC should not be worse off than on legacy benefits. The Council continues to have concerns that despite the best efforts of local JCP colleagues there are risks that Universal Credit will increase hardship, vulnerabilities of residents and not provide the safety net which is required for those who need support of our Welfare system.

Local Authorities who were in the early stages of the Universal Credit roll-out have been at the forefront of pressing for further changes based on the experience of UC in their areas. In London, Southwark Council have held stakeholder conferences and produced a number of reports based on their experience and that of residents. Their most recent report Safe as Houses 2 provides robust evidence on how UC is affecting Social Housing tenants in the Borough. Amongst the key findings are that

- UC claimants have been shown to have consistently higher rent arrears compared to Housing Benefit recipients over a long period of time, arrears are not temporary and are three times higher than those who remain on Housing Benefit
- DWP work to try to reduce rent arrears has been ineffective
- Those who struggle to make a claim or have regular or complex changes in circumstances have the highest levels of arrears
- The Landlord Portal has made no difference to levels of arrears in Southwark
- Food bank use has increased year on year since the introduction of UC and 80% of the increase in the last year can be directly linked to the effects of UC

Southwark conclude that their research indicates that UC does not work in its current form and that 'The Government needs to take rapid steps to fix Universal Credit or urgently acknowledge that they have created a system that is unworkable and broken'.

There is a wealth of material available now from policy think tanks, charities and other organisations who have analysed the performance of Universal Credit and highlighted ways in which the system should be changed. Policy in Practice have issued a number of reports on Universal Credit and reforms which should be considered. Most recent papers have

focused on making UC work for vulnerable people and whether UC was helping more people into work.

It is important for London Borough of Hackney to continue to play its part in lobbying for changes to UC based on evidence and insight gained from residents' experiences of the system over the coming months.