

## **Universal Credit Update**

### **What is Universal Credit?**

1. Universal Credit (UC) represents a huge change to the welfare system and significant challenge to housing providers. It applies to all people of a working age and brings together six different legacy benefits into a single monthly payment. These benefits are; Income Based Job Seekers Allowance, Income Support, Child Tax Credits, Working Tax Credits, Housing Benefit and Income based Employment and Support Allowance.
2. Claimants are required to make their application online, which takes six weeks to be assessed and awarded.
3. The government's objective for UC is to make work pay. The reform is to help people move into and progress in work, whilst protecting the most vulnerable. UC is designed to replicate a monthly wage, replacing numerous individual benefit payments received at different times.
4. UC is paid monthly thereafter and in arrears, claimants will be expected to live without any benefit during the 6-week assessment period. In some cases, claimants can ask for advanced payments, which are paid back by reducing future payments.

### **Universal Credit Roll Out**

5. Roll out of UC is being done in stages and is to begin the full roll out in Waverley from July 2018.

### **Potential impact of UC on Waverley Council Tenants**

6. Studies carried out nationally indicate between 70 – 90% of UC claimants are in arrears. The average rent arrear being £772 (24housing, 25 July 2017).

7. Currently, only 25% of all WBC tenants are in arrears. The average arrear being £308.
8. Approximately 45% of our income comes directly from Housing Benefit payments and this equates to around £14m per year. Much of this income will cease coming to us directly each week.
9. Many of our tenants may be managing their own finances and budgeting for the first time. The initial delays in the award, poses a significant risk of the tenant borrowing money to live on and getting into debt during this period.
10. Evidence suggests that UC claimants require up to three times more contact, help and support than other tenants do as in many they have not had to pay their own rent before and often lack basic skills around monthly budgeting.
11. Tenants will have to make their claim online, which for many is likely to cause issues, both in terms of having access to a computer/laptop or tablet and being IT literate to complete forms online.
12. Tenants will be required to provide information, attend Job Centres for meetings and evidence they are proactively looking for work. These and others requests are subject to sanctions if not carried out and failure to meet these demands results in reductions and loss of payments.

### **Risks to Waverley Borough Council from UC**

13. The Rents Team will have to collect the income previously paid directly via Housing Benefit from the tenants. Approximately £14 million is received each year in the form of housing benefit (45% of rent roll). This is likely to see a 40-50% increase in workload.
14. The introduction of Universal Credit will mean significantly more rent will need to be proactively collected.

15. When Universal Credit is fully rolled out, having an effective, proven income management solution is crucial to maintaining a strong arrears performance. If systems/processes are not amended to deal with this increased workload (approx. 45-50% additional rent to proactively collect), there will be implications on early intervention, arrears prevention, staff morale and qualitative engagement.
16. Increase in tenants falling into significant arrears is likely to result in increase in court applications, which have a cost implication, currently £325 per application.
17. Increase in tenants losing their homes because of rent arrears has multiple financial implications, not least, increased debt owed and void costs. This also affects negatively on Waverley's aims of providing sustainable communities.
18. In order to mitigate as much of this risk as possible we require an effective and proven arrears management system that prioritises accurate workloads based on automatically analysing individual tenant behaviour patterns and that will be fit for purpose upon the introduction of Universal Credit.
19. Currently our Orchard housing management system does not provide the information we will need to manage the rent collection service effectively as it relies on providing recommendations (workflows) at the point in which a tenant has fallen into arrears.
20. This in many cases will be too late and will create a crisis management approach. The current system will not be fit for purpose in enabling officers to work at maximum capacity and wastage will be significantly exacerbated upon the full roll out of Universal Credit, which poses a massive risk to maintaining strong income streams.
21. To mitigate against this workload increase the options to Waverley are invest in:

- technology to eliminate unnecessary wastage and enable officers to maximise efficiency, or
- at least an additional 2.5 Rent Account Officers to respond to the increased workload.

22. Doing nothing would result in a significant increase in arrears, which would potentially impact on service to tenants.

### **What Next?**

23. The Benefit Manager is meeting with the DWP on 31 October to discuss the go live of UC for all new claims in July 2018.

24. There are training courses available for UC that will be offered to all staff that it relates to.

25. A strategy to support the most vulnerable tenants affected is to be devised with a communication plan. The Welfare Benefit Officer will take the lead on this, supported and directed by the Rent Accounts Manager.

26. A Business Case has been prepared by the Rent Accounts Manager to consider the purchase of RentSense, a software system designed specifically to mitigate the risks and improve rent collection through using algorithms to analyse payment behaviours, aggregate trends, highlight risk and provide predictive intelligence. The output is streamlined accurate workload, earlier intervention, improved efficiencies, lowered cost of collection and reduced arrears.

### **Conclusion**

27. There is much adverse media publicity regarding the roll out of Universal Credit and evidence to support the scale and likelihood of the impact on tenants and Council resources. Work needs to continue between now and July 2018 to raise awareness, provide advice and support and review processes and systems.