

## **Appendix 3 - The impact of Universal Credit on households in Torbay**

The introduction of Universal Credit by the DWP from 5th September 2018 in Torbay has had a significant impact on the Council Tax Support scheme for **working age households**.

*NB: Pension Age households are not affected by Universal Credit. The DWP retain control of the regulations applied for local authorities to pay Council Tax Support to pension age customers.*

### **Quick overview of the principles of Universal Credit**

Universal Credit is a means tested benefit that is paid calendar monthly in arrears to working age customers by the DWP. It is for people who are working and not working. It consists of a basic living allowance and additional elements for any other qualifying benefits.

**However, Universal Credit does not include Council Tax Support, which remains the responsibility of the Local Authority to administer and finance.**

As of the beginning of June 2019, there were 3000 people in receipt of Universal Credit in Torbay. This figure is increasing each month as customers experience changes in their circumstance that convert them from their current income to Universal Credit.

Nationwide research has identified the following impacts of Universal Credit on how customers are expected to pay their Council Tax bill.

- Around **40%** of Universal Credit households have an adjustment to their calendar monthly Universal Credit award payment.
- Universal Credit households will have on average at least **eight changes** to their calendar monthly Universal Credit award payment in a calendar year.

### **How do changes in Universal Credit payments impact on Council Tax Support and Council Tax bills?**

- Under the current working age Council Tax Support scheme, each financial change in income received by a household will affect the amount of Council Tax Support they are entitled to. This problem is magnified for an increasing proportion of Torbay's population, with the ongoing recalculation of customers' monthly Universal Credit award payments.
- The recalculation of Council Tax Support changes the amount of Council Tax due for payment. This change forces the creation of new Council Tax bills, and alters the amounts and dates that the payment instalments are due.
- **Important: Households are receiving multiple, recalculated Council Tax bills throughout the year. New bills detailing the revised instalment plans make financial budgeting for payment of Council Tax by low income households very stressful. It can then be a very difficult task to avoid falling into arrears they cannot afford and increasing debt.**
- Local authorities are dependent on receiving payment of Council Tax to support the provision of local services.

- From the Council's perspective, multiple changes have a significant negative impact on administration and billing. Each change will need to be administered by Council officers for a new bill to be produced.
- There are additional costs of printing and postage for the revised Council Tax bills to be sent to households. This is approximately £1 per bill issued.
- Nationally, rates of Council Tax collections have suffered in areas where Universal Credit full service has been introduced.

### **The need for change in Torbay**

From 2020, we will see the biggest change, when a 'managed migration' programme will be implemented by the DWP, which will convert the remaining client base of all remaining working age customers onto Universal Credit. This will be regardless of whether of they have experienced a change in their circumstances.

This programme will have a major impact on the working age residents of Torbay. It is essential that as a Council we have a new system, that fully supports these households as they become subject to these ongoing changes that will affect them.

### **The way forward**

Throughout the United Kingdom, this trend is being recognised nationally, as more localised Council Tax Support schemes for working age households are being adapted to meet the changing needs of residents, and support them to be able to pay their Council Tax charge.

- A system is required that makes it easier for low income households to be able to budget for payment of Council Tax.
- A Council Tax Support scheme for working age households which is better catered to absorb the ongoing fluctuations in monthly income received from Universal Credit.
- A new format providing greater stability (as detailed above) will reduce the need to produce revised Council Tax bills, as the award of Council Tax Support will not need to be recalculated to reflect each income change.
- A new scheme which will provide a regular amount that the household is expected to pay for Council Tax, which is not subject to constant change. This will allow lower income households to budget with greater confidence, and avoid falling behind with payments due, which can result in recovery action and potential costs being added to the charge.
- A scheme that keeps us consistently in line with all other Devon local authorities and Councils throughout the United Kingdom.

**An income / household banding scheme for Council Tax Support achieves all of the above solutions.**

## **Change supported by other Devon Councils**

As was the approach in 2013, Torbay are aligning with the all other Councils throughout Devon by introducing a revised Council Tax Support scheme in the format of an income / household banding scheme from April 2020.

Nationwide, the banding schemes have become more common as impacts of Universal Credit continue, with nearly 100 Councils adopting this approach from April 2019, and more to follow from April 2020.

South Hams & West Devon have led the way by launching their Council Tax Support banded scheme from April 2019. This met with approval by their residents within the mandatory customer consultation process, as well as after implementation. This reaction mirrors customer feedback experienced nationwide. The same level of acceptance would be expected within Torbay.