

To: Value and Performance Committee
Date: 3rd April 2013
Report of: Head of Customer Services
Title of Report: Learning from Universal Credit Pilots.

Summary and Recommendations

Purpose of report: To provide an update on the Direct Payment and Universal Credit pilot projects the Council is running in conjunction with the Department of Work & Pensions

Key decision? No

Executive lead member: Councillor Van Coulter

Policy Framework:

Recommendation(s): Members are recommended to:

1. Note the lessons learned, particularly in reference to the Direct Payments Demonstration Project

Appendix Numbers

1. Analysis of Direct Payment Cases
2. Universal credit pilot methodology

Introduction

1. Oxford City Council is currently involved in two pilots as part of the government's Welfare Reform Program. Both are linked to the introduction of Universal Credit. This is a new Benefit which will be introduced this year, eventually replacing Housing Benefit, Working Tax Credits, Child Tax Credits, Employment Support Allowance and income based Jobseekers Allowance and Income Support.
2. The Direct Payments Demonstration Project is one of six such projects led by the Department of Work and Pensions, testing the impact of paying social tenants their housing support costs directly. Under

Housing Benefit regulations, nearly all social tenants have their Housing Benefit paid straight to their landlord. Universal Credit will see a single payment made monthly to claimants, out of which they must pay their rent to their landlord.

3. The second project which began in December, focuses on how front end services might be provided for Universal Credit and in particular, how we could support claimants into work. This pilot is in its early stages, and the lessons learned so far are limited.

Direct Payments Pilot – Payment Data

4. The figures provided below represent the situation at 1 February 2013, after the seventh direct payment had been made. A more detailed analysis of these figures is contained at Appendix 1.
5. 1,371 Council tenants, out of 1,600 which were in scope of the project, have received a direct payment as part of this project. Of the remaining tenants which were in scope (119) have moved or stopped claiming Housing Benefit, (91) required some support before being able to receive direct payment and (19) have not responded to us. Of the tenants who have received a payment, 294 have been switched back due to excessive rent arrears accruing, and 33 tenants have moved or have stopped claiming Housing Benefit. This leaves 1,044 cases still in receipt of direct payment.
6. Overall arrears for the project currently stands at 5.2% of all direct payments made. This compares against total arrears of 2.6% for all rent due. However if you exclude the cases that were added for the sixth payment in December, which had a particular set of problems (outlined below) this figure goes down to 4%.
7. Encouragingly the trend for direct payment arrears is for them to reduce over time. For the 900 cases which were put in at the start of the project, the level of arrears is 3.4%. This suggests that tenants are generally able to manage direct payment, and the longer they receive direct payments for, the better they manage their finances.
8. As stated above there were a number of issues with the last phase of tenants entering the project, which skews the arrears figures. These included:
 - Tenants receiving their first direct payment in December, which is a bad month for rent payment in any case due to the impact of Christmas (there was a slight increase in arrears overall over the Christmas period).
 - Less information was known about tenant's details (for 50 of the 125 we did not know whether they held bank accounts).
 - Tenants were not written to advising them specifically that they were about to receive their first direct payment, although they

had received a number of communications advising them that they were included in the project.

This phase of entrants into direct payment was the last involving significant numbers of tenants. The reason for this was because the academic researchers requested that people receiving direct payment have at least six months involvement with the project. As this was the last phase we also took the opportunity to test the impact of making direct payment to tenants in receipt of less support than had previously been the case.

9. Consequently, for this cohort arrears rose to 60.5% following their first direct payment. This reduced to 37.7% after the second payment. However 87 of the 125 tenants in this cohort have been switched back from direct payment. Whilst it is welcoming to see that even for this group there was a huge improvement in payment relatively quickly, it clearly shows that understanding our customers and working with them is key to making direct payments successful.
10. Of the 294 cases which have been switched back 54 have cleared their arrears, and it is intended to revert some of these tenants back to direct payment of Housing Benefit, once we are sure they are in a position to manage the change.

Direct Payments Pilot – Lessons Learned

11. All the project sites have discovered that they didn't know their customers as well as they thought they did. For direct payments to be successful it is necessary to identify those customers who will need support with budgeting and setting up a bank account. This requires good customer knowledge. For new tenants this issue should be picked up when they sign up for their tenancy. At this point we should be establishing what type of bank accounts they hold, what debts they have and what their budgeting is like. There is then an opportunity to either provide any necessary support, or refer them to an appropriate agency for help. For existing tenants we need to go and identify them ourselves, and that can only be done by talking to them.
12. It is essential to get the recovery process right. As part of the project, Rent Officers have been undertaking more recovery action via phone than previously. This allows a more proactive, preventative approach to be taken which can stop customers getting into further arrears and avoid the need to switch back. This is a significant culture change and one which has wider application across the Council.
13. The Council's preferred payment method is Direct Debit and the intention was for the project to maximise the use of Direct Debit for collection. However tenant feedback shows that many people on low incomes do not like Direct Debit, as a small error in budgeting can lead to bank charges. Consequently, the project will evaluate alternative

financial products to identify those most suited to assisting customers with direct payment.

14. A small proportion of tenants require significant support, and that support can be quite intensive. A temporary support officer was recruited in December and given 30 cases where no bank account was held by the tenant. So far, 15 of those cases now have an account and will be moved into the direct payment project. However it can be very difficult obtaining an appropriate account, especially where people do not have any photographic identification. Additionally we have found that some banks have been reluctant to open basic bank accounts. People without bank accounts will find it more difficult to make their rent payments. Although they are likely to have a Post Office Card Account where their Universal Credit could be paid into, it is not possible to make payments out of this type of account.
15. Not all tenants will need to pay their rent directly to their landlord under Universal Credit. One of the aims of this project is to inform the design process of Universal credit, particularly with regard to the circumstances in which tenants would be exempt from Direct Payment. Once this is known it will be easier to plan future resource requirement for this kind of support.

Direct Payments Pilot – Challenges Ahead

16. It is important to understand that the project allows the Council to closely manage the process of paying housing benefit and collecting rent. In the Universal Credit environment the DWP will be responsible for making payment of the benefit. This creates a number of challenges.
17. The DWP have said that there is unlikely to be any data sharing arrangements in place for social landlords. This means that unless the tenant tells us, we will not know when someone moves into Universal Credit, when they will receive their payment of Universal Credit, and whether payment has been suspended or ended. As such the relationship with the tenant becomes even more important. It will be necessary to be in regular contact with them to understand any changes in their circumstances which will affect their Universal Credit claim.
18. Payment of Universal Credit could be made on any day of the month. To allow customers to pay their rent as quickly as possible, we should allow Direct Debits to be collected on any day in the month.
19. However successful tenants are in managing direct payments, there will be an increase in the transaction costs of collecting rent, as currently one single transaction is made each week for all tenants in receipt of Housing Benefit. There will also be an increase in the range of activity required to maximise rent collection, so a review of the current structure of relevant teams is planned. Focus needs to be put

on preventative action and proactive customer engagement rather than remedial recovery.

Universal Credit Pilot

20. This pilot is still in its early stages so there is little in the way of lessons learned at this stage. We are focussing work on people impacted by the Benefit cap, and the new Under-occupancy rules in the Social Sector (known as the Bedroom Tax). We have contacted 100 people so far to persuade them to work more closely with us and are now conducting in depth triage interviews to find out what barriers to work they have, and to plan how to begin addressing them. Appendix 2 provides a more detailed description of the project methodology.
21. Initially we are working with three providers who will support people following their triage interviews. These are Jobcentre Plus, CAB and Skills UK. Jobcentre Plus can provide access to a variety of work related support. CAB can provide assistance with debt issues which had been identified as a significant barrier during our initial contact with people. Skills UK provide mentoring and coaching for people who have been out of work for some time, and can also assist with resolving practical issues, such as childcare provision. Throughout this process people will be supported by a keyworker working on the pilot in the Council. This approach also allows us to monitor and evaluate the support that is being provided, which will feed into the lessons learned from the pilot.
22. Although its early days we have been surprised at the willingness of people to work with us. Nearly everyone has reacted positively to the idea that they might need to get into work, although for many there are a lot of hurdles to over come. We are generally finding that individuals have a myriad of issues which need to be tackled. Many of the people we are talking to feel that the Work Programme has not provided them with the help they feel they need, so this will be useful feedback for the DWP.
23. As we are working with people impacted by the benefit changes coming in this year, one issue that keeps cropping up is that of Housing, people impacted by the Bedroom Tax require assistance with alternative options. To support this area we are creating three seconded posts to assist the work of the pilot. It is envisaged that staff currently in Housing will move into these roles. This will enable us to deal with more people impacted by the changes, and ensure we are able to address their Housing issues. More widely the Council needs to ensure that the issues arising from the Bedroom Tax are taken into account when considering allocations and planning policy. Placing someone in a property bigger than their needs could mean that the rent is unaffordable to someone who requires Housing Benefit.

Financial Implications

24. Payment of Universal Credit, inclusive of housing support costs, directly to tenants present a significant financial risk to the Council. The best case scenario from our Direct Payment Project suggests an increase in arrears from 2.6% to 4%. With a rent roll of approximately £37 million, this represents an annual increase in arrears of more than £500,000.
24. Next year the Council has a Discretionary Housing Payment (DHP) grant of £525,000 to help support people affected by reductions in their Housing Benefit. The Bedroom Tax and Benefit Cap are estimated to see an annual reduction of £1,740,000 in Housing Benefit payments. This is in addition to reductions in Local Housing Allowance Rates that have already been implemented resulting in a £1,500,000 reduction in Housing Benefit payments. The Council is permitted to top up its grant by one and a half times the amount from the government, which would be £787,500. However it is not sustainable for the Council to provide this level of support on an ongoing basis. In preparation for the increase in DHP applications, the Council's DHP policy has been redrafted, and will be submitted to CEB for approval. It is currently with stakeholders for comments. To make best use of DHP funding, the new policy puts greater onus on recipients to take steps to reduce their reliance on DHP, and makes provision for any future awards to be a smaller amount.
25. Where families are evicted from their properties and placed in temporary accommodation, there is a cost to the Council in Housing Benefit Subsidy. Currently the number of families housed in this way is very low. There have only been 37 cases this year, which have cost £22,000 in lost subsidy. A significant rise in the number of families housed in this way would see a proportional rise in these costs.

Legal Implications

24. None

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List of background papers: None

Version number: 1.0

Appendix One

Direct Payments - Seventh Period Analysis

Analysis was carried out in week 32 (financial week 44) so 4 weeks rent has been excluded from analysis.

- **1371 out of original 1600 were added in phase 1, 2, 3, 4 & 6: -**

To date, (01.02.13) the 1371 are broken down as follows:

33	Tenancies have ended
294	Have had their HB payments reverted back to OCC (Switch Back)
902	Live accounts are in credit or have a nil balance
84	Live accounts have reduced their arrears since joining the scheme
0	Live accounts have a static debt on their account
58	Live accounts have increased arrears since joining the scheme

Of the 33 tenancies that have ended

12	In credit or nil balance
3	Reduced arrears
18	Increased arrears since joining the scheme

Of the 294 Account that have been Switched Back

8	Tenancies have ended (3 are in credit/nil & 5 have increased arrears)
54	Nil balance or in credit
16	Reduced arrears from when joining the scheme
216	Increased arrears from when joining the scheme

NB: Those accounts with a nil balance are being prepped to go back onto direct payments hopefully in the next payment period.

Arrears analysis has been carried out on the **297** accounts with increased arrears.

NB: Some of these accounts had arrears when they joined the scheme, analysis has been carried out on the RISE in arrears so previous arrears have been disregarded.

Increasing Arrears (Live Cases, Switch Backs & Closed Accounts where arrears have increased)

Weeks Rent Equivalent Owed		Risk Score			
		Risk	No.	%	Value
Less than 4wks rent	56				
Average					
Exactly 4wks arrears	7	0	195	66%	£90,710
£465					
Between 4-8wks arrears	113	1-3	86	29%	£41,333
£481					
Exactly 8wks arrears	4	4+	16	5%	£9,118
£570					

5 th period analysis	£61,938	£1,713,195	3.6%
6th period analysis	£66,990	£1,682,292	3.98%
7th period analysis	£69,606	£2,067,000	3.36%

Phase 2 only	Rising Arrears	Gross rent charged	Debt as % of rent charged
1st period analysis	n/a	n/a	
2nd period analysis	£13,748	£58,997	23.30%
3rd period analysis	£16,596	£117,995	14.07%
4th period analysis	£15,145	£176,988	8.6%
5 th period analysis	£14,365	£220,514	6.5%
6th period analysis	£13,293	£224,812	5.91%
7th period analysis	£13,471	£264,896	5.08%

Phase 3 only	Rising Arrears	Gross rent charged	Debt as % of rent charged
1 st & 2 nd period analysis	n/a	n/a	
3rd period analysis	£11,927	£48,776	24.45%
4th period analysis	£12,206	£97,552	12.5%
5 th period analysis	£14,515	£143,405	10.1%
6th period analysis	£13,167	£165,871	7.93%
7th period analysis	£11,458	£205,574	5.57%

Phase 4 only	Rising Arrears	Gross rent charged	Debt as % of rent charged
1 st 2 nd & 3 rd period analysis	n/a	n/a	
4th period analysis	£6,471	£27,392	23.6%
5 th period analysis	£11,914	£55,783	21.4%
6th period analysis	£12,034	£62,361	19.29%
7th period analysis	£10,372	£80,099	12.94%

Phase 6 only	Rising Arrears	Gross rent charged	Debt as % of rent charged
1 st 2 nd & 3 rd period analysis	n/a	n/a	
6th period analysis	£29,536	£48,851	60.46%
7th period analysis	£36,254	£96,097	37.72%

Appendix Two

Universal Credit Pilot Methodology

LA Led Pilot

Introduction

The Welfare Reform agenda means tenants within Oxford City are likely to face significant reductions in their household income, particularly customers subject to the Under-Occupancy restrictions and the Benefit Cap. This Pilot aims to work with customers affected by the Welfare Reforms to identify barriers that prevent customers entering work and the solutions for removing those barriers. The learning from this Pilot will be used to inform the Department for Work and Pensions (DWP) policy division and the implementation of Universal Credit.

Objectives

The overarching objectives for the Pilot are as follows:

- Identifying the barriers that prevent customers from entering work
- Identify the options and solutions for assisting customers including the identification of Partners with the skills to assist
- Capture and record the learning through customer engagement

Methodology

The approach of the Pilot is to provide a resource intensive solution to supporting customers through the Welfare Reforms. We have appointed a Pilot Lead and a Welfare Reform Outreach Worker who will engage with customers. This holistic approach will ensure customers have constant support available and not just support focussed on specific areas/barriers.

The Pilot will follow the following model:

Research => Test => Refine => Deliver => Review

Research

A lot of research work relating to the barriers that prevent people entering work has been undertaken in recent years so we have used this learning to inform our Pilot in its early stages. Organisations whose research has been used include: Gingerbread, Iseekjobs, DWP Policy and Research division, CAB & independent websites including those with forums where customers have posted personal experiences of barriers to work.

As a result, some common barriers identified include:

- Lack of child care
- Health issues preventing work
- Fear of the instability of entering work
- Lack of skills
- Debt

We have conducted a brief review of the mainstream organisations in the District who provide the services associated with removing the barriers to work. We have also taken into account their restrictions for clients wanting to access their services i.e. geographical location etc.

Test

To ensure the basis for our Pilot is robust and our local needs are matched to the research, we have tested our findings with a selection of customers during some proactive contact calling to customers affected by either the Under-Occupancy

restrictions or the Benefit Cap. This customer feedback has confirmed that most of the recognised barriers to work are common amongst our customers and that most customers have multiple barriers. In addition to this we confirmed that people generally seem very keen on engaging with the Local Authority in removing these barriers.

Refine

The tested enabled us to make some informed decisions relating to the Pilot. We have focussed on overcoming the more common barriers i.e. lack of employment skills and have left some of the more niche area's i.e. drug or alcohol abuse until the Pilot when processes will be better established. Until this time we will use existing signposting mechanisms already in place where we encounter these issues.

The testing also enables us to better identify the agencies we could work with that would effectively support customers. To ensure we can capture the learning and ensure the Pilot can be managed effectively in its early stages we identified 3 agencies from our review of the organisations available in the District to work with initially. The considerations included: capacity of the organisation to undertake the work, capacity of the organisation to provide adequate feedback and attend the steering group meetings, whether additional funding would be required and what funding the LA was already providing (where appropriate), the capacity to help the Pilot ensure its aims are achieved.

The organisations selected for the initial work are:

Skills UK – Have the capacity to take referrals and to provide an on site presence at St Aldates one afternoon per week. They have very few restrictions for customers to access their services although importantly they cannot work with customers already engaged with the work programme. They can cover all areas in the District and offer a visiting service where appropriate. They provide a similar caseworker style approach as the Pilot aims to do and have skills relating to a number of the major barriers to work.

Job Centre Plus – For customers already engaged with the Work Programme and already in contact with the Job Centre. They have a history of supporting customers into work.

CAB – we recognise that not everyone affected by Welfare Reforms will be able to enter work and as a result will need to find alternative ways to cope with the income reduction. The CAB will provide Financial Capability or debt advice where customers indicate this would assist during their interview. We have selected the CAB as they have no restrictions as to who can access their services or limitations relating to the area in which a person lives. Customers referred by the Pilot will not receive any preferential treatment with regard to accessing the services but the CAB will provide feedback to the Pilot regarding the advice given. In addition, the LA already funds some debt advice services within the CAB and this can be seen as an extension of this service.

No funding (or additional funding) has been provided to the partners identified above for the work undertaken as part of the Pilot.

Delivery

Delivery of the Pilot involves a triage process for customers who are identified or actively seek additional support as these Welfare Reforms take effect. These referrals mainly result from conversations with the Contact Centre who have been briefed on what factors might warrant a referral or other staff within the LA who identify a need through contact with a customer affected.

Once identified, referrals are made to the Pilot who pro-actively contacts the customer to discuss their needs and their options in more detail. This initial call also includes a data check section where the customer's circumstances are reviewed for accuracy whilst potential exemptions from the Welfare Reform restrictions are investigated.

In most cases, where it is established that the Welfare Reforms will impact the customer, an interview is arranged with the aim of trying to fully understand the customer's needs, the barriers preventing them entering work and the solutions for removing those barriers. An action plan is agreed with the customer and where further needs are identified that require 3rd party involvement a warm hand off is arranged which includes a full briefing to the 3rd party.

Follow up interviews/calls are made after the 3rd party's actions to establish the customer's opinion regarding the outcomes of the meetings and to determine what additional actions are required to move forward.

As a result of customer feedback, we also plan to add additional resources with a focus on housing to the Pilot as housing concerns are proving a major barrier to customers accessing work.

Review

We are required to provide bi-monthly evaluations to the DWP as part of the pilot and plan to review the existing process and partnership arrangements at the end of April 2013 with the view to checking the Pilot's effectiveness and also to review the scope of the pilot. An ongoing review of the processes in place will naturally occur and increase the efficiency and effectiveness of the Pilot as we progress.

In addition, we aim to review the resource arrangements for the Pilot based on the needs of the customer.

Governance arrangements

Please see annexe A as a proposed structure for the Governance arrangements for the Pilot.

Metrics / measure of success

As numbers engaging with the Pilot are unpredictable we plan to use qualitative measures as well and quantitative measures to determine success.

Measures will include:

- The number of people who actively engage with the Pilot in comparison to the number of customers affected by the Welfare Reforms
- Customers supported into Education, training or work
- Changes in customer attitudes towards accessing work
- Customer attitude towards engaging with the LA and its partners
- Number of positive outcomes for customers

Further details relating to the measures including the methodology for calculation and supporting data collection to substantiate the measures are part of the support Pilot documentation.

Objectives for Project Boards:

Keep project on track
Management information to
DWP
Learning to DWP

**Objectives for Welfare Reform
Officer Group:**

Project assurance
Project delivery overview
Removing barriers to delivery
Receipt of Early learning &
DWP updates and formulation of
organisational design
Recommendations to Customer
First

**Objectives for Customer First
Board:**

Project highlight reports
Ratification of early learning and
organisation design principles
Recommendations to Welfare
Reference Member Group

**Objectives for Welfare
Reference Group:**

DWP and Welfare reform
general updates
Project updates
Consultation on organisation
design
Feedback to officer group

**Customer First Programme Board
(Monthly)**

Attendees: Helen Bishop (Chair), Jane Lubbock, Peter Sloman, Jackie
Yates, Peter McQuitty, Emma Burson, Abby Abrahams, Karen Ravenhill,
Gary Thomas