


Cabinet 28 November 2017	 TOWER HAMLETS
Report of: Zena Cooke, Corporate Director, Resources	Classification: Unrestricted
Universal Credit and Local Council Tax Reduction Scheme – Support for Residents	

Lead Member	Councillor Sirajul Islam, Cabinet Member for Housing
Originating Officer(s)	Ellie Kershaw
Wards affected	All wards
Key Decision?	Yes
Community Plan Theme	Tackling Poverty

Executive Summary

Tackling poverty is a Mayoral priority, with a budget of £5 million having been set aside to enable work to be undertaken that will assist those residents in the borough living or at risk of living in poverty.

A range of projects are currently being developed that will contribute towards this aim.

The most pressing issue that has been identified is the roll out of Universal Credit (UC) across the borough, and the potential difficulties this may pose for the borough's residents including those in receipt of Local Council Tax Reduction and in particular self-employed claimants. In order to mitigate the impact, this report is proposing to ensure that the Council provides timely and holistic support to residents going through this transition. This support will be funded through the Mayor's Tackling Poverty Fund.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Approve the creation of an internal advice and support service for residents affected by the roll out of Universal Credit and self-employed residents in receipt of Local Council Tax Reduction.
2. Agree that specialist services should be commissioned as set out at 1.2 from a range of independent agencies.
3. Delegate authority to Corporate Director of Resources, after consultation with Corporate Director of Governance, to enter into any necessary agreements following a procurement exercise for the specialist services
4. Note the budget from which staffing requirements is to be funded derives from the Tackling Poverty Fund.

1. REASONS FOR THE DECISIONS

- 1.1 The creation of an in house advice and support team would allow the Council to keep an ongoing record of advice and support offered, ensuring that referrals are made as required to, for example, debt advice, employment support and for Discretionary Housing Payment.
- 1.2 However, in order for customers to access the best quality and range of provision, specialist services would be better commissioned from other organisations with specialist knowledge of key areas of provision, such as advice in community languages, support for those with mental health conditions and those affected by domestic abuse.

2. ALTERNATIVE OPTIONS

- 2.1 The Council could choose not to provide or fund advice to residents on the basis that Universal Credit is the responsibility of the Department for Work and Pensions (DWP) and not the Council. This option is not recommended as it would leave residents with little or no support, will impact on recipients of the Council's Local Council Tax Reduction scheme, significantly increasing the risk of poverty and homelessness.
- 2.2 The Council could offer its own internal advice and not fund any other providers. This option is not recommended as it removes the option to commission specialist services that may be required.
- 2.3 The Council could choose to commission external advice only. This option is not recommended as the Council would lose a number of opportunities to record advice and map customer progress, leading to the ability to undertake proactive and informed support work with residents.

3. DETAILS OF REPORT

Universal Credit

- 3.1 Universal Credit (UC) replaces several existing "legacy benefits" for working age residents including: Housing Benefit, Job Seekers Allowance, Employment Support Allowance, Tax Credits and Income Support. There are two elements to UC: Living costs, which replace JSA, ESA, IS and Tax Credits and Housing Costs which replaces Housing Benefit. The entire claim is administered by the DWP and not by the Council.
- 3.2 UC will usually be paid via a single payment to the applicant monthly in arrears. This means only one member of the household will receive the payment some of which would previously have been paid to both partners in a couple. This raises some potential issues, particularly in households where there are issues of domestic or financial abuse or child poverty for example. It also raises the requirement for budgeting support in some households as currently payments are made weekly.
- 3.3 UC is assessed using a common assessment criteria and an income taper in the same way as legacy benefits, the maximum amount of UC comprises of

standard components for the household composition. It includes a Housing Cost element for rent if applicable. It will also include ‘premiums’ for disability, limited work capability and caring responsibilities. Where a claimant is not in work this will be the total amount payable, where a claimant is in work the total monthly UC amount is reduced by the earnings, less a work allowance of either £192 (if rent is paid) or £397 (if no rent is paid). A taper of 63% is then applied. For example:

Maximum Universal Credit per month	£2000	This is the maximum UC entitlement for this person
Earnings per month	£1,000	Earnings are taken into account in the assessment of UC subject to a set disregard known as the “work allowance” and a taper
Less work allowance	£192	The work allowance is subtracted from the net earnings. So, £1000 - £192 = £808.
Less 63% taper	£509.40	A 63% taper is then applied to the £808, which equals £509.04
Total Universal Credit paid to household	£1490.96	UC is calculated by subtracting £509.04 from maximum UC. So, £2000 - £509.04 = £1490.96. This is the monthly UC award.

3.4

Both working and non-working households are eligible to claim UC. However, households with more than two children, pensioners and some persons from abroad are currently ineligible.

3.5

Conditions are placed on the claimant, with a claimant commitment being agreed to during the application process. If the claimant does not comply with their commitment to either find work or increase their working hours, they can be sanctioned or even have their UC ended.

3.6

Claims for UC are made and maintained online, meaning that the Council’s digital inclusion work will become even more important. The DWP want UC claimants to access UC services online. UC claimants can contact by phone but this previously incurred high call charges at a premium rate (this has now been ended). Payments can only be made into a bank account or Credit Union account, so urgent work will need to be undertaken to get unbanked residents into mainstream financial institutions.

3.7

Claims for UC take a minimum of six weeks to process, but current information indicates it is not uncommon for it to take up to 12 weeks. UC also has a waiting days period of seven days for which only specified UC claims qualify for payment. As all benefits are combined into one UC payment, this means the household receives no money during the assessment period. The claimant can apply for an advance, but repayment terms are over a short number of payments so could cause future hardship. Local food banks have reported they are already seeing an increase in

demand and have expressed concern that the support required under UC is much greater than under legacy benefits.

- 3.8 The Benefit Cap will be applied to UC entitlement and can extend to the Living Cost element; this is important as it is not contained purely to Housing costs as it currently is with Housing Benefit. Consequently the negative financial impact will potentially be even greater on a household's finances under UC.
- 3.9 The Housing Cost element will be subject to Local Housing Allowance (LHA) restrictions and the Social Rented Size Criteria (SRSC) otherwise known as "the bedroom tax" as is the case with Housing Benefit. LHA rates limit the amount of Housing Costs payable in the private sector, for example the maximum amount that can be paid for a claimant requiring two bedrooms is £1,310.10 per month. With regard to the SRSC anyone in social sector housing whose home has more bedrooms than they require will lose 14% of their housing costs for one bedroom and 25% if they have two or more extra bedrooms.
- 3.10 UC awards could fluctuate on a monthly basis particularly for those applicants working variable hours as "real time" adjustments are made to UC claims. This means that the claimant will have less certainty in terms of what they will receive each month as their earnings and UC entitlement fluctuate.
- 3.11 There are a number of housing issues related to Universal Credit. Residents are expected to pay their rent to their landlord rather than a direct payment being made as is the current case for the social rented sector. Added to the issues of a monthly payment, and the delays in processing UC claims there is a significant risk of arrears. Tower Hamlets Homes reports that of 300 tenants currently on Universal Credit, arrears of £371,796 have accumulated. The council's Homeless Service reports high levels of rent arrears among households on UC. Landlords can apply to have the rent element paid direct to them if they can convince DWP that the applicant would have difficulties paying the rent or is unlikely to do so. They can also apply for this once the claimant is in arrears. However, this is at the discretion of the DWP and the Council has no influence over the decision.
- 3.12 The council's role in the administration of Universal Credit is extremely limited. Under the Full Service UC roll out, administration is confined to ending Housing Benefit entitlement on UC claims and calculating LCTR entitlement. Previously the council's Benefit Service worked in partnership with DWP for the roll out of single claimants and through direct liaison arrangements for this phase, the council was able to identify and rectify errors directly in partnership with DWP. Under the Full Service roll out the council no longer has direct liaison access with DWP to remedy incorrect UC assessments. This is because the DWP national model design for UC Full Service excludes Local Authorities from liaising on such cases, instead the DWP expectation is that UC claimants themselves are expected to identify errors on their own claims and to take these up with Universal Credit Service Delivery Centres themselves or to seek help from Advice Agencies who are then expected to telephone the UC national help line rather than any direct liaison

arrangements. It should also be noted that only MP's presently have authority to write and enquire to DWP on behalf of UC claimants experiencing difficulties. The council is challenging the DWP on these liaison issues and providing evidence of substantial error rates on UC assessments which officers are identifying.

- 3.13 In March of this year, Southwark, Croydon and Hounslow councils made a submission of evidence to the Work and Pensions Select Committee, followed by a letter to the Secretary of State in July. They were subsequently approached by the Select Committee to provide updated evidence. This included the impact of rent arrears, the development of a landlord portal, consent issues and the shortcomings of existing arrangements for alternative payments. In order to add weight to their evidence, both Tower Hamlets and Hammersmith & Fulham were requested to provide evidence to add to the submission, showing the patterns among the five boroughs. This information was provided and further activity will be undertaken as required to inform policy at a national level.
- 3.14 The provision of advice is just one of a range of measures that the Council is either already, or intends to take to tackle poverty in the borough. Other work initiatives include a revised Resident Support Scheme that is intended to help residents not only with their short term needs in terms of goods and support, but also to assist them to improve their financial circumstances in the long term. The Council also has a number of services that provide advice and support as part of the Tackling Poverty agenda, including Workpath, The Economic Growth Team, Housing and Children's Centres Team.
- 3.15 The Council is also involved in research projects with both the Child Poverty Action Group and the Chartered Institution of Housing to ascertain the impact of UC on different groups within the borough and to provide evidence that can be shared with DWP policy makers. It is hoped that providing evidence of the issues caused by the current implementation of UC will result in improvements to the system and changes in policy where necessary.
- 3.16 If approved, the Tackling Poverty Reference Group will be consulted on this proposal

Support for Residents affected by Universal Credit changes

- 3.17 In order to assist residents through the implementation of UC it is important that they are able to access good quality, timely advice and support. A range of options has been considered as to how this advice and support could be provided, and the most effective method is considered to be the creation of an in house advice team for first stage generic advice and support and the commissioning of specialist advice services from a range of independent bodies across the borough.
- 3.18 It is envisaged that this support will also be opened up to those benefit capped households who have not transitioned to UC due to their household size.

- 3.19 It is proposed that the in house team be recruited from the existing Housing Benefits team at an approximate cost of £250k per year for two years, with a review at the end of year 1 to evaluate the impact the team has made. It is also proposed that a separate £250k funding per year for 2 years be made available to commission specialist services from relevant agencies that are identified and not already available from existing service provision. All commissioned services will be subject to monitoring and evaluation and their impact will be formally assessed and reported on.

Support for Self Employed Residents in receipt of Local Council Tax Reduction

- 3.20 In addition to the changes resulting from the UC rollout, the Council made changes to its own Local Council Tax Reduction Scheme (LCTRS) this year, retaining a scheme that continued to provide up to 100% reduction, but making a number of changes to the assessment criteria that took account of the changes that will mean the Council will no longer be responsible for Housing Benefit for working age claimants. One of the changes made was the introduction of a Minimum Income Floor (MIF) based on 35 hours work at the National Minimum Wage. This is the same criteria as is applied under UC and will increasingly impact on the borough's self-employed claimants as UC is fully rolled out.
- 3.21 The change to the LCTRS has had an impact on some self-employed claimants and given that the impact when they move to Universal Credit will be significantly greater and cover all of their living and housing costs, it is proposed that this group of claimants would benefit from additional support to grow their business or find alternative work. In order to ensure that the Council is providing a holistic service, it is proposed that the UC support offer also be opened to this cohort of people to ensure they have sufficient support.

Support for residents with disabled non-dependants

- 3.22 Under the new scheme, deductions for non-dependents living in the household are based on the gross amounts of weekly income they have, including any benefits. In some cases those adult non-dependants with a disability who get DLA, PIP or ESA will incur a deduction that is greater than the lowest deduction due to level of income they have. It is acknowledged that these households may incur additional disability related expenditure and the council is keen to ensure that they do not suffer hardship due to the LCTRS changes. All households with disabled non-dependant adults in receipt of PIP or DLA potentially affected by the change to non-dependant deductions are in the process of being contacted by the Council's benefit service to consider a discretionary reduction to their council tax liability in accordance with S13A of the Local Government 1992. The support provided to these households will be closely monitored to identify any wider support from the Council and its partners that may be considered appropriate.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 The phased introduction of Universal Credit (UC) presents a number of challenges for residents previously in receipt of Housing Benefits as it is a consolidation of many benefits into one payment. The Council is also facing significant challenges both operationally and financially as a result of Universal Credit.
- 4.2 Tackling Poverty is a Mayoral priority and this report proposes to allocate £500k per year for two years to provide residents with essential support throughout the rollout of UC.
- 4.3 Tackling Poverty is supported by The Welfare Reform Reserve which totals £5m over 3 years. The Council also receives some funding for administration which will be used to fund the team.

5. LEGAL COMMENTS

- 5.1 This report is seeking the approval of Cabinet for the creation of an internal advice and support service for residents affected by the roll out of Universal Credit and self-employed residents in receipt of Local Council Tax Reduction.
- 5.2 This report also seeks approval for the commissioning of specialist support services from external contractors to provide advice and assistance to residents (Services).
- 5.3 The Council has power to enter into a contract for a third party to deliver the Services which arises by virtue of section 111 of the Local Government Act 1972, providing the power enabling the Council to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. Furthermore, under section 1 of the Localism Act 2011, the Council has the power 'to do anything that an individual may do' 'for the benefit of the authority', its area or persons resident or present in its area'. The Council may be satisfied that it has the enabling power(s) to commence a procurement process and award any contracts for the Services further to a competitive tender.
- 5.4 The proposal to create an internal advice and support service for residents and the commission of specialist services as set out in the report can be supported by the exercise of the Council of its general power of competence.
- 5.5 The subject matter of the Services falls within the description of Part 2 of the Public Contracts Regulations 2015 (Regulations) and the estimated value of the contract (circa, £250k per year for two years) falls below the relevant threshold contained in the Regulations. In view of this, the Council would not be required to fully comply with the Regulations. However, the Council must subject the Services to a level of competition to ensure compliance with the principles of transparency and equal treatment in any event. In this regard, the Council should advertise the opportunity to tender for the Services in

publishing forums such as the Council's tendering portal and relevant local magazines.

- 5.6 The Council's procurement procedures (Procedures) require that for this type and value of procurement for the Services, the "tollgate" process is followed and it would appear from the information provided that those relevant requirements have been complied with to date.
- 5.7 Given that the Council is not subject to the Regulations as stated in paragraph 5.5, the Council has considerable discretion in the form and manner of any tendering exercise it instigates provided that all the bidders are treated in a fair and open manner. These include:
- a) The ability to have a shorter time frame for procurement.
 - b) The ability to talk about the procurement before the procurement – by engaging with the market and relevant stakeholders.
 - c) The ability to be creative with award criteria (but linking them to subject-matter of the contract). For example, the empowerment of service users, and taking into account their needs, are ostensibly encouraged in that the ability of procurers to do so is specifically referred to.
 - d) Awarding contracts in lots, and limiting the number of lots which a single supplier can bid for – or even win.
 - e) Potentially, the ability to go beyond the "traditional" lists of mandatory and discretionary exclusion criteria – and to introduce others (as long, of course, as they are relevant, reasonable and proportionate and do not breach equal treatment and transparency).
- 5.8 The anticipated reduction in workload for the Housing Benefits team may create a redundancy situation. The creation of an in-house advice and support team could provide suitable alternative work for the affected employees and reduce the costs to the Council of any such redundancies. The Council will need to have regard to the requirements of the Handling Organisational Change procedure when making these decisions.
- 5.9 The Council has an obligation as a best value authority under section 3 of the Local Government Act 1999 to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness." Compliance by the Council with its own Procedures in tendering for the services should assist to satisfy these requirements.
- 5.10 When considering its approach to contracting, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who do not (the public sector equality duty). Officers are expected to continuously consider, at every stage, the way in which procurements conducted and contracts awarded satisfy the requirements of the public sector

equality duty. This includes, where appropriate, completing an equality impact assessment which should be proportionate to the function in question and its potential impacts.

6. ONE TOWER HAMLETS CONSIDERATIONS

Equality and diversity considerations have been considered in these proposals. It is not considered that there are any negative implications arising as a result. Indeed, it is considered that the proposal will benefit those adversely affected by the introduction of Universal Credit.

7. BEST VALUE (BV) IMPLICATIONS

7.1 The Best Value duty requires the Council to 'make arrangements to secure continuous improvement in the way in which its functions are exercised , having a regard to a combination of economy, efficiency and effectiveness'

7.2 The proposed support aims to provide a service that will help to mitigate cost pressures on Council services such as homelessness and on arrears.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

There are no environmental implications.

9. RISK MANAGEMENT IMPLICATIONS

9.1 The risks arising from the implementation of Universal Credit in the borough will be managed by the in-house team in the Housing Benefits Service.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

10.1 There are no crime and disorder reduction implications.

11. SAFEGUARDING IMPLICATIONS

11.1 There are no direct safeguarding implications arising from this report.

Linked Reports, Appendices and Background Documents

Linked Report

- None.

Appendices

- None.

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- None.

Officer contact details for documents:

N/A