



Report to: Communities Committee, 4th February 2019

Report of: Corporate Director - Finance and Resources

Subject: UNIVERSAL CREDIT HARDSHIP FUND

1. Recommendations

- 1.1 That the Committee recommends to the Policy and Resources Committee that the purpose of the Exceptional Hardship Fund reserve be extended to:**
- i. include claims from Universal Credit claimants for support other than Council Tax Support**
 - ii. provide an annual grant of £15,000 p.a. to Worcester Food Bank for the three years 2019/20 to 2021/22; and**
- 1.2 That the Committee recommends to the Policy and Resources Committee to delegate authority to the Corporate Director Finance and Resources to authorise payments from the Exceptional Hardship Fund in accordance with the proposals in the report.**

2. Background

- 2.1** Universal Credit (UC) is the government's welfare scheme which aims to simplify the benefits system for working age people by bringing together out of work and in work benefits, improve the transition to employment and make work pay by removing disincentives to work.
- 2.2** Full Service Universal Credit was introduced to new claimants in Worcester in October 2018. The number of registered claimants is not currently known. Discussions are taking place with local officers of the Department for Work and Pensions (DWP) regarding information that can be provided regularly to the Council to help monitor the progress of UC but the Council has been advised that this information is not currently publicly available.
- 2.3** The impact of the introduction of UC, alongside a range of other welfare reforms, is difficult to monitor due to its complexity and the fact that individuals will have very different experiences based on their circumstances. However a number of studies have highlighted possible implications for vulnerable residents in particular, who have barriers to employment, and who could be at risk of greater poverty and housing instability.
- 2.4** Working with Civica, the provider of the South Worcestershire Revenues and Benefits partnership service, a range of communication activities have taken place with residents, staff and partners to ensure that people affected are prepared and know where to access support. This is supported by work underway within the Council

around employment and skills, including initiatives to support long-term unemployed into work.

2.5 At the Council meeting of 30 October 2018 a motion was agreed as follows:

Worcester City Council is concerned that the roll out of Full Service Universal Credit in Worcester will cause hardship to many families and vulnerable individuals in the city. Council notes with concern that where Full Service Universal Credit has already been introduced, foodbank use has increased by 50%, rent arrears have spiralled and many have fallen into debt. Council further notes that as many as 6,600 local families, including 11,300 children, will be affected by the roll out of Universal Credit in Worcester.

In order to address the financial hardship these families and vulnerable individuals may experience as a result of being put onto Universal Credit, Council directs officers to report back to the next available Communities Committee with:

- 1. Initiatives that should include setting up a Universal Credit Hardship Fund of up to £50,000 to help with the immediate, short-term needs of vulnerable households who are experiencing a crisis or exceptional financial pressure as a direct result of their transition to Universal Credit;*
- 2. Agreed guidance and procedures for the administration of such a Universal Credit Hardship Fund that enables applications to be assessed and authorised and funds made available within three days, and*
- 3. A plan to monitor the impact of the roll out of Universal Credit in Worcester through regular monitoring reports to Communities Committee, drawing on evidence from DWP and partner organisations, including voluntary sector and charitable organisations.*

2.6 This report to the Communities Committee sets out the proposed arrangements to comply with this Motion.

3. Universal Credit payments

3.1 Universal Credit replaces six means tested benefits and tax credits known as the legacy benefits which include:

- Income-based Jobseekers Allowance
- Income-related Employment and Support Allowance
- Income Support
- Child Tax Credit
- Working Tax Credit
- Housing Benefit (unless living in 'specified accommodation'; or where there are three or more children in the household)

3.2 Universal Credit is claimed by those on low to moderate income, whether in work, or out of work because they are seeking work, caring, or too ill to work. Universal Credit consists of a core 'personal allowance' plus additional payments depending on the claimant's situation e.g. housing cost allowance, extra allowance for children, or disability allowance. The monthly payments automatically adjust to income from employment, since 'real time' income information is taken from HMRC.

3.3 The default approach to UC payment is:

- The claimant will receive one payment each month into their nominated bank or credit union account and will be expected to manage this amount themselves, including rent payments to their landlord
- Claims are paid as one payment to a single nominated account for the household, rather than to individuals within the household. There is a 5-6 week window between the date of the claim and the first payment. The first seven days of this window are not allowed for as these are an information gathering stage and there is no back-dating of claims.

3.4 A claim for UC is made online and the ongoing management of the claim is via a digital portal. Therefore claimants will be required to have a certain level of digital skills. They will also require a bank or credit union account, email address and photo ID (or verification of their identity via an interview with their Jobcentre Plus work coach) to complete their claim.

3.5 If a claimant moves into full time employment and no longer receives any UC payments, they remain a UC claimant for six months. However if their employment income falls again during this period they need to update their online UC claim. Their UC claim does not automatically start paying again.

3.6 A few groups remain exempt from UC and will continue to claim the legacy benefits until further notice. This includes pensioners, people living in certain types of Supported Housing and families with more than two children. However the Government has recently announced changes to the system including:

- Bringing families with three or more children into the UC regime
- Those with severe disability premium remaining as HB claimants.

3.7 The Government has also recently announced that the start of the full roll out of Universal Credit will be delayed. This means that the system will be open to new claimants only, although the intention is that transfers from legacy claims will still be complete by 2023. A pilot of the roll out will be undertaken in July 2019, which will involve the transfer of 10,000 existing claimants.

4. Existing support for claimants

Personal Budgeting Support and Assisted Digital Support

4.1 DWP have provided Local Authorities with small amounts of funding to commission Personal Budgeting Support (PBS) and Assisted Digital Support (ADS) for UC claimants. Worcester City Council has received approximately £3,000 to help with PBS, while Civica has received approximately £8,000 to cover changes in the benefits administration system as well as digital support.

4.2 PBS helps claimants to manage their monthly benefits. ADS provides support with new online claims for UC and is intended to ensure that the claimant has the digital skills to maintain their claim on the digital portal. In Worcester, PBS has begun to be delivered by Housing Staff based at the Hive and ADS is provided by Civica staff also based there. However, in November, the Government announced that PBS and ADS

will be provided by Citizens Advice from April 2019 and Local Authorities will no longer be funded for this work.

- 4.3 It is essential that UC claimants have access to these forms of support. In addition to face-to-face and telephone contacts , signposting to support is available through a portal on the Council’s website at: <https://www.worcester.gov.uk/universal-credit>
- 4.4 Latest information on access to this support is provided in Table 1. As yet, a relatively small number of claimants have sought this support.

Table 1: PBS and ADS delivered as at 1 January 2019

	Oct 2018	Nov 2018	Dec 2018
Total Universal Credit Claims made	TBC	TBC	TBC
Total Universal Credit Claims made where claimant received full Advance payment	TBC	TBC	TBC
PBS Referrals Received	0	0	0
PBS Referrals – Completed	0	0	0
PBS - no shows	0	0	0
Completed ADS (Assisted Digital Support) appointments - where Hive staff have supported customers to apply for UC online and set up email addresses.	9	18	6
No show ADS appointments	3	5	0
Signposting, advice or guidance for UC - Where Hive staff have provided	7	7	2

Advance and Direct Payments

- 4.5 Advance payments (loans) are available via the Jobcentre Plus Work Coach if claimants need assistance in the initial 5 to 6 week period between making a claim and receiving the first payment. This advance payment is deducted from subsequent UC payments until it is fully recovered. In November the Chancellor announced that from October 2019 the maximum deduction from any monthly amount would be reduced from 40% to 30% of the standard allowance. From October 2021 the period over which advance payments can be recovered will be extended from 12 to 16 months.
- 4.6 Latest information provided by the DWP (to June 2017) is that 48% of UC claimants are applying for and receiving advance payments for new claims, changes of circumstances and transfers from HB.
- 4.7 The DWP has discretion to alter the payment arrangements for claimants who are deemed to be vulnerable, for example those suffering from domestic violence or those who have alcohol/ drug dependency. This is discussed with the Jobcentre Plus work coach handling the claim. Registered Housing Providers also have the power to request alternative payment arrangements for their tenants, for example those with substantial rent arrears or those considered vulnerable. For claimants who are considered never able to manage their claim digitally, the claimant or a

representative needs to visit a Jobcentre Plus office to make alternative arrangements.

Discretionary Housing Payments and DWAS

- 4.8 Discretionary Housing Payments (DHPs) are made available by the City Council for Housing Benefit and UC claimants who have housing costs included in their UC payment. Claims may be considered by the Council's Revenues and Benefits Service where a UC claimant is struggling to pay their rent and requires temporary assistance. There is a detailed assessment process for accessing this support.
- 4.9 The government provides councils with a grant amount up to an agreed threshold to meet DHP costs and any money not spent in the year to which it relates is returned to government as unspent. The Council is able to fund above this amount but this is funded from the Council's budget.
- 4.10 Although housing costs are included within the UC award, those residents requesting additional discretionary support are still directed to the Council's DHP scheme. There is an increasing burden on the scheme. The Table 2 shows current year spend to date and previous years' award information as background.

Table 2: DHP awards made and costs against Government contribution

	2015/16	2016/17	2017/18	2018/19 (to date)
Government contribution	£148,985	£167,738	£220,893	£199,356
Total expenditure	£135,048	£164,706	£204,317	£141,688 paid/committed to date (31/12/18)
Under/(over) spend	£13,937	£3,032	£16,576	£57,668
Total awards	449	500	590	403 to date

- 4.11 The Council continues to operate a Discretionary Welfare Assistance Scheme (DWAS), which will provide assistance in the form of goods or vouchers, including food vouchers, to help individuals or families facing exceptionally difficult circumstances or an emergency. This is currently administered by the Revenues and Benefits Service with support from the Housing team at the Hive. This has an annual budget of £145k including £30k staff costs for operating the scheme.

Council Tax Support

- 4.12 UC claimants can also obtain help with Council Tax through the Local Council Tax Support Scheme (LCTSS). For Housing Benefit claimants, applications for Council Tax Support (CTS) are considered automatically. However, UC claimants must make a separate application for CTS. The CTS award made to each claimant is based on expected income. As the UC is updated every month, this also requires the CTS award to be reviewed every month. To mitigate the increased administrative burden this presents, CTS claims are not revised where the change in UC results in a change in CTS of less than £4.68 per month unless this is a regular, ongoing change.

- 4.13 A separate Exceptional Hardship Fund (EFH) exists for CTS claimants who are facing particular financial difficulties and have Council Tax arrears which they are struggling to pay. This fund was established by a grant from the County Council which has been provided at £25,000 p.a. There is no guarantee that the County Council will continue to make a contribution to this fund. Unspent grant is placed into a reserve which has a balance as at December 2018 of £77,278.
- 4.14 Following a Motion at Council approved on 20 February 2018, the Council can also use this hardship fund to reduce Council Tax for CTS claimants leaving care to zero until their 21st birthday and to provide transitional support until they reach the age of 25.
- 4.15 The requests for EHF support are received from the Revenues and Benefits service or other support agencies such as Citizen's Advice from time to time and are passed to Worcester City Finance officers for consideration. Each case is considered on its own merits. A simple form is used to obtain details as to why the exceptional hardship has arisen and what steps the claimant has taken to mitigate these circumstances. Approximately one referral is received each month. The awards amount to approximately £2,000 per annum.
- 4.16 The primary condition for accessing support from the fund is that the claimant is already in receipt of Council Tax Support and is applying for additional Council Tax relief, either in the form of current year payments due or prior year debt. Removing this requirement would enable the support to be extended to those who do not have a housing cost component in their UC claim or who do not have Council Tax payments due.

Food banks

- 4.17 For those in immediate need referrals can be made to local food banks. Data available for the Worcester food bank shows that, for the year to 30 November 2018, there were 3,086 vouchers issued, supporting 6,341 people (individuals and families).
- 4.18 There is no limit on the number of times that individuals can access food banks but the organisations retain details of the claimants and engage appropriately if it is clear that there is an ongoing issue with financial or lifestyle management. This can be in the form of providing budgeting and money management advice or referral on to other support mechanisms. The aim is to help ensure that households can manage without the food bank becoming a regular form of support.
- 4.19 An alternative to establishing a hardship fund may be to provide financial assistance to the food bank as a front-line agent, acting on the Council's behalf, to help those facing challenges arising from the transition to Universal Credit. Discussions with Worcester Food Bank have indicated that currently there is a revenue shortfall of approximately £15,000 p.a. between the maintenance costs of the facility and the regular income that they receive from donations.

5. Preferred Option

- 5.1 It is proposed that the existing Exceptional Hardship Fund is extended to support Universal Credit claimants where a further Council Tax Support claim is not the main criteria for application and that the existing approach is taken: that is by reviewing each case on its merits. This approach enables the award to be made within three days of receipt of the claim, subject to resources being available to process it. The level of resources needed to manage this process can not be estimated until the level of claims received is known but it is a minimal resource requirement under existing claim levels.
- 5.2 However, the claimant must have:
- applied to the DWP for an advance and have been refused or not awarded a sufficient advance to meet immediate needs
 - applied for a Discretionary Housing Payment to meet any housing costs and be awaiting a determination of an award.
- 5.3 Civica will be notified of any payments made from the EHF and in the event that a Discretionary Housing Payment is subsequently paid, the EHF grant will be deducted from the DHP award.
- 5.4 The use of the EHF will be monitored on a monthly basis and progress reported to the Communities Committee including notification of the balance remaining on the Fund at each of its meetings at which quarterly performance data is provided. Reports will also provide details of the roll out of Universal Credit in respect of Worcester City residents once these details are established in agreement with the DWP.
- 5.5 It is also proposed that Worcester Food Bank receive a grant of £15,000 p.a. over three years, in line with the revised grants policy to be considered by the Communities Committee at its meeting of 30 January 2019. This is to be funded initially from the Hardship Fund, subject to agreement by the Policy and Resources Committee that the fund can be used for that purpose.

6. Alternative Options Considered

- 6.1 That the criteria used for agreeing awards from the Discretionary Housing Payments scheme are used for the UC Hardship Grants. This is a detailed assessment of household income and expenditure. The awards may take up to 28 days to be agreed. The Motion at Council requires that the UC Hardship award is agreed within 3 days of the application. Therefore a detailed assessment of this nature cannot be undertaken in the required timeframe.
- 6.2 That a separate fund is established. There is an existing fund which can be re-purposed as recommended in the report. It is more expedient and efficient to use this fund and its associated claim process than to create a parallel one for the purposes of supporting hardship arising from UC claims specifically.
- 6.3 In any event, an annual process of review is required to assess what level of top-up is needed and this will have to be considered as part of the annual budget-setting process.

7. Implications

7.1 Financial and Budgetary Implications

These are set out in the report. There are sufficient funds in the Exceptional Hardship Fund reserve to cover the commitments proposed, subject to the number of individual claims being in line with existing claim levels.

7.2 Legal and Governance Implications

The report proposes that existing mechanisms for providing support to those facing hardship are used, with the exception of extending the purpose of the existing Hardship Fund reserve. The Reserves Policy states that:

Where specific delegated authority to commit expenditure from a reserve has not been established, responsibility falls to the Policy and Resources Committee upon advice from the Section 151 Officer.

The extension of the Hardship Fund reserve for the purposes proposed in the report therefore needs approval of the Policy and Resources Committee.

7.3 Risk Implications

There are no specific risk implications arising from the report.

7.4 Corporate/Policy Implications

There are no specific policy implications arising from the report. The report proposes to use existing governance mechanisms to administer the grants proposed.

7.5 Equality Implications

There are no equality implications arising from the report. Application for award from the Hardship Fund and access to the food banks is open to all.

7.6 Human Resources Implications

The Hardship Fund is accessed via the Civica Revenues and Benefits Team and the Council's Housing Team who make referrals to Finance Officers to agree whether the claim is eligible for grant. Changing the criteria should not add an additional burden as all claimants will have already followed existing pathways to support. However Finance Officers only assess whether the claim is eligible and do not make any judgements regarding the level of hardship suffered by claimants.

It is good practice, which is implemented at other authorities in the South Worcestershire Partnership, that the final approval of the claim is made by the Director of Finance. While this may create some delays in the system, it is proposed that this same approach is implemented at the City Council. This will provide clear accountability for the process.

Close monitoring of the scheme will be required, if the proposed changes are accepted, to determine whether additional training or support is needed for staff making assessments regarding relative hardship of individual claimants. The results of this monitoring will need to be included in the performance monitoring regime proposed in the report.

7.7 Health and Safety Implications

There are no specific health and safety implications arising from the report as existing mechanisms will be used. These are already subject to health and safety considerations. However the concern regarding the increased involvement of Council staff in making judgements regarding relative hardship of claimants needs to be considered, as identified under Human Resources Implications

7.8 Social, Environmental and Economic Implications

The potential implications of the introduction of Universal Credit are set out in the report. The Exceptional Hardship Fund is designed to support those who, for whatever reason, are facing difficulty in making their Council Tax obligations and the capacity to provide support with this is within the Council's control. Extending this to mitigate other forms of hardship increases the Council's capacity to provide support during a period of major transition within the benefits system.

The proposal to provide financial support to the food bank is a means of using existing support mechanisms more fully. The Worcester Food Bank has a strategic aim to close – that is, no one should be in a position of having to obtain food from a charitable source. However, the national organisation which supports the food banks – the Trussell Trust – has advised its organisers to prepare five year business plans.

The Worcester Food Bank provides, manages and distributes about 75,000 meals a year to those in the City and surrounding area. This is forecast to rise to over 100,000 meals during 2019 as the impact of Universal Credit filters through to client referrals. In 2018, 6,510 people were provided with food parcels including 2,243 children. During 2019 this is forecast to rise by 50% based on experience elsewhere in the country and, in particular, the experience of Stratford-upon-Avon: the nearest comparable city. This suggests that client numbers will be heading towards 10,000 in 2019.

Providing financial support to the food bank will increase the capacity of the centre to support clients and should help to reduce the likelihood of some of the most vulnerable members of Worcester's communities falling into the levels of hardship that would require support from the Exceptional Hardship Fund.

Ward(s): All wards
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Background Papers: None