

# UNIVERSAL CREDIT UPDATE

Select Committee Review 14 March 2018



## 1 BACKGROUND

- 1.1 The Welfare Reform Act 2012 introduced a range of measures to reform the way in which benefits are delivered including the introduction of Universal Credit (UC). 4 years on, the Welfare Reform and Work Act 2016 was established with further changes which aim to reward work and back aspiration, provide £12bn of national benefit savings and the government anticipates that by 2020, 8 out of 10 people will be better off.
- 1.2 By contrast a report published by the Joseph Rowntree Foundation on living standards, poverty and inequality in the UK 2017/18 to 2021/22 predicts that inequality will rise between 2015/16 and 2021/22, as working age benefits are cut and real earnings growth boosts the income of higher income households. In addition, at the UK level, absolute poverty is projected to remain roughly unchanged between 2015/16 and 2021/22.
- 1.3 UC replaces six key benefits: Housing Benefit; Job Seekers Allowance; Employment and Support Allowance; Child Tax Credits, Working Tax Credits and Income Support. It is administered by the Department for Work and Pensions (DWP).
- 1.4 UC is paid monthly in arrears; the initial assessment period is 5 weeks from the date of the claim. This is a significant difference to legacy benefits, which are paid fortnightly in arrears. Any UC to cover rent is included as the 'housing cost element' and included in the single payment made to the claimant each month. DWP's intention is for the majority of claimants to receive all of their UC payment rather than paying the housing cost element to landlords. However, landlords can apply for an alternative payment arrangement (APA) so that the UC housing cost element is paid directly to them. Historically, the vast majority of social housing tenants have chosen for their housing benefit to be paid to their landlord and since 2008, the majority of private sector tenants chose to have their housing benefit paid to them rather than their landlord.
- 1.5 UC claimants maintain a relationship with Job Centre Plus to direct in-work progression of both hours and wages. They are allocated a Work Coach who develops a claimant commitment with them based on their individual circumstances and ability to work. Failure to meet the commitments may result in sanctions.
- 1.6 UC is administered entirely by the DWP, local authorities have no involvement in the assessment process or management of ongoing claims. The DWP shares data with Local authorities relating to claimants who may previously have been in receipt of housing benefit for the purposes of ensuring there are no incorrect payments made. Local authorities who sign up to the Universal Support agreement are responsible to providing assisted digital and personal budgeting support to UC claimants. This agreement is explained in more detail in section 5.

## 2 NATIONAL IMPACT

- 2.1 The Director General of the UC programme for the Department for Work and Pensions wrote to all local authority Chief Executives at the beginning of October 2017, following concerns widely reported in the media that claimants were experiencing substantial delays in receiving their first UC housing cost payment thereby placing them in rent arrears. The biggest reaction to the UC payment cycle has come from landlords due to the arrears it creates by virtue of the standard assessment time.
- 2.2 Research from the National Federation of Arms-Length Management Organisations (ALMOs) estimates that 60% of tenants were already in arrears before their UC claim started. Year on year, the proportion of UC tenants in arrears has fallen.

- 2.3 Customers sometimes fail to apply for the housing cost element in their UC application because they have previously received housing benefit and mistakenly believe that they do not pay rent. Information given by the customer at the time of the claim about the level of rent sometimes differs from the information from the landlord, so leads to a delay in assessing the claim.
- 2.4 DWP introduced a social landlord portal in October 2017 which improves the rent verification process and minimises the risk of delayed assessment. This portal is not available to private sector landlords and there are no plans to roll it out to that sector.
- 2.5 The Director General's letter to local authorities on 2 October 2017 states that full UC payments are currently being made at the end of the assessment period in 80% of all cases.
- 2.6 DWP advice to landlords is for them to make financial plans to account for the difference in payments via UC which is paid a month in arrears when they may be used to getting direct payments of Housing Benefit fortnightly. DWP state that this timing issue relates to 0.33% of total rental income in a year.
- 2.7 Claimants are offered an advance payment as a matter of course, which is up to 100% of their UC monthly award including the housing cost element. Data is not available on the uptake of this offer, nationally or locally. This advance is recovered by the DWP from the claimant's monthly UC payment, over a period of up to 12 months.
- 2.8 Changes to assist UC claimants were announced by the DWP at the end of 2017 and included:
- an increase in the maximum UC advance from 50% to 100%
  - spreading the repayment of an advance over up to 12 months rather than 6 months
  - removal of the 7 day waiting period, which effectively shortens the assessment period from 6 to 5 weeks
  - Continuation of housing benefit payments for two weeks whilst waiting for a UC assessment
- 2.9 The level of rent arrears that can be recovered increases under UC from 5% to 20%. This means that a debt could be cleared more quickly than under the legacy benefits, but also means that the payment to the claimant could be reduced more under UC than legacy benefits.
- 2.10 A report prepared for, and considered by, East Lothian Council in December 2016 described the impact of Universal Credit Full Service on mainstream council house rent collection as "severe". This local authority area moved to UC Full Service in March 2016 and owns housing stock: The average rent arrears for a UC claimant in their properties is £898.89, for a non-UC case the level is £589.49. Overall, there has been a 12.09% increase in current tenant rent arrears in 2016/17. However, for UC claimants, there has been a 22.40% increase in rent arrears. There was no evidence given that claimants were facing eviction as a result of the arrears.
- 2.11 The Halton Housing Trust gave evidence to the Work and Pensions Committee inquiry 2016-17 that, in Halton, there are 12,000 tenancies across their four main housing associations, UC claimants make up 9% of all the tenancies but account for 37% of rent arrears. There was no evidence given that claimants were facing eviction as a result of the arrears.

2.12 The Residential Landlords Association (RLA) supported research carried out by Sheffield Hallam University in 2015 which, inter alia, sought the views of RLA members on Universal Credit and their experiences of it. They found:

- Of those landlords with tenants in receipt of UC, 25% said that they were in arrears.
- As a result of UC claimants being in arrears, 34% of landlords said that they had requested that payment to cover rents be made directly to them (known as Alternative Payment Arrangements or Landlord Managed Payments) which can be put in place where a tenant gets into two months of rent arrears. Just 38% of these said that they had been successful in achieving this. It is important to note that this research was two years ago and in liaison meetings with our social landlords we know that their requests for APAs have been successful in all cases.
- In seeking such arrangements, 61% of landlords found the process either “tricky” or “very difficult”. The same proportion found that the Department for Work and Pensions was not very helpful in dealing with their concerns or queries.
- The removal of the housing element of UC from being paid to 18-21 year olds has made 76% of landlords less likely to rent to those in this age group because of worries about whether the rent will be paid or not.

2.13 The Government statement in response to the evidence given about rent arrears was that ‘we believe that any arrears of rent associated with UC are likely to be of a short duration, cleared relatively quickly and should not present an insurmountable obstacle to landlords over the lifetime of a tenancy. The early evidence from UC backs up this hypothesis. In 2015 we found that 48% of UC claimants with housing costs were in arrears in the first month of a claim (compared to 31% in JSA), but by month 3 the UC cases in rent arrears had fallen to 33% - very close to the historic JSA position’.

### **3 POTENTIAL IMPACTS OF UNIVERSAL CREDIT**

3.1 Key differences between UC and other benefits are that:

- The standard assessment period is longer
- UC is paid monthly, rather than fortnightly, in arrears.

People who would have been entitled to housing benefit under the legacy system will receive a housing cost element in their UC award and are responsible for paying this to their landlord. Claimants may therefore need to adjust their budgeting strategies if they are used to more frequent payments.

3.2 A DWP evaluation of the UC pilot in 2015 found that around three-quarters of UC claimants felt confident in monthly budgeting but there was a large difference between people who had simple claims (78%) and those with complex claims including housing costs (60%). By the end of the pilot 16% of UC claimants reported they were falling behind with bills and other financial commitments.

3.3 Universal Credit is also digital by default. According to Ofcom (2015) there are still approximately 25.4% of addresses in Plymouth without a fixed broadband connection. While this rate of exclusion puts Plymouth in the best 40% nationally it nonetheless constitutes a significant challenge which is inextricably linked with deprivation.

3.4 The DWP evaluation in 2015 found that around four in five completed the claim form online without support. People whose claim included housing costs experienced more difficulties making the claim: the qualitative research revealed there was some initial confusion about whether housing costs were included.

- 3.5 For tenants in short term emergency temporary accommodation their housing costs will most likely be assessed on their rental liability in their move on accommodation. Since this will be paid direct to the customer or landlord, it is likely that Plymouth City Council will be unable to recover any of the cost of providing emergency temporary accommodation for the remainder of this financial year. DWP have confirmed that UC is not the appropriate method for dealing with temporary accommodation and it returns to the Housing Benefit regime in April 2018. However, as the system is in place now, it has added a significant budget pressure.
- 3.6 A separate 2015 DWP evaluation of the short-term impact of Universal Credit on labour market outcomes suggests that, compared with similar Jobseeker's Allowance claimants making equivalent claims during the same period (July 2013 – September 2015), Universal Credit Pathfinder claimants were 8 percentage points more likely to have been in work within the first 270 days after making their claim. Moreover, at every 30 day interval after making their claim, from 30 days to 270 days, Universal Credit claimants were between 3 and 6 percentage points more likely to be in work than the matched Jobseeker's Allowance comparison group.
- 3.7 In the context of the UK's exit from the European Union and a general trend towards increasing numbers of people in employment this may contribute to helping to overcome potential future labour market shortages.
- 3.8 Concerns were raised about the impact on young people of the Government policy to remove automatic entitlement to support for housing costs for single, childless 18 – 21 year olds claiming UC. DWP evaluation published on 11 January 2018 (Appendix B) concludes that 96% of young people who applied for support for housing costs through UC were awarded it.

#### 4 PLYMOUTH ROLL-OUT

- 4.1 UC (Live Service) began in Plymouth in January 2016 for new, single, JSA claimants. Figures for September 2016 were 1,679 claimants and 12 months later in September 2017 there were 1,783 claimants.
- 4.2 UC (Full Service) started in Plymouth on 11 October 2017. Full Service is available to all new, eligible claimants rather than solely for single customers without children as was the case with Live Service. UC (Full Service) was rolled out by postcode areas between October 2017 and January 2018. For the timetable see Appendix A. In the run up to 2017/18, DWP predicted that 5% of claimants would need support for their UC claim. PCC found that in practise, up to 15% of claimants needed support. DWP updated their predictions for 2018/19, took into account the increased demand and adjusted the funding offer accordingly. See table 1 below for 2017/18 and 2018/19 predictions.

Table 1 - DWP Universal Support Predictions 2017/18 and 2018/19:

| Service    | Q1        |            | Q2        |            | Q3         |            | Q4         |            | Total      |             |
|------------|-----------|------------|-----------|------------|------------|------------|------------|------------|------------|-------------|
|            | 17/18     | 18/19      | 17/18     | 18/19      | 17/18      | 18/19      | 17/18      | 18/19      | 17/18      | 18/19       |
| <b>ADS</b> | <b>47</b> | <b>160</b> | <b>51</b> | <b>202</b> | <b>375</b> | <b>220</b> | <b>371</b> | <b>207</b> | <b>844</b> | <b>789</b>  |
| <b>PBS</b> | <b>65</b> | <b>266</b> | <b>32</b> | <b>334</b> | <b>382</b> | <b>365</b> | <b>354</b> | <b>345</b> | <b>833</b> | <b>1310</b> |

4.3 DWP benefit data is publically available and can be accessed in a number of ways, including via [Stat-Xplore](#). Data from Stat-Xplore for January 2018 provides the following intelligence about Plymouth claimants and is summarise in tables 2 and 3 below. Some wards may have a disproportionate number of UC claimants currently as the roll out has been by postcode.

Table 2 - Universal Credit Claimants by Ward

| <b>Ward</b>                | <b>Number of Claimants</b> |
|----------------------------|----------------------------|
| Budshead                   | 101                        |
| Compton                    | 89                         |
| Devonport                  | 254                        |
| Drake                      | 77                         |
| Efford & Lipson            | 131                        |
| Eggbuckland                | 64                         |
| Ham                        | 104                        |
| Honicknowle                | 168                        |
| Moor View                  | 57                         |
| Peverell                   | 51                         |
| Plympton Chaddlewood       | 25                         |
| Plympton Erle              | 35                         |
| Plympton St. Mary          | 37                         |
| Plymstock Dunstone         | 25                         |
| Plymstock Radford          | 40                         |
| Southway                   | 71                         |
| St. Budeaux                | 184                        |
| St. Peter & the Waterfront | 441                        |
| Stoke                      | 177                        |
| Sutton & Mount Gould       | 164                        |
| <b>Total</b>               | <b>2271</b>                |

Table 3 - Number of people in Plymouth on Universal Credit by age group

| Age group            | Status            | Number of Claimants |
|----------------------|-------------------|---------------------|
| 16 – 24 <sup>1</sup> | Not in employment | 513                 |
|                      | In employment     | 337                 |
|                      | <b>Total</b>      | <b>847</b>          |
| 25 - 49              | Not in employment | 655                 |
|                      | In employment     | 444                 |
|                      | <b>Total</b>      | <b>1097</b>         |
| 50 plus              | Not in employment | 206                 |
|                      | In employment     | 120                 |
|                      | <b>Total</b>      | <b>322</b>          |
| <b>Total</b>         | Not in employment | 1373                |
|                      | In employment     | 896                 |
|                      | <b>Total</b>      | <b>2271</b>         |

## 5 LOCAL PARTNERSHIP ACTION

### Universal Support

- 5.1 Plymouth City Council signed a Universal Credit Delivery Partnership agreement with DWP in January 2016, to provide UC claimants with personal budgeting support (PBS) and assisted digital support (ADS). DWP predicted that 5% of all UC claimants would need this support, however we have found that the level needing ADS under UC Full Service was approximately 10% in the first month. A revised Universal Support proposal for 2018/19 was received on 22 February 2018 and predicts a higher level of claimants needing support (9% of claimants needing ADS and 15% needing PBS).
- 5.2 PBS is available for UC claimants who are identified as in need of help to manage their finances. Primarily, referrals are made via DWP work coaches from a Plymouth Job Centre and PCC have contracted Advice Plymouth to provide this service. It has been particularly successful when appointments are offered in the Job Centres and the debt adviser from Advice Plymouth has worked hard with DWP staff at the Job Centres to provide an extremely valuable service.
- 5.3 ADS is available for UC claimants who are unable to use a computer and have no one who could help them. This is an important service as all UC claims must be made online. This service is offered from Plymouth Libraries and is provided by PCC Customer Advisors. The appointment slot offered is long enough to support the customer to make a claim for Council Tax Support as well as their UC claim. This is one of the steps PCC has taken to support potentially financially vulnerable UC claimants at an early stage. Customer Advisors are also able to refer the customer for PBS if in the course of the appointment they have concerns that the customer needs further support in managing their household budget.

<sup>1</sup> until October 2017 only single claimants without children were eligible to apply for UC in Plymouth, so this group is likely to be disproportionately high until Full Service is more widely rolled out.

5.4 In the run up to the start of UC (Full Service) roll out in October, PCC worked in partnership with local DWP colleagues to support other organisations who could identify customers early who may need UC support. A number of those agencies have expressed a desire to access this referral route for PBS and ADS and have been set up to do so. PCC developed a simple, web-based single point of entry system that all referral partners now use. It also collates the management information that PCC must submit quarterly to DWP in accordance with the partnership agreement.

### Discounts and Grants

5.5 PCC administers a number of discount and grant schemes to help customers in financial need. They include council tax support, various council tax discounts and Discretionary Housing Payments (DHP). DHP may be used to support UC claimants who are eligible for the housing cost element. There are a variety of ways that this fund may be used, including to clear rent arrears in order to maintain a tenancy and prevent homelessness. This may mitigate against a situation where a UC claimant experiences a delay in payment and falls behind with their rent. Front facing PCC staff, landlords and other local organisations have been reminded of the schemes available during engagement events that have been held in the run up to UC (Full Service) roll out.

5.6 One difficulty experienced with the use of DHP for UC claimants, is that the council needs evidence of eligibility for UC in order to award a DHP. This evidence is currently available once DWP have assessed the claim, which will be 5 weeks after the initial application. Whilst this is fine for awarding grants to those who might need to clear rent arrears or to make up the difference between their housing cost and rent, it's not helpful for those that could use DHP for rent in advance or deposits.

Table 4 - DHP in Plymouth 2014/15 to date

| Year                 | DHP Fund | DHP Spend | Number of Recipients |
|----------------------|----------|-----------|----------------------|
| 2014/15              | 509,776  | 507,201   | 1605                 |
| 2015/16*             | 408,999  | 415,836   | 1191                 |
| 2016/17              | 516,842  | 516,948   | 1349                 |
| 2017/18 (to 26/2/18) | 725,055  | 447,217   | 1225                 |

\* January 2016 UC Live Service commences in Plymouth

5.7 The DWP award DHP funds to local authorities each year and legislation defines the ways that it can be spent. The intention of the fund is to support housing benefit and universal credit claimants and mitigate some of the impacts of welfare reforms. A guidance manual is published by the DWP and is publically available at

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/661904/discretionary-housing-payments-guide.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/661904/discretionary-housing-payments-guide.pdf) . The DWP require local authorities to classify the awards in a specific format and send returns to evidence how the fund has been awarded each year. There is no classification on the DWP return that is unique to UC claimants, however analysis of this year to date showed that by 5 February 2018 a total of £14,109.55 had been awarded to UC claimants in Plymouth. This equates to just over 3% of the sum awarded to date.

5.8 The DHP grant for 2017/18 was significantly higher than in previous years, in large part due to the timetable for UC full service roll out in the city. However, the timetable was changed by the DWP in-year which significantly reduced the number of UC claimants and this contributed to the ability to award DHP. Other contributions to the difficulty in awarding DHP in 2017/18 include the standard assessment period for UC causing problems for evidence of eligibility and the change in DWP policy to award up to 100% of UC within one week of application which likely reduced the need for applications to DHP funds for rent in advance or rent deposits. The challenges to spending DHP allocation in 2017/18 are not unique to Plymouth, 78% of local authorities had spent less than 50% of their allocation at the time of the mid year returns to the DWP in September 2017.

## Other Support

- 5.9 Citizens Advice Plymouth work with the Money Advice Service to provide debt advice via face to face, telephone and online appointments. They also work with OVO and EDF Energy to help their clients to manage their energy arrears and can assist clients to apply for grants to clear their energy debts via EDF Energy Trust.
- 5.10 Get IT Together (working through a national charity, Citizens Online) started in June 2013. Since its inception it has worked with multiple partners across the city to deliver basic ICT and online training to those who are digitally excluded or who lack the core skills. Working with a variety of partners such as City College, North Prospect Community Learning, Plymouth Community Homes, Oasis Foodbank, Affinity Sutton, Salvation Army and Library Services has enabled the project to reach a diverse range of people across the city, especially in working in key venues such as libraries and community centres. The project has also enabled citizens to access the internet through a variety of devices increasing the opportunity for people to use online services.
- 5.11 Our cross party Child Poverty Working Group will be monitoring the impact on child poverty of the roll out of UC to families and will react accordingly once it is known .
- 5.12 UC is a significant change and whilst it is not a benefit that PCC administer, our front facing staff are able to confidently and professionally support and signpost customers wherever they present.
- 5.13 We work closely with our local DWP partners to support the UC implementation programme and as part of that have supported a number of local events for social landlords, private sector landlords, PCC staff, DWP staff and voluntary sector organisations.

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## APPENDIX A

This document is attached to the agenda



UC Plymouth  
Postcodes Roll Out D:

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## APPENDIX B

This document is attached to the agenda



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