

<b>Scrutiny Committee:</b>	Health & Social Care Review Group (HSCRG)
<b>Date of Meeting:</b>	21 June 2021
<b>Subject:</b>	Update on the impact of Universal Credit in Luton
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## Purpose

1. To update HSCRG on the impact of Universal Credit in Luton

## Recommendation

2. **To note the update from officers on Universal Credit and decide if another report is required and when it should be presented.**

## Report

3. Universal Credit full service for all postcodes in Luton was rolled out from 21<sup>st</sup> November 2018.
4. The managed migration of cases in Luton is expected to be at the end of the national timetable and still estimated to start in the summer of 2023. However, due to the impact of the COVID-19 pandemic, the natural migration of claimants from Housing Benefit has been accelerating.
5. At present the financial impact of the pandemic is causing a rise in unemployment and this is one of the key life events that may cause movement from Housing Benefit and onto Universal Credit.
6. By December 2023 all legacy working age Housing Benefit claims are expected to have migrated to UC.
7. There are very few exceptions that will remain on HB:
  - a. Pensioners
  - b. People in temporary or supported accommodation
8. In Luton, we use the Low Income Family Tracker (LIFT) from Policy in Practice to provide insight into the UC claimant data.
9. The LIFT dashboard indicates the following information about households that are receiving council tax reduction (CTR) and UC:
  - a. Of the 22,114 households on UC only 17.4% (3,841) are claiming CTR.
    - i. Of those 3,841 claiming CTR, 2,145 are in poverty.
    - ii. 253 have a cash shortfall.
    - iii. 1,734 are in council tax arrears.
    - iv. 231 households have left housing benefit and moved to UC but not claimed CTR as of April 2021.

10. The largest group profile of those worse off under UC is: single, not in work and living in any form of housing.
11. If the current claimant base of HB working age claimants was to migrate to UC today:
  - 67.02% (5,168 households) would be better off.
  - 31.54% (2,432 households) would be worse off.
12. The following households are of concern and will be worse off as and when managed or natural migration occurs:
  - a. 58 households will have a change in circumstances leading to a new claim for UC by identifying lone parents with their youngest child turning 5 in the next 6 months. These households will stop receiving Income Support and will claim UC instead.
  - b. 4 households that are in arrears and face a cash shortfall, would be worse-off when they move on to Universal Credit.
  - c. 1,383 households subject to conditionality. Universal Credit will introduce an element of in-work conditionality for recipients who are in work but earn below a certain threshold. In Luton, we have identified households that are currently in work and would be subject to in-work conditionality because their earnings are below the required threshold.
  - d. 543 self-employed households. Similar to the in-work conditionality threshold, this will be set at the number of hours a self-employed individual is expected to work multiplied by the minimum wage. Although the Minimum Income Floor (MIF) has been suspended due to Covid-19, until the end of July 2021. For households earning below this threshold, Universal Credit will be awarded based on an assumed level of income rather than actual earnings. 77.2% of self-employed households in Luton will see a fall in their Universal Credit entitlement as a result.
  - e. 1,811 households receiving a non-dependant deduction. Universal Credit has a single-rate deduction for non-dependants set at £75.15 per month, as opposed to the current system.

In previous reports, we have reported on council tax collection rates but these have now been negatively impacted significantly by the COVID-19 pandemic. It is impossible to split out the impact of UC alone.

Council Tax Collection 2020/21 target was 96.50% and this target was reduced to take into account the UC Rollout as previous year's target was 97.0% and we collected 90.94% therefore 5.56% behind the revised target.

Council Tax Collection 2021/22 as at 30th April 2021 target was 11.51% and we have collected 11.08% therefore 0.43% behind target.

13. The latest figures from the DWP show that the rate of UC take up since COVID-19 started has been continually rising. This is probably associated with the rise in unemployment.

## Universal Credit Claimants

	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
Total	18,786	19,397	19,665	20,092	20,472
Increase		611	268	427	380

14. The figures for Luton Job Centre showing the breakdown of households by family type shows that single households with dependant children is the biggest increase for the same period

		Single, no child dependant	Single, with child dependant(s)	Couple, no child dependant	Couple, with child dependant	Total
Oct-20		14055	6479	1381	4270	26185
Nov-20		14453	6756	1365	4353	26927
Dec-20		14558	6935	1355	4429	27277
Jan-21		14818	7136	1375	4502	27831
Feb-21		15010	7219	1410	4659	28298
		6.08%	11.42%	2.09%	9.11%	

15. Due to resource commitments during the pandemic, the Task and Finish Group for Universal Credit has not met on a regular basis to review the impact of Universal Credit on the community. Despite this, it continues to monitor the critical indicators that it set. The Task and Finish Group has representatives from most areas of the Council and the main voluntary sector organisations and of course the Department of Work and Pensions.
16. The list of critical indicators defined by the Task and Finish group to indicate if the roll out of UC is impacting Luton adversely compared to national averages has been updated and is shown below.
17. The implementation of UC has had limited impact on the rent arrears in temporary accommodation as this is currently excluded. However, there has been an impact on the rent accounts of secure tenants. As at the end of May 2021, just under £3.8m of the income from HB has been lost and this has transferred over the UC. This has meant that the housing element of the UC payment is now paid direct to the tenants and they are expected to pay their rent.
18. This is a change for many of our tenants and has resulted in an increase in our rent arrears. In addition the COVID-19 pandemic has speeded up this process, as tenants move from HB to UC when there is a change in their circumstances. Many of our tenants are in insecure or service related roles and have been impacted adversely. Data from Rent Sense (our Housing arrears case prioritisation system) supports this finding, and shows that Luton had a high number of cases moving from HB to UC in 2020. This appears to be linked to the effects of COVID-19 on the local labour market.

19. A number of tenants are going onto Alternative Payment Arrangements (APAs), which are put in place where tenants have high arrears and/or where they are vulnerable. In October 2020 we had 757 tenants on APAs, but the number has now dropped to 543. Although the level has dropped since last October, it remains a significant proportion of our tenants.
20. Council rent arrears increased during 2020 from £1,117,299, at the end of the previous year, to a high of £1,528,492 in September 2020. Some of this increase was due to COVID-19, but a proportion was due to the move over to UC. The change for households of receiving the housing element with their other benefits, and having to pay that over to the Council was a culture change for many. This was also at a time when many households were being financially affected by COVID. This caused additional pressure in the housing team and in other teams involved with income management.
21. By the end of 2020/21 the situation had improved with current tenant rent arrears falling to £1,098,187, which is £19,112 lower than the end of the previous financial year, and a drop of £430,305 from the high in September 2020. Some of the improvement was due to a change in the way that APAs were paid. They changed from lump sum payments, to payments made to the Council at the same time as the UC payment was made to the tenant. This has evened out the rent arrears figures, making them less volatile, and has helped with management of the rent accounts, although it has caused an increase in administration.

The critical indicators that have currently been gathered at the end of May 2021 are shown below and show that broadly Luton is coping with UC as expected with most indicators being near or better than the national average.

Area of monitoring	Critical Indicator	June 2021 Update	RAG
<b>Council Tax Debt prevention</b>	Cases on UC are held from summons until UC is in payment	Due to Covid-19 only 3,000 summons were issued instead of the normal 15,000	Green
<b>Foodbank Use</b>	Food Bank usage increases less than 30%.	This is increasing and we are awaiting the latest figures, but the increase is more related to COVID-19.	Amber
<b>Discretionary Housing Payments</b>	DHP applications increases less than 10%	DHP applications have not increased. In November 2018 there were 126 applications and in November 2020 there were 114 applications. However 120 were received in April 2021.	Green

Area of monitoring	Critical Indicator	June 2021 Update	RAG
<b>HB workload reduction</b>	Caseload continues to reduce	Caseload reduction for 2020/2021 is 10.29%.	Green
<b>Free School Meals retention</b>	Then number of FSMs drops less than 10% in the year following implementation	April 2021 9968 cases Increase of c. 22% since April 2020 Increase of c. 6% since Nov 2020	Red
<b>UC total caseload in LU1 to LU4</b>	Number of claimants on UC expected 19,000 total	Latest figures at April 2021 - 22,144 total	Red

22. Children entitled to Free School Meals cannot access them until UC is in payment and schools are aware of this potential problem for some UC households and close monitoring of the situation continues.
23. Officers will continue to monitor the critical indicators and suggest H&W receive the next update in September 2021, which will report the position at the end of Q2 and nearly 3 years on from full service roll out.
24. The key risks with Universal Credit are well documented and include:
  - a. Some claimants being worse off under UC and increasing the demand on local discretionary funding such as Council Tax Reduction, Crisis Support or Discretionary Housing Payments.
  - b. Waiting for five weeks without savings and when you are used to regular wages is difficult for everyone, but impossible for some. Likewise, consistently receiving less than you need, because you are paying back an advance can push people over the edge and into destitution.
25. The impact of Universal Credit financially for the Council is to drive up expenditure on Council Tax Reduction and increase potential housing costs if more people present as homeless.
26. The other main potential increase will be in Council Tax and Housing Rents debt. This will not become apparent until more residents are on UC.

**Proposal/Option**

27. As per recommendations.

**Appendix (if any)**

None

**List of Background Papers - Local Government Act 1972, Section 100D**

None