

Universal Credit – Key Messages from Kent

To: Kent Ambition Board 2 – 7 September 2011
Joint Kent Chiefs – 7 September 2011
Kent Forum – 22 September 2011

Subject: Universal Credit – Key Messages from Kent

By: Universal Credit Working Group

1. Background

- 1.1 At their meeting on 22 July 2011 the Kent Forum received a briefing from Cllr Peter Fleming on the Impact of Welfare Reforms – Universal Credit and the new Affordable Rent Framework. The Kent Forum noted that a working group had been established supporting the work of Cllr Fleming and asked for a full item on welfare reform to be prepared for this meeting to enable the Forum to establish a collective position on the reforms with which to lobby Government.
- 1.2 This report sets out the results of the working group's discussions and provides the Kent Forum with a summary of the key issues with the current Government proposals for the design of the Universal Credit delivery model. The report sets out potential solutions that would offer a more appropriate way of delivering Universal Credit which could form the basis of joint lobbying activity for Kent.
- 1.3 In brief, it is the working group's view that the current proposals present a serious risk to the welfare of some of the most vulnerable residents in Kent and on the demand for local authority services. This will directly impact on the Kent Ambition to tackle disadvantage and on Kent's Family Poverty Strategy.

2. The Proposed Operating Model for Universal Credit

- 2.1 The Government set out to reform the welfare system to improve work incentives, simplify the benefits system and tackle administrative complexity. In broad terms it is thought that the introduction of Universal Credit will meet these aims and therefore in principle its introduction should be supported.
- 2.2 However, concerns exist about the Government proposals for how the Universal Credit will be operated. By its nature the introduction of Universal Credit will impact on some of the most vulnerable people in society. It is therefore essential that the way Universal Credit is delivered is well considered and designed to meet the needs of those that need it most.

- 2.3 The Government is developing a centralised process to be delivered by the Department for Work and Pensions (DWP) Their proposed model is that the majority of people will access Universal Credit online. Whether or not the Forum support this approach will dictate the form of the unified Kent approach to lobbying Government.
- 2.4 It is the working group's opinion that there are basically three options on which to base lobbying activity for Kent, which are set out below.
- **Option 1:**
We support the delivery of the service through the current model by DWP.
 - **Option 2:**
We present a case for Local Authorities to be the Universal Credit service provider rather than the DWP, as well as the points relating to safeguards and clarification as outlined in section 3 of this report.
 - **Option 3:**
We put forward a Kent approach to the delivery of Universal Credit. The DWP should control the central processing system with Local Authorities providing a joined up delivery model including local advice and assistance.
- 2.5 It is the recommendation of the working group that the most pragmatic approach, and the approach that will allow for the greatest opportunity to assist in delivering a more fit for purpose operating model for Universal Credit is Option 3. It is on this basis that the remainder of this report has been prepared.
- 2.6 Whichever option was supported, the Group also concluded that Kent authorities should lobby for additional safeguards to be put in place around the payment arrangements for Universal Credit. These safeguards are suggested to design out any adverse impact on residents. In doing so these safeguards will help to ensure that there is no significant increase in the demand for other services provided by local authorities, such as Supporting People, Social Services, Housing and Homelessness. Clarification and improved communication from Government would be requested in order to allow for authorities to manage the transition from housing benefit to Universal Credit.

3. Key Issues with the Proposed Operating Model

- 3.1 In setting out the key issues with the proposed operating model for Universal Credit the working group took account of the potential impact of a number of other elements of welfare reform that are currently being implemented or being proposed by Government. These include:
- Changes being made to the current housing benefit system introduced in the June 2010 emergency budget. These include a reduction in Local Housing Allowance, Restrictions for claimants under 35 and a cap on the maximum amount of benefit received by any family.
 - Significant steps are being made to make benefits payments directly to claimants. Where vulnerable people are unable to manage their monies

effectively, this places significant risk on their ability to stay in their homes and maintain their welfare.

- The localisation of the Council Tax benefit, which enforces a 10% reduction in the cost of the scheme whilst some groups must be offered protection at current rates.
- The centralisation of the Fraud Service under the control of the DWP taking effect from April 2013 and ending benefit fraud investigation by Local Authorities.
- Reductions in the level of funding available for Supporting People
- The localisation of elements of the discretionary Social Fund to County Council's from April 2013.

3.2 It is also important to note that the key issues with the current operating model are mainly concerned with the design of the Universal Credit operating model. However, they also take in to account issues that are likely to arise during the transition from the current benefits system and issues that are likely to continue to be present once Universal Credit is fully operational if Government does not make any changes to their proposed operating model.

3.3 The primary focus throughout is the impact on residents and service users. However it is also clear that delivery of Universal Credit will also have an impact on social housing providers and landlords and the third sector as well as local authorities and public sector financing.

3.4 **Key Issue 1: Government's preferred delivery model to be internet access only**

The Government is clear that they expect the majority of UC customers will access services online. Local authorities recognise the savings that can be achieved through online delivery of services and are pursuing many initiatives in this area themselves. However, the complex nature of the service and the vulnerability of many of the service users means that a significant proportion of them are likely to need to continue to access services face to face. Without a well developed support system that takes account of service users' needs there is considerable risk that the Universal Credit system will not reach those that need the support most. Furthermore, without such support some people may not take advantage of the incentives to take up work that will be built into the system or miss out on the distinct advantages offered by face to face local support such as signposting to critical Social Services assistance as information is shared in the processing of claims locally.

The DWP is yet to come forward with a developed proposal to support those unable to either access or use the internet or for whom more support is required. Local authorities are the place that residents turn to for help and the direct association and links to the housing benefit system and the local housing authority will continue to make local authorities a natural place for residents to seek support. This will create a new and

potentially heavy burden on local authorities should a formal mechanism for face to face support not be put in place.

It should also be noted that this centralist proposal for the administration of welfare support is contrary to the localised system being proposed for the future delivery of support with the payment of council tax, which will be designed and operated locally, and for the localisation of social fund administration.

3.5 Key Issue 2: Payment of Universal Credit to be to a single person within the household

The Government is proposing to pay Universal Credit to one individual person within the household, in order to empower those receiving Universal Credit to manage their own monies, as they would if they were receiving a wage. However, this creates a significant risk to the welfare of the family if that person leaves the household or squanders the monies.

Within this there is no mechanism for diverting payments to landlords for housing for those in arrears for example, or for diverting payments away from those that have a dependency such as drink or drugs that are unlikely to have the ability to manage their Universal Credit appropriately.

3.6 Key Issue 3: Lack of clarity on the calculation and payment of individual elements of the Universal Credit.

Universal Credit is to be paid as a single payment, which will make no individual element that makes up the Universal Credit identifiable to the recipient (so for example, there will be no specified amount for housing costs). However within this there will be caps and limitations on the individual benefits received which will have significant implications.

With the amount of housing benefit and assistance with mortgage interest payable already being driven down and proposed increases to rents in the social housing sector, there is potential for there to be an insufficient funding within the Universal Credit to pay existing housing costs.

There is also a lack of clarity about how childcare costs are to be taken in to account in the calculation of Universal Credit. Set correctly this will incentivise work, set too low it will create a barrier to work and a potential risk to safeguarding children.

In all cases it is evident that the management of Universal Credit monies to meet costs will be difficult and recipients will have to decide what their spending priorities are. This will be exceedingly difficult for the most vulnerable residents to achieve and is another reason why local face to face support must be available to those that need it.

3.7 Key Issue 4: Links between welfare support and other local services.

Key Issues 2 and 3 highlight issues within the payment mechanism for residents. However, there are real concerns that the proposals for the payment of Universal Credit as a single payment to the a single individual within each household will have a significant and detrimental impact on

local public services and also services provided by landlords and the third sector.

The single payment proposal is likely to increase the level of default on rental payments which will place a high level of strain on the social and private rented housing sector. This in turn will create a strong demand for local authority housing services, such as increased need for housing advice and support and at the worst case increased incidences of homelessness.

Increased levels of rent arrears also creates an increased likelihood that private sector landlords will minimise the number of Universal Credit claimants they accept as tenants, so creating more demand for social housing.

Higher arrears levels will also ensure that registered landlords have less financial resources available to fund new housing, reducing growth in affordable housing.

Both registered landlords and local authorities with housing stock will need to increase resources devoted to rent arrears collection, reducing resources for other activities.

In addition to pressure on local housing services it is likely that pressures will arise in other services. For example those that have a dependency on drugs or alcohol may prioritise their monies for those purposes. This will create increased pressure on Police, Health and Social Services.

3.8 Key Issue 5: The Government has not yet clarified the precise method of implementing Universal Credit and the transfer of service from local authorities to Government.

A lack of clarity on the proposed method of transfer from existing benefits to the Universal Credit will provide significant uncertainty and worry for some of the most vulnerable residents in the County.

If the chosen transfer method is not properly designed it is likely to increase the costs of implementation including costs for Local Authorities in managing the closedown of their existing Housing Benefits Service. This includes issues such as backlogged claims, the resolution of overpayments and HR and IT costs associated with a service closure.

4. Solutions – Key Messages from Kent

4.1 Set out below are the proposed solutions to the issues set out above. These have been developed by the working group for the Kent Forum to consider as the key messages from Kent for lobbying Government. Some of the solutions offered cross over more than one of the issues raised and this is identified within each of the following paragraphs.

4.2 Solution 1: Provision of a local contact point to provide support to the Universal Credit system

(Addresses problems raised at Issues 1, 3, 4 & 5)

It is considered highly likely that the Universal Credit system has the greatest chance of successful delivery if support can be provided locally. This support could assist people in accessing the online service planned to be provided by the DWP, answer queries on Universal Credit and deliver solutions, provide support in managing money and provided linked up information and support with other local services such as housing. Local contact points will help reduce uncertainty and worry for residents.

Local support should include the ability to carry out the necessary verification of claims for Universal Credit, including income, capital, identity and place of residence.

To minimise the cost of a local support service it is recommended that the existing skills, experience and infrastructure at local authorities are considered as the first and best option. Previous experience has shown the propensity for residents to contact the local authority in times of need so there remains a strong likelihood that this will continue, with the subsequent need to re-direct vulnerable customers in need of support if local support is not facilitated by local authorities. It is also the case that landlords and third sector organisations that support the welfare system already have strong and familiar links with local authorities and it is likely that this contact will continue if they experience problems with tenants or customers.

With the forthcoming localisation of council tax benefit and parts of the Social Fund local authorities will continue to have an interaction with customers in need of welfare support and have a requirement to undertake financial assessments. The recommendations of the Commission on the Funding of Care and Support (the 'Dilnot Report') will, if implemented, also increase the number of financial assessments required in delivering Social Services and therefore increase local authority interaction on welfare issues still further.

In considering the need for local contact points to aid with the successful delivery of Universal Credit the eventual provider will require access to systems used to calculate, manage and pay Universal Credit to provide effective support. This is particularly the case for local authorities providing financial assessments for council tax rebate, homelessness and Social Service assessments. Without such access there will be costly duplication within the overall welfare system.

Local support providers will also require initial and ongoing training on expectations, system and processes. There will also be a need to ensure this new burden is appropriately and fully funded.

4.3 Solution 2: Create a safety net within the payment processes to ensure housing tenancies and mortgage payments are secured

(Addresses problems raised at Issue 2, 3 & 4)

If customers are unable to manage their Universal Credit appropriately because of a vulnerability or dependency it is essential that a mechanism exists to re-direct parts of the payment to the housing provider or lender to secure their occupancy.

This safety net could be in the form of trigger points as with the Local Housing Allowance, or a default option for certain categories of claimant or be available if requested by the claimant.

4.4 Solution 3: Ensure a mechanism exists for the swift transfer of payments between householders

(Addresses problems raised at Issues 2, 3 & 4)

To ensure the risk of families experiencing severe hardship there must be a mechanism for the fast track recalculation and transfer of Universal Credit payments between individuals within a household when the current recipient leaves the household.

4.5 Solution 4: Develop a proposal for a managed transition from existing benefits to Universal Credit

(Addresses problems raised at Issue 5)

The transfer of payments from existing benefits to Universal Credit must be a managed process which sets out clear timelines and roles for the DWP, local authorities and most importantly residents.

Any consideration of a natural transfer where residents migrate to Universal Credit when they place a new claim or have a change in their circumstances would provide too much uncertainty and worry for residents.

A managed transition would be more cost effective and would also reduce the period of uncertainty.

In developing a managed transfer process Government need to provide clear guidance on the arrangements for backlogged benefit claims and the responsibility and powers for the recovery of existing overpayments. Government also need to make arrangements for fully funding the exceptional costs of closing existing benefits departments including HR costs and IT costs.

4.6 Solution 5: Work with local authorities to evaluate the impact on local services, including education, housing, homelessness and social services

(Addresses problems raised at Issue 4)

There are real concerns that without taking on board the other solutions suggested above there will be an increase in demand for other local authority services from the introduction of Universal Credit.

Government should commit to working with local authorities to regularly assess the impact of their policy decisions after their implementation to ensure the desired outcomes are being achieved with no perverse impact on other services.

Part of this commitment should include reviewing the operation of Universal Credit in light of any findings and ensuring local authorities are properly funded to manage any increase in demand for their services.