The Work and Pensions Committee

The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Work and Pensions and its associated public bodies.

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Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/workpencom

The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume.

Committee staff

The current staff of the Committee are Carol Oxborough (Clerk), Catherine Tyack (Second Clerk), James Abbott (Committee Media Adviser), James Clarke (Inquiry Manager), Emma Sawyer (Senior Committee Assistant), Hannah Beattie (Committee Assistant).

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**Written evidence submitted by Jane Clout**

**Summary:** My concern here is the method of payment of Universal Credit. I hope to explain why a single monthly payment in arrears to a single individual within a claimant unit will frequently cause great hardship and distress to people who are likely to be on the breadline already.

1. At present, subsistence benefits are paid from several different sources, and at varying intervals. All payments are in arrears.
   - Housing Benefit is paid bi-weekly
   - Council Tax Benefit goes as a credit, straight to the CT account of the claimant
   - ESA and JSA are paid bi-weekly
   - IB and IS are paid weekly or bi-weekly

2. When claimants are migrated over to UC, they will have a gap of up to three weeks with no money to cover their necessary expenditure, which will be almost impossible to cover without resorting to high-interest 'payday' type loans. This will happen for every claimant without sufficient savings, which I submit is likely to be a high percentage. Therefore migrating to Universal Credit will force a large number of people further into expensive and unsafe debt.

3. As a prior claimant of ESA for only nine months myself, I experienced the reliability or otherwise of the DWP payment system. During that nine months I was not paid in error no less than four times, and one of these occasions took a full month to sort out. In each case the fault was with the DWP. As money came in from other sources (HB, DLA) I was able to survive. With UC any DWP payment error resulting in non-payment will be disastrous for the people involved, it will remove all their funding. They will be unable to pay their rent, pay their fuel bills, get their children to school, pay for transport, medication or food.

4. People who have been managing on very little for a while will have used up resources that would otherwise cover such oversights and errors. The consequences will be greater take-up of loans from unsafe and expensive sources, a worsening of relations with landlords and other creditors, and great distress for families, sick people, disabled people and the most vulnerable that we were promised would be supported.

5. The fact that only one person in any household is the recipient of UC will cause an imbalance of power in family relations, which may well lead to relationship breakdown. What happens if the lead claimant leaves the family home? Consider the impact on children, and on demand for Social Services.

6. One partial solution would be to alter payment to two-weekly in arrears. This would not address the problem of how to deal with errors of missing payments, but would at least partly solve the initial migration gap and reduce the time people are likely to be without any money at all.

7. Another suggestion is that a substantial amount of money is set aside for a new Payment Crisis Fund, and that eligibility for two-thirds of the missing payment is triggered automatically by DWP accepting that they are in error. This would provide a second fund that can be quickly brought into play if the DWP do accept the error is theirs.

8. I understand that the single payment in arrears is likely immoveable from the statute, but unless some further thought is given to the implications, and measures put in place to counter the very real risks, it will be yet another welfare reform engine of family breakdown, higher medical and social costs, homelessness and malnutrition.

9. There are many other problems with the impact of the regulations for UC as it is currently drawn, but I will leave those for others to address. This basic structural problem, created by the monthly in arrears payment system to only one adult in each claimant unit has, I hope, been partially illuminated by the above.

*23 July 2012*
Written evidence submitted by the Women’s Budget Group

Summary

Monthly payment of Universal Credit

- Universal Credit (UC) will normally be paid monthly - with limited exceptions, and budgeting support and loans to help those finding this difficult. We suggest UC claimants should have the choice of more frequent payment.

- The government says monthly payment of UC mimics life in work. But many on low incomes in work have wages and/or benefits and tax credits paid more frequently, which matches common budgeting patterns for those on low incomes.

- Monthly payment with only limited exceptions does not chime well with the government’s promotion of choice and arguments against interfering in household money management. Only 1 in 10 claimants think it would make their lives easier.

- This is not just a problem of transition or about a small minority who have difficulty budgeting. And women are likely to be hit harder, as in low-income families they tend to make more frequent purchases that will be squeezed as money is stretched.

- Providing choice to claimants would avoid UC becoming bogged down in labour-intensive discretionary front-line staff decisions on exceptions or overwhelmed with applications for advance payments, and would therefore aid its smooth introduction.

Payment of Universal Credit to one person/account for couples

- Couples must choose one partner/account to be paid UC (possibly a joint account). Absorbing payments for children and rent into UC makes this more significant. There will be very limited exceptions (such as for domestic violence), as now.

- The government argues that paying all of UC to one account mimics wages. But wages are not jointly owned or assessed, like UC; and many families have 2 wages.

- Paying all the UC a couple gets to one partner/account is likely to result in less equal couple relationships, and one partner not gaining or practising financial capability.

- Logically, if couples can choose the partner/account to be paid UC, they should be able to choose to split UC between them too - which is what we propose. This is compatible with UC technology, and the government favours expanding choice to split UC by percentages over dividing it by its constituent elements.

- Arrangements for UC must be flexible enough to work for all kinds of families. Equality and sharing of resources cannot be assumed for all even with joint accounts. And facilitating individual access to income and financial security is not a threat to family stability, but on the contrary is likely to strengthen and support it.

1. Introduction
1.1 The Women's Budget Group (WBG) is an independent voluntary organization of individuals from academia, NGOs etc. We have been scrutinizing the gender implications of UK governments’ Budgets and spending plans since the early 1990s. We believe that knowing about the gender implications of policy changes is important in order to reduce gender inequalities and to ensure policy changes meet their goals effectively. We have already undertaken gender analysis of the Welfare Reform Bill (now the 2012 Act).

1.2 This evidence focuses on the proposals for monthly payment of UC, and payment to one person/account for couples. Further information can be obtained from the following documents on our website - http://www.wbg.org.uk/RRB_Briefings.htm
- response to Social Security Advisory Committee consultation on draft Claims and Payments Regulations;
- briefing on frequency of payment of UC for Committee stage of Bill in House of Lords;
- briefing on UC payment issues for earlier stages of Bill.

2. Monthly payment of UC

2.1 The government intends to pay UC monthly in arrears to most claimants. This may align better with some rent/mortgage payments, but differs from how most benefits/tax credits work now, as they are largely paid more frequently (or this is a choice), for those in work as well as out. Monthly payment is a significant change; we do not believe the problems it poses affect only a small minority of claimants who cannot manage their money, or that these problems are just transitional.

2.2 There is no right of appeal about how benefits are paid; so it is important the government gets it right. We are particularly concerned about the impact of monthly payment on women, as they are more likely to manage the household budget in low-income families, and be responsible for the more frequently purchased items (daily/weekly). If there is pressure on household budgets, women are more likely to go without, as the ‘shock absorbers’ of poverty. Women also often manage household debt. So the strains of trying to make UC last a month are more likely to be borne by women, especially in families with children. We are not aware that the gender implications of monthly payment have been investigated in detail.

2.3 The government has to its credit said it wants UC design to be user-centred, and is investigating claimants’ views (DWP Research Report 799, 2012). A significant proportion see monthly payment as posing a risk to their financial security; exercise control over their money now in part by budgeting weekly; and value more frequent payment of benefits. This report suggests information, budgeting tools etc. are unlikely to be enough to resolve these issues. Many families also have no savings to fall back on.

2.4 The quantitative survey of claimants likely to be affected by UC (DWP Research Report 800, 2012) included a chapter on budgeting (albeit unfortunately based only on the main claimant). Only 1 in 10 thought monthly budgeting would make things easier. One in 2 of those budgeting their money did so weekly (the commonest period) or more frequently. Two-thirds of the total sample ran out of money before the end of the week/month always, most of the time, more often than not or sometimes. 42 per cent in total said monthly payment would make budgeting harder (with higher percentages in all out-of-work groups). Most who said the changes would make it harder to budget were unable to specify anything that would help.
2.5 The government says monthly payment in arrears reflects the world of work. But its figures show only some 1 in 2 earning £10,000/year or less are paid monthly. Jobs available to claimants, and the ‘mini-jobs’ UC may encourage, may not be monthly paid. A minister described the aim as ‘to reflect … experience … working full time’;¹ but many work part time, and the labour market is increasingly flexible. Many couples have both partners in work, and many low-income workers also receive benefits/tax credits. So one monthly payment will not smooth the path into work, or reflect the world of work, for many.

2.6 The government argues that monthly payment will encourage claimants to take personal responsibility for their finances, and to budget on a monthly basis, which could save them money (eg by direct debits). Some people always budget better; but people on low incomes already have to exercise responsibility every day just to survive. Currently, however, they can take advantage of frequent payments of different benefits; many ‘juggle’, prefer weekly budgeting, and find labelling of benefits helpful in allocating spending. Some operate in cash entirely, or largely; they may not want bank accounts (in part because of penalty charges); and banks may not be keen on their business. They may prefer to keep more control and flexibility than they feel is possible with direct debits etc. (as revealed in the user-centred design testing), in part because unexpected events necessitate frequent rapid readjustment.

2.7 The government is exploring how to help those who find monthly payment problematic. However, financial products like jam jar accounts are unlikely to suit everyone - or be free. Many claimants may not ‘successfully transition to monthly budgeting’. And the user-centred design testing suggested those at greatest risk may make least use of any help.

2.8 There is a real danger that the smooth introduction of UC will be threatened by focusing on monthly payment as the norm. UC risks being bogged down in labour-intensive discretionary staff decisions on exceptions, as cases will be ‘assessed on their individual merits’ (with guidance, not regulations), and need monitoring as only temporary expedients. Or a ceiling on numbers may result in more widespread financial hardship, and the UC system being overwhelmed with applications for loans, risking its operation and reputation.

2.9 We suggest those wanting more frequent payment (eg twice monthly) should be able to choose it. This would not create significant additional costs. And a minister confirmed (in the context of split couple payments) that ‘if we find that we need to make more splits than anticipated the computer system will allow us to do that. We are designing that in’.²

2.10 It is important to work with the grain of how low-income people manage their money. As the government does not wish to label claimants as financially incapable it will move them to monthly payment as fast as possible. But this is not primarily about financial (in)capability (or claimants adapting to the way benefits are paid now), but about the demanding exigencies of living on a low income - and the (gendered) implications if these are not taken into account.

3. Payment to joint claimants

3.1 UC claims will be made by a couple jointly, and there will be a single monthly payment to one account they nominate - or if not, the Secretary of State may nominate one. The

¹ Parliamentary UnderSecretary of State for Work and Pensions, House of Commons Hansard, 9.5.12, col. 123.
² Lord Freud, House of Commons Hansard, 23.1.12, col. 909.
government is prepared to make (limited) exceptions, to split the payment between the couple (where this is considered to be in the interests of the claimant/family). Splitting payments is often discussed in the same breath as exceptions to monthly payment, or housing benefit paid to claimants; but it raises different issues.

3.2 Split benefit payments can be made now; but their number is apparently unknown. We believe insufficient thought has gone into situations in which split payments may be needed.

3.3 However, our main focus here is not exceptions, but our proposal that couples’ choice should be expanded to include the possibility of paying a percentage of UC into 2 accounts.

3.4 Our concerns about payment of UC to couples are set out in our briefings, so this is a summary only. The single UC payment is more significant because benefits/tax credits are being combined. Lack of financial independence can delay or prevent escape from domestic abuse. But we are also concerned about concentrating financial resources and power in one partner’s hands more generally. Arguments made before against paying all benefits/tax credits to one partner included: paying money for children to the ‘main carer’; inconsistency in terms of ‘rights and responsibilities’ if only one partner receives benefit; and the likelihood of a more equal relationship if both partners have some income.

3.5 This is relevant to both sexes, but especially women. Women are more likely to be economically dependent, and subject to financial and other abuse. In our research with low/moderate-income couples, women in particular valued ‘not having to ask’ for money. They are also more likely to have an independent account.

3.6 There are several reasons why evidence from claimants on this is not as readily available. Sometimes the single payment for couples is conflated with the idea of combining benefits, muddying the issues. More broadly, individuals may present their life as a couple positively - whilst expressing concern about others.

3.7 The evidence from the quantitative research on the impact of UC on claimants likely to be affected should therefore be read with caution. In addition, the chapter on budgeting was based only on interviews with the ‘main claimant’ in couples, omitting their partner’s views. There were virtually no questions about how couples manage their money, or which account would be chosen for UC if not a joint account. The question about a single UC payment was asked of single as well as partnered people; and it is unclear how many were currently receiving several benefits/tax credits. So it is hard to interpret answers given by 55% (this would make no difference), or by 20% (this was already the case). The user-centred design testing focus on claiming, not payment, meant it did not investigate this issue much either.

3.8 While combining benefits may be key to UC design, paying it into one account is not. A single payment of UC was originally said to mimic wages; but many couples have two earners now, and unlike UC wages are not jointly owned or assessed. It was suggested that, just as someone can choose an account for their wage, so couples can choose an account for UC. But this confuses an individual earner with two partners in a couple claiming UC.

3.9 The government says only 7% of cohabiting and 2% of married couples have completely separate finances. This seems to come from the Families and Children Study, and families with children are more likely to have joint finances. But its relevance is anyway unclear. The government has also said it is for couples to decide how to manage their finances. But the

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3 Qualitative research for Within Household Inequalities and Public Policy (Gender Equality Network: www.genet.ac.uk), funded by the Economic and Social Research Council, carried out with Sirin Sung.

4 This was based on a hierarchy of benefits, and whether they made the claim.
relevance of this is also unclear. Deciding whether to pool resources and how to deal with them is a different issue from who receives them initially.

3.10 The discussion should instead be about whether a single UC payment can ensure access to resources for both partners and encourage an equal relationship. The government recognises that ‘particularly in low-income households … men sometimes benefit at the expense of women from shared household income’.\(^5\) And in the original Equality Impact Assessment, it undertook to consider the potential impacts of paying UC to one partner; we are unclear how or to what extent it has carried this out. Equality in sharing resources and financial decision-making cannot be assumed for all. And joint accounts cannot guarantee this. They are a symbol of marital togetherness, and many couples have them; but they are not appropriate for all, especially because they involve joint liability. Solving this via special financial products may not be possible, especially for people on low incomes. So for some couples, neither one person getting all the UC nor a joint account may be suitable.

3.11 The government’s central goal for UC is to encourage people into work. But personalised individual conditionality does not fit well with a system in which one partner receives no benefit. The government says that ‘both members of the couple play an equal part in the claim’; but this is not the case if only one gets the payment.

3.12 The government is keen on all adults acquiring financial capability; paying all the UC to one partner in couples would seem to make this less likely.

3.13 Couples often use a mix of income streams, and joint and individual accounts, to cope with the complexity of modern family life, especially when (in remarriage/repartnering) one or both partners have commitments to previous families. And recent research suggested that an imbalance of power or control of financial matters could cause relationship problems, and this could be related to gender role expectations - though lack of adequate finance was the commonest cause.\(^6\) Only one partner receiving UC is less likely, in our view, to provide a stable basis for committed coupledom.

3.14 The government wants UC to be workable; so it needs to ensure that the arrangements work for all families - including those just getting together, splitting up, or cohabiting - not just long-term married couples.

3.15 Clearly, by acknowledging the need for exceptions, the government recognises a single UC payment is not always appropriate, and allowing a split is compatible with its goals for UC. We suggest this should be expanded to include giving couples the choice of splitting the payment between them/between accounts. During Lords Report stage (23.1.12), the minister made clear the government was more prepared to consider expanding choice in terms of couples splitting payments by percentages than dividing UC into its elements, and confirmed the technology did not prevent this.

3.16 Allowing couples to choose to split UC reflects the world of work and real families today, when most individuals have one or more income sources each, often including wages but also benefits/tax credits. It could also encourage discussion within the couple about what UC is meant to cover, and about financial distribution and decision-making. It would also demonstrate that UC is flexible enough to suit the various ways couples today choose to organise their lives and finances. If both UC payments were reduced simultaneously with wage increases, couples could see the impact of their decisions about work as clearly.

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\(^5\) House of Commons Hansard, Written Answers 14 March 2011, col, 126W.

\(^6\) Ramm, J. et al. (2010) Relationship Difficulties and Hel-seeking Behaviour, Research Report DFE-R018, London: Department for Education. (This was a representative sample of couples in long-term relationships, interviewed in 2002-03.)
3.17 Giving choice to couples risks the stronger partner dominating. But that potential is there already. And exceptions, with the Secretary of State sanctioning splitting when necessary, would of course need to be retained. However, in our view this by itself is too unwieldy and labour-intensive a mechanism to encompass the variety of cases in which couples might prefer to split UC.

3.18 Finally, on a related issue, we are very pleased that the government appears to have taken at least an interim decision not to pay contributory benefits and UC together. The possibility had been mooted that the contributory benefit of one partner in the couple could be paid to the other partner if they were the UC payee. This is not consistent with contributory benefits belonging to individuals. We would urge that this should be ruled out for the longer term as well.

8 August 2012
Supplementary written evidence submitted by the Women’s Budget Group

1. More frequent payments of universal credit

1.1 In limited situations, the government has acknowledged that some people, in addition to budgeting support and access to financial products, will be likely to need more frequent payments of universal credit than the usual payment monthly in arrears. At the time of writing, it is not yet clear how many people are envisaged to need these, and details about how they might work have not yet been published. But the monthly assessment which will be the norm for universal credit (see 2. below) clearly limits the options. The most likely frequency for exceptions is probably twice monthly, so this is what is assumed below; this is not the same as fortnightly, because universal credit will operate on calendar months rather than 4 weeks. Normally payment is likely to be made 7 days after the end of the month.

1.2 It is assumed that, separately from this, some claimants will be given an advance payment of universal credit in the first month of entitlement, as otherwise they will not be able to meet their commitments; this is not discussed here. Instead, it is envisaged that a claimant may have been on universal credit for some time, but is finding monthly payments difficult, even with the help of budgeting support and access to financial products, and it has been decided that they can at least temporarily have more frequent payments. The two major possibilities, given monthly assessment, are half the payment made in advance, or half withheld and paid later. In the first case, half the payment could be made (eg) a few days after the end of the first fortnight of the assessment month, and the rest as planned 7 days after the end of that month. In the second, half the payment could be made 7 days after the end of the month, and then half another half-month later. Each of these has implications - the first in particular for the administrative authorities, and the second in particular for claimants.

1.3 If people are paid half their monthly payment in advance, ie half way through the relevant month, this would be an interim 'down payment', as all the relevant circumstances would not always be known then. This would therefore have to be corrected if necessary in the second half payment; and this would presumably have to be repeated each month. This outcome would seem contrary to the government's wish to avoid the under- and over-payments that dogged tax credits. But on balance, it would seem preferable for most claimants to half the payment being withheld.

1.4 Alternatively, claimants would be paid only half of what they are owed for the month 7 days after the end of that month, and then would wait another half month for the remaining half. This would seem to contradict the government's wish to help those who find monthly payment most difficult, and could result in hardship cases and requests for advance payments (and adverse publicity for the scheme).

1.5 It is important for the sake of claimants that the arrangements for exceptional payments are clarified. In addition, if the government pursues the option put forward in the Women’s Budget Group’s evidence to the Select Committee - of amending the draft regulations to allow the choice of more frequent payment for all claimants who would prefer this - these arrangements would clearly apply to larger numbers of claimants and clarification is crucial. The monthly assessment element of universal credit design limits the options. But on balance we believe payment of half the payment in advance is preferable to withholding half,
and that claimants should be free to choose twice monthly payments (as set out in our original written submission).

2. Monthly assessment and the ‘whole month’ approach to changes of circumstances

2.1 Monthly assessment for universal credit, and the ‘whole month approach’ to changes of circumstances, were not discussed in detail during parliamentary debates on the Welfare Reform Act 2012. Their implications have only been fully realised on publication of the Explanatory Memorandum for the Social Security Advisory Committee about the draft regulations on decision-making and appeals. This note therefore also discusses these.

2.2 Monthly assessment for universal credit will, firstly, mean that if someone is entitled for less than a month, they will not receive any universal credit for that month. (This seems, for example, as though it would affect someone who gets a job towards the end of a month taking them out of entitlement.) Secondly, the whole month approach to changes of circumstances means that such changes will be applied to the month as a whole, rather than just to the part remaining after the change on a pro rata basis. The situation that obtains on the final day of the month will determine the amount of payment for the previous month as a whole. This will be an advantage for some, if (for example) they have a new baby towards the end of their universal credit month, as it will be assumed that the baby was born at the beginning of the month, so additional needs will be assumed and extra benefit paid for the whole month. But for others, this approach will have the opposite effect. For example, if a dependent teenage daughter turns 18 and leaves home towards the end of the month, she will be treated for universal credit purposes as though she had left at the beginning of it, despite the claimant having had to feed her for most of the month.

2.3 This will mean that the amounts people are paid in universal credit do not bear the same close relationship to their circumstances as means-tested benefits and tax credits do currently, because any change will be deemed to apply for the whole month regardless of when it occurs. In addition, it seems that the decision letter about how any changes of circumstances affect the amount of universal credit paid - either positively or negatively - is not going to be sent until the end of the month to which it applies. Yet we know that claimants are going to be encouraged to budget monthly, arrange direct debits with payments on fixed dates, or set up ‘jam jar’ or other accounts to siphon off parts of their universal credit for different purposes (etc.). This is not a minor element of the system likely to affect few people; it is clear both from the experience of tax credits, and from research by the Centre for Analysis of Social Exclusion, that many claimants living on low incomes have very frequent changes of circumstances.

2.4 By adopting a whole month approach to changes of circumstances for universal credit, the government may avoid administrative complexity, and (it may hope) the adverse publicity accompanying under- and over-payments of tax credits. Yet in practice these under- and over-payments will still exist. They will just go unrecognised, because they will be borne by the claimants of universal credit, which will be much less responsive to changes in their lives.

3. Conclusion
As was made clear in our previous briefings (see www.wbg.org.uk - Briefings), while we are concerned with effects on the household budget as a whole, we are also concerned about the specific implications of monthly payments of universal credit for women, who in low income families often have the major responsibility for household budgeting and managing debt, and who often bear the costs of trying to make ends meet. The arrangements for more frequent payment, monthly assessment and the whole month approach to changes of circumstances are also therefore more likely to affect women.

1 November 2012
Introduction

1. Gingerbread is the national charity working for and with single parent families. Welfare benefits and employment issues form an important part of our policy and advice work. Queries relating to welfare benefits consistently make up around half of all calls to our Single Parent Helpline. We provide information and campaign on key aspects of the welfare system as they affect single parents. It has been a longstanding goal of the organisation to ensure single parents get the help and support they need in order to move into employment.

Gingerbread’s response covers the following issues:

- Proposed arrangement for claims and payments
- Provision of support and advice for claimants
- Proposed arrangements for the claimant commitment
- Proposed arrangements for sanctions
- Parent flexibilities
- Access to further education
- Impact monitoring

2. In summary, Gingerbread is concerned that vulnerable claimants will not receive adequate help and support to complete their claims, either online or using the telephone service. Bearing in mind claimants could receive a financial sanction for errors, providing timely and appropriate support must be an essential part of the government offer to would-be claimants. In the absence of any regulations regarding “good reason”, we remain unconvinced that the claimant commitment will provide an adequate safeguard against the inappropriate use of sanctions. Further to this, the claimant commitment will not provide details of what Universal Credit recipients can expect from JCP in terms of support, nor does it explain the parent flexibilities.

3. Gingerbread has particular concerns regarding the treatment of the parent flexibilities within the draft regulations; namely that the majority of the flexibilities which allow responsible carers to limit their conditionality because of their caring responsibilities are being weakened as a result of over simplification.

1. Proposed arrangements for claims and payments

1.1 Making and managing claims online
4. The move to online claiming is a significant step change in the way benefit claims will be processed and managed. Out of all single parents, 94 per cent have a computer at home (compared to 98 per cent of couple families). 90 per cent use the internet (compared to 94 per cent of couples). However, internet usage varies by income level; the lowest income households are less likely (87 per cent) to use the internet than highest income (97 per cent). Similarly, social tenants are less likely to be online (84 per cent) than homeowners (96 per cent).¹

5. For the majority of single parents, making an online claim for Universal Credit and managing their claim online is achievable. Recent research² suggests that single parents are keen to receive more information and services via the internet.

6. Among the single parents who are members of Gingerbread, we are aware of the growing use of smart phones to access the internet. In a member survey in March 2011, 52 per cent of respondents said they owned a phone with internet access, and since we developed our own mobile site we have seen a steady increase in the proportion of our web users accessing our online services through smartphones. This reflects a population-wide growth in access to and use of smartphones (and, increasingly, tablets) to access the internet, which is projected to increase exponentially in the coming years.

7. Ensuring that the Universal Credit claims website is fully mobile compliant from the start is vitally important to encourage the increasing number of smart phone users to claim online; particularly as for many claimants this will be their primary mechanism for accessing the internet. We think it will be of particular use for managing payments, for example updating childcare usage or informing JCP of a change in circumstances.

1.2 Moving to monthly payments

8. Research indicates that single parents may struggle more than other claimant groups to make the transition from fortnightly to monthly payments.³ We also saw this when single parents moved from weekly income support payments onto fortnightly jobseeker’s allowance payments (before income support also became a fortnightly payment)⁴. Single parents are more likely to budget on a daily or weekly

basis than other claimants, and moving to monthly budgeting will be a significant adjustment for many when it comes to managing household finances.

9. Gingerbread is concerned that without adequate information and support prior to and during the transition to Universal Credit, single parents could run out of money before the end of the payment period. It is unclear at this stage what help there will be for claimants who find themselves in debt as a result of moving from fortnightly to monthly payments. In particular, what consideration has been given to providing grants to cover a shortfall when transitioning from fortnightly to monthly payments, rather than claimants having to rely on budgeting advances or “pay-day loans” which need to be re-paid?

2. Provision of support and advice for claimants

10. There will be a minority of single parents who will struggle to make a Universal Credit claim online. Claimants with limited computer literacy and financial literacy will need to be supported to make the transition to online claiming. In conjunction with the introduction of online claiming a comprehensive support package must be put in place to improve the computer and financial literacy of claimants.

11. Those unable to claim online must not be disadvantaged as a result of using the telephone service. Information about their claim and award must be provided in a timely way that is in an easy-to-understand format. They must also be able to manage and update their Universal Credit payments quickly and efficiently using the telephone service. DWP’s preference of claimants using online tools must not have the unintended consequence of creating a two tier service, particularly as telephone service users may be more vulnerable and find it harder to engage with the claims and payment regime.

12. Comprehensive support and advice is particularly important as claimants may face a financial penalty for errors made in their Universal Credit application. Gingerbread does not believe that the threat of financial penalties is an effective way to reduce error. In our view, readily-available and appropriately-tailored support and advice for all claimants and in particular for claimants with low levels of computer literacy or those who are reliant on the telephone service, is a much better means of reducing error.

13. We would be deeply concerned if claimants were being penalised for errors, but were unable to access the help and support they needed in order to submit a claim with all the correct information.

3. Proposed arrangements for the claimant commitment

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14. There is a considerable amount of emphasis placed on the claimant commitment in the new Universal Credit regime. The information provided by the claimant in this document will dictate what elements of Universal Credit they will receive and the conditionality attached to their claim. Without any circumstances detailed in the regulations to protect claimants from the inappropriate use of sanctions, it will also (by default) form the basis of an appeal if sanctions are applied to a claim.

15. Officials have indicated that the claimant commitment will ensure the requirements on responsible carers will be appropriate. This presupposes that claimants will know what information to provide in order to ensure that work requirements do not impede their caring responsibilities. It also presupposes that JCP advisors are aware of the full range of parent flexibilities and feel confident in applying them to a claim. We know from calls to Gingerbread’s telephone helpline that JCP advisors are not necessarily familiar with the relevant regulations. The claimant commitment focuses on the responsibilities of claimants but does not detail what claimants can expect from JCP, nor is it the intent to provide an explanation of the parent flexibilities up front.

16. It is Gingerbread’s view that the claimant commitment should ensure that both responsible carers and JCP advisors are aware of the parent flexibilities. It should also be clear to the claimant how the flexibilities are being applied to their individual circumstances.

4. Proposed arrangements for sanctions

17. The draft regulations do not detail the circumstances when “good reason” (currently good or just cause) can apply and a sanction can be legitimately avoided. It is concerning that the application of good reason will be left entirely to advisor discretion and referred to only in guidance, rather than in secondary legislation.

18. There are currently two circumstances which count as good or just cause whereby responsible carers are protected from inappropriate use of sanctions.

- Refusing a job offer or to follow an instruction from an advisor when there is no affordable or appropriate childcare available.\(^6\)

19. A responsible carer should not be penalised if there is no appropriate or affordable childcare available locally. Childcare coverage is far from universal; in England only 29 per cent of local authorities report that they have enough childcare provision across the whole authority for children aged between five and eleven. This falls to six per cent in Wales.\(^7\) It is not within a claimant’s control whether childcare

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\(^6\) Regulation 72 Jobseeker’s Allowance Regulations 1996 as amended by Regulation 11 (12) of the Social Security (Lone Parents and Miscellaneous Amendments) Regulations 2008

provision exists and this should be reflected in the regulations. As such, lack of affordable or appropriate childcare should be included as a circumstance under good reasons for non-compliance to prevent an inappropriate use of sanctions.

- Leaving a job because of a lack of available and affordable childcare

20. Working patterns and childcare needs (as well as availability) are not static, sometimes changing on a frequent basis. This can result in a responsible carer needing to leave a job because it is no longer compatible with the childcare available. Current regulations take into account circumstances when a responsible carer may need to leave a job because of a lack of available and affordable childcare. This is an important provision, but there is no comparable regulation in Universal Credit. Gingerbread takes the view that similar provision should be made under good reason, to ensure a claimant does not incur a payment sanction for circumstances over which s/he has only limited, if any, control.

21. It is unclear whether the overarching intent of these important regulations will be reflected in guidance. The parent flexibilities form an important regulatory framework which supports responsible carers into employment that fits in with their caring responsibilities. Increasing the amount of advisor discretion must be accompanied by greater advisor accountability. No provisions have been made for increased accountability for JCP or Work Programme advisors. Guidance, in fact, gives advisors more leeway to disregard a claimant’s individual circumstances because they are not legally bound to consider the substantive content in guidance. This is in contrast to when circumstances are stipulated in regulations, and as such advisors are obligated to take them into account. Reducing regulations removes important safeguards, erodes accountability and transparency in decision making, and increases uncertainty for claimants.

22. It is Gingerbread’s view that all instances of good reason, including those that directly relate to caring responsibilities should be detailed in regulations. We do not believe that guidance will offer adequate protection for claimants or accountability for advisors when imposing sanctions.

5. The treatment of parent flexibilities within Universal Credit

5.1 Parent flexibilities – restricting hours for responsible carers with children aged 13 and over

- Expected hours of work WR21 regulation 81 (2) (a) (ii)

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8 Regulation 73A Jobseekers Allowance Regulations 1996, as inserted by Regulation 11 (13) Social Security (Lone Parents & Miscellaneous Amendments) Regulations 2008
23. The draft regulations allow for responsible carers to limit the number of hours they can work based on their caring responsibilities. This reflects current regulations. However, the draft regulations contain a condition that the Secretary of State has to be satisfied that the claimant has reasonable prospects of finding work. This will apply to responsible carers with a child aged 13 and over.

24. Responsible carers limit their hours because of their parenting responsibilities. Their prospects of finding work at a lesser number of hours may be adversely affected by the state of the local labour market and the availability of childcare, neither of which they have control over. Current regulations allow all responsible carers (with a dependent child up to the age of 12) to limit their expected hours of work regardless of how this affects their prospects of finding work.9 There is also an easement in guidance regarding reasonable prospects of finding work for responsible carers with a child aged between 13 and 16. We think this strikes the right balance.

25. The focus of this regulation is mis-directed at the claimant, whose parenting responsibilities are pre-determined and can’t easily be adjusted to accommodate for a lack of suitable jobs or childcare. It would appear that the individual claimant is being made responsible for external factors which are beyond their control.

26. It is Gingerbread’s view that regulation 81 (2) (a) (ii) should be removed, or an easement provided in guidance.

- **Work availability requirement: able and willing immediately to take up paid work** WR6 regulation 87 (3) (b)

27. The regulation stipulates that a responsible carer should have up to 48 hours to attend an interview taking into account alternative childcare arrangements. The current regulations allow up to one week, which is reasonable adjustment when a responsible carer may need to organise formal childcare in order to attend an interview. Reducing the additional amount from one week to 48 hours is overly restrictive in our view. It is unrealistic to expect a responsible carer to be able to organise childcare with only 48 hours’ notice, particularly if they are solely reliant on formal childcare provision. Failure to find childcare in 48 hours could result in a higher level sanction for non-compliance.

28. The following regulations for single parents claiming jobseeker’s allowance do not have a comparable regulation under Universal Credit:

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9 Regulation 13 (4) (6) & (7) Jobseekers Allowance Regulations 1996
• Limiting work search requirements when a child has been excluded from school;\(^{10}\) there is no affordable, appropriate childcare available during the school holidays;\(^{11}\) subject to a parenting order or contract\(^{12}\)

29. There is no explicit reference to the above circumstances in the draft regulations. These make up an important safety net to ensure responsible carers are not penalised for non-compliance when facing difficult family circumstances or during school holidays. Dealing with the consequences of a school exclusion or complying with a parenting order can be time consuming and stressful. It is important that in these circumstances a responsible carer can focus on their family without the additional pressure of fulfilling work search requirements.

30. Finding and paying for childcare in the school holidays is a significant problem. Two thirds of local authorities are failing in their legal duty to ensure there is sufficient childcare available in their area during the summer holidays.\(^{13}\) Gingerbread does not believe that responsible carers should face a payment sanction for failing to comply with work search requirements when childcare is not available during the school holidays.

31. It is not clear whether or not these circumstances will fall under regulation 86 (2) (d) or 90 (4) (c) (temporary circumstances) and if this will be made explicit in guidance. Gingerbread takes the view that Universal Credit regulations should reflect current provision and that guidance will not provide a strong enough steer for advisors, or a strong enough protection for single parents.

5.2 Parent flexibilities – childcare element

• The work condition AW13, regulation 28 (2) (b)

32. As drafted, this regulation excludes self-employed claimants from being treated as meeting the work condition if they are experiencing a period of sickness, and therefore ineligible to receive support for childcare costs. Without continuing financial help, self-employed responsible carers may have to give up an existing childcare place during a period of ill health. When well enough to resume working, claimants will need to find alternative childcare and put in a new claim for childcare costs. This adds an unnecessary layer of bureaucracy and creates a barrier which could potentially delay a claimant’s return to work.

\(^{10}\) Regulation 14 (u) Jobseeker’s Allowance Regulations 1996 as amended by Regulation 11 (8) of the Social Security (Lone Parents and Miscellaneous Amendments) Regulations 2008

\(^{11}\)Regulation 14 (t) Jobseeker’s Allowance Regulations 1996 as amended by Regulation 11 (8) of the Social Security (Lone Parents and Miscellaneous Amendments) Regulations 2008

\(^{12}\) Regulation 3A Jobseeker’s Allowance Regulations 1996 as amended by Regulation 11 (7) of the Social Security (Lone Parents and Miscellaneous Amendments) Regulations 2008

\(^{13}\) Daycare Trust (2012) 2012 Holiday childcare costs survey. London: Daycare Trust
33. Current regulations allow self-employed single parents to claim working tax credits (including childcare tax credits) for up to six months if are experiencing a period of sickness.\textsuperscript{14}

34. A self-employed claimant who is a responsible carer is just as likely to need continued support towards their childcare costs whilst unwell as other claimants. Excluding self-employed responsible carers may increase financial hardship during a period of sickness as in order to retain a childcare place a claimant would need to pay the full cost. We would not want to see responsible carers, including single parents, put off from pursuing self-employment opportunities which may best suit their work requirements – and meet their work aspirations – over the longer term.

35. We would like to see self-employed responsible carers included in regulation 28 (2) (b) to bring it in line with existing provision.

- **The childcare costs condition AW14, regulation 29 (1) (b) (ii); 29 (2)**

36. This regulation appears to only allow support for maintaining the childcare arrangements in place from the point at which a claimant is treated as being in paid work. If additional childcare were needed under these circumstances, for example when a school holiday falls within an assessment period, the wording of this regulation prevents eligibility for further support.

37. We are concerned that the draft regulation is unduly restrictive and risks being narrowly interpreted by advisors. Childcare needs may change on a frequent basis; advisors must have flexibility to use their discretion and take into account a claimant’s individual circumstances. We have received assurances from officials that the intention behind this regulation is not to preclude support for additional childcare if required and that guidance will make this clear. However, we would prefer to see an amendment to the draft regulation to encourage a wider interpretation and do not think it is sufficient to rely on guidance to provide a strong enough steer to advisors.

- **Amount of childcare costs element AW15, regulation 30 (2) (a)**

38. Regulation 30 (2) (a) stipulates that support for childcare costs will be further limited if usage is deemed “excessive”. The regulation as drafted appears to limit support for childcare costs to a claimant’s hours of paid work, or could be interpreted as such. In order for childcare to make work a viable option for responsible carers, financial help towards childcare costs must also cover travel time as an absolute minimum in addition to hours of work.

\textsuperscript{14} The Working Tax Credit (Entitlement and Maximum Rate) (Amendment) Regulations 2003
39. Whilst Gingerbread appreciates the need for appropriate checks and balances, we take the view that this regulation is an unnecessary burden on responsible carers who may feel pressure to constantly justify their childcare usage. There is no evidence that we are aware of to suggest that childcare tax credits are being used inappropriately. What we do know is that responsible carers are struggling to pay for the childcare they need, as costs continue to rise above inflation and support has been cut from 80 per cent to 70 per cent. In a survey\(^\text{15}\) of parents by Save the Children and Daycare Trust, a quarter said that childcare costs have caused them to get into debt and a quarter of parents in severe poverty have given up work or turned down a job because of high childcare costs. Gingerbread takes the view that it is highly unlikely that responsible carers are going to abuse the childcare element.

40. The example given by officials is a claimant working for two hours a week and claiming 35 hours a week childcare. This is a highly unrealistic scenario bearing in mind the cap on maximum amounts and that a claimant would still be paying 30 per cent of the costs. Whilst some claimants might use a little more childcare than their working hours and travel time, there could be a variety of reasons for this including attending a college course, going to an appointment or caring for another family member. It is difficult to see how these examples could be viewed as excessive. Gingerbread takes the view that this regulation is unwarranted and overly intrusive, and would prefer to see potential abuses of the childcare element dealt with by other means.

41. When Lone Parent Obligations (requiring single parents to move from income support to jobseeker’s allowance in successive waves, depending on the age of their youngest child) were first introduced in 2008, it was explicitly part of the government’s approach that a comprehensive set of parent flexibilities were clearly set out in regulations, to allow single parents to balance work requirements with their caring responsibilities.

6. Access to further education for responsible carers subject to all work-related requirements

6.1 Meaning of “receiving education” EN7 regulation (10) (4)

42. This regulation restricts a claimant from accessing education or training which the Secretary of State considers incompatible with expected hours of work. However, it does not detail any of the circumstances in which this would apply. For example, does regulation (10) (4) mean claimants can only undertake education and training in the evenings (when childcare is difficult to source and more expensive due to anti-social hours); that claimants can only study for a very limited numbers of hours per week (limiting the type of course they could take); or that claimants cannot work and

study part-time (for those subject to in-work conditionality)? This regulation will negatively impact on responsible carers trying to gain qualifications in order to enhance their job prospects.

43. It would also appear that 10 (4) is in conflict with 90 (3) (a), the latter ensuring that responsible carers in education or training will be treated as being in the no work-related requirement group.

44. Being in education or training is not covered by the relevant deductions stipulated in 86 (2). It is unclear whether this is because a responsible carer in education or training is subject to 90 (3) (a), and therefore work search and work availability requirements cannot be imposed on them, or because a claimant in education or training is required to continue to look for work for the same amount of time as his/her expected hours of work. The latter is problematic for responsible carers as studying in addition to their expected hours of work may be incompatible with their parenting responsibilities.

6.2 Circumstances under which work search and work availability

45. This regulation would allow claimants subject to full conditionality to be exempt from work search and work availability requirements if in education or training. Gingerbread welcomes the inclusion of this regulation as the opportunity to gain further education qualifications can be a vital stepping stone into work.

46. Access to further education prior to entering work is of increasing importance as responsible carers are now subject to full conditionality when their youngest child turns five. In the current system, their opportunities to gain additional qualifications have been eroded with loss of fee remissions (when in receipt of income support) and the application of the conditionality regime (when in receipt of jobseeker’s allowance). Responsible carers claiming JSA have to be prepared to give up a course if offered a job or face a payment sanction, even when completing the course would help them to secure better paid and more stable employment.

47. The Universal Credit explanatory memorandum notes that the government is still considering the treatment of claimants in certain types of education, with wording to be inserted into regulation 79 (2) (f). Gingerbread has long held the view that responsible carers (subject to all work-related requirements) undertaking further education courses, including access courses, should be treated as fulfilling work search and availability requirements until their course ends. Regulation 90 (3) (a) appears to achieve this.

48. It is not clear how 90 (3) (a) relates to 10 (4) and 79 (2) (f), once drafted. We would be concerned if either the application of 10 (4) or the subsequent draft of 79 (2) (f) qualified 90 (3) (a) in such a way that its application was limited.
7. Impact monitoring

49. Universal Credit is a substantial overhaul of the welfare benefits system. Its impact on claimants will be considerable, with 2 million households receiving less financial support\(^{16}\) than under the current system, and all claimants having to meet stricter conditionality measures. All aspects of Universal Credit will need to be monitored and evaluated over time to assess whether it is fulfilling the government’s aims and objectives and to understand its impact on the lives of claimants and their families.

50. Gingerbread is particularly interested in the impact of Universal Credit on single parents and how this compares to other household types. The following areas are of primary concern:

**Financial hardship**

- Monitoring of applications for hardship payments including the number of successful and unsuccessful applications, reasons for refusal, type of hardship payment provided and in what form
- Use of food banks among Universal Credit claimants
- The level and type of debt incurred by Universal Credit claimants.

**Long term employment outcomes**

- Support interventions provided by JCP and Work Programme providers
- The effectiveness of interventions in helping claimants secure suitable employment and to remain in work.

**Claimant commitment**

- The accuracy and effectiveness of diagnostic tools to inform the claimant commitment
- The role of the claimant commitment in reducing the number of sanctions imposed on claimants
- Levels of understanding among claimants regarding the content of their claimant commitment
- Claimant knowledge of how to appeal a decision.

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Parent flexibilities

- Levels of advisor knowledge about single parents and the parent flexibilities
- The application of parent flexibilities by advisors
- The level of understanding of the parent flexibilities amongst single parents
- The uptake of further education courses by single parents
- The impact of greater use of guidance rather than regulation in implementing the parent flexibilities.

8. Conclusion

51. Taken together, the parent flexibilities currently available provide a coherent framework which enables single parents to find employment whilst continuing to provide the day-to-day care of their children.

52. Aside from regulation 81 (b), all the parent flexibilities have either been qualified to narrow the circumstances in which they can be used\textsuperscript{17} or are not accounted for at all. The cumulative impact of these changes will make it harder for single parents to find suitable employment and put them at greater risk of incurring sanctions for reasons that are beyond their control.

53. Without these flexibilities, responsible carers will struggle to find sustainable employment and it increases their risk of cycling in and out of low paid work which doesn’t take account of their caring responsibilities\textsuperscript{18}. Research consistently shows that single parents are highly motivated to work.\textsuperscript{19} It is counter to the evidence base to erode provisions which support responsible carers into work and helps them to remain in work.

9 August 2012

\textsuperscript{17} Draft Universal Credit regulations: 28 (2) (b); 29 (b) (ii); 30 (2) (a); 87 (3) (b)
\textsuperscript{18} Newis, P. (2012) \textit{It’s off to work we go? Moving from income support to jobseeker’s allowance for single parents with a child aged five}. London: Gingerbread
Written evidence submitted by Nick Atkin, Chief Executive, Halton Housing Trust

Introduction

1. Nick Atkin is the Chief Executive of Halton Housing Trust, a housing association that owns and manages over 6,200 homes in the Cheshire towns of Widnes and Runcorn.

2. The Trust was formed in December 2005 following the transfer of homes from Halton Borough Council.

Executive Summary

3. This Memorandum contains evidence on the following specific areas:
   a. Arrangements for claims, payments, support and advice for claimants
   b. Development of IT systems to administer Universal Credit
   c. The proposed arrangements for the ‘claimant commitment’, sanctions and hardship payments

a. Arrangements for claims, payments, support and advice for claimants

4. A claimant will be paid on the same date each month, which is usually 7 days after the end of their initial assessment period. This will result in a delay until benefits are received for a much longer period than at present. This may well adversely affect the claimants’ ability to budget appropriately.

5. This will also result in a significant increased demand for budgeting and debt advice services from claimants to ensure priority commitments are met and to avoid penalties such as bank charges that further reduce household available incomes.

6. The Regulations allow for payments other than via the standard monthly payment, but only in genuine exceptional cases. DWP are expecting budgeting support/products and services to have been used before a Payment Exception request can be considered. This will result in another form of increased demand on existing advice services.

7. It is recognised that organisations such as the Trust are classed as being a “trigger” for identifying when a Payment Exception will need to be paid. The implication here is that we will need to collate a database of our customers who we deem may need this additional support in order to ensure rent payments are met.
8. It is understood that the DWP will use a risk scoring approach and have provided some detail on this already. However, the score threshold has yet to be set. Whilst we know what criteria will be used and the points to allocate, this is no indication yet available on the points threshold that will allow the triggering of a Payment Exception request.

9. It is acknowledged that Payment Exceptions will not (and should) not be an indefinite arrangement but only ever a transitional way of allowing time for a claimant to become able to manage their standard monthly payment with the help of additional support networks if necessary. However there may be exceptional cases where these intensive support arrangements may be required on more than one occasion or for longer periods. As such it would be helpful if the Regulations could be amended to reflect this and provide some qualifying criteria.

10. Housing providers have already taken steps to increase their own advice service resources at a time when locally a number of such services are being cut or significantly reduced elsewhere. Consideration should be given to provide ring fenced resources for such advice services to be provided or at least for them not to be diminished at a time of such substantial change.

11. The limit on backdating will have serious repercussions for those vulnerable claimants who had an underlying entitlement but for various good reasons have had their claims delayed. The Regulations offer a significantly reduced number of reasons where a backdated claim can be requested. Furthermore if the claimant does not qualify or cannot provide the sufficient evidence needed, then no backdating (even for one month) is allowed. This will result in further financial hardship for some of the most vulnerable groups.

12. Consideration should be given on how DWP could support housing providers to encourage and promote bank accounts as the preferred mechanism for benefit payment. This could also include how providers could work in conjunction with local credit unions and other such agencies to promote their facilities and develop arrangements to protect priority payments, such as rent.

13. The significant reduction in what is considered to be an eligible service charge under the new Regulations will cause immense financial hardship on affected customer’s ability to meet their rent liability and could ultimately lead to an increased number of evictions and associated homelessness. This could also lead to a number of key services being withdrawn that will in turn have a negative impact upon the quality of housing and the types of services offered to customers. This one change has the potential to incur
disproportionate negative socio-economic implications, for both housing providers and their customers.

14. There will be some protection for claimants migrating from legacy benefits to Universal Credit through the Transitional Protection arrangements. However, it is understood that this will not be uprated and will be eroded over time or cease altogether depending on certain income changes.

15. Whilst this additional financial help will be of some comfort to claimants and will ease the transition for them, it is essential to ensure such claimants understand that this protection will not be permanent. As for the Payment Exceptions, there may be exceptional cases where these intensive support arrangements may be required on more than one occasion or for longer periods. As such it would be helpful if the Regulations could be amended to reflect this.

b. Development of IT systems to administer Universal Credit

16. At present, third parties acting on behalf of claimants in the management of their benefit claims can apply by phone for paper copies of claim forms. Under the new arrangements, this will no longer be possible. Third parties will need to have access to IT in order to assist claimants. This could be prohibitive, especially when supporting those who are vulnerable and /or during any face to face contact where the claimant has no IT facilities available or cannot access facilities themselves. Insufficient consideration has been made within the Regulations for these types of cases.

17. It is anticipated there will be an increase in Self Employed earners under Universal Credit due to the strict claimant commitment under other parts of the Regulations.

18. However, and somewhat perversely, the Regulations could act as a disincentive through a decrease in people opting out of self-employment as a route to employment due to the strict qualifying criteria in this part of the Regulations.

19. The Trust is actively pursuing a number of activities/initiatives under our worklessness agenda to develop and nurture social enterprise through our support to small businesses. These efforts could be totally undermined if the Regulations have the impact we predict.

20. One of the declared aims for Universal Credit is to improve work incentives, part of which may be an expectation for an increase in self-employed earners. The Regulations state that self-employed earners will be required to report their earnings on a monthly basis using an online tool.
The associated guidance goes on to state that a ‘message will be sent to
the claimant towards the end of the assessment period’. This suggests that
the claimant will have access to an email account or will receive this
message by text. Any self-employed claimant must therefore by implication
own or have access to a computer to enable them to report these changes
and also be able to produce monthly accounts and possess book keeping
skills.

21. The guidance notes state that, ‘the system has been designed to make it
possible for claimants to report monthly without employing an accountant”.
However if a report is 7 days late, the claim for Universal Credit will be
suspended. Furthermore if it is more than 4 weeks late then the claim will
be terminated unless good cause can be provided to explain the delay.

22. There could be a wide variety of reasons why a claim is not submitted such
as illness, IT issues/ problems etc. This could result in an increasing
number of self-employed claimants’ entitlements being
suspended/terminated leading to under or over payments accruing and
causing additional financial burden.

23. Throughout the Regulations for self-employed and employed claimants it is
stated that their income will align with the HMRC ‘Real Time Information’
system to enable entitlement to Universal Credit to be established. It is
therefore imperative to ensure that customers who are working have
access to a computer to report any change in their income in view of the
sanctions imposed for late submissions as described above which can lead
to the claim for Universal Credit being suspended or even terminated.

24. New business starters will only be eligible or one “Start-up” period
(whereby they are exempt from the MIF) in a claimant’s life time. This could
discourage customers from considering self-employment in a different area
in the future if a previous business fails or is considered unsuitable/low
earning and cause further pressures on the job market and so discourage
local enterprise.

25. As a result of a recent change in Tax Credit legislation (whereby a couple
must work 24 hours compared to 16 hours in total in order to claim for tax
credits), many claimants are unable to gain the extra 9 hours through their
current employer and were encouraged to become ‘self-employed’. In this
situation and bearing in mind the strict requirements attached to self-
employed claimants for Universal Credit many couples may well be
discouraged from taking this course of action.

c. The proposed arrangements for the ‘claimant commitment’, sanctions and
hardship payments
26. Claims for Universal Credit for less than a calendar month will not normally be paid unless in exceptional circumstances (only one claim in relation to Universal Credit or Guaranteed Pension Credit is cited in the Regulations). This is an excessive period for someone to be not earning and in receipt of no income and risks causing severe hardship to both the claimant and their family.

27. It is appreciated that hardship payments are available but these are very limited in the eligibility criteria and all have to be repaid in full. The implication is that claimants may well need to use other sources such as food and clothing banks, family and friends to support them. In some cases, claimants may feel the need to resort to the use of high interest or ‘doorstep’ lenders or even loan sharks.

28. The sanctions appear very harsh if the claimant fails to comply with the commitment agreed when claiming Universal Credit. Because of their complexity claimants may not fully understand how the sanctions will apply to them. Consequently they could be sanctioned unintentionally thus affecting their claim for Universal Credit.

14 August 2012
Summary

Refuge responded to the Department for Work and Pensions consultation on Universal Credit. This response summarises the concerns we raised in relation to the impact of the implementation of Universal Credit on refuges.

There has been no reference in the regulations to supported housing or exempt accommodation, which makes it difficult for providers like Refuge to plan for the impact of the changes. Refuges are unique in terms of the specialist support they provide to abused women and children. If the proposed payment arrangements are applied to refuges, their financial viability could be threatened. Delayed payments could leave survivors with no resources for a considerable period of time, and providers with cash flow problems. Refuge does not think Universal Credit will be workable for this type of supported housing.

We understand that funding to local authorities for discretionary housing payments will be increased. However, given the number of people affected by the changes, demand is highly likely to exceed the funding available. We are also concerned that some local authorities would apply local connection to discretionary payments, which is not appropriate to women fleeing domestic abuse who must leave their local area in order to stay safe.

There has been no information on how vulnerable clients will be identified and how their claims will be processed. Online management of claims must be secure and confidential for this client group.

One of the biggest threats to the future sustainability of refuge provision is the proposal to make some service charges, which are essential to the operation of refuges, ineligible. We are extremely concerned that the regulations do not allow for rents to reflect the unique position of refuges providing crisis family accommodation. We would urge that this policy be reconsidered.
Information

Claims and payments

There is a national shortage of refuge provision. Refuge accommodation is, by its very nature, short-term emergency accommodation. Women and children often flee to our services seeking a place of safety away from the danger area where the abuse has been perpetrated.

Refuge understands that a snapshot will be taken of a woman’s financial situation on a given day and that this snapshot will be used as the basis for determining her entitlement to housing costs for a whole month. This is clearly unworkable for refuge accommodation, as women and children often arrive and leave at very short notice.

Women experience many forms of domestic violence, including physical, emotional, sexual and financial abuse. Perpetrators of abuse exert power and control over their victims. Women who reach our services may have had their every movement controlled, being told when they can leave the house and for how long, what they can wear and how much money they are allowed to spend. It is not unusual for perpetrators to control all of the benefits for a household and to accumulate debt in a woman’s name. Very often a woman will arrive at a refuge with no money at all. Refuge is concerned that a woman who moves in to a refuge at the beginning of the month but does not receive payment until 7 days after the end of the month will not have enough money to survive during this period. Likewise, a woman who has been working may lose her job through fleeing domestic violence. She may arrive at the refuge on, for example, the 2nd of the month but would not get paid until 8th of the following month.

Benefit payment periods

If Universal Credit is used to cover housing costs in supported housing, the practice of paying monthly in arrears 7 days after the end of the period (if the payment is on time) will impact greatly on small providers who cannot afford to operate in this way. The level of arrears for refuges will increase if women receive one month’s housing benefit payment in arrears and have already left their accommodation. The impact of managing a higher level of rent arrears would be financially disastrous for smaller organisations such as Refuge who may have no means of retrieving those arrears.

Payment to landlords
It is still not clear exactly how vulnerable clients will be identified. The current plans state that only the individual can request direct payment. We have been assured that claims involving domestic abuse will be classified as vulnerable and therefore payments will go directly to the landlord. However, there has been little information on practical arrangements for identifying vulnerable clients and payment direct to landlords. It is absolutely crucial that any online claims for victims of domestic abuse are secure and confidential.

**Discretionary payments**

Refuge welcomes the additional funding to local authorities for discretionary payments. We note that there is a fixed amount for each area and that, although local authorities have discretion to match central government funding, there is no obligation to do so. Refuge believes it is essential that the funds for discretionary payments are ring-fenced.

The demands on discretionary payments are likely to be high, particularly when local Housing Benefit departments restrict the amounts payable to some refuge residents, in particular those under the age of 25. This will leave these women in an impossible position: whilst no longer needing the care and support of a refuge, they may not be able to find anywhere safe to live that is affordable, especially in London. (Under 25’s are only entitled to a shared room rate). This will leave under 25’s particularly vulnerable to all sorts of exploitation. 23% of our current service users are under the age of 25 (202 aged 16-24 years old, of whom 46 are 16-19 years old).

Discretionary payments are for all categories of vulnerable people. The draft DWP Discretionary Housing Payments Guidance Manual April 2013 acknowledges that demand for discretionary payments will be high: “Given the numbers of people affected by changes, awarding DHPs to meet all shortfalls is not going to be a viable option. You will need to consider how best to target the funding within your priority groups, whilst remembering that each case must be considered on its own individual merit.” Refuge recommends that local authorities be required to prioritise discretionary payments for women escaping domestic abuse and ensure timely access to funds.

Local authorities will need to give careful consideration as to how discretionary payments will be administrated, especially if initial claims for Universal Credit are to be administered centrally, online or on the telephone.

We are also concerned that local authorities may introduce local connection as one of the criteria for assessing discretionary payments. Women fleeing domestic abuse very rarely stay in their local area as it is not safe to do so. The DWP should ensure that women fleeing
domestic abuse are not discriminated against by local authorities because they do not have a local connection.

Rent levels and service charges

Refuge is extremely concerned about proposals to make some existing service charges ineligible.

Rent levels in our services can be higher than some other client groups. Our client group is extremely vulnerable with a high level of need, requiring intensive support. We support a high number of children at any given time. Refuge accommodation is a short-term emergency service. Throughput is much higher than in some other client groups and therefore a higher level of housing management is required. Due to the nature of our services, refuges are often in more expensive residential areas and need to be close to amenities. The types of housing costs that are typically higher for our client group are:

- 24-hour call out, 365 days per year
- Children’s equipment, play areas and furniture
- Heavy wear and tear on the fabric of the buildings
- Provision of basic requirements for women and children who often arrive with just the clothes they are wearing
- Provision of furniture, bed linen, towels etc. due to lack of belongings
- Enhanced security such as CCTV and extra security on all entrances and windows
- Intensive housing management due to high turnover and the crisis nature of our work

Service charges for women escaping domestic abuse are already particularly vulnerable to challenge by local authorities that do not understand the unique and complex nature of a service for vulnerable women and children who often have multiple complex needs. This makes comparison with cost in supported housing difficult, and with ordinary housing impossible.

Refuges provide short-term emergency accommodation for women and children. Women in our services often arrive at a point of crisis, bringing with them few, if any, belongings. We have no option other than to provide furniture and fittings and other essential items. In addition, our furniture, carpets, white goods etc. receive heavy wear and tear. Children’s play areas and communal gardens are essential in helping children rebuild their lives and recover from the trauma they have experienced. 78% of children in our London refuges are under the age of seven. We are extremely concerned that the regulations do not allow for rents to reflect the unique position of refuges providing crisis accommodation for families.

Security in our refuges is also of the utmost importance. Items such as entry phones are integral to the running of the service; Refuge is concerned that these provisions may not be covered.
Due to the high turnover of clients and the crisis nature of our work, intensive housing management is a key element of the service we provide to women. We recently carried out a time management survey with our staff which showed that staff working in refuge accommodation spend at least 20% of their time dealing with tenancy issues, collecting rent, ensuring health and safety is carried out to the required standard, working with the residents around communal living etc. Local authorities who fund support will not pay for this element of the service. If we are no longer able to charge intensive housing management we will not be able to fund the level of staffing hours needed to run a refuge.

Registered Social Landlords with whom we work will not allow us to move any costs to core rent as this takes rent above the rent convergence level required by the Homes and Communities Agency. Women will not be able to afford to pay the additional costs themselves and will be faced with the option of:

1) Remaining with the perpetrator of the abuse because they cannot afford to move out.
2) At the point of leaving a perpetrator - when they are in most danger and are at their most vulnerable - moving to unsuitable accommodation without additional security and specialist support.

Refuge has carried out scenario planning for every single one of our refuges. The impact of the service charge reduction or exclusion measures will mean the closure of all our refuges, resulting in the loss of 297 units of refuge accommodation across the country. We would also have to close our floating support services as they are often run alongside our refuge provision. If this is the case for our refuges, it must be the same for many, many more.

If our life-saving services were to close, the cost to the public purse would increase substantially. The Cap Gemini report which researched the financial benefits of the Supporting People programme estimates that, in relation to domestic abuse, the increased costs to the public purse associated with events that might otherwise be prevented or minimized is likely to rise by £24,701 per event. This is broken down as follows:

- An average £20,702 cost arising from severe incidents of domestic violence, including hospital, ambulance and Criminal Justice System costs.
- An average £2,665 cost arising from homelessness, including social costs of homelessness and costs of emergency accommodation (e.g. B&B).
- An average £516 cost from homicides (corresponding to an increase from around one per 1,000 population per annum to around four), including human and emotional costs and costs to the Health Service and Criminal Justice System.
• An average £213 cost from tenancy failure.
• An average £199 from being a victim of a minor incident of domestic violence, including hospital, ambulance and Criminal Justice System costs.
• Additional other, less significant event costs which total to an annual average of £406.

Recommendations

1. Refuges should be considered as unique in terms of the specialist support they provide and should be removed from Universal Credit. Survivors accommodated in refuge services should be exempt from the benefit cap.

2. The removal of certain types of eligible service charges should not apply to refuges, as specific elements are essential to the service provision. Housing Benefit and Universal Credit housing element should continue to pay the whole rent including all of the service charges/running costs of the refuge service.

3. Payments should be made directly and immediately to the refuge service for the full period of a survivor’s stay.

4. The online management of claims by domestic violence survivors must be secure and confidential.

5. It is essential that funds for discretionary payments are ring-fenced.

6. Every local authority should have policies and procedures in place to ensure that all victims fleeing domestic abuse are able to access discretionary payments quickly and efficiently.

7. Local authorities should not exclude women in refuges from accessing discretionary payments by applying local connection criteria.

14 August 2012
Written evidence submitted by UNISON

Summary

1. UNISON welcomes the opportunity to make this submission to the Work and Pensions Select Committee. UNISON is the largest public service trade union in the United Kingdom. It represents thousands of people who undertake housing and council tax benefits administration for local authorities and their contractors.

2. The introduction of Universal Credit represents the biggest single change to the system of benefits and tax credits since 1945, affecting some 6 million households and 19 million people. In seeking evidence the Committee has specifically requested comments on:

   The proposed arrangements for claims and payments and the provision of support and advice for claimants, including the presumption of a predominantly online, self-service claims process; monthly payment to one person in the household; and arrangements for providing telephone and face-to-face support and independent advice for claimants who need it.

3. This submission specifically addresses the majority of those issues and argues that the Universal Credit service delivery model requires at the outset a people based local service element as an integral part of the model. It asserts that the skills expertise and experience of the 20,000 staff currently employed by local authorities or their contractors delivering housing and council tax benefits should form an integral part of that service delivery model for the successful introduction of Universal Credit and that without that integration the service delivery model risks failing to reach the standards of service quality the public have the right to expect.

4. Without an integrated proactive approach at the outset that seeks to utilise their skills and experience and, equally significantly their local knowledge, the public investment that has been made in these staff may be lost.

Detailed Evidence

Service Design

5. The design of the service delivery model for Universal Credit incorporates the assumption that it will be ‘predominantly online’.

   ‘From the outset we have designed Universal Credit as an online service. We expect people to claim Universal Credit online and then to track their claim and report changes just as they do with online banking.’ (Lord Freud; National Digital Conference; 30 May 2012)

6. But as DWP’s own recently published research demonstrates, on-line technology is not in everyday usage by the majority of claimants.
‘All main claimants were asked about their use of technology in their everyday life. Less than half of respondents had used internet or online shopping, online banking, or had found out about government services online. Just 14 per cent had put in a new claim for a benefit online (Work and the Welfare System: A survey of benefits and tax credits recipients; Ipsos Mori for DWP July 2012)

7. The DirectGov website advises people to allow at least 40 minutes when completing the online JSA application form.

8. More importantly, earlier research for DWP (Research Report 734 Developing an online service: Customer research into the benefits and likely uptake of Automated Service Delivery (Jobseeker’s Allowance); Department for Work and Pensions; May 2011) found that Income Support and Employment Support Allowance/Incacity Benefit claimants were even less likely to use the internet and raised questions about the implications of rolling out automated service delivery beyond JSA claimants.

Among benefit customers, similar proportions of customers of the three different benefit groups said that they had access to the internet at home (67 per cent of Jobseeker’s Allowance (JSA) customers, 62 per cent of Income support (IS) customers and 62 per cent of Employment and Support Allowance (ESA)/Incacity Benefit (IB) customers). Despite this, IS and ESA/IB customers tended to be less frequent users of the internet than JSA customers: 39 per cent of IS customers and 31 per cent of ESA/IB customers used the internet on a daily basis compared with 52 per cent of JSA customers.

The higher levels of internet confidence among JSA customers suggest that this group represent the most suitable target audience for the launch of ASD. However, the significantly lower levels of internet confidence among IS and ESA/IB customers may have implications for the successful roll out of ASD to a wider audience in future.

Levels of uptake of Government services were considerably lower among all customer groups. For example, only 39 per cent of JSA customers were open to claiming benefits online, although they were more likely to be open to doing so than IS customers (28 per cent) or ESA/IB customers (27 per cent).

Source: Research Report 734 Developing an online service: Customer research into the benefits and likely uptake of Automated Service Delivery (Jobseeker’s Allowance); Department for Work and Pensions; May 2011)

9. DWP now has evidence from its own experience of moving Job Seekers Allowance claimants online. DWP published its draft Structural Reform Plan in July 2010. The plan initially included Action 6.1 i) ‘Move Job Seekers Allowance and State Pension to online application as our preferred delivery model’

10. The Jobcentre Plus Annual Report and Accounts 2010/11 identifies the inclusion of the 80 per cent target.

Action 6.1 vi) Increase the proportion of Jobseekers Allowance claims made online to 80 per cent’
11. The date for achieving 80 per cent of claims made on line was set as September 2013.

12. The Public Accounts Committee raised concerns about whether this was achievable in its' Forty Seventh Report published on 5 September 2011.

2. The running cost reductions depend to a significant extent on optimistic assumptions that 80% of Jobcentre Plus customers will deal with their claims online. Currently only 17% deal with their claims online and 31% of the poorest in society never use IT. The Department could not explain the basis of the 80% target at the hearing. Subsequent written evidence from the Department stated that 86% of JSA customers already use the internet and 67% have access in their homes, while just over 40% are “ready, willing and able” to use online JSA services. The Department should test the realism of the plans by Jobcentre Plus to process 80% of Jobseekers Allowance claims online and prepare a detailed plan for what it can achieve. It must also spell out alternative actions if the assumed savings from customers using services online are not achieved.

Source: Public Accounts Committee; Forty Seventh Report Session 2010 – 2012; 5 September 2011

13. The Committee’s concerns appear to be well founded as the DWP Annual Report reveals that progress has been limited with an increase of just 2.6 percentage points between the publication of the Public Accounts Committee Report and the DWP Annual Report and Accounts 2011/12.

The proportion of Jobseeker’s Allowance applications submitted online increased from 10.4 per cent in March 2011 to 19.6 per cent in March 2012.

Source: Department for Work and Pensions Annual Report and Accounts 2011/12

14. The DWP Business Plan text has since been amended to read ‘Increase the proportion of new claims to Jobseeker’s Allowance submitted online to 80%’ and on 25 May 2012 DWP began three ‘trailblazers’ in an attempt to increase the percentage of applications submitted online.

- The first involves the claimant being offered assistance and access to the internet to be able to make their claim, they then can return to the telephony route if possible
- The second pilots a deliberate additional built in time for callers opting the telephony channel to make their claim to JSA, the caller will hear an automated message to advise them about the online option whilst they wait.
- The third pilots an incentivized approach where the caller is informed that they will receive their benefit claim more quickly if they claim online, claims made online will be prioritised above claims made through any other route.

15. This limited progress towards the 80 per cent target reflects the scale of the task involved.
Among JSA customers:

- 62 per cent were already searching for jobs online.
- 29 per cent were using online banking, with online banking perhaps representing a transactional service similar to ASD. Similarly low proportions of IS (25 per cent) and ESA/IB customers (20 per cent) were already using online banking. This is much lower than working non-customers, among whom 58 per cent used online banking.

16. The research for DWP not only identified lower usage of transactional services it highlighted the barriers to increased uptake.

3.1.3 Barriers to uptake

Customers also identified a number of barriers to uptake:

- Having access to the internet was highlighted as a big barrier for a significant proportion of customers. Even those who accessed the internet for other purposes outside the home (for example, browsing, social networking, looking for jobs) were unsure about whether they would have access that was deemed private and secure enough to undertake transactions with Jobcentre Plus online.
- Even if they had access, many customers felt that they lacked the technical ability and confidence to sign up to and use ASD online. For something as important as claiming benefits, many felt that they would much prefer to deal with a human being face-to-face rather than use a computer.
• Inertia and fear of change meant that customers felt they might not migrate to ASD online, even if it did offer significant benefits. There was felt to be risk associated with trying and adopting a new system. Many customer are struggling to make ends meet, and didn’t want to risk jeopardising their benefit payments by migrating to a new system.

There was a fear that online services are not safe and secure. Jobcentre Plus customers, particularly those less confident in using the internet, were worried that interacting online would not be safe. In particular, customers were worried about inputting too much personal and financial information into an online system, and that they would end up being victim to online fraud. In particular, there was a fear about the security of having customers’ National Insurance (NI) details on an online system.

• Finally, customers were concerned that the system would not function well. Stories about the government’s track record in implementing and running large IT projects and managing personal data caused doubt. As a result, many felt that they would wait and see how good the system was before using it.

Household Assessment

17. From the outset Universal Credit has been a household assessment. As such the system will need to collect information from all members of the household before a determination can be made. At the point where a new application is made the determination will draw into Universal Credit all other members of the household. This adds another dimension to the determination. What will happen when one member of the household is employed by a small employer that has not completed their HMRC Real Time Information return? With a growing number of households with adult children living at home coupled with the complexities of household formation in recent decades it is not clear how this process will operate.

Contact Centres

18. For people who are not able or willing to apply on line, the Government is planning to use ‘Contact Centres’. It is not yet clear whether people will have to get through the Identity Assurance process before accessing the call centre or whether the numbers people will have to ring will be free. Calls from a landline to 0845 numbers are expensive and from mobiles they can be very expensive as you start paying from the moment you join the queue.

19. It appears DWP is planning a very different call centre experience.

"The starting point, I said to our telephony collaboration teams based in Newcastle, was just think of a contact centre, but it has got no people in it and think of an operating model that has got no back office, and start from there," said Steve Dover (Director of Major Programmes at DWP). There will be a contact centre with staff as well and voice recognition technology, but the public will be "nudged back" to the web channel, he added.
Local authorities, e-benefits and online

20. Local authorities have introduced online application processes for housing and council tax benefit processes and now have substantial experience in this field. Document image processing and the completion of application forms online have eliminated significant paper based approaches. However claimants are still required to provide original documentation before a claim is put in payment.

21. Council and housing association landlords will often complete the online form with the tenant and scan original documentation, as part of the administration of a new tenancy process and electronically submit the claim and accompanying evidence. Housing benefit staff will then assess the claim and identify the further documents required and further questions raised by the application.

22. The local human element of this process is the critical factor to ensuring the quality of service delivery.

23. Another important aspect of the local service is the service provided to landlords.

Identity Assurance and Verification

24. Another potential difficulty for claimants is the Identity Assurance. It appears that a claimant will not be able to submit a claim unless it is able to satisfy a private company that is providing identity assurance services for DWP.

25. As UNISON understands matters, the Government intends to appoint a number of private sector Identity Assurance providers whose function will be to verify that the person making the claim is who they say they are.

26. The individual claimant will then be able to choose which Identity Assurance provider verifies their identity. Verification will be performed in an appropriate channel (web, telephone or face to face).

“The provider will verify that sufficient evidence exists to verify that a person presenting on a given channel is the owner of the claimed identity”

27. It appears that that provider will also be responsible for ‘Credential management’

“The provider will securely manage the credential lifecycle (e.g. user name, password, hard or soft tokens, grids, voice samples, memorable information, one time passwords etc), from issue to decommission, including all aspects of management of the customer, which will include for example credential loss/recovery/ reissue”

28. UNISON understands that the systems of Identity Assurance that are being explored do not rely on the presentation of original documentation but instead rely on risk assessment methodologies.

29. The Identity Assurance provider contracts will not be let until September 2012.

Documentary Evidence

30. As at 19 April 2012 DWP had still not determined how claimants would be required to provide documentary evidence
**Stephen Timms:** To ask the Secretary of State for Work and Pensions by what means claimants’ documentary evidence in support of universal credit applications will be collected. [103934]

**Chris Grayling:** My Department is currently considering a variety of options for documentary evidence to support a universal credit application. Full details will be set out in the regulations, which will be debated in the House.

**Hansard (19 Apr 2012: Column 468W)**

**Pilots, Pathfinders and the October 2013 Rollout**

31. Initially the Department for Work and Pensions made it clear that it saw no long term role for local authority staff in the service delivery model for Universal Credit. This is clearly shown in this slide taken from an early DWP presentation.

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**Universal Credit and housing (3)**

The way things fit together is becoming clearer

**Local authorities will:**
- continue to deliver Housing Benefit for up to 7 years
- have a critical role in developing the Universal Credit programme
- be responsible for Council Tax and local welfare support
  - be critical to managing transition
  - have a role in supporting claimants
- be critical in tackling issues

**Local authorities may:**
- have a role in other welfare provision
- provide some face-to-face delivery of Universal Credit
- retain some residual housing cost functions

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32. Some observers suspect that this is because the long term objective is that the delivery of Universal Credit service will be privatised and that the current phase is therefore designed to prepare the service delivery model, iron out difficulties and minimise risk. The unilateral privatisation by DWP of ‘JCP online’ to Capita from September 2012 is seen as a precursor of future plans.

33. The passage of the Welfare Reform Bill elicited ‘warm words’ from Government Ministers about the experience and expertise of local authority housing benefit staff and the importance of their role in ‘supporting’ the introduction of Universal Credit. But the
underlying message has always been ‘you can help us introduce it but you have no long
term future’.

34. The following Ministerial answers illustrate that message:

**Steve Webb MP (WA 18 October 2011)** “Universal credit is a national benefit. It will be
delivered largely through an online service, with its core administration most efficiently
run by a centralised system. As DWP start to build the organisation to deliver universal
credit, and we have yet to settle on the precise detail, and select the right people with
the right capability it is likely some of those skills will exist within local authorities. We will
therefore always look to include local authority staff in our thinking.

**Chris Grayling:** (WA 5 December 2011) We are engaged with local authority staff at all
levels. Local authorities are a key partner and we need to utilise their expertise, skills
and success in order to design a modern welfare system that makes the most of the best
of national and local services and delivers them from the most appropriate place.

**Chris Grayling:** (WA 19 January 2012) The Welfare Reform White Paper sets out that
the Department for Work and Pensions will be responsible for organising the delivery of
Universal Credit. It also states that we will continue to pay housing benefit to working
age customers until we can migrate them successfully on to universal credit, currently
expected to be by October 2017. We have yet to settle on the precise details of how the
transition will work, and the effects on housing benefits staff. However, this orderly
transition will ensure that we have people with relevant skills and experience to support
claimants both in work and out of work, as they migrate to the new credit.

**Iain Duncan Smith (OA 23 January 2012):** The reason is that we will be talking full
time, all the time, to local authorities. We receive a huge amount of information from
them, so we are not talking about stand-alone assessments being made; rather, the
functioning of universal credit requires that, at its best, it should be done in one location.
However, we will be in constant contact with local authorities about the needs in their
areas, and we will be with them all the way through in the way this is applied.

35. Between December when Minsters said “Local authorities are a key partner and we need to
utilise their expertise, skills and success in order to design a modern welfare system that
makes the most of the best of national and local services and delivers them from the most
appropriate place” and in March 2012 the position changed.

36. A letter from Sir Bob Kerslake (CLG) and Robert Devereux (DWP) dated 21 March 2012
to local authority chief executives made it clear that both these Government departments took
the view that benefits services must be ‘managed down’

> Looking forward to 2013 it will, therefore, be important to manage down benefits services
while retaining enough capacity to provide face to face support to these claimants. Capacity will also be required to maintain the Housing Benefit caseload prior to full
migration, deliver localised Council Tax Support and, in England, to take on some aspects of the current Discretionary Social Fund.

37. Precisely what ‘enough capacity’ involved was not clear as the service delivery model remained undefined

Chris Grayling (WA 19 April 2012): DWP continues to develop the face to face service offering for universal credit claimants with local authority colleagues and as such the number of local authority staff required to deliver the service offering is yet to be finalised. The Local Government Association has been working with the Department for Work and Pensions to explore pilot working in preparation for universal credit....to inform decisions on resources required by local authorities to support the transition from legacy benefits to universal credit.

Pilots

38. On 27 April Lord Freud and Sir Merrick Cockell on behalf of the DWP and LGA issued a prospectus seeking 12 pilot local authorities

The Department for Work and Pensions and the Local Government Association have jointly issued a prospectus calling on local authorities to deliver pilots to support residents in preparation for the introduction of Universal Credit in 2013.

Pathfinders or Early Roll Out

39. In what appears to be a completely separate exercise, a month later, on 24 May 2012 later DWP announced 4 ‘Pathfinders’

The early roll out of the Government’s flagship new benefit system is expected to see up to 1500 new Universal Credit claimants coming on stream across four areas – Tameside, Oldham, Wigan and Warrington – each month. It will test the new simpler, single benefit payment system with local authorities, employers and claimants in a live environment before Universal Credit is rolled out across the country in October 2013.

40. It should be noted that this was not a joint announcement with the LGA.

Pilots announced

41. The 12 ‘Pilot’ authorities were announced by Lord Freud on 20 July 2012 and the pilots will complete their work by September 2013, just one month before the roll out of Universal Credits starts throughout England, Scotland and Wales.

42. Again there are mixed messages. Lord Freud said

“We are looking very hard at how to get face-to-face to people and it is looking to me as if the local authorities are the natural intermediary. I don’t think they are the only intermediary however, and exactly how we design getting that support is something that we’re doing a lot of work on, but local authorities are right at the heart as we design how we do that. They are right at the heart of our thinking.”
43. Warm words indeed, but the advice issued in March by Sir Bob Kerslake (CLG) and Robert Devereux (DWP) has not been revised or replaced.

44. It is difficult to see how lessons from the pilots will be disseminated and how DWP and local authorities will be able to make the necessary changes between September 2013 and the ‘go live’ date of October 2013. For example; the pilots may require the extension of IT links between DWP and local authorities or links between HMRC RTI and local authorities.

Conclusion

45. Universal Credit is a huge change. Although its introduction will be phased, the sheer scale and complexity of the changes means that it is vital that a local service delivery element is an integral part of the service delivery model at the outset.

46. There are multiple potential areas where difficulties for claimants can arise. These include:
   - Information supplied by employers under the Real Time Information (RTI) system being developed by HMRC and the functioning of the RTI system. The data is critical to UC calculations
   - The Identity Assurance process and verification of documentary evidence
   - The consequences that flow from household calculations where issues relating to RTI or Identity Assurance and verification may impact on the ability to make a household determination
   - The Digital Divide and reluctance, difficulty or inability to use online services
   - Changes of circumstance and transitional protection

47. For these reasons UNISON argues that if a quality service is to be secured from the outset, the integrated local service delivery element needs to be built into the service delivery model.

48. At the moment there are no answers to the following basic questions about the Universal Credit service
   - How will someone apply locally?
   - Where will they apply locally and where will the local ‘Universal Credit’ office be?
   - What documents will they need and where will they take them locally?
   - What office accommodation and IT will be needed?
   - How many staff will be needed?
   - How does someone get face to face advice and help if they have a problem?

49. The concern is that experience from both the pathfinders and the pilots will be too late to inform the decisions that need to be made at a local level (staffing levels; accommodation; technology; disabled access; equipment; funding) and that the ‘you have no future’ inherent message to date threatens the chances of a successful start to the introduction of Universal Credit from the users perspective.

50. The Committee has specifically invited evidence on ‘The impact of the changes on local authorities, including ... localisation of council tax support’ and this submission focuses on that aspect of the Inquiry.

51. Local authorities face severe time constraints implementing a new system of support for local taxation when the legislative process is incomplete and financial constraints are severe.
52. The UNISON analysis of proposals emerging from local authorities, clearly indicate that vulnerable people will receive less support and that the measures are not consistent with providing ‘work incentives’. In the words of local authority leaders in Surrey they will penalise ‘claimants who already go out to work which has the opposite effect of what the Coalition government wants’

53. Reports from council officers also repeatedly contain warnings that it will be difficult to collect income from the most vulnerable households, particularly where they currently have no recent experience of meeting these costs because they currently receive 100% council tax benefit.

Detailed Evidence

54. The third reading of the Local Government Finance Bill has not yet taken place in the House of Lords and is now unlikely to receive Royal Assent until late autumn. Local authorities face a difficult situation and significant time constraints. Secondary legislation has not been published, schemes must be designed and consulted on, software developed and amended, staff trained and the substantial public communications exercise undertaken.

55. In June 2012 the Leaders of local authorities in Surrey wrote to the Sir Merrick Cockell, Leader of the Local Government Associations saying “We would all urge the LGA to continue to press hard for a deferral of the start to April 2014.”

56. Against this background local authorities have now started to publish consultation proposals for their Local Council Tax Support Schemes. UNISON has examined a significant number of the published proposals and the reports to Councillors from council officers. This evidence provides an analysis of the proposals.

Finance

57. The decision to localise council tax support was announced by the Chancellor of the Exchequer in the Spending Review 2010 in order to save £490m. There was no prior consultation with local government.

58. To achieve the saving, the current financing system, whereby the actual costs of Council Tax Benefits are fully reimbursed by DWP, is being replaced with a fixed annual payment to Local Authorities by DCLG that forms part of the Business Rates Retention Scheme, incorporating a 10% reduction on previous spending levels nationally.

59. Local authorities face significant financial challenges. Without their own Local Council Tax Support scheme they will be required to operate a default scheme but with only 90 per cent of the resources. County Councils are making it clear that they will not assist district councils to meet costs associated with this change.

60. Reports from Council Officers are spelling out the difficulties and consequences:

*If councils seek to design a local scheme that passes on the cost to existing claimants other than pensioners then:*
• this will cause hardship, given a range of other benefit reductions coming in around the same time, e.g. the benefits cap, restrictions on Local Housing Allowances, new capital limits in Universal Credit; and
• the extra liability will probably not be collectible in full (and even then it may require additional resources to collect it), meaning that the cost comes back to the funding councils anyway.

(South Lakeland Council)

It is likely that these reforms will have an impact on residents who have not previously been required to pay Council Tax. It is anticipated by officers that it will be difficult to collect small amounts of tax from low income households so an assumption about collection rates needs to factored into the models above. (Stevenage Council)

‘it must be emphasised that there will be a potential loss of income through reductions in collection. Statistics are not available to clearly indicate how much income is likely to be uncollected. However, a scheme whereby all working age families need to contribute towards their council tax would result in approximately 8,500 households having a liability which would not have existed under the CTB regime. Given that we will be seeking to collect money from the most vulnerable members of the community, some of which will be required to pay council tax for the first time, maintaining collection levels could pose a significant challenge. There is the option to make further reductions in the scheme to compensate for this potential loss; but are we just fuelling a vicious circle? (Bromley Council)

61. Local councils are also facing unprecedented budget reductions. Spending Review 2010 removes £6.1bn from formula grant by 2014/15. Unsurprisingly, cost control is a central feature of proposals. The requirement to protect pensioners means that the overall 10% reduction has to be achieved through reductions from working age claimants. Different local authorities have significantly different proportions of pensioners within their current caseloads and CLG has ruled out reflecting this in the financing assumptions.

62. In addition councils are assuming significantly reduced collection rates from proposals that involve ending 100% benefit and or increasing the proportion of council tax benefit met by people on low incomes. One local authority is assuming a collection rate of just 35% on this additional income. Other authorities are more optimistic but are still only using a collection rate assumption of 70%.

63. Surrey Council Leaders set out the consequences “We are concerned at the level of impact on working age claimants, with the 10% funding reduction in actual fact translating to more like a 20% or 25% reduction being required after allowing for pensioners and other protected groups.”

64. They go on to warn that Local Council Tax Support schemes will ‘penalise claimants who already go out to work’

“We feel a rushed implementation of a new scheme might lead to penalising claimants who already go out to work which has the opposite effect of what the Coalition government wants. This does not seem joined up with the current emphasis on helping “troubled families”
65. Given the limited time available, most local authorities are basing their proposals on the current Council Tax Benefit Scheme but then either, only applying the scheme to a percentage of the Council Tax charge, or limiting the Council Tax charge that attracts support to a band.

**Maximum Council Tax eligible for a discount**

66. The vast majority of local authorities are proposing to restrict the level of council tax support.
   
   a. Wakefield: ‘Working age claimants would be able to claim a maximum amount of support equivalent to 67 per cent of their Council Tax bill’
   
   b. Craven: Options include capping at Band C, Band D or at 80% of the charge
   
   c. Brighton: The Council Tax discount for people of working age will be assessed on the basis of 90% of full Council Tax liability
   
   d. Stevenage: Less 10% from current benefit
   
   e. Chiltern: Considered replicate current scheme but reduce awards by 20% but noted the following problems with proposals - No regard to the Council’s duties in respect of child poverty, disabled people, homelessness or equalities, No additional support for the most vulnerable
   
   No flexibility; Non working households left with less money than they officially need to live on Looked at cap on discount at £1200 or restriction to Band D but a funding gap remained
   
   f. Thanet: Working Age applicants have their awards reduced by a fixed Percentage currently proposed to be 5% or 6%
   
   g. Redbridge: Calculating support using 90% of the council tax charge
   
   h. Wycombe: Options under consideration include:
      
      1. Indiscriminate – across the board cut of 20% from all unprotected groups or
    
      2. Differentiation – applying a cap based on a maximum level of Council support available – say at Band D
   
   i. Epsom and Ewell: Proposals that will restrict support to 85% of the council tax charge and restrict the maximum award to Council Tax Band F.
   
   j. Welwyn Hatfield: Options under consideration:
      
      1. Support calculated using 90% or 85% of the charge with the council taxpayer finding the rest. Under this option someone in a band D property getting 100% help now would have to find £2.83/week or £4.25/week
      
      2. Support is calculated using 75% or 72% of the charge with the council taxpayer finding the rest. Someone in a band D property on full benefits
in Welwyn Garden City would have to pay either £7.08/week or £7.92/week.

k. Rossendale: Existing scheme less a percentage’ - those remaining of working age (c 56%) will see their benefits
   1. reduced by c 20% in this scenario or
   2. “Existing Scheme, consideration of vulnerable groups less a percentage” - those remaining of working age (c 56%) will see their benefits reduced by more than 20% in this scenario or

l. Trafford: Restrict support to the Band D property charge

m. Hull City: ‘Passorted (or tapered) to maximum support of up to a set percentage of council tax liability yet to be determined’

n. South Norfolk: Bands E to H treated as Band D; Band D treated as Band C; Band C treated as Band B; Band B is treated as Band A and Band A treated as have a Council Tax one ninth lower

   Working Age claimants: For those on ‘passported’ benefits the Council Tax Support scheme for South Norfolk will cap the maximum eligible Council Tax at 80% (after restriction of eligible Council Tax by band).

o. Castle Point: A maximum 65% reduction on their council tax liability if they are in a Council Tax Band A, B, C or D property. If they are in a Council Tax Band E, F, G or H property they will qualify for a maximum 65% reduction of Band D equivalent Council Tax liability. This also applies if a person is in receipt of income support, on an income-based jobseeker’s allowance or on an income-related employment and support allowance.

p. Bexley: It is proposed that all claimants will have the amount of Council Tax liability used in any assessment of Council Tax Support capped at 85% of liability. In other words, under the new Council Tax Support scheme, claimants will be required to pay a minimum of 15% of their Council Tax liability. Phased in 5% year 1; 10% year 2; 15% year 3

q. Bromley: Entitlement is based on 75% of liability

Minimum award or no award if support is calculated as below a minimum level of Council Tax Support

67. Under the current system of Council Tax Benefit the award can be as little as 1p a week.
68. A number of local authorities are proposing to introduce a minimum weekly award below which no support will be provided. This will affect households where someone is in low paid
employment. The most common figure is £5/week meaning that households that currently get less than £5.00/week could lose up to £260 a year.

- £1/week – Wakefield
- £2/week - Redbridge
- £5/week – Craven; Trafford; Welwyn Hatfield

Capital

69. The amount of capital and savings can affect entitlement to council tax benefit. Capital and savings includes:

- Cash
- Bank accounts including current accounts, building society accounts and post office accounts
- ISA’s, Tessa’s, etc
- Unit trusts
- Shares
- Premium Bonds
- National savings certificates
- Property and land (other than the home you live in) that you own

70. Currently claimants are ineligible for Council tax benefit if they have capital of more than £16,000. Capital of up to £6,000 is ignored and a ‘tariff’ income of £1/week for every £250 above £6,000 is included in the income assessment to determine the level of benefit awarded.

71. Many local council tax support proposals include changes to the treatment of capital.

72. The most common proposal involves lowering the level of capital that makes people in eligible from £16,000 to £6,000 (e.g. Bristol; Craven; Castle Point).

73. Some proposals lower the amount of capital that is ignored and start to apply the ‘tariff’ income earlier. For example Harrow Council proposes that ‘Capital of up to £3,000 is ignored and a ‘tariff’ of £1 for every £250 above £3,000 is applied’

Non Dependent Deductions (NDDs)

74. Non Dependant Deductions are a feature of both the Housing and Council Tex benefit determinations. The deductions from housing benefit are higher than the deductions from council tax benefit.
Non Dependant Deductions

<table>
<thead>
<tr>
<th>Description</th>
<th>2012/13 Council Tax Benefit</th>
<th>2012/13 Housing Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension Credit Guarantee Credit or Savings Credit</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Employment Support Allowance (income related) main or assessment phase</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Job Seekers Allowance or Employment Support Allowance (contribution based)</td>
<td>3.30</td>
<td>11.45</td>
</tr>
<tr>
<td>Gross income of paid work is less than £124/week</td>
<td>3.30</td>
<td>11.45</td>
</tr>
<tr>
<td>Gross income of paid work is more than £124/week but less than £183/week</td>
<td>26.25</td>
<td></td>
</tr>
<tr>
<td>Gross income of paid work is less than £183/week</td>
<td>3.30</td>
<td></td>
</tr>
<tr>
<td>Gross income of paid work is more than £183/week but less than £238/week</td>
<td>36.10</td>
<td></td>
</tr>
<tr>
<td>Gross income of paid work is more than £238/week but less than £316/week</td>
<td>59.05</td>
<td></td>
</tr>
<tr>
<td>Gross income of paid work is more than £183/week but less than £316/week</td>
<td>6.55</td>
<td></td>
</tr>
<tr>
<td>Gross income of paid work is more than £316/week but less than £394/week</td>
<td>8.25</td>
<td>67.25</td>
</tr>
<tr>
<td>Gross income of paid work is more than £394/week</td>
<td>9.90</td>
<td>73.85</td>
</tr>
<tr>
<td>Jobseekers Allowance (Income Based)</td>
<td>Nil</td>
<td></td>
</tr>
<tr>
<td>Income Support</td>
<td>Nil</td>
<td></td>
</tr>
<tr>
<td>Working less than 16 hours/week or is on maternity/paternity/adoption or</td>
<td>3.30</td>
<td></td>
</tr>
<tr>
<td>sick leave</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Any other not included above</td>
<td>3.30</td>
<td></td>
</tr>
</tbody>
</table>

75. The significance of non dependant deductions was highlighted in a recent speech from the Prime Minister.

“If a family living on benefits wants their adult child to stay living at home they are actually penalised – as soon as that child does the right thing and goes out to work. You get what’s called a non-dependent deduction, removing up to £74 off your housing benefit each week. I had a heartrending letter from a lady in my constituency a few weeks ago who said that when her son leaves college next month, her housing benefit will drop significantly, meaning her family may have to split up. This doesn’t seem right”

David Cameron MP; 26 June 2012

76. Increases to non dependant deductions are a feature of many scheme proposals.

Trafford: Under this proposal, the deductions will increase by 20% and a new charge of £4 per week will be made for other adults not in work
Old Scheme (Council Tax Benefit) | New Scheme (Council Tax Support)
--- | ---
*A couple live with their 26 year old daughter who earns £400 per week, and their 20 year old son who receives income support. A deduction of £9.90 per week is taken from the claimants Council Tax Benefit for their daughter and no deduction is taken for their son.*

Under the new scheme the deduction will increase to £11.88 per week for their daughter and £4 per week for their son. The total deduction is now £15.88 per week.

Wakefield: £5/week deduction from each member of the household in receipt job seekers allowance; Employment and Support Allowance; Income Support and Pension Credit

The level of Council Tax support would be subject to a deduction of between £5 - £10 a week for every non-dependant in the household.

<table>
<thead>
<tr>
<th>Wakefield proposed NDDs</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross weekly income less than £215/week</td>
<td>5.00</td>
</tr>
<tr>
<td>Gross weekly income more than £215/week</td>
<td>10.00</td>
</tr>
</tbody>
</table>

Bristol: Increase non dependant charges by 50%

South Norfolk: The Council proposes that where there are other adults (non-dependants) living in the household it is assumed that they are capable of paying an element of the Council Tax.... applying only one rate of deduction, at a level of £10 for each and every non-dependent

77. Redbridge and Brentwood provide an interesting contrast. Redbridge is proposing significant increases while Brentwood is proposing to remove non dependant deductions completely.

<table>
<thead>
<tr>
<th>Non Dependent Deductions</th>
<th>Current</th>
<th>Redbridge proposed</th>
<th>Brentwood proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>Job Seekers Allowance or Employment Support Allowance (contribution based)</td>
<td>3.30</td>
<td>5.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Gross income of paid work is less than £183/week</td>
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<td>5.00</td>
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</tr>
<tr>
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<td>6.55</td>
<td>7.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Gross income of paid work is more than £316/week but less than £394/week</td>
<td>8.25</td>
<td>10.00</td>
<td>0.00</td>
</tr>
<tr>
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<td>9.90</td>
<td>15.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Working less than 16 hours/week or is on maternity/paternity/adoption or sick leave</td>
<td>3.30</td>
<td>5.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>
Earnings Disregards

78. Currently the earnings disregards are
- Single claimant – the first £5
- Couple – the first £10
- Single Parent – the first £25

79. The proposals out for consultation vary with some authorities proposing increases

Wakefield
- Single claimant – the first £20
- Couple – the first £25
- Single Parent – the first £40

Brighton
- Single claimant – the first £10
- Couple – the first £10
- Single Parent – the first £25

Bristol:
- Single claimant – the first £7.50
- Couple – the first £10
- Single Parent – the first £35

Tapers

80. At present the housing benefit scheme operates a 65% taper and council tax benefit operates a 20% taper resulting in a claimant retaining 15p of every additional £1. The taper that will be applied by Universal Credit is 65%

81. Several local authorities are proposing to increase the taper (i.e. the percentage of income above the applicable amount that is used to reduce entitlement to support)

82. Trafford Council is proposing to increase the taper to 30% meaning that a claimant in receipt of Housing Benefit and Local Council Tax support will retain just 5p of every additional £1.

83. Welwyn Hatfield are considering a proposal to increase the taper to 40% which would mean that a claimant in receipt of Housing Benefit and Local Council Tax Support would lose 5p for every additional £1.
What is counted as income?

**84.** The treatment of child benefit and child maintenance and whether it is counted as income is another relevant issue. Child Benefit was disregarded from housing and council tax benefit calculations as part of a wider strategy to address child poverty.

**Child Benefit**

In the 2008 Pre-Budget Report (Chapter 4 Fairness and Opportunity for All), the Chancellor announced that Child Benefit would be disregarded in the calculation of HB and CTB. The intention is to boost the incomes of many of the lowest paid families, including those who are the parents of children in poverty.

Statutory Instrument 2009 No 1848 was laid in Parliament on 15 July 2009. In summary, the changes in this set of regulations are the introduction of a full disregard of Child Benefit in Housing Benefit (HB) and Council Tax Benefit (CTB). This is effective from 2 November 2009 amendments to reflect the changes to registration requirements for child minders in England made by the Childcare Act 2006 effective from 5 August 2009.

**Source:** Housing Benefit and Council Tax Benefit Circular A17/2009; Department for Work and Pensions; 1st Floor, Caxton House, Tothill Street, London SW1H 9NA

Brentwood; Proposing that child maintenance payments are included into the income assessments

Craven; South Norfolk: Proposing removing child maintenance disregard

Trafford: Proposing to include Child Benefit in the calculation of income

<table>
<thead>
<tr>
<th>Old Scheme (Council Tax Benefit)</th>
<th>New Scheme (Council Tax Support)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A couple with 2 children (over 5 years old) receive council tax benefit of £15 per week. They receive £33.70 per week in child benefit and this income is not taken into account when working out their award.</strong></td>
<td><strong>The same couple would now receive £10.11 per week in Council Tax Support because their child benefit is now taken into account as income.</strong></td>
</tr>
</tbody>
</table>

South Somerset: All income should be taken into account in the calculation of Council Tax Reduction support. This could include:

- child benefit
- maintenance for a child paid by a former partner
- rent from sub-tenants and boarders

**Backdating**
85. Currently Council Tax Benefit awards can be backdated for up to 6 months if the claimant can show a good reason why they did not claim from an earlier date.

Bexley: One month

South Norfolk; Trafford: Bromley; Epsom and Ewell: Proposing that there is no backdating

**Second Adult Rebates**

86. Removing the second adult rebate is a feature of many scheme proposals

87. Authorities proposing this include: Bexley; Thanet; South Norfolk; Bristol; Trafford; Hull City (Kingston upon Hull), Wakefield, Craven.

*14 August 2012*
Summary

1. VocaLink welcomes the Committee’s Inquiry into the progress of the implementation of Universal Credit. VocaLink has been closely involved with the development of the Real-Time Information (RTI) project for PAYE, which is designed to underpin the introduction of the Universal Credit. Separately, VocaLink has been participating in pilot counterfraud projects with several government departments and agencies which could also have applications for Universal Credit. Finally, VocaLink has advanced some ideas as to how the payment process for benefit recipients can be improved and in particular how the challenges of financial exclusion can be overcome.

2. VocaLink’s submission therefore focuses on the first two elements of the Committee’s areas of interest:
   - The proposed arrangements for claims and payments
   - Progress with the IT developments needed to administer Universal Credit.

Nature of the Challenge

3. Before looking at specifics, VocaLink would like to make two general points about the development of Universal Credit.

3.1 First, the record of government in delivering large scale IT projects has, understandably, been the object of much criticism over many years. This has led to some scepticism about the ability of DWP to deliver Universal Credit on time (and on budget). In VocaLink’s view, this is to misunderstand the nature of the technological challenge facing the Department. The fundamental concept of the thinking behind the RTI project was the reuse of existing infrastructure, not the development from scratch of new IT systems. Although HMRC (which is in the lead on delivering RTI) has, in VocaLink’s view, departed from this original concept in some important respects, it has, in great measure, avoided the temptation to reinvent the wheel and build unnecessary new systems. The challenge therefore is not to make something new but to take what is already available (and working) and ensure that the right components are deployed in the right way at the right time so that a new service (Universal Credit) can be built from pre-existing components.

3.2 Secondly, and related to the first point, the delivery of Universal Credit is not solely in the gift of DWP. In order for UC to be delivered successfully, and on schedule, DWP needs to work closely with a number of other major stakeholders, including, of course, HMRC, and VocaLink, as operators of the interbank payments systems, but also the rest of the banking infrastructure, the banks themselves and agencies such as the Post Office (for example in relation to Post Office Card Accounts). The challenge for DWP, as VocaLink sees it, is therefore to act as an enabler; ensuring that the disparate elements required to come together for UC to work are assembled in the right way and at the right time. This is undoubtedly a significant challenge but it is not the same challenge as building a new IT system from scratch.
Arrangements for Payments

4. A number of elements need to be addressed by DWP in order to ensure that:
   - The claimant entitled to receive UC is actually who he or she claims to be (Trust = ID Assurance)
   - The amounts claimed are those to which the claimant is entitled (Risk = Counterfraud / Eliminating Error)
   - Claimants without full bank accounts can receive payments and have some level of bank account functionality (Financial Inclusion)
   - Claimants have provision for budgeting and social landlords are protected (Jam Jar Accounts / Transporting of Housing Benefit Payments).

5. ID Assurance

DWP is aiming to move 80% of Universal Credit claims online (“Digital by default”), which will need a robust trust model to be in place across not just digital but also the proposed telephone and face-to-face channels.

However, this target (of 80% of Universal Credit interactions being conducted online) means that DWP needs to deploy an online trust model which utilises as wide a range of online identity verification sources as possible - including ones from the UK banking sector which are not currently part of the Department’s ID assurance procurement.

Equally as important will be that DWP does not restrict how individuals can assert their identity online by technically preventing existing online identities being used: e.g. will an individual be able to use their online bank account login as a means of asserting to DWP who they are?

6. Fraud and Error

There are a number of types of fraud practised on the benefits system, including: identity fraud (either falsely claiming to be someone who is entitled to benefits; or creating a wholly fictitious persona in order to claim benefits); or concealing personal information (or changes in circumstances) which would have an impact on benefit entitlement. Of course, change in a claimant’s circumstances could also lead to an increased entitlement, so it is doubly important that accurate data about a claimant’s circumstances are known to DWP at the time a claim is made (see below).

All fraudulent claims are wrong but the most serious losses to the Exchequer arise from the activities of organised crime. By tracking how accounts are linked together VocaLink is able, in conjunction with other agencies, to help to expose organised fraud by serious criminals.

7. Financial Inclusion
The Financial Inclusion Task Force (FITF - now disbanded) reported in December 2010 that, in 2008/9, there were just over 1.1 million households (3%) and around 1.5 million adults (4%) in the UK without a transactional bank account. Some of them will have a Basic Bank Account (BBA) or a Post Office Card Account (POCA). Many of them will be likely to be in receipt of Universal Credit at some time.

However, in order to meet one of the objectives of the Universal Credit – that recipients should be encouraged to exercise more control over their own financial affairs, and be able to move more easily into e.g. part-time work (for which they are highly likely to be paid via a bank account) rather than being trapped on benefits – it is vital that those claiming Universal Credit should have access to a wider range of bank account functions than those available in a BBA or POCA. Ideally, they should be able to:

- Receive Universal Credit, payroll and other bank credits
- Have a branded debit card for retail purchases
- Have access to ATM networks
- Be able to set up Direct Debits or Standing Orders to pay utility bills (and therefore benefit from better deals)
- Have access to account management facilities online, via ATMs and in-branch.

Once a basic level of functionality has been made available, it would then also be important to consider other features which might particularly benefit UC claimants who have hitherto been financially excluded. These might include:

- The development of so-called ‘Jam Jar Accounts’, which subdivide an account balance into spending, saving and bill payment portions (and replicate the way in which many people who do not have a bank account budget for expenditure in cash terms); and
- Introducing a linked direct credit / direct debit to an account held by the benefit claimant, which would both allow the claimant to “see” the element of UC which represented housing benefit and ensure that the landlord is paid (i.e. the rent payment would be directly “ported” through the claimant’s account to the landlord).

It is understood that DWP is to procure the provision of a new kind of account which will sit between a BBA and POCA. In VocaLink’s view, it is important that this new type of account should not only have the range of features outlined above but should also be designed and operated so as to support financial inclusion in its widest sense, and not be limited only to meeting the criteria needed to make Universal Credit work. This would be to miss an opportunity to broaden financial inclusion across the piece.

In order to facilitate this, VocaLink would invite the Committee to consider whether such a new account should be administered independently, rather than being operated under the auspices of DWP. This is likely to ensure that the new type of account will have the widest appeal, the greatest utility and the maximum degree of flexibility and scalability. This would ultimately help to achieve the underlying objective of Universal Credit, namely encouraging greater responsibility and self-
reliance in claimants and in those who have to date largely been excluded from mainstream financial products and services.

**Technology Underpinning Universal Credit**

8. In this section, VocaLink considers:
   - The progress made to date in implementing RTI
   - How well RTI, as it is being implemented, will support the introduction of Universal Credit
   - Ensuring that the administration of Universal Credit will be integrated with the banking and payments infrastructure.

9. RTI and the Introduction of Universal Credit

   The strategic policy goal for Universal Credit is to enable the accurate tapering of payments in order to fully support individuals as they move into and out of work. In addition, the use of real-time information (RTI) to underpin determination of Universal Credit claims will greatly reduce both fraud and error (in the form of under- and overpayments – see below). To achieve this strategic goal, the UC payment needs accurate and real-time circumstance and earnings information to be available at the point of Universal Credit calculation - i.e. if the payment is calculated at 4am on a Tuesday it needs to use circumstance and earnings information from up to midnight on Monday. This is especially true where the Universal Credit payment will be made via Bacs – payments calculated at 4am on a Tuesday would not be paid until 6am on Thursday.

10. RTI Progress to Date

   In relation to Universal Credit the ultimate (strategic) objective of RTI is to enable employers to input earnings information in an accurate and real-time way by linking it to an employee’s payroll data. This link, if implemented correctly, will support greater validation and compliance, within payment infrastructures, in the same timeframe as the payroll payment is paid into the employee’s bank account.

   However, in order to meet an April 2012 RTI Pilot date HMRC decided to introduce an ‘Interim’ RTI solution based upon employers sending their RTI earnings information with unique hash tags (based on data from each payroll payment plus a four-digit seed number) through existing HMRC EDI and Government Gateway channels, followed by a post-payroll payment compliance check against the hash tag to validate if RTI earnings information for an employee was received at the same time as the employee was paid.

   As the ‘Interim’ solution is currently the only declared way for employers to submit RTI, it is crucial for DWP that RTI is able to meet the Department’s ultimate (strategic) objective for RTI in relation to Universal Credit.

   If the results from the RTI Pilot show the ‘Interim’ solution to be delivering slower and less accurate earnings data than required for Universal Credit calculations then the absence of any plans to progress what has been called the ‘Strategic’ RTI solution will impact the error rate and hence roll-out of Universal Credit.
11. Integrating Universal Credit with the Banking Infrastructure

In order for Universal Credit to be truly responsive to an individual's change of circumstances, UC, once calculated, must be able to be credited immediately to an individual’s chosen bank account.

It will be important therefore for the Department both to ensure that there are no internal delays in the time it takes it to process and make payments, and also for it to continue to push for unfettered access to the Bacs and Faster Payments systems.

This latter point, pushing for direct unfettered access to the payments infrastructure, will be particularly important if the Department wants to use the Faster Payments Service to credit an individual’s account immediately. This is something that the Department and the Select Committee might want to progress with HM Treasury and the newly-formed Parliamentary Commission on Banking Standards, in order to ensure that a consistent approach to payments infrastructure access, supportive of DWP’s Universal Credit needs, is progressed by Government.

14 August 2012
Summary:

The Department for Education (DfE) has not yet published proposals for how free school meals will operate under Universal Credit, so this submission focuses on core principles and practical measures which will support the need to simplify the benefits system whilst also protecting the nutrition of children living in poverty, and helping local authorities and schools to manage the transition.

Key points:

- Free school meal registration should be an integral part of the Universal Credit system, with no additional barriers to registration
- Free school meals must remain a benefit ‘in kind’
- Tapering of benefits is preferable to ‘cliff edges’ for supporting the nutrition of children living in poverty, but this needs to be managed in a way that is practical for schools and children.
- Making registration for free school meals automatic under Universal Credit would support local authorities in making the transition to the Universal Credit system.
- Monitoring of free school meal registration and take up should be among the key priorities during this transition.

Introduction:

1. A national charity, the Children’s Food Trust believes that children must eat healthily to reach their full potential in life. By ensuring a balanced diet in their early years and at school, together with better family cooking skills, lifestyle and food education, the Trust exists to help protect every child’s right to eat better – and so, to do better.

2. The introduction of Universal Credit has major implications for the nutrition of children living in poverty. An estimated one million children are currently taking up a free school meal; hundreds of thousands of other children are either not registered to have the free meals for which they would qualify, or do not take them up for a whole range of reasons. Research suggests that around a third of school-age children living
in poverty don’t qualify for free school meals at allii.

3. The impact of a good meal at school for children living in poverty is well-documented, and is the basis of our fundamental recommendation that all children living in poverty should have a free meal at school. Primary school children are three times more focused and able to concentrate with their teachers after a healthier lunch in a more pleasant environmentiii; in secondary schools, those ‘on-task’ behaviours increase by 18%iv. Recent research measuring the impact of universal free school meals for children in primary schools in Durham and Newham found that attainment improved by up to two months – an impact which tended to be strongest amongst pupils from less affluent families and amongst those with lower prior attainment.v For too many children, their free school meal may be the only proper meal they eat in a day. Overall, pupils having school meals tend to choose healthier foods and drinks more often than those who bring a packed lunch or buy food outside of school. Average nutrient intakes from school lunches are more often in line with healthy eating recommendations than those from packed lunches.vi Access to good food at school also helps all children to develop good eating habits and to get consistent messages about what it means to eat well. These are shared with their families, and can play a significant role in assisting them to maintain a healthy weight and good health.

4. Eligibility for and operation of passported benefits:

4.1. Free school meal registration should be an integral part of the Universal Credit system, with no additional barriers to registration. The main thrust of Universal Credit is to remove complexity and simplify application processes. The free school meal registration process is crying out to be simplified. We know that the current system - which requires parents to understand complex eligibility criteria, recognise their entitlement and then submit a free school meal application using a process which differs across every local authority in the country - acts as a significant barrier to many families in accessing free school meals, meaning that many children miss out.

4.12 Universal Credit is the logical time to make an improvement which has long been called for. DfE has previously recognised that the complexity of the current
system acts as a barrier to registration. Simplifying the process, by making free school meal registration automatic under Universal Credit, will help to ease the transition for local authorities (who will otherwise need to conduct complex communication and checking activities to determine which children qualify for free school meals, and will be required to run two systems simultaneously whilst the system is phased in), and would make life considerably easier for schools trying to administer free school meals effectively. And, of course, the simplification would lead to more eligible children eating a nutritious school meal every day - the most important issue. If a legislative change is necessary to make this change, there is an opportunity (via the Children and Families Bill) to pursue this. If this opportunity is not taken, families will continue to be confused about eligibility for free school meals, put off from registering because of the complexity of the process and, most importantly, children who are most in need of a good meal at school will be going hungry.

4.13 Finally, given the low levels of awareness of who qualifies for free school meals and how to register under the current system, we have serious concerns that should a large cohort of families become newly entitled to free school meals, the complexities of the current registration system could actually result in a sizeable fall in the number of children registered for free school meals. Not only will these children will be missing out on the nutritious meal to which they are entitled, but this will also impact on levels of Pupil Premium funding to schools.

**Free school meals must remain a benefit ‘in kind’,** to ensure that this funding remains focused on nutrition for children. For families living on such a tight budget, school meals may not be the first choice if they receive the benefit as cash instead.

5.1 The perception that a ‘healthy’ packed lunch can be made for far less than the cost of a school meal remains very strong. The reality is that to produce packed lunches which are as nutritious as school meals requires a considerable investment of time, money and effort. Research shows very clearly that the vast majority of packed lunches are less healthy and nutritious than school meals. If families are given cash in place of an “in kind” benefit they may give the child a small amount of cash which is likely to end up being spent on things like poor quality fast food, and confectionary outside of school. Our research with pupils shows that they are careful
to make their money stretch as far as possible, and that they make what they perceive to be rational decisions about the food they buy in order to save their money for other, 'more important' things.

**The level of the earnings disregards:**

5. **In the interests of nutrition for children living in poverty, we would prefer to see tapering of benefits rather than cliff edges. However, when a taper is applied to school meal eligibility, it needs to be managed in a way that is practical for schools and children.**

6.1 Administering tapering effectively would mean working very closely with local authorities, schools, caterers and others to make sure that robust systems are in place to minimise the added complexity. The widespread introduction of cashless systems in secondary schools and online systems which allow parents of children at primary school to pay for meals would almost certainly be necessary. We do not know for sure what percentage of schools currently operate a cashless system. In 2011, local authorities reported on cashless systems for 2297 secondary schools. Of these, 908 (38%) had cashless systems, 603 (25%) did not, and for 786 (33%) it was unknown whether schools had a cashless system. It must be recognised that costs of installing a cashless system can range between £7,000 and £10,000 with annual upkeep charges being about 10% of the installation price.

6.2 Whilst we support the principle of tapering, we do have concerns about how difficult this could be for local authorities, schools and catering teams to administer. A taper should operate on a principle of ‘whole meals’. For example, a taper might be offered to support a family with three of a child’s five school meals in a week (60% of a child’s weekly meals), but should not be offered as a proportion of an individual meal (30, 50 or 70% of meals in a week). This latter would not encourage pupils to eat a balanced meal, and would make administering the taper almost impossible for many schools and caterers. Feedback from our Caterers’ Forum has echoed these concerns.

**The impact of the changes on local authorities, including budgets, staff and support for claimants.**
6. Making registration for free school meals automatic under Universal Credit would support local authorities in making the transition.

This will ease complexity for local authorities and schools, reducing bureaucracy around free school meals and ending the current variation in and around the application process around the country.

Impact monitoring: what the DWP’s priorities should be for monitoring the impact of the transition to Universal Credit.

7. Monitoring of free school meal registration and take up should be among the key priorities during this transition.

8.1 Free school meals are one of the main proxy measures for poverty and disadvantage in this country, the mechanism for delivering flagship policies to support children from low income homes such as the Pupil Premium. This is in spite of the fact that not all children who would qualify for free school meals are registered to receive them – due in part to the complexities of the current registration system.

8.2 A stated aim of the Government is to reduce complexity in the benefits system and to ensure free school meals are available to those pupils who need them most. Measuring the impact of the transition on free school meals take up, particularly if recommendations are adopted to make registration for free school meals automatic under Universal Credit, will be important in assessing the efficacy of Universal Credit in achieving both of these aims and in identifying how best to ensure children living in poverty get the nutrition they need during the school day. Ensuring that all children who qualify for free school meals are actually taking them up will also support the effective delivery of schemes such as the Pupil Premium.

14 August 2012

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3. [http://www.schoolfoodtrust.org.uk/research/research-projects#sl&bprimary](http://www.schoolfoodtrust.org.uk/research/research-projects#sl&bprimary)
4. [http://www.schoolfoodtrust.org.uk/research/research-projects#sl&bsecondary](http://www.schoolfoodtrust.org.uk/research/research-projects#sl&bsecondary)
5. [https://www.education.gov.uk/publications/standard/publicationDetail/Page1/DFE-RR227#downloadableparts](https://www.education.gov.uk/publications/standard/publicationDetail/Page1/DFE-RR227#downloadableparts)
1. **Summary**

1.1 This paper sets out MAXIMUS’ submission to the Work and Pensions Select Committee’s inquiry on the Government’s progress towards implementation of Universal Credit. This submission draws on MAXIMUS’ long standing international experience in the welfare to work sector and seeks to set out some of the real world operational challenges faced by a similar integrated welfare reform programme in Texas, entitled Integrated Eligibility. This submission does not seek to comment on any specific aspects of Universal Credit but to outline some of the initial challenges faced in the delivery of the Integrated Eligibility welfare scheme in Texas and how the valuable lessons learnt could be used to inform the effective implementation of Universal Credit in the UK, making sure benefits services are simple and accessible for customers while reducing costs to the public purse.

1.2 The paper highlights the key lessons learnt from the project which MAXIMUS would encourage the DWP to consider as it rolls out Universal Credit, and outlines potential solutions to overcome some of the barriers around technology and business processing associated with such an ambitious reform programme, to ensure the successful roll out of the scheme. In particular, MAXIMUS would like to highlight the following key lessons for Universal Credit: the need to perform a detailed business process analysis before selecting the delivery model and technology solution; the importance of having access to real time data for reporting and performance metrics; managing a culture change amongst public sector staff in conjunction to the new system; as well as effective communication with operational staff.

1.3 MAXIMUS would be willing to give further oral evidence to the Committee on the Texas Integrated Eligibility project should this be helpful. MAXIMUS is currently engaging with the DWP to help share its experiences and best practice in the implementation of large-scale enrolment, eligibility determinations and transitions to new benefit regimes.

2. **Background to Integrated Eligibility**

2.1 The term ‘Integrated Eligibility’ has been used in the United States to mean the combining of more than one social services programme into a single application to enable eligibility decisions to be made in a simpler, quicker way. It can be done by combining applications for various programmes into a single application, or by proactively screening applicants for other programmes after they have applied for another.

2.2 The first major attempt at integrating various health and human services in the USA was conducted in Texas with the passing of House Bill 2292 by the Texas Legislature in May 2003. This integrated a number of services agencies into one large Health and Human Services Commission. The Bill also integrated the processing of a number of entitlement programmes...
through a single application form - including Medicaid, Temporary Assistance for Needy Families, food stamps, and long-term care. These all had different eligibility thresholds, enrolment timelines and validation requirements. In order to do this, the Bill anticipated the use of a new technology system: Texas Integrated Eligibility Redesign System (TIERS). TIERS had been approved for development and piloting in 1999 but was only used in two counties at that point.

2.3 The Bill also allowed the creation of a new delivery model, centralised call centres, which would be operated by an outsourced entity rather than the existing face-to-face transactions in local offices. The Bill predicted significant savings for the Commission, anticipating that the new delivery model would be vastly more efficient. The changes were put into effect from 1 January 2006. The integration also affected services that had already been outsourced, bringing them into the integrated system. These services were the Children’s Health Insurance Programme (CHIP) and the Enrolment Broker contract, which was held by MAXIMUS.

2.4 The State of Texas began the process in June 2003 by piloting TIERS and the integrated application in two counties, prior to procuring a vendor to perform any of the processing. It was not until 2004 that the State initiated the procurement process to find a vendor to deliver the new centralised call centres. The original expectation was to have the vendor assume responsibility for the technology (TIERS) and establish calls centres, facilities, a mailing house, and centralised imaging functions immediately in the two pilot counties and begin expanding the use of TIERS across the whole State by the end of 2006.

2.5 MAXIMUS was a key sub-contractor in a consortium established to help the State of Texas switch to an ‘integrated eligibility’ process in its social services programmes from 2005 until 2007. This ambitious project faced significant obstacles from the beginning, and the failure to overcome those obstacles led to the cessation of the consortium’s contract. The pilot began on 1 January 2006, but by June 2006, the State of Texas determined that the pilot was not sustainable in its current form and the planned extension of the new model to another 20 counties was put on hold. In May 2006, the pilot was suspended indefinitely.

2.6 The TAA contract was finally terminated on 13 March 2007. The outsourced services were split up and awarded under an operational contract in order to maintain continuity of operations. The relationship between the State of Texas, Accenture and MAXIMUS ended in a tripartite Settlement Agreement. The contracts were subsequently competed and both MAXIMUS and Deloitte continue in their roles today. MAXIMUS has maintained its significant role supporting citizens through the call centres. TIERS has been implemented across the whole State and is meeting its timeliness requirements. MAXIMUS meets all of its service requirements and scored 5/5 on its client survey for 2010 and 4.8/5 for 2011.

3. What were the lessons learned?
3.1 This was the first attempt at integrated eligibility in the United States. The degree of complexity and challenge was significant. From our experience helping to implement integrated eligibility - and to improve it when problems emerged - MAXIMUS has learned a number of lessons:

- **Perform a detailed business process analysis before selecting the delivery model, training methods, technology and staffing levels.** This analysis phase will point out the inefficiencies of different policies, the feasibility of timelines and opportunities for savings. Where possible, streamline rules and minimise validation steps to provide a simple business model for delivery.
- **Have in place performance metrics and reporting information.** It is critical in these arrangements to be able to track and report on all operations. This is a key advantage of beginning with business process modelling and management.
- **Ensure that the technology is designed to support the optimised business processes.** Build or buy technology to meet business requirements.
- **Focus on operations as well as technology - and make sure you have direct communication with your operators.** The requirements for each of the individual programmes were so different that the estimates for training and transactional volume proved insufficient.
- **Manage change effectively within the delivery organisations.** State field staff must be part of the solution.
- **Do not promise savings or change until the proof of concept has delivered reliable metrics.**

4. **Other examples from the USA**

4.1 **The State of Indiana** pursued a very similar model to Texas but approached it slightly differently. It was determined that the successful vendor would employ the existing state eligibility workers and use the existing technology; but, like Texas, develop a centralised call centre and centralised eligibility determination process. Unfortunately, the integration effort resulted in significant backlogs, poor service and overwhelming complaints. The contract was terminated and the services were largely taken back in-house and the state reverted back to its state-worker, non-centralised model of processing eligibility.

5. **Conclusion: Recommendations for the DWP**

5.1 In summary, MAXIMUS welcome the Government’s ambition to introduce Universal Credit as a means to simplify the benefit system by bringing together a range of working-age benefits into a single streamlined payment and help claimants and their families to become more independent. MAXIMUS have considerable experience in managing large-scale enrolment, eligibility determinations and transitions to new benefit regimes, and we have learned from our mistakes as well as our successes. Our work as a key sub-contractor in the consortium helping the State of Texas to switch to an ‘integrated eligibility’ process in its social services programmes has taught us valuable lessons that we would encourage the DWP to consider as it takes forward the implementation of Universal Credit. Our subsequent role and success as the prime contractor
delivering the operational services for integrated eligibility and Children’s Health Insurance Program, has proven the results of business process management and performance monitoring.

5.2 In particular, MAXIMUS would like to highlight the following recommendations for the department:

- Perform detailed analysis of the anticipated volumes and pathways that clients will follow to apply, inquire, submit information, etc. In order to minimise costs and resources, the department should consider ways to ensure entitlement applications for Universal Credit can be processed with minimal paperwork, meaning that claimants are less likely to need to seek face to face advice with an official around evidencing their entitlement. This will need to be supported by fit for purpose IT interfaces, including online portals, that are user friendly and easily accessible for the claimant, along with an adequate advisory support service such as a contact centre to handle any queries from customers. Automated services are only effective if they are user-friendly and provide the necessary features and support services.
- Ensure adequate support mechanisms are in place to manage the transition for claimants transferring from weekly to monthly payments, including access to financial education and effective money management services. The Department should consider in greater detail what role Work Programme providers will play in managing this transition process.
- The DWP should consider leveraging the expertise of the private sector to make efficiency savings in the management of the business processes behind Universal Credit, including exploring the outsourcing of functions such as contact centres, and case management facilities to verify benefit entitlement evidence.
- The department should consider how best to effectively communicate the change management process, both in terms of nudging compliance amongst clients, as well as instilling a culture change in the staff delivering the new benefit.

6. About MAXIMUS

Maximus Employment & Training is one of the Department for Work and Pensions’ accredited providers of the Work Programme, delivering the scheme in West London and the Thames Valley, Hampshire and the Isle of Wight. We also work in partnership with the charity Careers Development Group (CDG) who are the Prime contractor for East London and with Avanta who are the prime contractor in Surrey, Sussex and Kent to support the delivery of the Work Programme in these locations.

Maximus has considerable experience providing support to help disadvantaged people back into the labour market. For nearly forty years Maximus has partnered with Governments around the world to provide critical health and human service programmes to a diverse range of communities, operating in the UK, US, Canada and Australia. Prior to the Work Programme, Maximus was the prime contractor for the Flexible New Deal (FND) in Surrey, Sussex and Kent, delivery these schemes in partnership with subcontractors CDG, Tomorrow's People, TBG Learning and Kennedy Scott. Together, we served
approximately 25,000 customers who had been unemployed for 12 months or more through this programme.

14 August 2012
The Personal Finance Research Centre is an independent not-for-profit research centre based at the University of Bristol. We have conducted a significant programme of social research on money management and decision making, financial exclusion, and financial confidence, capability and wellbeing. Much of our work focuses on low-income households.

1 On-line claims (CP9)

1.1 Although it is undeniable that there will be people who will welcome and benefit from the move to on-line claims, there are many others for whom this will pose considerable problems either because they do not have access to the required broadband facilities in a private and secure environment or they lack the skills and confidence to complete and maintain a claim on-line.

1.1 Access

1.2 Many claimants do not have access to a computer. Research shows that 30 per cent of people likely to be eligible for UC do not have a computer in their home, with the costs of buying a computer and a broadband connection being a significant barrier (Tu and Ginnis, 2012).

1.3 Moreover, 22 per cent of potential UC recipients have never used the internet with a further 30 per cent being only occasional users (Tu and Ginnis, 2012).

1.4 Broadband facilities are not yet available throughout the country: 31 per cent of people likely to be eligible for UC do not have broadband access in their home and 26 per cent do not have access to broadband at all (Tu and Ginnis, 2012). A recent report from the House of Lords Communications Committee shows that 14 per cent of existing broadband connections do not have broadband coverage at 2Mbps, defined as standard broadband (House of Lords, 2012). The people affected in this way are scattered throughout the country, but they most commonly live in rural areas.

1.5 Many people will therefore have to use a computer outside their home. Libraries are often cited as an option in such circumstances, but this is not the case in small and rural branch libraries. In addition, public expenditure cuts mean that many libraries operate more restricted hours or are closing altogether and some are now charging for internet access. Internet cafes offer another option, but these have even more restricted availability than libraries and are not free of charge. Public access computers will also not have the aids needed by people with sight impairments or other disabilities.

1.6 Both privacy and security are real issues for people using a public access computer to make their claim – and particularly if they are not experienced computer users. Research for the Department has shown that the security and privacy of on-line claims was a major concern among people likely to be eligible for UC (Adams et al, 2011; Rotik and Perry, 2012; Tu and Ginnis, 2012).

1.2 Skills and confidence

1.7 Having access to a computer, or even using it to access emails and check websites, does not ensure that a claimant has the necessary skills and confidence to complete a claim form on-line or to maintain that claim afterwards. In fact, 45 per cent of potential UC claimants said they would require help to apply on-line (Tu and Ginnis, 2012). There was widespread concern about making
errors when completing the UC application form on-line even among those willing to do so (Adams et al, 2011; Rotik and Perry, 2012). And one in five of the general population (21 per cent) who had used the internet in the past three months said that they lacked the skills to protect personal data (ibid).

1.8 Consequently 36 per cent of potential UC claimants would be unwilling to apply online, citing lack of skills (32 per cent) and concerns about making errors or providing incorrect information (21 per cent) (Tu and Ginnis, 2012).

1.3 Who will be most affected?

1.9 Current recipients of JSA and WTC generally have much higher levels of access to the internet and fewer barriers to applying on-line than do recipients of IS, IB or ESA (Tu and Ginnis, 2012). Even so, in March 2012 just 19.6 per cent of new JSA claims were made on-line. Research has also shown that there is a statistically significant association between social disadvantage and digital exclusion (Dutton and Helsper, 2008) and that internet usage by disabled people is 25 per cent lower than in the general population (British Social Attitudes Survey, 2011; Low Incomes Tax Reform Group, 2012).

1.4 Assistance with on-line applications

1.10 It is very unlikely that the Government aspiration of 80 per cent of UC claims being made on-line will be realised in the short term. Consequently, the Department should avoid conveying the message that applications can only be made on-line, and well-resourced and robust alternatives will need to be put in place. Moreover, research for the Department has concluded that many people who are willing to try applying on-line will require personal assistance and support to do so, ideally at a Jobcentre Plus office (Adams et al, 2011; Rotik and Perry, 2012).

1.5 Maintaining an award and notification of changes in circumstances by claimants (CP5)

1.11 Even if a person makes their claim for UC online, it cannot be assumed that they have ready access to a computer to maintain it. Someone who has used a public access computer may not have an email account and, even if they do, they may not check their emails regularly. Failure to do so could result in them missing a work-focused interview and being sanctioned for not providing the information requested to ensure that their award remains correct.

1.12 Difficulties will also be faced by public access computer users, such as self-employed people, those with employers that do not use RTI and parents who are claiming childcare costs, who need to provide regular information to maintain their claim.

1.13 Clarification is needed about how the Department proposes to communicate with people who cannot maintain their award on-line and the extent to which they will contact a claimant by other means if they do not respond to an on-line direction. Ideally there should be a safeguard to ensure that communications are only made by email if the claimant indicates on their claim form that they are able communicate with the Department in that way.

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1 WDP (21012) Proportion of new claims to Jobseeker’s Allowance submitted on-line
www.dwp.gov.uk/docs/jsa-claims-online.pdf
2 Joint claims (CP10)

2.1 While research has not identified such widespread problems relating to joint claims this will never-the-less cause problems for a minority of people living as a couple. Safeguards will therefore need to be put in place if real hardship is to be avoided. These problems include circumstances where:

- One partner is willing to sign the claimant commitment but the other is not;
- One partner provides incorrect information without the knowledge or endorsement of the other;
- A claimant has left a violent partner and does not want them to have access to details of where they are living.

3 Backdating of claims (CP22)

3.1 The proposed list of circumstances in which backdating will be allowed is more restrictive than the current rules for IS and JSA and has the potential to cause hardship.

3.2 It is, however, the reduction in the time period for the backdating of the housing element that will cause the greatest difficulties – leading to rent arrears that will affect tenants and landlords alike.

3.3 One further potential difficulty is that the date of on-line claims will be when the completed form is submitted – rather than the date of the initiation of a claim, as is the case now. This will adversely affect people who have difficulties completing an on-line application whether through lack of access or lack of skills.

4 Monthly payments (CP44)

4.1 Research shows that proposals to make monthly payments will almost certainly disrupt the budgeting of a large proportion of claimants and undermine one of the key objectives of UC – namely to smooth transitions into work.

4.2 A large proportion of potential UC claimants are normally engaged in weekly-paid employment and budget weekly. Secondary data analysis for this submission shows that 28 per cent of all employees are paid weekly, rising to 42 per cent of those in the lowest two income quintiles. HMRC statistics show that 49 per cent of all CTC/WTC recipients have opted to receive their tax credits weekly, rising to 58 per cent of those receiving CTC at or about the family element. So a large proportion of people claiming UC will either already have a weekly income from employment or will normally be paid weekly when they are in work.

4.3 Shifts in payment frequency cause major disruption to household budgets, so those leaving weekly waged employment will face disruption if they are paid UC monthly. Our research also shows that many people on low incomes receive their incomes from different sources and with different frequencies, which makes budgeting more difficult. So paying UC monthly to a weekly waged
worker will create disruption. Consequently, while the proposals will assist the transitions into work for people moving into monthly waged employment they will complicate the transitions for people moving into a weekly waged job.

4.4 Around half (48 per cent) of potential UC claimants budget weekly or daily while just three in ten (29 per cent) budget monthly (Tu and Ginnis 2012). Research we undertook to inform the introduction of ACT payment of benefit showed that the lower the income someone has, the shorter the time period over which they choose to budget. When people left (generally low-paid) work and started claiming benefit, they retained the budgeting period they had used while in work (Kempson and Whyley 2001). So the determinant of a household’s budgeting period is not their economic activity status but their level of income. Qualitative research consistently shows that people budget over short time periods in order to keep tight control over their finances.

4.5 When asked directly, 42 per cent of all potential UC recipients said that they would find it harder to budget with monthly payments, only 10 per cent said it would be easier. The remainder said either that it would make no difference (40 per cent) or they already received their benefits or tax credit monthly (7 per cent) (Tu and Gennis 2012). People with higher incomes (WTC and CTC recipients) were least likely to say they would find it harder. Among other groups, over half would find it harder to budget with monthly payments – and most of these a lot harder. Most of the people anticipating difficulties expected to run out of money before the end of the month (80 per cent). An indication of the difficulties some claimants will experience can be seen in research with lone parents who moved from weekly IS to fortnightly JSA (Peacey 2009).

4.6 In view of this evidence we believe that the potential risks associated with moving to monthly payment (in association with other changes discussed below) outweigh the potential benefits. It is highly likely that it will lead to greater financial difficulties which could, in turn, undermine the likelihood of claimants being able to focus on finding and keeping work.

4.1 A single payment

4.7 In contrast to monthly payments, recent research shows that fewer potential recipients of UC (17 per cent) felt that the receipt of a single payment would make it harder for them to manage their money while 18 per cent thought it would make it easier (Tu and Ginnis 2012).

4.8 The main difficulty is likely to be the inclusion of housing costs within that single payment. We are aware that there is widespread concern among social landlords and, in particular, by those offering supported accommodation to people likely to struggle with monthly payments and as a result fall into rent arrears. The potential knock-on effect to the viability of these landlords should they experience a rapid rise in rent arrears is a matter for real concern.

4.2 Payment to one person in a couple

4.9 Likewise, most potential UC recipients did not see payment to one person in a couple as a problem. Only 9 per cent said it would make it harder for them to manage their money; 14 per cent said it would be easier. For most, however, it would make no difference at all (Tu and Ginnis 2012). That said, they acknowledged that it could be very problematic for a minority of claimants and women in particular, as they often receive Child Tax Credit payments, giving them a small degree of financial autonomy (see also Sutherland et al, 2006).
4.10 Research with potential UC claimants identified a concern that joint payments would be unworkable where a relationship was unstable and more transient or in households where there are specific problems such as drugs or alcohol abuse, problem gambling or domestic abuse (Rotik and Perry 2012).

4.3 Exceptions to single monthly payments

4.11 The successful implementation of UC will depend on not disrupting the finances of claimants. In view of the evidence cited above, the Department’s intention to allow some exceptions to monthly payments is welcome. However, we do not yet know the criteria on which this decision will be based, how many people the Government expects to accept as exceptions or for how long.

4.12 We would challenge the underlying assumptions of this policy that monthly budgeting is the ‘normal’ way of managing a household budget and that most ‘normal’ households have a single source of income. The second is rarely the case and the first – as we demonstrate above – is not, and never has been, the normal period over which people with lower incomes budget. This is not because they are ‘deviant’ but because they are, for the most part, very prudent budgeters. Faced with a lower income, most people with a higher income who currently budget monthly would do the same.

4.13 Consequently, and given the very large numbers of households that could potentially be adversely affected, we urge the Department to accept the situation for what it is and rely on the principles of ‘nudge’ to allow people to opt out of monthly payments if they wish – and making them aware of this possibility. This will be administratively simpler and less costly for the Department than a complex set of ‘vulnerability’ criteria and will support people to take responsibility for managing their money in the most appropriate way, given their circumstances. A criterion-based approach could to be retained for determining when to allow separate payments to people living as a couple and when to make rent payments direct to landlords.

4.14 We note the Government’s intention to provide education and assistance to enable people to move from weekly to monthly budgets. This is, we believe, misguided. People budget over short time periods because they are good money managers not bad ones. Moreover, it would be extremely costly to do this well, as many people would require personal assistance. And there is very limited evidence (even worldwide) of the efficacy of financial education in this area.

4.15 Where people budget and would normally be paid weekly, it is consistent with the UC philosophy of independence and personal responsibility to allow them to opt out of monthly payments in order to keep control over their finances. Where people want to make the transition to monthly payments, the most effective form of help is likely to be peer-to-peer advice and practical hints on how to budget weekly with a monthly income. Sure Start children’s centres would be one obvious place for this kind of assistance to be fostered.

5 Payment methods (CP43 and CP44)

5.1 Our recent review of financial inclusion showed that about 5 per cent of households lack a transaction account; but only 1 per cent of households lack an account of any kind (Kempson and
Collard, 2012). But a revolving door is emerging, whereby many people on low incomes close their bank account after they have incurred penalty charges for failed direct debits, only to open another account at a later date. For these people, the penalty charges they incur far outweigh any cost savings they achieve by paying household bills by direct debit. Others with low incomes use their account simply to hold their income but budget entirely in cash to avoid the risk of incurring penalty charges.

5.2 We concluded in our research that most bank accounts are inappropriate for day-to-day money management by people on low incomes who need to keep close control over their finances. None of them offers a bill-payment service that is as responsive to their needs as the one provided by PayPoint, for example. New accounts (so-called ‘jam jar’ accounts) offering the sorts of budgeting facilities that Ministers hope will help people on lower incomes to manage their money are beginning to become available but it will be some considerable time before they reach any sort of scale. Experience in the United States shows that Government can play a pivotal role in creating a climate within which the development of suitable accounts becomes a commercial proposition. We would welcome the Department playing an active role in this area.

5.3 Until more suitable accounts become available it is important that people on low incomes who open bank accounts receive adequate information and guidance both to help them to choose a provider and an account that meets their needs and circumstances, and also at account-opening to help them get the most out of account, and avoid pitfalls such as penalty charges. This is a role for the Money Advice Service in conjunction with account providers.

5.4 It will also be important for the Department to ensure, before making payments into anything other than a conventional ‘bank’ account, that the deposits it holds are protected. This is not invariably the case.

6 When claimants are paid (CP42 and CP44)

6.1 We have real concerns about the payment date being fixed in relation to the date of the claim. Our recent research has shown that many originators of direct debits are inflexible about the date on which payments can be made (Kempson and Collard, 2012). A serious mis-match between the dates on which UC payments are made and direct debits are taken from bank accounts will inevitably lead to financial difficulties. The lack of flexibility by originators of direct debits is an area that needs urgent action.

14 August 2012

References


Written evidence submitted by Shelter

**SUMMARY**

- Shelter welcomes the committee’s decision to hold an inquiry into the implementation of Universal Credit (UC). There are few precedents for reforms of this scale and ambition so it is vital that the implementation phase is monitored closely and risks identified and mitigated.

- Shelter supports the original principles of the UC and our interest is in ensuring that the new system reflects these, operates effectively and delivers a positive impact for claimants, while being efficient and workable for government and local authorities.

- More than one million people a year come to Shelter for advice and support via our website, helplines and national network of services. Our evidence is therefore based on our experience giving housing and benefits advice to people on the frontline.

- Given our area of expertise, this response focuses on the aspects of the UC which will cover housing costs, as well as general issues relating to administration. We have focused on areas where we perceive there are unanswered questions, and suggested issues for the committee to investigate. It may be the case that on many of these points the government has the issue in hand, and we would welcome reassurance of this.

- Areas where we do not have particular expertise - such as changes in the income entitlement of disabled people, and eligibility for and the operation of passported benefits – we have declined to comment.

- Our primary areas of concern are as follows:
  - Arrangements for direct payments including the provision of suitable banking products
  - Digital exclusion
  - The availability of independent advice
  - Arrangements for funding temporary accommodation

**EVIDENCE**

*The proposed arrangements for claims and payments and the provision of support and advice for claimants*

**Direct payments**

1. Shelter’s greatest concern about the proposed arrangements for payments is in relation to direct payments. The introduction of local housing allowance (LHA) in the private rented sector brought in a default assumption that tenants should receive their housing benefit direct to their own bank account rather than to their landlord’s. We understand and welcome the drivers behind this in terms of promoting claimant responsibility. However, it creates many practical problems and despite the fact that vulnerable people are exempt, many low income households have found the system difficult to manage. This has created significant frustration for private landlords, discouraging them from operating in the housing benefit (HB) market. Therefore
Shelter’s position has always been that tenants should have a choice over how their payments are made.

2. Under UC the direct payments system will be rolled out to all HB claimants, including those in social housing. Social landlords and their lenders have voiced considerable concern at the implications of direct payments for social tenants, including for their ability to secure finance for new affordable housing supply. Combined with the move towards monthly unified payments, there is considerable apprehension as to how many social tenants will manage their incomes. The DWP has agreed to a series of demonstration projects to test the problems created by such a move, but remains committed to the principle.

3. We think it is crucial that the government has good systems in place to correctly identify tenants who are vulnerable or in arrears in order to trigger landlord payments instead and stop arrears building up. **We suggest that the committee asks DWP how vulnerable tenants will be defined and if certain categories of households, for example those in temporary accommodation, will automatically be exempt to avoid unnecessary bureaucracy.**

4. **We also suggest the committee seeks clarity on how landlord payments will function when a tenant is receiving a partial award for UC due to their income.** We recommend any landlord payment should be based on the original housing component (assuming this is less than the total UC payable) and the award to the claimant reduced accordingly. This would essentially prioritise housing costs.

**Bank accounts**

5. The other important issue is the need for claimants to have suitable bank accounts into which they can receive their UC payments and make rent payments from, as this will not necessarily currently be the case. For example, post office accounts do not support direct debits. The DWP should work with the banking industry to ensure that suitable financial products are available. There is a big opportunity here as the introduction of UC could be a catalyst for improving banking products more generally for low-income households.

6. Ministers have spoken of the possibility of ‘jam jar’ accounts or escrow products, which would prevent the housing element of UC being diverted to cover overdraft fees and other direct debits. It is unclear how ready banks are to provide such products so **we recommend that the committee asks DWP what discussions have already taken place with the banking industry** to ensure that suitable financial products will be available to support social tenants handling HB for the first time. At an absolute minimum this must include access to basic bank accounts so that claimants can receive Universal Credit. But products must also ensure that households can easily protect the housing component of Universal Credit so that their rent payments can be met on time.

**Digital by default**

7. Under UC the vast majority of claims will be made online. Given that only 77 per cent of households have internet access and 17 per cent of the population have never used the internet,⁷ we believe there is a risk that vulnerable claimants will be left behind. Unsurprisingly,

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⁷ ONS figures 2011
lower income households are more likely to have never used the internet and only 63 per cent of all tenants have an internet connection at home. Libraries do not provide guaranteed provision, especially for people living in rural areas. Internet cafes are not universally available and are not free at the point of use.

8. We recommend that alternative channels are retained in the first instance for households who are unable to self-serve online, and for complex cases. As digital inclusion is extended, and if UC simplification is successful, then these can be scaled back over time as need declines.

9. The Department has said that an element of telephone and face to face support will be retained for a small minority of households, but has provided very few details of who will be eligible to access this or how it will be provided. **We recommend that the committee asks ministers to provide further detail on what criteria claimants will have to meet in order to opt out of online claims.**

**Provision of advice**

10. While UC will hopefully bring in significant simplification of the benefit system, the transition period between the two schemes will be particularly resource intensive for advice providers and claimants will still need access to benefits advice on an ongoing basis. It is important that independent advice is available for claimants through the transition period and beyond, but the DWP have not made any funding available to a) plug the gap that will be created by cuts to legal aid or b) provide for the mass training that will be necessary across the advice sector in order that they are equipped to deal with the changes under UC.

**Payment period**

11. HB is paid either every two or every four weeks in arrears. Under UC it will be paid by calendar month, also in arrears. This may create some additional budgeting challenges. The system is intended to mimic salary payments. However, half of lower income tenants are paid at more frequent intervals. In addition fixed monthly payments are unlikely to align with the date when salaries are paid even in the event of monthly payments. There are no guarantees that UC payments will align with rent cycles and a tenant could be in the position of trying to safeguard the next month’s rental payment for nearly the entire four week period.

12. The payment of HB in arrears has long been criticised because it sits poorly with the convention of rent being paid in advance. As such many tenants on HB will find that they are in arrears by default and a small delay in processing a monthly UC claim could result in tenants technically being eight weeks in arrears, which can be the trigger for landlords to initiate eviction proceedings. Both rent in advance and deposits are normal requirements for non-HB tenants and the inability of many claimants to provide these sums puts them at an additional disadvantage in the market, which already views housing benefit claimants unfavourably. UC does not attempt to rectify these concerns and households will continue to receive support for housing costs in arrears.

**Progress with developing the necessary IT systems to administer Universal Credit**

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13. We do not currently have a clear sense of the level of readiness of the IT systems required to administer UC. We would be interested to know:
   • How assessment periods and payment cycles will align and after how long will a change in income be reflected in a change in UC payment.
   • How long it will take for a change in housing cost to be accounted for in a revised UC payment.
   • If housing costs are only payable part way through an assessment period, for example because a claimant has moved into their own accommodation, how this will be reflected in the following UC payment.

The proposed arrangements for the “claimant commitment”, sanctions and hardship payments.

14. Ministers have claimed that the housing component of UC will be protected from sanctions. However, this will not be the case when in-work conditionality is introduced and a claimant receiving a partial award (due to the taper) is sanctioned. The sanction will be a fixed sum, equal to the amount Universal Credit pays out for basic living expenses. Because of this the sanction will have to erode the housing component of Universal Credit when the overall award has been reduced due to earnings. DWP claims it would undermine the effectiveness of the sanction if it too were tapered.

15. Claimants will be sanctioned for up to three years if they do not comply with the claimant commitment. This creates a real risk of hardship and it is therefore vital that the claimant commitment recognises a household’s individual circumstances and barriers to seeking work, for example homelessness. **Committee should ask the DWP how the claimant commitment will recognise the additional challenges created by homelessness, including living in temporary accommodation.**

The impact of the changes on local authorities

16. We support the fact that the UC will absorb HB, but we are concerned about the role of HB officers being downgraded or ended entirely. Many issues arising with claimants involve either an element of discretion or benefit from local knowledge, for example: DHP awards; SAR exemptions; overlapping liability; and cases where the rent officer rules that a social rent is greater than is reasonable to be met by UC. We would suggest it might be more efficient to retain HB officers as a local point of contact for complex cases, allowing them to link in to the UC back office, at least during the implementation phase.

17. The overall household benefit cap, which is being introduced ahead of UC, will be challenging for local authorities to implement. The cap will increase the risk of homelessness and of the numbers of people seeking help from their local authority. For this reason we had called for it to be delayed until UC was in place to minimise transitional difficulties.

18. The DWP still has not said how temporary accommodation (as well as exempt accommodation,) will be funded under UC. Temporary accommodation is used to house homeless households and is funded via a separate HB subsidy. We are concerned that a lack of detail on how TA will be funded after April 2013 is now causing difficulties for LAs who have to plan how they will meet their legal duties towards homeless households. The National Homelessness Advice Service reports some landlords are already pulling contracts to provide TA.
19. Linked to this is the problem the benefit cap will create when homeless households are placed in temporary accommodation. Homeless households in temporary accommodation are liable for a “reasonable charge” for their accommodation, which can be covered by HB if the household is on a low income. Temporary accommodation tends to be more expensive than rents in the mainstream private rented sector, and is considerably more expensive than social housing rents, creating a high risk that rents will not be affordable under the overall benefit cap.

20. Because households are placed in TA by local authorities, they will have little scope to move to reduce their housing costs and under the Homelessness Code of Guidance local authorities cannot ask households to make up the shortfall through other benefits if this would deprive the household of “basic essentials such as food, clothing, heating, transport and other essentials.” Attempts to procure TA which is affordable under the cap will create the risk of widespread out of area placements, which the Housing Minister has warned against: “The most vulnerable in our communities who find themselves homeless through no fault of their own deserve a safe and secure roof over their heads, close to their community wherever possible.” Alternatively local authorities will have to incur additional costs to provide temporary accommodation to households owed a legal duty.

21. Throughout the bill’s passage Shelter, along with others, called for households in TA to be exempt from the overall benefit cap. The Minister refused an explicit exemption but promised to look at assistance for “hard cases” to ensure regulations provided the “appropriate protection” for households in TA. It is not at all clear from the regulations what protection is now being proposed. We encourage the committee to ask the DWP how they intend to provide appropriate protection for homeless households.

22. We strongly recommend that an exemption for households in temporary accommodation is included in the final regulations. This could satisfactorily be achieved by exempting all statutory homeless households from cap restrictions or simply ignoring the cost of temporary accommodation when calculating whether the cap is applied.

23. Lord Freud said repeatedly in parliament that the forthcoming reform of TA subsidy would be informed by its interaction with the cap and impact on final decisions around mitigation. It is very concerning that the draft regulations have been published before the TA subsidy reform proposals are available. We encourage the committee to ask the DWP when the revised TA subsidy will be published and what the department’s current thinking is. Lack of draft proposals has prevented proper scrutiny of the interaction between the cap and TA. Lord Freud said: “We need to get a solution to this so that we do not have a ludicrous go-round of people moving into expensive temporary accommodation which they can no longer pay for because of the cap. We are absolutely aware of this and have measures in train to get a solution in the round to that issue.” Based on the available information we still believe the cap risks creating a “ludicrous go-round” where families are made homeless by the cap and then placed in unaffordable TA.

The level of the earnings disregards.

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3 Grant Shapps, 31 May 2012, CLG press release.
4 House of Lords Debate, 23 January 2012, c893
24. Final disregard levels are still to be confirmed, as are the values of the standard allowance and amounts for children in UC. **These decisions will be critical and we encourage the committee to press DWP for an indication of how these will compare to existing benefit rates.**

25. Two income disregards will apply: a higher rate for claimants who do not receive support with housing costs and a lower rate for those who do. In practice it will only be renters who are subject to the lower rate because SMI will stop as soon as a claimant enters work. The dual disregards undermine UC’s attempts at simplicity but are intended to create more equal treatment between those in and not in receipt of support for housing costs. It is a simplification of the DWP’s original proposal for a variable disregard based on 1.5 times the amount paid for housing costs and subject to a disregard floor. This will create slightly poorer outcomes for households receiving a very small amount of support towards their housing costs as the price of greater simplification.

**Impact monitoring**

26. Shelter has opposed the move to up-rate LHA rates by CPI rather than local rents. This breaks the long-standing principle to link HB payments to housing costs, either actual or representative, and marks a fundamental change in the calculation of HB. Historically CPI has risen at a much slower rate than actual private rents. Between 1997 and 2007 private rents increased by 70% but CPI increased by only 20%\(^5\). The implication of this is sadly obvious – over time LHA rates will fall out of step with actual rents and tenants on HB will find it increasingly difficult to find affordable accommodation.

27. The Minister for Welfare Reform recognised the risk that LHA values would erode at various points during the passage of the Welfare Reform Act. The Minister told parliament: “In particular, we may need to increase LHA rates if growth in rents and the CPI are so out of sync that there is a critical lack of affordable housing.” The minister dismissed concerns of long-term erosion by insisting that the measure is only locked in for two years. However, we are concerned that without an explicit commitment to review and re-link, a future government is unlikely to rebase LHA rates until the housing benefit sub-market is at crisis point.

28. We would like to see the impact of CPI formally reviewed at the end of 2014/15 with a commitment to re-linking LHA rates to at least the 30th percentile if necessary. This decision should be informed by the ongoing DWP monitoring project into the first wave of LHA reforms. Based on this study it may emerge that the 30th percentile is itself insufficient to house the number of private renters in receipt of LHA. If this is the case then re-linking LHA rates to the 30th percentile will not do enough to correct a critical lack of affordable housing and a larger correction of LHA rates will be necessary.

*15 August 2012*

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Written evidence submitted by Places for People

1.0 Introduction

1.1 Places for People is one of the largest property management, development and regeneration companies in the UK. We own and manage around 62,000 homes and have assets in excess of £3.1 billion.

1.2 Our vision is to provide aspirational homes and inspirational places and our approach looks at all aspects of communities rather than focusing solely on the bricks and mortar provision of homes. Places for People’s innovative approach to place management and place making allows us to regenerate existing places, create new ones and focus on long-term management.

1.3 We welcome the positive implications of the introduction of Universal Credit for Registered Providers, but have identified a number of risks which we are currently working to mitigate with others in the sector and the Department for Work and Pensions.

1.4 Our response to the Select Committee Inquiry focuses largely on the above work, as well as containing general comments on the issues covered by the inquiry.

2.0 General comments

2.1 Although we welcome the positive implications for Registered Providers (RPs) of the implementation of Universal Credit (UC), we have also identified some risks inherent in the change. We are working with other RPs and the Department for Work and Pensions (DWP) to mitigate these risks.

2.2 Our response to the Select Committee Inquiry focuses mainly on our experiences so far of preparing our customers for the changes, as well as the work we have been doing with others in the sector and the DWP on data sharing proposals. We also give some more general views on the other issues raised in the inquiry, where we are in a position to comment on them.

2.3 Many details around the implementation of UC remain unclear. It is therefore difficult for us as an organisation to prepare for the changes fully. For our customers, this lack of clarity exacerbates the confusion they are already experiencing trying to cope with the radical changes ahead. Despite issuing comprehensive communication plans to help customers prepare, Registered Providers are unable to alleviate this confusion until Government provides clarification on specific issues, such as the changes to housing benefit eligibility rules with regards to service charges.
3.0 Response to the issues raised in the inquiry

- The proposed arrangements for claims and payments and the provision of support and advice for claimants

3.1 The move to Universal Credit represents the most radical welfare reform in 60 years. Registered Providers face a substantial challenge in making their customers aware of the changes and supporting them to manage their finances and avoid rising debt and the threat of eviction. Places for People has made a significant investment in a welfare reform action plan, including new full time posts to support the process.

3.2 In moving customers to a single monthly payment to replace their current package of benefits, many factors need to be considered, including:
  - the provision of advice and support for those who have limited budgeting skills;
  - potential disruption to channels of communication as a result of a change in service provision from local authorities to DWP;
  - the process for triggering payments to the landlord in the event of claimants not using their UC to pay their rent for a period of time;
  - the potential high volume of enquiries to DWP from landlords wishing to establish whether tenants are in receipt of UC.

3.3 The DWP’s aim is that Universal Credit claims will be predominantly made online by claimants themselves. Based on our most recent customer surveys, we believe that only around 50% of Places for People customers have internet access. The picture is similar at Affinity Sutton where a recent survey found that 57% of their customers had internet access. DWP will therefore need to review its access channels for UC and ensure that customers can make postal and telephone claims as well as using the online self-service option.

3.4 Assuming responsibility for a single monthly payment to cover all household expenses will be a huge shift for many people currently used to individual weekly payments. This is aggravated by the fact that housing benefit will no longer be paid direct to landlords. Customers who for whatever reason fail to manage their money effectively will build up a substantial amount of arrears before the rental element of UC is switched back to their landlord. This will increase tenant indebtedness and mean that overall, an eviction is more likely to result. A rise in the incidence of evictions has very adverse implications for all parties concerned and could lead to social problems as well as negative publicity for both landlords and Government.
3.5 Currently many Registered Providers work closely with local authorities to help and support benefit claimants, both through the initial claim process and when their circumstances change. The change in service provision from local authority to DWP and disruption to channels of communication risks cutting the landlord out of the loop and restricting their ability to assist vulnerable tenants. The inability of landlords to assist with the verification process and high level of cases requiring support and assistance could also increase administrative burdens and delays within DWP.

3.6 Effective joint working arrangements between DWP and Registered Providers would mitigate against most of the risks outlined above. The arrangements would need to include the following:

- the ability for landlords (where capable and qualified to do so) to act as benefit verifiers, thus reducing DWP workload and speeding up the processing of new claims;
- the provision by DWP of prompt and timely information about UC claims to landlords, so landlords know which customers are in receipt of UC and are able to take appropriate action when these customers fall into arrears. This should include advanced notification of when a claimant is due to transfer over from housing benefit to UC, to enable landlords to offer support with accessing bank accounts and other financial products, as well as support in setting up payment methods for their rent. This will help to prevent customers from falling into rent arrears and possible homelessness as a result of eviction for rent arrears;
- prior notification by landlords to DWP of any changes in property charges, to ensure UC claims can be processed efficiently.

3.7 As mentioned above, Places for People together with several other large RPs are in talks with DWP to agree a feasibility study looking at the proposed joint working arrangements.

- The proposed arrangements for the “claimant commitment”, sanctions and hardship payments

3.8 We believe that the introduction of the new ‘claimant commitment’ should help to clarify to claimants what is expected of them in order to continue receiving their UC. We support the Government’s aim of providing more incentives to work through the UC system. However, we believe that the proposed system of conditionality and sanctions may prevent certain people from accessing work due to the uncertainty and hardship associated with losing their income, even for a short period.
3.9 Anecdotal evidence suggests that the rationale for sanctions can differ from area to area, with some Job Centre Plus branches taking a subjective approach to sanctioning claimants. In some instances this is the result of a recognition that in some areas of the country there is a significant lack of job opportunities; however, any subjectivity can lead to confusion for claimants which could contribute further to a perceived lack of incentive to progress into work.

3.10 We feel that the ‘added cost’ of being in work has not been fully appreciated in calculations to ‘make work pay’, particularly care responsibilities which can be expensive and difficult to source locally. Whilst we support the Government’s aim to ‘make work pay’, we feel that these calculations need to be revisited in order that specific groups such as people with caring responsibilities do not experience a disincentive to work.

3.11 The Government’s proposals state a commitment to protecting vulnerable people and taking a balanced approach, which of course we welcome. Our concern is that there could be many valid reasons for someone to fail to comply fully with their claimant commitment at any one time. The Government should ensure that provisions are made to avoid people getting into a spiral of debt which could end up having bigger implications for state funding.

3.12 Hardship payments are clearly a last resort and we welcome the fact that these payments will still be offered to claimants who lose their benefits as a result of sanctions. If the Government goes ahead with its proposals to change hardship payments to loans where possible, we would urge them to set repayment terms that would not exacerbate any existing burden of debt to the extent that, for instance, the claimant may struggle to keep up rent payments.

- Changes in the income entitlement of disabled people under Universal Credit

3.13 From April 2013, Disability Living Allowance (DLA) for adults aged 16-64 is to be abolished and replaced by the Personal Independence Payment (PIP). We acknowledge the aim to reduce costs by at least 20% as DLA spending has been increasing at an unsustainable rate. We welcome the Government’s aims to ensure that future support is targeted at people who face significant barriers to participating in society and also welcome the news that the Government intends to maintain the existing passporting arrangements including e.g. Blue Badge, Carers Allowance, and access to public transport.

3.14 We support the focus of the new Personal Independent Payment on the impact an individual’s impairment or health condition has
on their daily life and we therefore welcome the new ‘daily living’ component to replace the existing ‘care’ component of DLA. However, we are concerned that with the daily living component being reduced to two rates, it is possible that many people who receive the lower rate of the care component of DLA will be at risk of losing their entitlement.

3.15 We therefore seek reassurances on the impact of reducing the care component from three awards to two. We are concerned that due to the Government’s 20% ‘reduction target’, and the focus on those ‘with the greatest need’, those currently receiving low awards will no longer receive financial assistance. There is a danger that the decision to award assistance could be led by Government targets rather than actual need. Those who receive the low-rate care component rely on this additional money to help them meet the additional costs of care they face.

3.16 The loss of DLA for many claimants will also mean the loss of the additional support through premiums and elements in other benefits, including the exemption from non-dependant charges.

- The level of the earnings disregards

3.17 We welcome the new system for earnings disregards, which should see people better off even when they take up employment for a few hours a week. We acknowledge it is difficult to set the right level for disregards to ensure that ‘work pays’, and feel that the new system is fairer and provides better incentives to work.

- Eligibility for and operation of passported benefits

3.18 The proposed system under Universal Credit will replace the current rules, which base entitlement on receipt of certain benefits, with a simpler and fairer system that bases entitlement on an income or earnings threshold. We welcome a simpler and fairer system that allows claimants to be clear about their entitlement to certain passported benefits. However, we urge the Government to give serious consideration to the appropriate level for these thresholds as well as creating a less complicated process for claimants.

3.19 We are pleased that the Government invites views on the review of passported benefits and its commitment that these benefits should not be removed completely when people enter into work. Given the potentially high monetary value and high number of passported benefits, the plans for staged withdrawal thresholds could also make it easier for claimants to manage the transition into work.
3.20 We believe an integrated, streamlined system would remove some of the administrative burdens currently associated with many passported benefits and deliver modern a service that fits within the principles of simplification and making work pay.

3.21 We would note that the consideration to devolve this process into the remit of devolved administrations could add a further complication to the effective communication of the changes to tenants. This could impact on our ability to effectively support tenants in low-income households, who may see an impact on their disposable income as a result of the changes, in meeting their rent payments.

- Impact monitoring

3.22 Monitoring the impact of the introduction of Universal Credit will be a sizeable task for DWP. In our view, the DWP’s short-term priorities for monitoring the impact should be as follows:
  - RPs’ average rental arrears;
  - Number of evictions on grounds of rental arrears;
  - Percentage of total claimants using the online self-service portal to make and manage their claims;
  - Cost impact of support provided to individuals unable to manage their claims;
  - Number of cases where payment of the housing element of UC has reverted back to landlords as a result of rental arrears.

3.23 In the longer term, we feel that DWP should monitor the following areas in order to test whether Universal Credit is delivering on its wider objectives:
  - Overall number of UC claimants;
  - Percentage of UC claimants who have moved into work;
  - Number of cases involving fraud and error;
  - Incidence of child poverty.

15 August 2012
Introduction

1.1 Our response focuses on the consequences for self-employed claimants, irregularly paid employee claimants and employers and is based on our members’ experiences of small businesses and employers, and the problems they encounter with record-keeping, reporting and related administrative requirements.

1.2 We have responded\(^1\) to the Social Security Advisory Committee on the draft Universal Credit (UC) Regulations 2012\(^2\).

1.3 We have restricted our comments to the following areas:

- The proposed arrangements for claims, support and advice;
- Progress with IT systems including real-time information (RTI) system for PAYE;
- The definition of earnings, which affects income entitlement;
- The minimum income floor (MIF); and
- Impact monitoring.

1.4 The proposals for the self-employed, around which we have deep concerns, are likely to affect a significant number of people. DWP have indicated that around 910,000 households on tax credits receive some income from self-employment. Analysis carried out by the Office of Tax Simplification (OTS) of HM Revenue & Customs (HMRC) administrative data indicates that in 2007/08 over 2 million unincorporated businesses (sole traders and partnerships) had turnover of under £20,000, so the DWP estimate in terms of how many self-employed individuals might claim UC may be conservative.

1.5 Our Low Incomes Tax Reform Group (LITRG) is also submitting comments.

Summary

2.1 There are a number of aspects of UC that need reconsideration, especially in respect of the self-employed and small businesses. We recommend that:

- Assessment periods should be reconsidered – using calendar or tax months would better tie in with other requirements and ease the burden;
- The calculation and definition of self-employed earnings should be identical for tax and UC (as recommended by the OTS in their report Simpler income tax for the smallest businesses), as should the criteria for self-employment;
- The fundamental accounting principle of ‘matching’ should be retained to even out significant cash surpluses and deficits over a year;
- Methods of reporting self-employed earnings should be trialled and assessed before monthly reporting is imposed;
- Agent authorisation and agent reporting processes should be established;
- The ‘on or before’ requirement in the RTI legislation should be relaxed to enable employers with irregular payrolls to meet their obligations without breaching the strict terms of the legislation; and
- The Minimum Income Floor (MIF) proposals be reconsidered.

\(^1\) http://www.tax.org.uk/Resources/CIOT/Documents/2012/07/120730_UCRegs_CIOT.pdf

\(^2\) Information provided, not printed.
3 Claims, support and advice

3.1 The proposed procedures for self-employed claimants will place an additional and onerous burden on them, which for many will be impossible to comply with.

3.2 Gainful self-employment

The UC regulations require a claimant to be in genuine self-employment, which is being carried out in the expectation of profit. It is unclear how Department for Work and Pensions (DWP) will equip its staff to make informed decisions in this difficult area.

3.3 The question of whether a trade exists and whether it is being carried on in the expectation of profit, is a complex area of law. Sometimes an individual will take the view that his or her activities are a hobby rather than a trade, eg buying and selling on eBay.

3.4 A single definition on what is self-employment must be used and apply for both UC and tax purposes. A decision by either HMRC or DWP on this should be binding on the other department.

3.5 Income reporting

It is proposed that a self-employed claimant will have to report earnings:

- 12 times a year – each one month 'assessment period' runs from the anniversary of the date of the first claim; and
- Online within seven days of the end of each assessment period – otherwise payments will be suspended (and terminated if the information is not received within four weeks); and
- On a different basis to that which they will use for tax (potentially both direct and indirect) purposes (and which will not necessarily tie into their annual accounting period).

3.6 This will impose a significant additional burden on the self-employed, compared with the current requirement of a single set of accounts, prepared annually, which may be used for both tax and tax credit purposes.

3.7 Assessment periods

Assessment periods will not necessarily align with the businesses accounts year, VAT periods or even the PAYE tax month. Consequently, separate processes will be required for each. Summarising receipts and payments every month, rather than annually, will be a significant and difficult burden, reliant on information from others.

3.8 To ease this burden the assessment period for the self-employed should align with the business’ accounting period.

3.9 Reporting within seven days

The seven day deadline is likely to prove exceptionally onerous for many claimants, especially those with more complex affairs, where they are also VAT registered and/or where they usually need help compiling their accounts. The individual will need access to online banking to retrieve figures, as paper bank statements will not arrive in time (even if the issue of them is aligned with the assessment period).

3.10 Such a short reporting period is also more likely to be disrupted by temporary
problems – eg urgent business appointments, illness or holidays of the claimant or agent, a computer or banking failure.

3.11 **Agents**

The assumption is that individuals will be able to report monthly without engaging an agent. However, reporting net cash flows is more complex than reporting wages payments to employees and the tight reporting deadline will make it extremely difficult to comply.

3.12 Many individuals engage advisers because they do not have the expertise to keep or interpret their records without assistance nor extract information from their records to produce accounts. Our members commonly correct errors such as an owner mistakenly declaring their drawings from the business as expenses or excluding income received by direct debit. The current reporting requirements seem designed to force many claimants to spend money on advisers to help ensure they make claims properly and on time.

3.13 **Agent authorisation**

A system of agent authorisation, similar to HMRC’s, to allow the claimant to authorise the agent to communicate with the DWP on his behalf needs to be designed, tested and in place ready for the start of UC. The system needs to permit agents to make claims and report cash flow on behalf of clients, once the client has approved the figures. This also needs to be reflected in the regulations. No attention seems to have been given to agents so far.

3.14 **Cash basis**

The UC ‘cash basis’ will require businesses to compute ‘profits’ using up to three methods: UC cash basis; VAT’s cash accounting and annual accounting bases; and UK Generally Accepted Accounting Principles (GAAP) (for direct tax purposes). Even if HMRC’s proposals for a cash basis for tax purposes are adopted from April 2013 those proposals differ significantly from the DWP proposals.

3.15 **Problems with the chosen cash basis**

The regulations require allowable ‘cash out’ to fall into specific categories and be reasonable and incurred wholly and exclusively for the purposes of the self-employed activity. Who is to decide what is reasonable? For example, if goods are purchased for resale but there was a cheaper option, would the expense be disallowed? Mixed-use expenditure might not be deductible for UC purposes even though the business element would be for tax purposes.

3.16 The current proposals assume that income arises for the self-employed in the same linear, regular way that it usually does for employees. The regulations prevent cash deficits from one assessment period being carried forward to the next. Equally, cash surpluses from one period are not carried forward - this could encourage manipulation of cash flows to the disadvantage of the Exchequer.

3.17 Many profitable businesses will have periods of negative cash flow. For example:

a. Income tax/NICs payments on account on 31 January and 31 July each year will often result in negative cash flow in those two assessment periods;

b. Businesses may incur a large expense in one go, eg a large purchase of stock, acquisition of equipment or insurance premiums;

c. Businesses may receive the bulk of their income in a short period, eg a livestock farmer may receive 90% of his/her income in one month but expenses may be spread equally over the whole year; and

d. Receipts or expenses may be delayed, eg goods are bought, processed and
sold in one period but the customer does not pay until the next.

As drafted, the regulations ignore the fundamental matching rule in accountancy and deny relief for expenses incurred in one period where the income the expense relates to is received in another period. There must be recognition for this otherwise UC will assess an unrealistic annual amount of income.

3.18 Loan interest

The regulations illogically deny a deduction for loan interest paid. In many cases, the business will not be set up in the first place without the aid of a loan, such as one provided under the ‘Funding for Lending’ scheme.

3.19 Flat-rate deductions for business, use of one’s home or motor vehicle and other issues were expanded upon in our response to the SSAC on the draft regulations.

3.20 Partnerships

The regulations seem to have little regard to partnerships. As partners are self-employed they will presumably be required to report monthly. However, this takes no account of how partnerships operate.

3.21 In a large partnership only some partners may be able to claim UC. Such partners will have to obtain, every month, from the partnership a set of cash accounts (produced on a different basis to that of the management or annual accounts), and allocate to the partner their share of the partnership cash transactions based on the partnership profit sharing agreement. A junior partner claiming UC will have little control over the finances. Reporting within seven days, with no requirement for the partnership to provide the figures, will be well-nigh impossible.

3.22 Online reporting

UC claimants will be required to report their income using a tool within their personal online account. While many claimants will benefit from online reporting, a significant minority will be disadvantaged. The response from LITRG expands on these issues.

3.23 Support and advice

Client centric advice must be provided for claimants, including advice on how UC works and how to navigate the new system. DWP may need assistance in designing that help from specialists used to dealing with businesses.

3.24 We understand that the DWP plan to train Job Centre staff to carry out Gateway interviews for all self-employed claimants to assess whether they are in ‘gainful self-employment’. Will Job Centre staff be equipped with the right training and experience to assist claimants and make judgements? What appeal process will be put in place on decisions?

3.25 It should not be underestimated how long it takes to set up such advice programmes with online information and tools, coupled with telephone and face-to-face support.

4 Progress with IT systems

4.1 Real-time information (RTI)

4.2 Reporting by employee
UC is based on regular reporting by employers. If an employer has failed to report employment income under RTI, the UC Regulations expect the employee to report the income, but it is not clear how the employee will know to do this.

4.3 **Timing of reporting – ‘on or before’**

To support UC, RTI requires a submission to be made ‘on or before’ each payment, potentially meaning frequent reporting for some employers when, in the past, they have been able to comply with their PAYE obligations by doing a monthly payroll.

4.4 A submission will need to be made every time an employee is paid, including those paid on an ad hoc basis and irrespective of the time (eg shift worker late at night in a nightclub) or the location (eg a harvest worker paid on piece work in a field). This seems to be an unrealistic obligation for many, particularly small, businesses. Larger businesses face significant reporting problems around employee share plans.

4.5 The ‘on or before’ reporting issue for employers can be resolved. Running claimants’ assessment periods to the same common date in the month would allow employers’ reporting to be done on a monthly basis, significantly reducing burdens for many employers. We understand that HMRC are considering changing the on or before requirement, but it needs to go further and permit monthly reporting. This would enable RTI to be introduced far more smoothly with less impact on many employers.

4.6 The UC monthly assessment basis can also affect UC entitlement. For example, an employee paid four weekly will, once a year, receive two salary payments in one assessment period, potentially negating their UC entitlement even though, when averaged across a whole year their earnings give entitlement.

4.7 **Online reporting**

It is not just claimants that will have online reporting issues (see above). Some employers will be unable to file RTI returns online. Employees of such employers are at risk of being excluded from UC unless HMRC puts into place help and support for ‘disadvantaged’ employers.

4.8 **Universal credit**

4.9 Unlike with the RTI system, the professional bodies that act for many self-employed have not been consulted to date on the design of the IT systems. However, it recently transpired that the design is well advanced and systems changes, such as allowing for automatic carry forward of cash deficits between periods, may not be possible in time.

4.10 An agent authorisation and agent reporting process must be established and tested before the system goes live.

4.11 It is unclear how the deduction for tax deductible expenses is to be reported for employees. The employer will not necessarily have this information and it is not reported to HMRC. (See 5.1 below.)

4.12 Such an important system should be developed with adequate and timely consultation; we trust that time will be made to ensure it is fit for purpose.

5 **Definition of employment earnings**

5.1 **Expenses**
The draft Regulations refer to expenses which are wholly, exclusively and necessarily incurred as part of employment duties ('employment expenses'). This deals with those employment expenses which have been reimbursed by the employer by not including them in employed income, but makes no allowance for a deduction for employment expenses which have not been reimbursed by the employer. As queried at 4.11, how will these be identified and reported?

5.2 An amendment could be made to section 51 of the UC Regulations 2012 to expressly provide that expenses as defined under chapter 2 of Part 5 of the Income Tax (Earnings and Pensions) Act (ITEPA) 2003 are not included in the definition of 'employed earnings', either through a deduction or exclusion mechanism. This would partly resolve the issue.

5.3 **Benefit-in-kind**

The regulations require that benefits-in-kind, not otherwise included as PAYE employment income, are to be included as employment income. There seem to be many uncertainties in this area and we think more discussion is required with employment experts to provide a level playing field with the minimum of administrative burdens.

5.4 **Miscellaneous income**

It is unclear whether taxable miscellaneous income would be regarded as earned income for UC purposes - eg a payment for writing a single article, paid to an individual who may be neither employed nor self-employed.

6 **Minimum Income Floor (MIF)**

6.1 Those in ‘gainful self-employment’ will be deemed to have earnings of a minimum amount in each assessment period, even if their actual earnings are lower.

6.2 The MIF presents an obstacle to those in business who, for example, wish to develop or expand their business, or who are going through a short term cash crises (eg because a major customer is slow in paying an invoice).

6.3 As noted above, a business with negative cash flow in an assessment period cannot carry that loss forward. But the claimant is further penalised for this negative cash flow as the MIF will artificially increase the net amount for the assessment period. So the business paying an annual insurance premium in a month in which there is little income will have a loss turned into an artificial profit by virtue of the MIF.

6.4 **12-month start up period**

The draft regulations provide for a 12-month start-up period, in which the MIF is disregarded. 12-months is too short for many businesses. Businesses often take longer than 12-months to become profitable; for example, after 12-months a ‘new’ business will be disincentivised from taking on its first employee as the MIF may restrict ‘relief’ for the employee costs.

6.5 It is proposed that the MIF can only be claimed once. While it would be unreasonable for someone to have a new ‘start-up period’ every year, limiting it to one period in a lifetime is a barrier to encouraging entrepreneurship. For example, an individual who was successfully self-employed, but is then employed for, say, five years, and then made redundant, would be denied a further start-up period if they wanted to start a new business.
Impact monitoring

7.1 DWP’s priorities for monitoring the impact of the transition to Universal Credit should include monitoring of:

- The proportion of the self-employed who fail to meet the monthly submission dates, investigating a sample to determine common reasons for failure;
- The claimant employees of employers not reporting to determine whether they have been able to report their own income direct and if not why not;
- The effectiveness of Gateway Interviews and whether the right people are being rejected as not having ‘gainful self-employment’;
- The quality of advice given to self-employed claimants; and
- Those self-employed whose income falls beneath the MIF to ensure they have sufficient funds to live on without resorting to crime.

We also think DWP should liaise with:

- Those who act for the self-employed, such as members of the professional and tax bodies, to see how the system is working from their and their clients’ perspective; and
- HMRC to monitor the number of employers who fail to meet RTI reporting requirements, determining common reasons for failure.

Appendix 1

The Chartered Institute of Taxation

The Chartered Institute of Taxation (CIOT) is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT’s primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.

The CIOT’s comments and recommendations on tax issues are made solely in order to achieve its primary purpose: it is politically neutral in its work. The CIOT will seek to draw on its members’ experience in private practice, Government, commerce and industry and academia to argue and explain how public policy objectives (to the extent that these are clearly stated or can be discerned) can most effectively be achieved.

The CIOT’s 16,500 members have the practise title of ‘Chartered Tax Adviser’ and the designatory letters ‘CTA’.

16 August 2012
Written evidence submitted by South Lanarkshire Council

Factual information about South Lanarkshire Council (SLC)

SLC is the fifth largest Council in Scotland with a population of 310,930 covering an area of 1772 square kilometres in central and southern Scotland.

SLC services include:
- Landlord of 25,430 council houses
- Social Work services
- Homelessness services to its residents with approximately 2,200 presentations per annum.

Executive summary of points detailed in evidence submission:

The proposed arrangements for claims and payments and the provision of support and advice for claimants,
Self services projections are far too optimistic and do not account properly for the client group concerned. Insufficient planning and arrangements are in place to provide face to face assistance and whilst the DWP appear to now being acknowledging that they will require councils assistance in this there is insufficient detail as to how this would operate or indeed be paid for.

Progress with developing the necessary IT systems to administer Universal Credit.
The required number and variety of IT system changes to key council systems is highly unlikely to be successfully completed within the timescales. One major aspect of system development / changes will require the two-way exchange of information between the DWP and council's systems and will require the development of interfaces between a substantial variety of different systems. Considering the timescale for the implementation of UC and based on past experiences it is highly unlikely that fully effective interfaces will be available to all councils and other social housing providers from 1 October 2013.

The proposed arrangements for the “claimant commitment”, sanctions and hardship payments.
The proposed system of sanctions is complex and will be difficult to understand, especially for vulnerable groups. To avoid serious financial hardship, it is important that vulnerable individuals and families are not penalised for innocent mistakes and that sanctions are only applied in exceptional cases.

Changes in the income entitlement of disabled people under Universal Credit.
The proposed changes to income entitlement for disabled people under UC do not fit with the government’s intention to support the most vulnerable in our society.

The impact of the changes on local authorities.
The changes will have severe financial implications for all councils both in relation to the loss of income for house rents, reduced budgets for the replacement of council tax benefit but also the requirement to provide additional services / assistance to the substantial numbers of residents who will be adversely affected.

The level of the earnings disregards.
The levels of earnings disregard should be reconsidered if the Government is serious in its aim to create the right incentives to get people back into work.
Impact monitoring
A wide range of indicators are detailed however the 2 key indicators must be
• reduce workless households
• reduce and ultimately end child/adult poverty

1 The proposed arrangements for claims and payments and the provision of support and advice for claimants, including the presumption of a predominantly online, self-service claims process; monthly payment to one person in the household; and arrangements for providing telephone and face-to-face support and independent advice for claimants who need it.

Response
The presumption of online claiming relies heavily on internet coverage and capabilities where there are currently huge regional variations. There appears to be little recognition that customers living in rural areas may have unnecessary delays in claiming Universal Credit (UC). It is important that online claiming facilities are widely accessible as not everyone has access to online facilities.

In terms of the claims process the majority of customers will be able to utilise the self-service approach however it is important that where necessary customers can easily identify other means of claiming. We believe that a substantial number of claimants will still require assistance and therefore any assisted claiming facilities must be well financed by Central Government and provide a minimum standard of help to prevent regional variations in terms of take up.

Monthly payments of UC could result in customers struggling to align new payment dates with existing benefits and outgoings e.g. customers whose rent is charged fortnightly or four weekly. Many may struggle to bridge the gap between the date their rent is due and the date their UC payment is made. The cost of overdraft facilities prevents many from utilising them. We believe that significant work has to be undertaken to ensure appropriate banking facilities are available to customers claiming UC.

Paying UC to one member of a household is a good idea in principle bringing simplification and reducing fraud in the system. However it could lead to families being without money for a number of weeks if money is misused. Safeguards need to be built in to the claims process to ensure where family relationships breakdown, changes in circumstances/payee details are processed quickly to prevent hardship.

Local authorities in partnership with the voluntary sector are best placed to provide face-to-face support and independent advice. Strong links currently exist between local authorities and advice organisations and we are already actively engaged with many of those who will require access to face-to-face support. This role would need to be adequately resourced to protect local authority budgets, safeguard other services and to provide an effective service to the customer.

2 Progress with developing the necessary IT systems to administer Universal Credit, including the real-time information (RTI) system for PAYE taxation being developed by HM Revenue and Customs.

Response
The Council has identified that there will be significant IT implications associated with the introduction of Welfare Reform, and has prioritised work within the IT Service Plan for 12/13. Currently we are aware of likely changes to a range of IT Systems including Housing Benefit, Council Tax, Housing, Housing Benefit Electronic Document Records Management System and a number of on-line systems including our online benefits calculator.
Specific changes to these systems, including the many interfaces to other systems, including DWP, are difficult to specify at this moment in time due to the lack of clarity over specific replacement schemes, and the Regulations that will govern how these will be delivered. This is particularly the case in relation to the successor scheme for Council Tax Benefit and the proposed Scottish Community Support Fund. The Council has engaged with COSLA (Convention of Scottish Local Authorities) and the Scottish Government and is currently responding to the various consultation exercises underway.

We have engaged with our various software suppliers, who are also awaiting further clarification before determining the scope of any changes to existing systems. There are also implications with contracts with software suppliers and potential decommissioning of council systems.

In terms of preparations for the implementation of RTI the Council utilises Oracle eBusiness Suite to manage and support the delivery of HR, Payroll and PAYE. Our contract with Oracle provides for legislative and statutory changes, and we expect Oracle to design and deliver an enhancement to their current solution for implementation by April 2013. Oracle have issued a White Paper on RTI implementation and this is currently being reviewed by both IT and Finance/Personnel staff. We are also aware that Oracle are running a number of customer pilots of RTI. Whilst South Lanarkshire Council are not directly involved in these pilots we are maintaining a watching brief over any outcomes.

At present there is no detailed indication of funding from the DWP to support any of the above significant system changes.

3 The proposed arrangements for the “claimant commitment”, sanctions and hardship payments.

Response

Claimant Commitment
The claimant commitment focuses on what a claimant must do rather than on assisting them to move towards work. It suggests that the behaviour of the person will determine their chances of success of getting a job.

The provision of support for benefit claimants to move into work is welcomed. For this to be successful and meaningful it should be properly resourced with a stronger focus on how the individual is supported according to their individual circumstances. The scope for personal advisers to contribute to the decision making process should be broadened and monitored to ensure it contributes to the aim of giving protection to those with the greatest needs.

Sanctions
The proposed system of sanctions is complex and will be difficult to understand, especially for vulnerable groups.

The application of sanctions is unlikely to get people into sustainable jobs. For this reason the application of sanctions should only be as a last resort and after “good cause” for non compliance has been fully explored. The decision maker should have the opportunity to consider if compliance would have made a difference to the person getting a job. If the answer is yes, they should be able to consider if the sanction would have a positive affect on compliance. Time and resources to explore the full circumstance of the non compliance before a sanction is applied should be given. Input from the personal adviser as well as evidence from other professionals should be sought, e.g. GP, Social Work and other support workers.

Research shows it is the most vulnerable who are more likely to be sanctioned and the least likely to seek help when things go wrong. Some will struggle to understand the sanctions regime and how to access advice and support to challenge decisions. It is vital
that claimants are properly advised of their rights and given information on sources of help so that decisions can be challenged on a level playing field.

The impact of sanctions on an individual’s or family’s circumstances may be compounded by other changes to the benefits system, e.g. benefits cap and bedroom tax. Benefits may also be sanctioned where a person is fined. Fines of £50 may be imposed where a person has made a mistake and wrong or incomplete information has been given to the DWP or more where there has been fraud.

To avoid serious financial hardship, it is important that vulnerable individuals and families are not penalised for innocent mistakes and that sanctions are only applied in exceptional cases.

**Hardship Payments**

If all circumstances, including vulnerability are taken into consideration and sanctions only applied in exceptional cases, then hardship payments should be minimal. Given that they would be awarded to alleviate hardship because of vulnerability it is likely that this would be made worse by any attempt to recover.

4. **Changes in the income entitlement of disabled people under Universal Credit**, including those who may receive less income under Universal Credit than at present.

**Response**

**Reduced disabled child additions**

At present families with a disabled child may receive support through the disability element of child tax credit. The proposal provides this through a disability addition but will reduce help by half. This will affect families with a disabled child unless the child is on the higher rate of care or registered blind.

**Abolition of the severe disability premium (SDP)**

SDP provides additional support to disabled adults who live on their own or just with children, as long as no one is claiming carer’s allowance for looking after them. For disabled parents who are cared for by a child this can help reduce the pressure on their children.

**Additional support for disabled adults in the support group for ESA**

It is proposed that the means tested addition for those in the support group will increase. This means that couples with someone in the support group will gain. However those in the support group who live on their own (or with children) and don’t have a carer will lose their SDP and will be financially worse off.

**Cuts to support for working disabled people**

Tax credits provide in work support for people on low incomes. The disability element of working tax credit recognises that many disabled people have a reduced earning potential. This support will not be replicated in UC unless a person qualifies as not fit for work.

It is proposed that there is no extra financial help within UC for anyone found fit for work under the ESA work capability assessment. This could mean that someone for example who relies on a wheelchair to move around but can self propel 50 metres could be found fit for work and so will receive no more support than someone with no disability. Under the current system their entitlement to DLA would entitle them to the disability element of WTC.

The impact of Universal Credit on income for some disabled people will be compounded by other welfare changes likely to affect disabled people.

For example: time limiting of contribution based ESA; change to pensioners entitlements where one of a couple is under pension age; changes to childcare costs; changes to housing benefit entitlements.
The proposed changes to income entitlement for disabled people under UC do not fit with the government’s intention to support the most vulnerable in our society.

5. **The impact of the changes on local authorities**, including budgets, staff and support for claimants. The changes include those to Housing Benefit; the introduction of the benefit cap; and localisation of council tax support.

**Response**

The Welfare Reform Agenda is expected to have the most significant impact on local authorities since re-organisation in 1996.

In respect of Council Tax support, Councils will require to manage the migration from an established Council Tax Benefit scheme to a new local (Scottish) Council Tax reduction scheme, which is currently in the process of being developed. The timescales for development and implementation of this scheme are extremely challenging for local councils and their partner software suppliers and furthermore, the scheme to be implemented in February 2013 will be an interim scheme, to be replaced within 12-18 months when new arrangements are required under the Universal Credit regime.

There are major financial implications with the abolition of Council Tax Benefit, including the requirement on local authorities to meet the additional 10% funding gap, which will be reduced to 5% in 2013/2014 with one year support from the Scottish Government. Councils will also be financially exposed to a cash limited budget for a support scheme that is demand led, which creates an additional burden on council tax payers. Local authorities will lose DWP funding, previously made through administration grant to support CTB but it is estimated that 80% of processing staff will still be required to administer the new scheme. Again, this funding burden will fall to local council tax payers. The financial impact of CTB abolition alone to South Lanarkshire Council is estimated at £3.5m, equivalent to 0.5% of Council budgets. The level of continued funding will ultimately dictate the level of support which local authorities will be able to provide to claimants, the numbers of which we believe will not be insignificant.

There are also major implications for local authorities in managing a diminishing Housing Benefit caseload. Adequate benefit administration grant has to be provided to ensure successful migration. There are also concerns regarding the retention of sufficient expertise to deliver which will be required to deliver this statutory service.

There will be substantial financial implications for providers of Social Housing and Homelessness services. The ‘bedroom tax’ alone is estimated to adversely affect approx. 25% of tenants and the recovery of this shortfall in rent from tenants is highly unlikely. All providers will require a substantial increase in bad debt provisions due to the change in the way tenants will be required to pay their rent and the vulnerability of many in this sector. At present the legislation makes no allowances for tenants’ of homeless / temporary accommodation which require far more financial support for both through the provision of furniture, additional repairs to houses and additional support as examples. At present councils are awaiting further clarification to fully calculate the shortfalls but they are anticipated to be substantial. Councils are also concerned that, as a result of direct payment, they will experience increased rent arrears and costs associated with collection. The direct payment demonstration projects need to be closely monitored and the level of funding allocated to these projects to achieve a successful outcome needs to be recognised when their results are evaluated.

The transfer of responsibility from the DWP to Councils for the Social Fund will also present councils with additional financial burdens with the growth in demand for this expected to be substantial in light of the reduced levels of benefits paid.

6. **The level of the earnings disregards.**
Response
The method of determining earnings disregards is complex. Maximum and minimum earnings disregard are set for 5 different sets of personal circumstances. Eligible housing costs multiplied by 1.5 will be taken from the maximum earnings disregard. If this amount is more than the minimum then this amount applies. If this amount is below the minimum disregard then the minimum applies.

Only people who own their own home or who have very little mortgage left to pay will be able to get the maximum disregard. People who live in areas where housing costs are highest will be discriminated against.

At present people in receipt of ESA, IB or SDA can earn up to £95 for one year. If someone is in the support group for ESA they can earn up to £95 per week indefinitely. The proposed maximum earnings disregard for this group is £134.61 and the minimum £40. If housing costs was more than £26.41 then the earnings disregards for disabled people would be less than they currently are.

The levels of earnings disregard should be reconsidered if the Government is serious in its aim to create the right incentives to get people back into work.

7 Impact monitoring: what the DWP’s priorities should be for monitoring the impact of the transition to Universal Credit.

The DWP /UK Govt vision in relation to welfare reform is to
- reduce workless households
- help to end child/adult poverty

by introducing a welfare system that supports and rewards people moving into work.

The key priorities to be monitored therefore should be:

- Poverty levels, including child poverty. There have been numerous reports from reputable bodies and research centres about the likeliness of increases in poverty/child poverty levels resulting from the changes to welfare benefits.
- No’s of workless households as well and employment rates. We are experiencing major economic problems and a lack of growth impacting on the number of jobs available.
- Satisfaction with systems/accessibility (rural impacts). If one of the purposes is to simplify the system for the recipient, satisfaction/ease of use should be measured.
- Change in rent arrears in Social Housing sector
- Change in rent charges in Social Housing sector
- Number of tenants requiring budgeting ‘top ups’
- Number of in evictions in Social Housing as a result of rent arrears
- Number of homelessness cases
- Number of requests for Social Fund assistance
- Number of refusals for Social Fund assistance
- Change in the number of claimants for Council Tax Support vs. Budget transferred
- Number of cases of residents seeking debt advice.
- Mental health and wellbeing. Many support organisations are reporting examples of claimants wellbeing suffering as a result of the changes which in turn could have major impacts on health related services; family life and in turn life choices and chances.
- Number of assisted claims and who provided the assistance
- Number of new claims for Universal Credit compared with historic comparable data on new claims for legacy benefits
- Number and percentage of claims made by the different methods
- Average length of time from claim to award
- Number of requests for direct payment to landlord of Housing Credit received and approved
- Levels of fraud and error detected and recovered
- Volume of appeals submitted and outcomes

16 August 2012
Written evidence submitted by the Motor Neurone Disease Association

Summary

i. The key rationale driving Universal Credit, of assisting people back to work, does not apply to those with terminal or degenerative illnesses.

ii. The income of some people with MND (Motor Neurone Disease) will be adversely affected by the switch to Universal Credit, most notably due to the abolition of the Severe Disability Premium.

1. Few conditions are as devastating as motor neurone disease (MND). It is rapidly progressive in the majority of cases, and is always fatal. People with MND will, in varying sequences and combinations, lose the ability to speak, swallow and use their limbs; the most common cause of death is respiratory failure. Most commonly the individual will remain mentally alert as they become trapped within a failing body, although some experience dementia or cognitive change. There are about 5,000 people living with MND in the UK. Half of people with the disease die within 14 months of diagnosis. There is no cure.

2. The MND Association is the only national organisation supporting people affected by MND in England, Wales and Northern Ireland, with approximately 90 volunteer led branches and 3,000 volunteers. The MND Association’s vision is of a World Free of MND. Until that time we will do everything we can to enable everyone with MND to receive the best care, achieve the highest quality of life possible and to die with dignity.

3. While we have seen no reason in principle why the new Universal Credit should not support people with MND effectively, we have become more concerned that it might fail to do so as more detail has become available. Approximately one third of people living with MND are of working age, and so likely to claim at least some elements of the new benefit.

4. This response therefore focuses on the fourth item in the Committee's call for evidence: changes in the income entitlement of disabled people under Universal Credit, including those who may receive less income under Universal Credit than at present.

5. The underlying policy rationale of Universal Credit – to encourage people back to work – does not apply in respect of MND: once someone with MND has reached the point of having to leave work, no return will be possible. Nonetheless it has become clear that some of the details of UC will affect some people with MND negatively, relative to the current system.

6. The abolition of the Severe Disability Premium will have a serious negative impact on people with MND who do not live with any other adult. The proposed boost to benefit for those in the support group will not balance out this loss for a person who is not part of a couple. We urge that the premium be reinstated: a person with MND who has had to leave work will not be able to return, so penalising them in this way is wholly unjustified.
7. A person with MND whose partner is also disabled will find that overall the couple are penalised by about £100 a week, also due to the loss of the SDP.

8. A couple in which one partner is a pensioner and the other develops MND will also be badly hit by the changes. This is quite a common scenario: MND is more common in older people and the risk increases when someone is in their sixties. Because the new system requires the couple to claim the less generous universal credit rather than pension credit, as at present, they will be worse off under the new system.

16 August 2012
Written evidence submitted by AdviceUK

AdviceUK's response to the Committee's inquiry addresses the following questions.

The proposed arrangements for claims and payments and the provision of support and advice for claimants, including the presumption of a predominantly online, self-service claims process; monthly payment to one person in the household; and arrangements for providing telephone and face-to-face support and independent advice for claimants who need it

and:

Impact monitoring: what the DWP's priorities should be for monitoring the impact of the transition to Universal Credit.

1. Introduction

1.1. AdviceUK is a membership organisation with around 860 members. Our members work in some of the poorest parts of England, Scotland and Wales, helping people to solve social welfare problems, providing advice and legal support to over 2 million people a year.

1.2. Our membership is broad, but at its heart are services working in some of the poorest communities of England, Scotland and Wales, reaching parts of the population not covered by other advice services. Our members provide advice across the range of areas of social welfare law. Debt, welfare benefits and housing represent the core provision of most members. They support over two million people a year.

1.3. AdviceUK's role is to support members to improve the quality and effectiveness of their services and to provide them with a national voice. AdviceUK takes an evidence-based approach to tackling the problems faced by our members and their clients.

1.4. Since 2007, we have worked with advice organisations and local authorities to better understand demand for advice and the pressures faced by advice services from a systems thinking and Vanguard Method perspective. This method identifies what matters to people who use advice services, and seeks to address the underlying issues and systemic failures that cause people to seek advice. It acts on the drivers of demand to improve effectiveness and efficiency, rather than seeking to ration supply. This work has unearthed important learning about the welfare benefits system and its impact on and interaction with advice services. We have shared our learning with the Department for Work and Pensions.

1.5. Our response to the Committee's inquiry focuses on two areas:

The proposed arrangements for claims and payments and the provision of support and advice for claimants, including the presumption of a predominantly online, self-service claims process; monthly payment to one person in the household; and arrangements for providing telephone and face-to-face support and independent advice for claimants who need it

and:

Impact monitoring: what the DWP's priorities should be for monitoring the impact of the transition to Universal Credit.
1.6. The views expressed are not necessarily representative of the views of all AdviceUK members.

2. Summary

2.1. AdviceUK is very concerned that there is no ongoing liaison with the advice sector regarding the introduction of Universal Credit. AdviceUK is very concerned about this absence and the lack of any advice strategy to accompany the implementation plans for Universal Credit.

2.2. The implementation of Universal Credit is highly likely to produce a spike in demand for independent advice. This has already occurred as a result of the housing changes.

2.3. The capacity of advice services to handle this increased demand is already severely curtailed followed several years of public sector funding cuts and increased competition for grants from charitable trusts and foundations. Capacity will be further reduced by the removal of welfare benefits from the scope of legal aid in April 2013.

2.4. Simplification of the benefits systems and ‘digital by default’ strategy is unlikely to cope with the variety and complexity of need experienced by many users of independent advice services, particularly the most vulnerable.

2.5. The preventable failure generated by benefits administration already accounts for at least a quarter of all preventable demand experienced by advice services. We anticipate that the new system will continue to fail in ways that could be prevented, especially but not exclusively in the transitional arrangements period. Advice and other services will be left to pick up the pieces.

2.6. The implementation of UC should provide an opportunity for the DWP to work closely with advice services to ensure systems work first time for people and that learning from advice services is fed back into continual improvement of UC. AdviceUK would be very happy to work closely in developing a virtuous circle with DWP and JC+ on this.

2.7. Urgent attention is needed to build the capacity of face to face advice services in particular. Specific provision should be made for the DWP to work together with advice services to address issues arising from transitional arrangements, such as old and new systems operating in parallel to each other.

3. Systemic failure in work and pensions administration

3.1. The capacity of advice services is limited significantly by levels of systemic failure in public service administration which drive avoidable/preventable demand into advice organisations.

3.2. Our research shows that this typically increases advice demand by around one third and results in advisers having to take on casework to enable clients to navigate the complexity of the system successfully. Advisers themselves face the same repeated failures, taking up further capacity. The primary source of this systemic failure is the Department for Work and Pensions (DWP) and its agency, Job Centre Plus (JCP).

3.3. For example:
In Nottingham, our work found that over 30 per cent of demand for advice is the result of preventable systemic failure. 25 per cent of this failure demand is the fault of DWP/JCP.

In Portsmouth, we found that 41 per cent of demand is preventable, with 25 per cent of this caused by the failure of JCP, 10 per cent the Pensions Service and 5 per cent the Disability and Carers Service.

The process for reassessment of claimants entitled to Incapacity Benefit, which has been ongoing since April 2011, is an example of a DWP process which is widely acknowledged to have generated large volumes of preventable demand for advice services, claimants and public services. The poor quality of initial decision making has resulted in many claimants approaching advice services for support and a large proportion of decisions being overturned on appeal. This led to the ongoing Work Capability Assessment Review by Professor Harrington.ii

3.4. The majority of this preventable failure is not caused by the issues that UC seeks to address. It is the result of DWP systems that are not designed ‘outside-in’ from a customer perspective, and so fail to meet the needs of customers. Failing to design against the real demand of DWP customers means that people don’t receive the service they need. Customers then make repeat demands on DWP services and approach the independent advice sector for support. The end result is significant waste and cost both for the department and the funders of advice services that pick up the pieces for citizens and are unable to provide valuable work to other clients.

3.5. Increasingly, the introduction of technology and the drive to reduce costs has led to “channel-shift” in both central and local government services – withdrawing face-to-face interaction in favour of customer contact centres, digital access gateways and back-office processing centres. Plans for UC are a prime example of this. The received wisdom is that these approaches reduce cost and, indeed, the cost of individual transactions may fall as a result. However, forcing people to make themselves ‘service-shaped’ rather than designing services that are ‘people-shaped’ reduces the ability of those services to respond effectively to the variety and complexity of demand and drives up cost overall: squeezing the balloon in one place merely causes it to bulge in another. One place where the bulge will appear is in demand for independent advice.

3.6. The ‘digital by default’ approach to the implementation of UC will present significant challenges for many advice service users. Lack of access to computers and IT skills, coupled with disability, poor health, language and literacy barriers will cause the system to fail for many people. Advisers will be left to pick up the pieces. The DWP’s research report Insight to support Universal Credit user-centred designiii noted

“The repeated references to providing help and, if necessary, alternatives, for groups who do not have internet access at home or are not confident internet users.”

3.7. Face to face advice service capacity is needed to provide people with the ability to access and interact with the new system.
3.8. Simplification of the benefits system is a worthy aim of the Government. However, we doubt this will be achieved by the implementation of UC and we do not believe that advice services will experience a reduction in demand for benefits advice as a result. We anticipate a spike in demand as changes are introduced, and people seek independent advice about how they will be affected. We also anticipate that the system will fail to cope with the variation in need and circumstances experienced by claimants. The means-tested, conditionality-based system will have to cope with new claims and changes in circumstances. That will be extremely difficult to achieve via primarily remote on-line and telephone-based access points. When it fails, it will drive more preventable failure into advice services that will be unable to cope.

4. An alternative approach – designing out failure, continually improving UC systems

4.1. AdviceUK has drawn the attention of DWP to our learning. We have met with Terry Moran (Director General, Chief Operating Officer) and with several other people at a national and local (JCP) level. While the senior level interest has been good, this interest has not been followed through to understanding the implications of our work for frontline service delivery.

4.2. The reform of the benefits system and introduction of UC should be an opportunity to work with the independent advice sector to ensure that new systems work first time for people, that these systems are able to improve, and that capacity exists within advice services to help people navigate the new system.

4.3. DWP could learn from our work. AdviceUK has worked with different partners, including local authorities to pilot approaches that engage advice services in designing out preventable demand.

4.4. In Nottingham, the local authority benefits department worked with advice services to understand customer demand for housing and council tax benefits. A pilot was set up, in which these services worked together to a common purpose that would deliver what mattered to customers:

“Help me to pay my rent and council tax by making a decision and paying the right benefit quickly.”

4.5. A citizen-focused purpose meant staff roles changed. The role of the adviser shifted away from advocacy and negotiation to identifying a potential claim and ensuring that the individual accessed the benefits officer who could make a decision as quickly as possible, and did so with the full information they would need to support their claim. The benefits officer took ownership of the claim and ensured that it was dealt with end-to-end, meeting with the customer as required to complete the process, and ensuring s/he understood the decision.

4.6. The results were striking. Mean case processing times reduced immediately from 100 days to 23 days. By the end of the initial pilot period when the new working methods had been embedded, this reduced further to 2 days (see chart below). And the number of times a case had to be ‘touched’ reduced from over 25 to five and ultimately to two.
4.7. The authority and advice services are working to roll out the approach more widely and build their learning into core service planning. The final goal is that the benefits service is enabled to meet customer need without the need for intervention by advice services.

4.8. This approach could be used to inform the pathfinder-led rollout of UC, enabling the learning from advice services to be fed into system design and improvement. For this to happen, urgent attention must be given to working with advice providers and networks and building the capacity of the sector.

5. The capacity of the advice sector

5.1. We have major concerns about the absence of specific advice provision in the Government's plans for the implementation of UC, particularly in a context of reduced funding for advice services. We predict a considerable increase in demand for advice as a result of the introduction of UC, and believe that the advice sector will be unable to cope with this. As a result, people will suffer hardship as they fail to navigate the new maze of benefit regulations.

5.2. Demand for advice has risen to record levels since the start of the economic crisis in 2008. 78% of AdviceUK members report\(^iv\) that demand has increased by 10% or higher in the last 12 months. Demand far outstrips supply: Pleasance et al (2010)\(^v\) found that 36% of the UK population had a civil justice problem but fewer than half manage to access advice.

5.3. Since the inception of the government's deficit reduction plan, pressure on funding for advice has increased. With local authorities as a primary source of income, independent advice providers are directly exposed to the squeeze on the public purse. In 2011\(^vi\), 95% of AdviceUK members reported cuts in funding averaging £34,000 and were anticipating deeper cuts next financial year. 70% were cutting services. Whilst the Legal Services Commission is not the primary source of funds for AdviceUK members, the removal of welfare benefits advice from the scope of legal aid from April 2013 will further exacerbate the limited capacity of the sector to meet demand, particularly as welfare and benefit systems are being reformed.

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\(^i\) AdviceUK has worked closely with Vanguard Consulting who have pioneered the application of Systems Thinking using 'Vanguard Method' based on the work of W Edwards Deming in UK service organisations. For more information see [Vanguard Home Page](http://www.vanguardconsulting.co.uk/)

\(^ii\) Work Capability Assessment independent review, see [page on DWP website](http://www.dwp.gov.uk/capability-assessment)


\(^iv\) Online member survey, December 2011. Based on 60 responses, 79% are from members based in England.


\(^vi\) Online members survey (see note above re response rates)
Written evidence submitted by Lasa

Summary – Lasa has concerns that the proposed arrangements for online claiming and information reporting could exclude the most vulnerable claimants from universal credit. Lasa has models of online support and a long track record of utilising technology to deliver welfare benefits information to advisers. Lasa is concerned that the real-time information system for PAYE may not be progressing as claimed, nor able to deliver as expected. Lasa is aiming to do a quick piece of analysis, in partnership with Child Poverty Action Group, of the responses of a sample of London local authorities to the challenges presented by welfare reform.

1) Whilst Lasa supports the idea of thinking digital first, we also recognise it is important for us and other charities who work with the most disadvantaged groups in society not to exacerbate the problem of digital exclusion. We all need to accept that digital cannot be the only channel for delivering information and services and there is plenty of evidence to support this view.

2) The Low Income Tax Reform Group report on Digital Exclusion (pdf) highlighted the prevalence of “digital exclusion” amongst charity and SME organisations. They recommend an inclusive and non-mandatory approach to “digital by default”. We would strongly recommend that a similar approach must be taken to the online claiming approach of Universal Credit.

3) Talking at an Institute of Technology conference, Sharon Cooper highlighted that 80% of online services are used by 20% of people, and that the people who most need to access services such as the Department for Work and Pensions are those that are the most digitally excluded. The challenge is to meet the needs of this section of the population, particularly older people, who are the worst affected.

4) The government is looking at how this can be done through libraries and job centres. It is important that this provides not just internet access but crucially, access to other people who can help. Yet, we also need to consider the needs of many people who cannot get out to these places. We must look to find ways of taking services to them or otherwise helping them to access services so they are not further disadvantaged. This is backed up by research commissioned by the Welsh Government that shows that giving people access to computers is not enough.

5) Similarly, in a Shelter policy briefing “Shifting channels: Housing advice and the growth of digitisation”, it is reported:

“An analysis of Shelter’s own web services reveals that we have more visits from those less likely to be vulnerable. This suggests that rather than shifting clients from one channel to another, we may be simply reaching into a new audience. As such, this may even be increasing the demand for face to face services, rather than reducing it. Shelter believes that a multi-channel approach will be needed beyond the short term.”
6) Lasa’s own www.rightsnet.org.uk forum is a good model of online peer support for welfare benefits advisers, through its discussion forum primarily, but also news, legislation, case-law and much more. We believe that the government should be looking to work with organisations such as Lasa to understand our experience in developing such innovative and aware-winning websites, to ensure that vulnerable claimants are able to access independent advice and assistance to resolve problems of either online claiming or entitlement issues.

7) We would also raise concerns about the perceived progress of the real-time information (RTI) system for PAYE taxation. As noted in our recent blog piece, Storing up problems, there have been a series of contradictory reports and news stories over the past 12 months, and in particular, the most recent report from the All-Party Parliamentary Taxation Group notes RTI as undoubtedly the biggest change to PAYE since 1944 and expresses concern this is being driven by universal credit policy rather than a sound business case.

8) It is clear from early findings that local authorities in London are responding in a variety of ways to the challenges of preparing for Universal Credit, as well as Local Housing Allowance and the localisation of Council Tax Benefit and Social Fund payments. The most coherent responses, we would contend, are coming from those authorities who are working in partnership with local advice services such as Citizens Advice Bureau and Law Centres to prepare for the reforms. There is a clear and pressing need for sharing of best practice and information resources in this area, to ensure local residents properly understand what will be taking place.

16 August 2012
Written evidence submitted by the Home Group

Introduction

1. The Work and Pensions Committee has recently launched an inquiry into the progress being made towards the implementation of Universal Credit (UC).

2. This note provides Home Group’s contribution to the debate and puts forward a range of areas that need to be considered in relation to the implementation of UC.

3. Home Group (Home) is one of the leading nationwide registered providers of affordable and supported housing within the United Kingdom and the UK’s largest provider of care and support services. Home has a turnover of £313m, provides care and support services to 26,000 people and owns or manages 53,000 homes housing more than 120,000 people at any one time. Established (through an Act of Parliament) as the North East Housing Association in December 1935, 2012 represents Home Group’s 76th year of operation.

Executive Summary

4. With increasing pressure on Government finances, the Government’s stated aims for introducing UC are welcome and a positive move for the country in addressing welfare dependency. The note considers:

   • The impact of the changes on registered providers

Background

5. The notion of UC and “direct payments are one that gives greater control to people.” ¹ But they also raise many challenges – for the individuals holding the payments, their families, local authority staff and the organisations set up to support them such as Home Group. Home Group welcomes the thrust of the Government’s plans for UC in trying to simplify a complex system and remove any barriers to work.

The impact of the changes on registered providers

6. Background. Home Group, the National Housing Federation and many other Registered Providers (RPs) have been lobbying on a number of the proposed reforms that are being faced by the sector. For example the size criteria, overall benefit cap and the potential impact of direct payments are three of the specific areas that have caused much debate. Home Group, as mentioned above, welcomes the committee’s call for evidence and sees this very much as one of the steps to working with government in a constructive manner to ensure that UC is implemented in a sustainable way. Nevertheless Home Group continue to have concerns that the multiplier effect of these reforms may have the unintended consequence of destabilising lender confidence in RPs and the sector as a whole due to the fluctuation in income streams that could prevail. Furthermore these reforms have the potential to impact Home Group customers and their lifestyles in unintended ways. The next paragraphs detail Home Group’s thoughts in to some of the key areas.

¹ Adapted from Direct Payments: A National Survey of Direct Payments Policy and Practice from http://www.pssru.ac.uk/pdf/dprla.pdf
7. **Eligible service charges.** Home Group remains concerned over the proposals in the regulations to reduce the types of service charges which are eligible to be covered by housing benefit. The draft regulations states three types of charges, which are:

- eligible services necessary to maintain the fabric of the building;
- cleaning of communal areas; and
- window cleaning, where a tenant is unable to clean them.

This is effectively replacing the ten types of ineligible charges that currently exist. This over-simplification could impact on the business plans of providers and Home Group remain concerned that this list also excludes many of the costs currently eligible within supported and sheltered housing. Home Group welcomes the news that the DWP will present more detail on what service charges will and will not be eligible in future guidance. Home Group also urges ministers to agree a specification within this guidance that will be more finite in the regulations and have specific regard for the aforementioned housing types. Although not exhaustive we would include the following as necessary for inclusion:

- secure building access
- play areas developed at the request of the local authority under Section 106 agreements
- communal laundry and kitchen facilities
- concierge, groundskeeper or caretaker where applicable and appropriate

8. **Size criteria.** Home Group recognise the importance of customers living in a property that meets a customer’s needs and understand the Government’s stance on size criteria. That said Home Group also believe that there are a number of areas within this area that need to be fully understood.

Under size criteria the Government has stated its commitment to exempt all pensioners including those living with a partner under the state pension age. Home Group believes this commitment should stand as there may be circumstances where younger partners may be acting as carers in a number of these homes. Furthermore where carers are involved we believe that those households with disabled children should benefit from an extension of the extra room criteria. As the role of the family unit is hugely beneficial to the cost of state care Home Group also believes that this will have positive connotations for other areas of government spend.

Finally as the run-on (following death) has been reduced to three months Home Group feel that additional criteria in this area may be required. For example an age range to which this applies (say 20 – 45 year olds) to ensure those nearer or at pensionable age are not penalised by this rule.

Home Group is not clear whether or how the rules around temporary absence and the size criteria are intended to apply to all groups. For example:

- are students absent during term time a permissible deduction?
- are dependants in the armed forces under 21 a permissible deduction?

Home Group therefore believes that this area of the temporary absence rules require further understanding in line with the UC approach and specifically size criteria.
9. **Monthly payments.** As we all know the intention is to pay UC on a monthly basis, seven days after each monthly assessment period. Due to the process of the initial assessment period this may lead to initial payments to claimants being between five and six weeks after the original claim. Many of these customers will therefore move from weekly, fortnightly budgeting to monthly and also be faced with budgeting including payment of housing costs as they will have the option of direct payment to landlord removed. This will be massive change for a customer base that is not used to this approach and will require more support in these areas than is currently planned by the State. Furthermore the majority of Home Group customers do not have the basic skills (i.e. when it comes to budgeting 30% of Home Group customers regularly use their overdraft facility) to enable this basic process to be undertaken effectively. Furthermore research by Policis\(^2\) states that 54% of tenants feel that the shift to monthly payments of benefit will make it more difficult to manage their budgets. Home Group would therefore urge the committee to work with RPs to devise suitable options for customers such as budgeting training, mandatory bank accounts as conditions of tenancy, post office accounts, paypal accounts or even escrow accounts.

10. **On-line claiming.** Home Group understands the driver for on-line claiming within government and links to the digital inclusion agenda that preside within this. Home Group welcomes that the on-line approach will be consistent and understand that where a customer wishes to apply using another form of application their “agent” will do so on their behalf by completing an on-line form. Home Group believes that a high degree of support, through agents or other routes (for example volunteering), is needed for this approach to be effective. Many of Home Group’s customers (34%) do not have access to the internet due to cost and their location in relation to internet “highways” or even use the internet regularly (31% of Home Group customers do not access the internet regularly). As for access Home Group foresees the need for a solution that is both flexible and deliverable. Home Group does not believe that a fixed location of access (i.e. public libraries) will fully serve the population. In order to serve some of the hardest to reach groups, Home Group believes a mobile solution on site (i.e. staff of RPs using systems similar to chip and pin readers and access points within post offices) for customers is something that would help and would be keen to explore its ideas with the committee.

Additionally when considering on-line claiming Home Group believes trigger points need to be considered at this point. Under the proposal Home Group has seen it is Home Group’s understanding that tenants who fail to pay their rent will not automatically trigger direct payments with their landlord and that in these circumstances failure to pay rent would lead to an assessment meeting with DWP. Whilst Home Group appreciates the need for this support for claimants, the process and timeframe will lead to increasing and accrued rent arrears without the trigger for direct payments. We would urge the committee to ensure a trigger point at the maximum of six weeks arrears for claimants to have direct payments to their landlords placed on their account. This is based on research that states:

- 72% of Home’s customers have been in arrears by at least 4 weeks in the last 5 years and of these 77% have been on HB at some point;
- 49% of Home’s customers have been in arrears by at least 6 weeks in the last 5 years and of these 76% have been on HB at some point;
- 96% of older long-term benefit recipients\(^3\) don’t know what rent is

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\(^2\) Research presented to DWP Support and Exclusions Group June 2012

\(^3\) Research presented to DWP Support and Exclusions Group June 2012
Finally in relation to on-line claiming Home Group understands that the notification of a claimant moving to UC will be made by DWP to the local authority where the claimant resides. For the issues outlines already we would urge the committee to consider extending this requirement to RPs and other bodies where social rents and affordable rents are charged so that transition can be smooth for the claimant.

11. Benefit caps. Additionally when considering this element of the reforms Home Group believes there are unintended consequences on vulnerable people living in supported housing and that there is a need for further regulations for these groups and especially those suffering from domestic violence. Due to the pressing timescales and interactions between different parts of the benefits system those fleeing domestic violence often pay dual housing costs for their home and refuge and Home Group believes it would be viable for government to insert a clause in to the regulations exempting people living in supported or ‘exempt accommodation’ from the welfare reform caps. Home Group also believes that this cap will enable local authorities to act in accordance with demand in their areas and also to make the best use of Discretionary Housing Payments (DHPs) which should not be relied upon to make the shortfall in this area. Indeed the Government’s own reforms of ‘exempt accommodation’ recognise that there are legitimate extra housing costs for this group and it is inappropriate to rely on a discretionary scheme to cover these costs.

12. Additionally from the past consultations4 of the Government into the future of housing benefit for supported and sheltered housing Home Group believes that this Government understands that there are legitimate additional costs in providing supported and sheltered housing. It should be a vital step of the reforms to use the outcomes of this previous consultation before any final changes are made in this area.

13. Conclusion. Finally in summing up Home Group would urge ministers to:
   1. Implement a specification within the service charge guidance that will be more finite than in the regulations and have specific regard for supported and sheltered housing.
   2. Exempt all pensioners including those living with a partner under the state pension age from the size criteria reforms.
   3. Extend the extra room criteria for households with disabled children.
   4. Introduce an age range to which the run-on clause following death applies to in order to ensure those nearer or at pensionable age are not penalised by this rule.
   5. Firm up the temporary absence rules to include students absent during term time and dependants in the armed forces under 21 as permissible deductions.
   6. Implement a trigger point at the maximum of six weeks’ arrears for claimants to have direct payments to their landlords placed on their account.
   7. Extend the confirmation clause of switching to UC for claimants to RPs as well as local authorities.

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4 See http://www.dwp.gov.uk/consultations/2011/supported-housing.shtml for information
Written evidence submitted by Neath Port Talbot County Borough Council

1. I detail below Neath Port Talbot County Borough Council's response to your Inquiry. There are significant changes impacting on claimants, DWP and Local Authorities as a result of implementing Welfare Reforms. Whilst it is appreciated that reforms are appropriate to encourage people back to work and not penalise them via the benefits system, care must be taken to ensure that those entitled to benefits receive their entitlement and understand what they have to do to claim and retain such benefits.

2. Online application will cause enormous difficulty to a significant proportion of Benefit Claimants. Online support and advice will not help people who are not IT literate. There must be some form of personal face to face help and advice for claimants. Local Authorities may be best placed to provide this support but there will need to be links between the LA and Universal credit staff / systems in order for LA`s to be able to provide efficient support and must be properly funded.

3. Monthly payment will cause difficulty at the start / transfer of a claim to Universal Credit. There will inevitably be a large number of people unable to budget effectively with a monthly payment. Consideration must be given to an initial payment to alleviate these problems (e.g. a bridging loan.)

4. People will need money management help and support. One aim of the Universal Credit is to enable benefit recipients to manage their budget however this won’t happen without help / support / training .Indeed even with such support many will fail. There needs to be provision for this. Historically such support has come from Citizens Advice Bureaux etc but funding and the increased workload will mean that these institutions will struggle to cope, as indeed they are currently. This may be an area which the local authority again may be involved in. There would however be funding issues in providing such a service.

5. Up to date online earnings data will be of great significance to the efficiency of dealing with Universal Credit administration. Presumably there must however be robust back up arrangements for system failure or those employers who don’t provide the relevant information. Any failure by the employer to provide the relevant information will be harmful to the claimants Universal Credit claim.

6. With regard to the reduction of fraud and error there seems to be a lack of verification in certain areas. There needs to be an identification of where the lack of verification will lead to possible fraud and error issues e.g. rental liabilities amounts and existence of bona fide tenancies, capital held etc. It will be difficult for Universal Credit staff to identify multiple tenancy claim fraud
e.g. people claiming rent assistance for the same tenancy. Without a property data base the likelihood of landlord /tenant benefit fraud is increased. This was an issue which was prevalent prior to local authorities becoming responsible for housing benefit payment.

7. The claimant commitment proposals may seem reasonable, but whilst it may be self inflicted this will lead to possibly significant short term hardship issues. Presumably there will be appeal issues which if benefit is still suspended in the mean time will result in short term hardship even though subsequently the appeal may be upheld. Turnaround times for appeals are currently excessive with the likelihood of deteriorating further with the introduction of the new system. The issue of appeal turnaround times and the effect on the claimant’s finances in the mean time is a matter requiring urgent attention.

8. The effect on the work at Local Authority Benefits Offices is significant. It must be noted that the introduction of the new Council Tax Support Scheme from April 2013 will not lead to a reduction in workload. Caseloads will remain almost unchanged whilst the means testing and data collection will remain almost at current levels. Future variances in workloads are largely dependant on the work Local Authorities will be expected to do during the transition to Universal Credit and after its full introduction. Inevitably during the transition period claimants will contact the local authority for guidance regardless of where the statutory duty lies. This is also likely after full implementation. In view of local authorities role in local support to its constituents it would seem appropriate that authorities are provided with the information needed to help claimants in any Universal Credit enquiries. It may be that the overall workload will be greater with the retention of a Council Tax Support scheme and a face to face Universal Credit role.

9. The introduction of the Benefit Cap in this area will only impact on a small number of claimants, however those affected will generally not be in overly expensive properties and therefore moving will not be an issue to address any reduction in their income. Whilst it may be argued that their income levels are higher than may be considered necessary the qualification criteria to that income is the same as for all other benefit claimants. They will also lose what may be a significant amount of benefit overnight.

10. Changes to the entitlement of those in RSL properties considered over accommodated will have a significant effect on claimants. Moving to more appropriately sized property is only an option if suitable alternatives exist. Many properties may be over occupied due to lack of appropriately sized families to occupy and therefore over occupation being a better alternative than having vacant properties. Whilst the introduction of this change is understandable there should be consideration of protection for existing claimants/tenants and those who have changes in circumstances which lead to the property becoming over accommodated.
11. The 10% cut in funding for the Localisation of Council Tax Support will have a substantial effect on those on low income and result in local authorities often having to recover additional small balances from those with the lowest income. Regardless of the new scheme adopted, as a result of the reduction in funding, the outcome is a simple cut in benefit entitlement to those whose circumstances haven’t changed and are unable to vary their financial situation.

12. Impact monitoring needs to concentrate initially on new claimants and those being transferred to Universal Credit. There will also be a negative impact on Local Council Tax collection rates. The monthly in arrears payments will inevitably be an issue. Rent payments will be an issue for many where payment has historically been direct to landlord individual claimants will now have to pay the sums direct. This could have a negative impact on landlords cash flow and cost of service delivery.

13. It should be noted that the levels of ongoing Administration grants will be vital to Local Authorities` ability to provide the required services. Any award of grant in respect of the transferred responsibility for Council Tax Support must reflect the substantial workload that remains despite the withdrawal of Housing Benefit. Likewise any reductions relating to the reduction in Housing Benefit work must take into account the residual workloads and new Universal Credit implications. Work and therefore funding relating to the LA`s contribution to the administration of Universal Credit must be sufficient to provide a quality service which will be essential to the success of the implementation of the Universal Credit and to the wellbeing of the poorest and most needy in our communities.

14. It appears that a revised “Social Fund” for local authorities to administer is to be introduced to deal with problems arising during / as a result of the introduction of Universal Credit. It is a concern that this fund is seen as a sticking plaster for the local authorities to deal with problems caused by the introduction of Universal Credit or those which Universal Credit has not been designed to deal with. This would seem to devolve all problematic cases to local authorities with limited funds being made available.

16 August 2012
Summary.

As you will note from the answers to the specific issues raised below, while Liberata fully supports the agenda of welfare reform and specifically the aims of transparency and simplification of the benefits system which Universal Credit offers, we have a number of concerns regarding progress towards implementation and associated issues. We have particular concerns around the areas which impact on local authorities and the forthcoming proposals to localise Council Tax Support and Local Welfare Provision as well as the amended legislation associated with Housing Benefit due to come into force in April 2013.

While we welcome the additional funding proposed to the Discretionary Housing Payment scheme to help alleviate some of the potential hardship caused by these reforms, this assistance is specifically designed for short term needs and the current consultation make it clear where this should be targeted. The continued administration of this fund, following the introduction of UC, could cause issues for local authorities who, under current proposals, may not have access to relevant information regarding eligible rent levels or the sums in respect of the UC housing element or the relevant payment systems to make the awards which are currently aligned to HB.

In effect, it appears that many of these proposals will in fact introduce further complexity and confusion into the welfare benefits system and we are particularly concerned regarding the different treatment of claimants receiving the legacy benefits and Universal Credit.

Comments on the Suggested Issues Raised.

The proposed arrangements for claims and payments and the provision of support and advice for claimants.

1. Liberata shares many of the concerns which we are aware have already been raised regarding the proposed arrangements for the above i.e. the availability of access to the relevant technology, the ability of claimant's to use the relevant technology etc. We note there is reference within the draft regulations and explanatory notes to advocates and visits by the delivery organisation for the more vulnerable but specific details are lacking within the documents published.

2. It is difficult to comment further therefore until the details are available surrounding how the more vulnerable are to be supported and the role of local authorities in assisting with this aspect of the administration of Universal Credit. However, the fact that there will not be a clerical claim form available at all is a decision which is concerning.

Progress with developing the necessary IT systems to administer Universal Credit
3. We have no comments on this issue other than to note that there is a lack of information available, within the public domain, from which to form an opinion.

4. While we welcome the majority of changes introduced regarding the claimant commitment we have a concern regarding the treatment of joint claims where one member of the couple refuses to agree their claimant commitment. The refusal to accept the claim in these circumstances could unfairly disadvantage the willing party and cause severe financial hardship for any children within the household. It would therefore make it more equitable if the claim were to be accepted and processed as a single claim.

5. There also appear to be a number of areas where matters are, as yet, undecided e.g. how to treat the issue of conditionality for those engaged in adult education who are not “students”.

6. A further general concern is the additional administrative burden these regulations place on staff as the regime of conditionality and sanctions increases. While we note that reference is made to the confidence the DWP has that this can be dealt with within the existing resource base, the uncertainty associated with the future delivery of Universal Credit and, in particular the role local authorities and others may play in this post 2015, may impact on the ability to retain staff at this crucial time and could threaten the ability of the DWP to deliver all aspects of the proposed regime.

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**The proposed arrangements for the “claimant commitment”, sanctions and hardship.**

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**Changes in the income entitlement of disabled people under Universal Credit**

7. While we have no specific comments regarding the income entitlement of disabled people under UC, it is disappointing that the opportunity has not been taken to align the claim and payment regulations associated with the new Personal Independence Payment to those of UC.

8. Different methods of application, payment frequencies, not adopting the assessment period model of entitlement and the differing rules regarding changes in circumstances are all a missed opportunity to introduce the simplicity and transparency which are stated aims of welfare reform. While we appreciate the potentially vulnerable nature of these applicants, the same could be said of those receiving Employment Support Allowance (contribution based) yet they will come within the remit of Universal Credit. The Personal Independence Payment, like Universal Credit is a new benefit therefore
the ability to streamline with the other proposals will be far easier to achieve on it’s inception than amending it to do so subsequently.

The impact of the changes on local authorities.

9. At the present time one of the most significant impacts on local authorities is the uncertainty of progress made towards the implementation of Universal Credit and, specifically, the anticipated role of authorities within the delivery model.

10. While we appreciate that the purpose of the pilots is to inform this, the current degree of uncertainty is frustrating as authorities, and organisations such as ours, endeavour to model the potential impact with very few hard facts. An example of this would be the transition plan which was originally due for release in July 2012 but which we have now been advised may not be available until 2013. Local authorities, and their partners, pride themselves on the level of service and support they provide to their customers yet without a clearly defined role at this stage it is difficult to see how that will be sustained under UC.

11. In addition to this uncertainty around the implementation of Universal Credit there are also a number of areas where authorities have to implement changes to legacy benefits in April 2013, ahead of UC.

12. This includes the benefit cap which will clearly impact on a number of other policy areas. Most notably, for local authorities there is the threat of increased homelessness as a result.

13. While we would generally support the idea that those receiving welfare benefits should not receive more that those gainfully employed and contributing to society, the assumption that customers will simply be able to negotiate a reduction in rent with their landlord or increase their income by taking paid employment for over 24 hours a week, in the current economic climate, appears naïve.

14. Similarly, while we support the idea that public funds should not be used to cover the costs of tenants within the social rented sector who are overaccomodated the potential impact of size restriction proposed is of concern as initial discussions with housing providers reveal that the levels of smaller accommodation required are often simply not available. The suggestion that customers could alleviate this difficulty by renting out their spare accommodation again provides customers with a confusing message as they would require a detailed knowledge of the housing benefit calculation in order to determine how the additional income could affect their overall entitlement and which option maybe best for them to pursue as they may lose more through this than by the size restriction. Significantly the treatment of such additional income within HB and UC does not align risking further confusion and uncertainty for the customer.
15. However, of most concern, is the localisation of Council Tax Support in terms of the extremely tight timescales and the overall effect on both customers and authorities alike. Longer term, the localisation of this financial assistance appears at odds with the centralisation of benefits under the umbrella of UC. This will undoubtedly cause confusion for customers and is an additional administrative burden on local authorities quite apart from the financial strain placed upon them by the funding shortfall.

16. As the majority of authorities look to pass on the cut to the working age, it is equally important to appreciate that this change is only one of the areas where customers could face a reduction in household income as many will be hit by the multiple reductions outlined above and customers will face unprecedented pressures.

17. Many fear the difficulties faced with collecting small debts from households with little or no spare resources who have previously been unused to budgeting for this household bill and those working in the anti-poverty arena feel this is a retrograde step which risks introducing a postcode lottery for many.

The level of the earnings disregard.

18. While the level of the earnings disregard per se is not an issue, the relationship with the housing cost element is.

19. The current system of Housing Benefit does not in any way influence the level of overall earnings disregard however, the proposal to reduce the maximum appropriate disregard by 1.5 times the housing element cannot be viewed as either a simplification to the current scheme or transparent for the customer. It is an unwelcome complication which could impact further upon other areas of policy such as housing and homelessness. It also introduces a perverse incentive whereby claimants could try and work out whether they would be better off hiding their housing costs, not asking for assistance with them, and thereby receiving a higher level of earnings disregard.

20. Continuing with the issue of housing costs, this is one area in which Liberata currently has a great deal of expertise. Reviewing the area associated with the housing costs element of UC it is welcome that many of the regulations mirror the existing regulations governing Housing Benefit since these have been developed and tested over time, but, there are also areas where vital ways to access assistance appear to have been closed. An example of this would be the fact that a council tenant who also works as an employee of the local authority appears to now be precluded from receiving help with their rent as there is no longer the caveat contained within Part 2 which would exempt someone from being excluded, provided the tenancy was not created to take advantage of the scheme, if they rent from a company of which they are also a director or employee.

21. In general the provision for help with housing costs is much less generous, being limited to 2 years for owner occupiers, and often fails to take account of situations where help
is genuinely required and currently offered. Examples of these would include the ability
to receive assistance with an “unavoidable” liability, the complexity regarding whether it
is a new or existing claim and eligibility to help while temporarily absent or provision to
receive help for a period prior to occupation where the applicant has been awaiting a
decision on a social fund application (associated with the move) and are within a
vulnerable group is no longer within the regulations. We appreciate that parts of the
discretionary social fund will be devolved to local authorities from next year but a
similar provision relating to a delay while awaiting the outcome of a discretionary award
associated with the move etc would be particularly useful for such claimants. Without it,
additional pressure will be placed on alternative sources of funding which are more
likely to be discretionary therefore do not guarantee these particularly vulnerable
applicants the assistance they require. It is also particularly important given the concept
of conditionality which Universal Credit introduces for claimants as many may take on a
liability for accommodation, at short notice, in order to fulfil these requirements as and
when employment becomes available to them or as and when cheaper accommodation
becomes available which they are more able to afford following the income restrictions
they may suffer as a result of the combined reforms.

Impact monitoring.

22. Before commenting on the specific issue of monitoring the transition to UC, Liberata
would like to comment on the monitoring and evaluation of the Benefit cap. The issue
that we see here is the fact that it could simply be one of a myriad of changes which a
customer faces in 2013, changes as a result of both cuts in central support e.g. the RSL
size criteria, combined with changes in locally determined support e.g. Council Tax
Support. It will therefore be very difficult to isolate this change in order to properly
verify the implications of the change on households claiming benefit and whether it has
forced the behavioural change intended.

23. One way in which this could be better evaluated would be to delay implementing the
change until a later date.

24. On this point however, our early indications of customer’s who have been contacted by
the DWP's advance communication strategy is that they have not yet taken steps to
either increase their income or reduce their outgoings and are only likely to do so once
the full effect of the reduction is felt.

25. Our understanding of the way in which the cap will work also highlights an issue we feel
has unintended consequences. The initial operation of the cap from Housing Benefit
means that the value of the reduction imposed may not fully absorb the full cap
reduction since claimant’s must be left with a minimum of 50p HB. Those who
experience a reduction in their HB as a result of the cap may take steps to cope with
this e.g. by moving to cheaper accommodation. However, for those customers, when
they transfer to Universal Credit they ill be hit with a further reduction as the full
amount of the reduction will then be able to be imposed.
26. It is not clear how this situation will be treated under the Transitional Credit Briefing Note issued on 4th July.

27. This could provide claimants with a double blow and cause additional distress to those who have taken active steps to cope with the initial reduction meaning that they may then be trapped and unable to take further steps to cope with the second reduction e.g. being prevented from moving a second time having signed a new tenancy agreement.

28. This also does not appear to fit within the ideal that no-one should be worse off, at the point of transfer, under Universal Credit.

29. In addition to the specific issue identified above we believe there are also a number of areas which could cause concern regarding the introduction of the benefit cap. These are outlined below:

30. Reg 75(B) allows the local authority the flexibility to adopt the cap “if appropriate” rather than awaiting a directive to do so by the DWP. While this introduces a degree of flexibility into the operation of the cap, this brings with it a danger of inconsistent and incorrect decision making. It also adds complexity and confusion to the process both for the local authority and the claimant, particularly with regard to the area of disputes.

31. It also seems somewhat unfair that the sums of Child Benefit and Guardian’s Allowance will be taken into account when calculating benefit income yet State Retirement Pension or Pension Credit will not. While we appreciate the reasoning behind protecting pensioners, as they are not expected to find employment and thereby reduce their dependency on benefits, the inclusion of benefits associated with children does not fit with the government agenda of reducing child poverty and will lead to confusion since these benefits are currently disregarded from many means tested benefits.

32. The regulations appear to be silent regarding the area of appeals and the fear here is that any dispute by the customer would fall between both agencies, as was the case with Extended Payment appeals prior to the amending regulations which made the decision wholly the responsibility of the local authority. If a cap is imposed and HB reduced, it is likely that the customer will appeal to the local authority but, if the decision to impose the cap has been made on advice from the DWP, the matter could not be dealt with by the local authority, presumably, unless they had made such a decision using their own initiative. However, this situation is not dealt with within the regulations.

33. Regarding the transition to UC, as stated earlier on in this document, so little has been confirmed regarding the 3 phases of migration that it is somewhat difficult to comment further on this specific area. However, the issues raised above highlight at least one potential problem.

16 August 2012
1.0 Summary of key Federation recommendations

1.1 Additional resources should be made available to provide advice and support to help tenants make a successful transition to UC. This should include help with budgeting and access to banking, help with making and managing claims online, and help in understanding responsibility for rent payments and other bills.

1.2 The definition of vulnerability – to determine which groups of tenants should continue to have their benefit paid direct to their landlord – should be broad and flexible and include financial vulnerability. Failure to draw this definition realistically risks leading to significant increases in arrears among tenants.

1.3 An efficient ‘switch-back’ mechanism is required to ensure rent is paid direct to the landlord if a tenant builds up eight weeks of arrears. Without an effective trigger, tenants’ arrears could build up very quickly.

1.4 The definition of supported and sheltered housing needs to be revisited to ensure that tenants in these types of accommodation are indeed protected from benefit deductions for under-occupation, as the Government has said it intended.

2.0 Introduction

2.1 Housing associations operate in some of the most deprived and disadvantaged communities in the UK, and understand the importance of getting people into work to tackle poverty and raise aspirations. The National Housing Federation supports many of the principles behind the introduction of UC, from making sure work always pays through to simplification of the system.

2.2 As with any major reform there are substantial risks that the Government will want to be aware of and mitigate against. The introduction of UC will bring about significant changes to the way support for housing costs is handled. While the Welfare Reform Act sets out the overall framework, the success or failure of the changes will be determined by the secondary legislation and guidance that will govern how the new regime operates. If implemented without due care, changes could actually undermine the Government’s objectives on housing and tackling disadvantage.

2.3 The National Housing Federation has provided significant input to Government at each stage of the legislative process, during the passage of the Bill, and now in relation to the multiple sets of regulations. The Federation’s discussions with the Department of Work and Pensions (DWP) on the design and implementation of UC, in particular, have been open and constructive and the Department has proved willing to listen and act upon issues raised by the sector. We are also working with the Department in a number of practical ways; for example, our members are involved in the Direct Payment Demonstration projects, and we are helping to second people to key implementation projects to lever in sector expertise.

2.4 Below we have summarised the current key issues for our sector as they relate to implementation of UC, under the headings set out in the call for evidence. We would welcome the opportunity to discuss these matters with the Committee in due course.
3.0 Evidence

The proposed arrangements for claims and payments and the provision of support and advice for claimants

3.1 Between October 2013 and 2017, almost 8 million households will start receiving UC. There is a clear need for advice targeted at the specific needs of people transferring to the new system. A clear commitment from Government to provide a comprehensive support programme is required together with details about what that will entail.

The presumption of a predominantly online, self-service claims process

3.2 If the large majority of UC claims are to be made online, without assistance, significant investment will be needed over the period of transition. This is because a substantial proportion of the population either do not have the skills needed to use the internet or cannot access it because they live in a broadband ‘not-spot’ cannot afford a home broadband connection, or cannot access public resources to get online.

3.3 Recent research published by the DWP found 78% of working-age benefit claimants use the internet and 74% have a broadband connection in their home.1 Based on the projection of eight million UC claimants by 2017, this means as many as two million households could lack online access. Research by Circle Housing Group indicates that in some areas the problem will be even more significant. Findings suggest up to 45% of tenants do not have internet access at home and 58% do not have access via a mobile phone – excluding them from on-line banking.2

3.4 We are also concerned about the level of support claimants will receive to manage their UC claim online after their initial claim has been made. Even those who use the internet may not do so on a regular basis – only 48% of main claimants use the internet every day.3

Arrangements for providing telephone and face-to-face support and independent advice for claimants who need it

3.5 Since online claims will not be suitable or accessible for all claimants, we welcome commitments by Government to continue telephone and face-to-face assistance for making a claim where it is needed. More details are required to set out how this undertaking will work in practice. How will DWP identify people who need either support with online claims or access through other channels?

3.6 After the initial claim has been made, will those who have used the phone or face-to-face services have to log in to find out the amount of their award and when it will be paid? Will email be the only form of communication, or will other means of communication be available? Some groups of claimants, such as the self-employed and those whose employers do not have access to real-time information systems, will have to regularly update information on their claims. What support will be available for them if they do not currently have home internet access or sufficient digital skills?

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2 Circle Housing Group, unpublished research, August 2012
What support will be required?
3.7 We suggest the following types of support will be necessary to help claimants successfully manage the transition to UC:

- Help with budgeting – managing change to monthly payments
- Help with online access to make and manage claims
- Access to banking – help setting up and using bank account and help setting up a secure method of paying rent
- Help in understanding responsibility for rent payments and other bills

3.8 It is important that funding for face-to-face support is maintained as telephone and internet support will not always be appropriate, especially for vulnerable people. This type of support cannot be provided without additional resources. Even for housing associations that are already providing some of this support and have incorporated it into their business plans, the scale of work needed to manage these major changes will be substantially greater than current ‘business as usual’ provision.

3.9 Given the great pressures on social housing tenants to manage their limited budget in a new way, we believe that the Money Advice Service should have particular regard to targeting its services at people living in social housing. This could be done through working with social landlords and tenants to look at the most effective means to support people to budget and avoid and manage debt, including rent arrears. Social landlords have a role to play in promoting services to tenants but it is vital that tenants are both able to access the services and make effective use of any advice.

Monthly payment to one person in the household
3.10 The move to UC means that many people will have to move from budgeting weekly or fortnightly to budgeting monthly. Most working-age social housing tenants will also lose the option of having their support for housing costs paid direct to their landlord.

3.11 Research from Policis shows more than half of social tenants feel that a shift to monthly payment of benefit will make it more difficult to manage their budgets. Existing patterns of money management and weekly budgeting have evolved to manage the challenges of living on a very low income. Over a 12-month period, 23% of social tenants struggled to afford food, 24% fuel and 31% shoes and clothing.

3.12 When money is short, it is easier to save on essentials, such as food, for a day at the end of a week, rather than for several days at the end of a month. The same research also shows the overwhelming majority (93%) of social tenants in receipt of Housing Benefit believe it is better to have it paid direct to their landlord.

3.13 Advice and flexible options need to be readily available to help people manage the shift from fortnightly to monthly payments and any options around UC advance payments need to be well publicised and easy to apply for, to prevent people getting into debt and arrears.

Gap in payments on transition to UC
3.14 UC will be paid seven days after each assessment period, meaning that claimants will receive their first UC payment about five and a half weeks after submitting their initial claim. The Federation is concerned about the long gap between a claimant’s final Housing Benefit payment and their first UC payment. It should be possible to speed up this assessment process for claimants migrating across from Housing Benefit.

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4 Policis, The impact of welfare reform on social tenants and their finances (forthcoming)
Financial products

3.15 Advice needs to be sensitive to the unique pressures faced by low-income social tenants; for example, tenants may be reluctant to manage rent payments via direct debits because they have had bad experiences, including with penalty charges, of bank accounts with such facilities. A significant number of social tenants do not have a bank account at all. Despite strides forward in the provision of basic bank accounts over the last few years the Family Resources Survey showed more than 15% of local authority tenants and 13% of housing association tenants still do not have a bank account and would not therefore be able to pay rent by direct debit.

3.16 Research suggest that, of those who have moved into banking in the last five years, more than a quarter have experienced a net loss, with any savings from direct debits outweighed by penalty charges for missed direct debits and over-limit fees. Financial products appropriate to the needs of this group must be more widely available but there is currently insufficient appetite among mainstream banks to invest significant resources in providing a solution to the challenge posed by UC and direct payments to claimants. It is clear that a significant step change is required if there is to be an effective supply of appropriate products to support the personal budgeting requirements of UC.

Exceptions and vulnerability

3.17 Some claimants will struggle to cope with the changes introduced by UC. DWP needs to work closely and in partnership with social landlords, local authorities and other agencies to identify and support people in need of exceptions before they get into debt or crisis. This means considering split payments within a household; more frequent (than monthly) payments; or having housing costs paid direct to the landlord. It is important that measures are in place to identify and support those who are vulnerable or have complex needs.

3.18 The law does not provide a definition of ‘vulnerable’ for the purposes of Housing Benefit recipients. However, DWP has in the past provided guidance on how to decide if a claimant is vulnerable in the context of claimants of Local Housing Allowance in the private rented sector. The guidance set out various factors for consideration, including learning disabilities, medical conditions, addictions and severe debt problems. The Federation believes this provides a useful starting point for defining vulnerability in the context of UC claims. Consideration should also be given to including the following within the definition of vulnerability for exceptions purposes:

- Claimants who live in short- or long-term supported or sheltered housing
- Claimants who are in receipt of floating support, such as Supporting People-funded services or intensive tenancy sustainment support
- Claimants who are moving on from supported housing
- Claimants with recommendations from other appropriate agencies (for example, community mental health services)

5 Family Resources Survey 2008/9. Figures exclude post office accounts, which do not accept payment by direct debit.
6 Policis, The impact of welfare reform on social tenants and their finances (forthcoming)
• Claimants who are financially vulnerable. This definition could include those subject to a suspended possession order or notice seeking possession, anyone who is about to be evicted, anyone with a direct deduction for arrears from their benefit, and people who are facing sanctions for work requirements. A definition of financial vulnerability could also take into account information from rent records and credit checks.

3.19 We would like to see a transition period where arrangements already in place to pay rent direct to the landlord remain in place for a fixed period after a claimant transfers to UC. This would ensure the tenant has a more gradual introduction to the new payment arrangements under UC and reduce the risk of arrears. A transition period could be particularly beneficial for certain groups, such as care leavers, allowing support to be provided until a claimant is ready to move onto payments direct to the tenant.

3.20 We would like housing associations to be considered as ‘trusted intermediaries’ in being able to verify that a tenant falls into a vulnerable category, and also advocate for split payments for households where necessary. There needs to be flexibility in the definition of vulnerability, to accommodate those who become vulnerable for a short time, for example after experiencing a trauma such as a death in the family.

3.21 Failure to tackle these issues will not only increase the risks of tenants falling into significant arrears, but could also threaten the stable income of housing associations, which is essential for the development of much-needed new affordable homes.

The arrears trigger
3.22 There must be speedy and effective processes for switching payments from claimant to landlord after a specified period of non-payment of rent by any claimant. This is vital to ensure that, for example, an eight-week limit on arrears does not in practice become a ten- or 12-week limit. We would welcome clarification on how this will work within UC.

3.23 Landlords should be able to argue for a shorter switch time for some tenants to prevent people getting into serious debt and to reduce the risk of arrears to the landlord. The use of this type of flexibility could be periodically reviewed to ensure it continues to be appropriate.

Progress with developing the necessary IT systems to administer Universal Credit, including the real-time information (RTI) system for PAYE taxation being developed by HM Revenue & Customs

3.24 Housing associations will be better able to provide support for tenants if the system is designed to maximise efficiencies for both landlords and the DWP. Automation of systems should allow associations to concentrate resources on supporting tenants, many of whom have poor literacy and financial skills. As set out in paragraph 3.6, above, it will be important to ensure that tenants who are self-employed or who work for employers that do not have access to RTI are not disadvantaged.

3.25 The DWP is opening up an effective dialogue with social landlords, and using the experience of the six direct payment demonstration projects, but we remain concerned about whether the system will have full functionality by October 2013.

The proposed arrangements for the ‘claimant commitment’, sanctions and hardship payments

3.26 If the sanctions regime under UC works, by encouraging claimants to stay in work, show up for interviews and supply correct information, and is applied only in a small number of cases, then it might be effective. However, as no one can predict how many claimants will be sanctioned it is important that safeguards are put in place.
3.27 Tenants who receive a UC sanction may be at risk of getting into arrears with rent as they struggle to budget on less money. If the tenant does not already have a direct payment to landlord then DWP should consider establishing direct payment for the period of the sanction to prevent arrears accruing. Sanctions should not affect payments for housing costs.

Changes in the income entitlement of disabled people under Universal Credit, including those who may receive less income under Universal Credit than at present

Benefit on two homes
3.28 The Federation believes the definition of a disabled person able to receive benefit on two homes for one month to allow a house to be adapted should be extended to include people who receive the mobility component of Personal Independence Payment or Disability Living Allowance. There is an obvious connection between needing adaptations to a home and having mobility problems. A suitably adapted home can reduce a disabled person’s need for care.

Treatment of supported accommodation under UC
3.29 The UC regulations are silent on what help tenants of supported accommodation – many of whom are disabled or who have specific support needs – will receive towards their housing costs. More detail is necessary because the housing element of UC for general needs housing may be insufficient to pay for the additional costs of housing and support under supported housing. The definition of supported and sheltered housing also needs to be revisited to ensure that tenants in these types of accommodation are protected from benefit deductions for under-occupation, as the Government has said it intends.

The impact of the changes on local authorities, including budgets, staff and support for claimants. The changes include those to Housing Benefit; the introduction of the benefit cap; and localisation of council tax support
3.30 Housing Benefit in the social sector is currently paid – often directly to landlords – by local authorities. There are several advantages to such a system, including councils’ local knowledge and the ability to provide claimants with face-to-face meetings and advice. Under the Government’s changes, local Housing Benefit structures will be replaced with a centrally administered system responsible for providing a range of vital support under the umbrella of the UC. The changes will be significant for both users and administrators. Removing the administration of Housing Benefit from local authorities and passing it to central Government risks the loss of effective joint working between landlords and administrators that can provide administrative efficiencies.

3.31 More urgently, local authorities face substantial pressure to implement changes to Council Tax Benefit (CTB) by April 2013. Many CTB claimants are tenants of social housing, and are already facing a number of financial pressures due to reductions in entitlement to other benefits. Housing associations are putting resources into financial inclusion work and supporting tenants to budget effectively to cope with the changing circumstances. The Federation considers the involvement of housing associations in the process of drawing up local support schemes to be important.

Impact monitoring: what the DWP’s priorities should be for monitoring the impact of the transition to Universal Credit
3.32 Any review of the transition to UC should consider the impact on levels of arrears, online access, over-payments, supported housing tenants, access to money advice, and the welfare of families and communities.
3.33 The Committee will understand that the impact of the new UC regime on behaviours will not be properly understood until the bulk of existing claimants are in the system – this may not be until the second half of 2014. With the initial UC system focusing on new claimants it will be some time before we understand the full impact of, for example, direct payments on tenants and on the social housing sector.

3.34 The National Housing Federation has commissioned longitudinal research, from Ipsos MORI and the Cambridge Centre for Housing and Planning Research at the University of Cambridge, into the impact of welfare reform. We will share the results of this work with the Committee when they are available.

4.0 Conclusion

4.1 The introduction of UC provides the opportunity for positive improvements including a simpler, more streamlined benefits system and greater work incentives. We hope that the Government will give serious consideration to the risks and issues, as highlighted in our response, and set out plans to address them. The Federation remains committed to working constructively with the DWP to ensure the most effective implementation possible.

16 August 2012
Written evidence submitted by the Public and Commercial Services Union

1) The Public and Commercial Services Union (PCS) is the largest trade union in the civil service with around 270,000 members.

2) PCS is also the biggest union in both departments involved in the delivery of universal credit; the Department for Work and Pensions (DWP) and Her Majesty's Revenue and Customs (HMRC) with around 80,000 members in DWP and around 55,000 in HMRC. PCS can therefore give evidence from the perspective of those who administer the benefits.

3) PCS has been involved in consultations around universal credit and had a number of concerns about both the underlying principle of universal credit as well as the way it is being implemented.

4) PCS is opposed to conditionality on benefits and believes this will add further punitive conditionality.

5) PCS welcomes this timely inquiry and would be happy to provide a witness to give oral evidence to the select committee.

PCS concerns

Online claiming and further atomisation

6) The government has a stated aim that 80% of universal credit claims be made online. This is similar to government aims for 85% of employers to access Criminal Record Bureau checks online, however the anticipated number was not met and 80% of claims remained written, causing huge delays in the application process. This problem is likely to be significantly exacerbated by the profile of many welfare recipients. PCS believes online claiming will make it more difficult for the most vulnerable people to claim benefits. Despite government claims that a sufficient number of people have access to the internet, the reality is that those on low incomes (often those who claim benefits) are less likely to have access. The 2009 Digital Britain report found that “over 15 million adults in the UK still do not use the internet” – these will be disproportionately from the groups who will be claiming universal credit. A substantial number of those who do have internet access many will have it through a mobile phone, and therefore do not have access that allows them to upload documents. Therefore we believe that the numbers are over ambitious to say the least.

7) PCS believes that an increased reliance on online claiming would have a disproportionate affect on disabled people and those with mental health conditions. Many have literacy problems and for them a complex online form would be a barrier to claiming benefits. As often people with these problems are more likely to need to claim benefits, especially following the inclusion of Employment Support Allowance (ESA) in universal credit from October 2013, it seems clear the 80% target is unrealistic. This problem would also affect those for whom English is a second language. Citizens Advice has reported that £16bn in benefits and tax credits remain unclaimed each year. This proposed system has the potential to increase that figure – against the express purpose of universal credit to simplify – and with devastating effects on claimants’ incomes.

8) Customers prefer to make their claims face to face rather than online, this caused problems when trying to bring in online claiming for Jobseeker’s Allowance (JSA) with management resorting to
promising online claims would be processed faster than those on the phone or online. In our view this broke the DWP customer charter that states that every claim should be dealt with equally.

9) When online claiming was brought in for the Tax Credit system there was a rise in fraudulent claims. While those administering the claim can check entitlement in person or on the phone, an online and automated system doesn’t allow such discretion until after the over payment has been made.

10) Management believes that the currently untested IT system will allow 75% of claims automatically and are basing staffing estimates on these optimistic assumptions. PCS contends this is unrealistic particularly when the profile of many claimants is taken into account. Unrealistic staffing estimates will inevitably cause increased fraud and error, and delays in payments for claimants – leading to increased stress. Misjudging required staffing levels would also incur the extra expense involved in laying off staff initially and then having to recruit new staff later – as has happened in other departments and agencies recently.

11) Recently the JSA online claiming system was outsourced to Capita. Despite government assurances that no work will be outsourced in the administration of universal credit, PCS believes this may be a precursor to further outsourcing. PCS has concerns about this as the rules governing civil service misuse of government computer system are robust whilst it is unclear whether private companies take the same precautions against staff looking at people’s personal data without good reason.

Telephone and face-to-face support
12) The best way to help people into work is with a personalised system that responds to people’s individual needs. PCS believes the more alienating the system is the less effective it will be in supporting those who need to claim benefits. The system, as it is currently being set up, involves those in DWP call centres answering an initial call but then often having to ask another colleague to call the customer back to actually resolve their query. This process is unnecessarily cumbersome, makes for very poor customer service and should be ended.

Monthly payments
13) Another concern of PCS is that paying Universal Credit monthly will lead to difficulties for customers having to budget on a very low income. There are already many who struggle to budget over a two week period and with benefits already inadequate many are more likely to struggle over a month period. As housing benefit will also be part of people’s universal credit award, with no option of payment directly to landlords as many claimants and landlords prefer, there is a very real risk of many falling into rent or mortgage arrears and ultimately losing their homes. Coupled with this, the removal of the emergency social fund loan in April 2013, will mean that the emergency support many would use, will have been withdrawn when universal credit begins. This in turn risks many being compelled to resort to loan sharks to make ends meet.

IT Development
14) PCS has a number of concerns about the speed and process by which the IT system that is being put in place to support the proposals has been developed.

15) The universal credit IT appears to have been developed at breakneck speed and as a result is more likely not to be operating properly when it is launched. PCS remains sceptical at the ability of
DWP’s IT contractors to deliver large scale IT projects that are fit for purpose or on time. There have been too many large civil service IT projects in the past where, just as with universal credit the aims for the system have been over ambitious (for example Child Support Agency IT, and the 2003 launch of New Tax Credits). The PAYE project in particular is extremely ambitious and not tried and tested, with ID theft of particular concern.

16) HMRC’s tax credits online service was subject to a criminal attack involving mass identity theft that resulted in very large losses to fraud and PCS believes there has been insufficient time for proper protection to be brought in to guard against this.

17) Contrary to ministerial assurances that no DWP IT work would be allowed to be off-shored the development of universal credit IT has been off-shored to India. With unemployment at a high point it is astonishing that the government has allowed skilled IT work to be outsourced, losing tax revenue in the process.

Sanctions
18) Universal credit will see yet more increases in sanctions, already proven to be an ineffective way of helping to support people into work. PCS members working as Jobcentre advisors have seen their roles changed from helping the unemployed into work to one where managers are pressuring staff into getting unemployed people off the books through use of ever more severe sanctions.

Making tax avoidance easier
19) Currently tax compliance officers often use information about Housing Benefit money paid directly to landlords that they gain from local authorities, to make sure private landlords were tax compliant. As under universal credit the element for rent will be paid direct to the claimants, this source of information will be lost and PCS expects there is a danger that a subsequent loss to the exchequer in tax revenue will result.

Transfer of HMRC staff into DWP
20) DWP plans to transfer several thousand staff from HMRC into DWP to deliver Universal Credit processing work alongside existing DWP staff. PCS seeks assurances that there should be no compulsory redundancies or cut in staff compliment as a result of the transfer of staff for the administration of Universal Credit. The government has not made clear to staff in DWP or HMRC how differences in pay and benefit conditions, which have grown apart over years of delegated pay negotiations, will be harmonised. PCS argues that with the increase in staff responsibilities and the difficulty of delivering a new system, measures to harmonise pay rates for universal credit staff upwards must be put in place as soon as possible.

Conclusion
21) PCS does not believe enough time has been taken to develop universal credit’s systems and guard against negative impacts to claimants or to those who administer the system.

22) PCS believes that the problem of the digital divide will make it more difficult for those on low incomes to access the benefits to which they are entitled.

23) PCS believes there is a potential for a number of people losing out because of the change in systems. These people risk being pushed further into poverty, while changes in the payment schedule puts many on low incomes at greater risk of debt and exploitation.
24) PCS does not believe a sufficient equality impact assessment has been carried out into the effects these changes will have on disabled or BME claimants.

25) PCS believes the IT system has been developed too quickly in undesirable circumstances and that it should not be rushed out. Serious consideration should be taken before it is rolled out.

26) PCS believes that an automated system has a greater potential for wide scale fraud and that the changes do not do enough to guard against tax avoidance or evasion by private landlords.

16 August 2012
Written evidence submitted by Homeless Link

SUMMARY

Homeless Link is the national umbrella organisation for frontline homelessness charities in England. Currently we have more than 500 member organisations. As the collaborative hub for information and debate on homelessness, we seek to improve services for homeless people and to advocate for policy change. Through this work, we aim to end homelessness in England.

We welcome the opportunity to submit a response to the Select Committee’s Inquiry into Universal Credit.

We would like to make the following key points for consideration by the Committee:

- The process for the introduction of the first phase of Universal Credit (UC) is much too rapid for such a fundamental change.
- There are no current plans to test the system with vulnerable people who are homeless and have complex needs. We think it should be tested with them.
- UC’s emphasis on on-line self-service claims and direct monthly payments has the potential to severely exclude vulnerable people for whom the safety net is designed. We would like to see better access to telephony and face to face systems.
- The plans for how supported exempt accommodation will fit within UC are not yet public and this is causing considerable disquiet amongst agencies in the sector. We would like this to be made public as soon as possible and for the sector to be closely involved in the design of suggested proposals.
- The involvement of agencies and individuals in the design of UC has been limited. We would like there to be a much stronger involvement of individuals affected and the agencies who support them.
- Wider communication about the introduction of UC has been extremely limited. We would like a much greater emphasis on communicating the changes to both the individuals affected and the agencies who will support them.
- UC represents the biggest shake up in the benefit system for some sixty years and as such it is critical that there is regular monitoring and evaluation, and where this indicates a system or process is not working, disadvantages certain people or could be improved with regard to the policy intents that there is opportunity to make changes.

1. CONTEXT FOR OUR SUBMISSION

1.1 Homeless Link is delighted to submit a response to the Inquiry into Universal Credit (UC). Our response focuses on the impact of the introduction of UC on homeless people and those at risk of homelessness.

1.2 The transition to UC represents one of the most fundamental changes to the welfare system since it was introduced in 1945. It is, therefore, essential to take the design and introduction of it slowly. Whilst we welcome the phased approach, the timetable for UC development is too tight. As a result the system and processes are being developed too quickly, without adequate time for testing.

1.3 We are deeply concerned that there are no current plans to test the design with people who are extremely vulnerable and for whom the welfare system is a vital safety net. This will undoubtedly result in unintended consequences when the system
goes live next year. In reality this means individuals will suffer, with limited recourse to funds and fewer options to challenge this system.

1.4 The implementation of UC should not be viewed in isolation. It is coming against a backdrop of vast changes, all of which have impacted on homeless people. There is a rising demand for homelessness services at the same time as provision is decreasing. Homeless Link research showed more bedspaces were lost between November 2011 and May 2012 than in the whole of the previous year.\textsuperscript{1} The latest Government statistics show a 16% rise in demand for homelessness services.\textsuperscript{2}

2. **ARRANGEMENTS FOR CLAIMS AND PAYMENTS**

2.1 We have a number of specific concerns around the process for individuals making claims and the proposed payment methods. These focus particularly on the payment of the housing costs element direct to the individual, the strong focus on online, self-service claims, the type of accounts that will be available and the availability of face-to-face support and independent advice.

2.2 **Direct payment of rent to individuals:** We are concerned that exceptions to the main UC model are not embedded strongly enough with the design to safeguard vulnerable people and are being left to guidance and the discretion of the Secretary of State. This may offer flexibility and an ability to affect change more rapidly. However, vulnerable people need to have protection that is not left to political discretion. Access to direct payment to landlords of housing costs, more frequent payments than monthly, and split payments in a household are essential to prevent homelessness, prevent financial abuse and to allow people to move on from homelessness. We would like to see a stronger emphasis on an intention to protect vulnerable people, and to prevent homelessness and destitution.

2.3 Homeless Link believes the removal of the option to make a direct payment from benefits to a third party for essential housing costs such as utilities and food will lead to increased debt, arrears in essential housing costs and evictions from supported housing. We would like claimants to have the ability to choose to have direct payment of essential housing costs.

2.4 **Digital by default:** Homeless Link believes that the emphasis on online mechanisms as the main communication process is concerning. We think that the DWP has overestimated the number of people with access to the internet and the skills required to apply for, and manage, a claim for UC through this channel.

2.5 A recent survey of service users undertaken by St Mungo’s, a housing association providing a wide range of accommodation based and other support services to homeless people found that many of their clients have issues around literacy, for example 35% of clients require support to complete a form, 7% are unable to speak English and 7% have learning difficulties.\textsuperscript{3} The figures on the true extent of digital exclusion amongst people who are homeless is not known.

2.6 We believe that ‘digital by default’ is disadvantageous to the most excluded and vulnerable people in our communities. People who are rough sleeping

\textsuperscript{1} See \texttt{http://homeless.org.uk/sites/default/files/Projects\%20and\%20beds\%20report\%20June\%202012_0.pdf}
\textsuperscript{2} Department for Communities and Local Government ‘Statutory Homelessness: January to March 2012 and 2011/12, England’ \texttt{http://www.communities.gov.uk/publications/corporate/statistics/homelessnessq12012\_retrieved\%2023\%20July\%202012}
\textsuperscript{3} St Mungo’s Client Needs Survey 2012
would be further excluded from essential financial support. People living in supported accommodation will have assistance available through staff, but not all accommodation based or other support services are able to offer internet access for their clients, or where they do it is a limited number of terminals, or terminals are for use in education and training contexts, rather than personal matters.

2.7 Homeless Link would like to see guaranteed access to telephony or face to face channels for claimants, rather than placing barriers in the way of access.

2.8 **Payment methods:** Homeless Link is concerned that the insistence on direct credit transfers will have a significant impact on vulnerable people, particularly those who may already be financially excluded or suffering financial abuse. Whilst we understand the majority of benefit recipients receive their payments into a standard current account, we have concerns that because the UC model requires claimants take a more active role in managing their own finances there is an increased need for access to banking services with particular types of functionality.

2.9 Some of the solutions being pursued by the DWP, such as “jam jar” accounts and use of credit union accounts, will not be free of fees and charges, thus those with the least money will face costs that those in work generally do not. Despite the promotion of basic credit union accounts (and Post Office Card Accounts), these accounts do not have the functionality to make direct debits and standing orders. These are essential money management functions for people who receive a monthly salary.

2.10 Homeless Link is especially concerned about the replacement of cheque payments with the ‘simple payment method’ whereby the claimant collects their benefit via PayPoint through a card and PIN system. We believe this will significantly increase the risk of financial abuse for vulnerable claimants. The option to have payment by cheque was used by many services supporting homeless and vulnerable people in order to prevent financial abuse.

2.11 **Support and independent advice:** Homeless Link welcomes the recognition that there will be a need to provide additional support and independent advice. However, we are deeply concerned that there is not yet an established process. All agencies who will be involved in supporting vulnerable people need to have their costs reimbursed. It won’t just be the money advice agencies who will provide the support, it will be the supported housing worker working with a tenant or the day centre worker supporting someone using their services. The system will be complicated to explain and vulnerable individuals will need support and reassurance to use new systems about which they are unsure. Taken against the backdrop of wider cuts to funding, increased demand for services, these services will be unable to provide this additional advice without additional resources. It does not feel that this has been adequately recognised by the DWP.

### 3. PROPOSED ARRANGEMENTS FOR THE “CLAIMANT COMMITMENT”, SANCTIONS AND HARDSHIP PAYMENTS

3.1 **Claimant commitment:** Homeless Link welcomes clearer communication with claimants about which conditions of benefit are mandatory and could result in a sanction if there is non-compliance as stated within the recently published Regulations. We are however concerned about what is not included in the
Regulations with regard to the claimant commitment. We believe that it is essential that there is:

- A definition of the claimant commitment and its purpose
- Clarification on the relationship between the claimant commitment and work related requirements
- A statement that the claimant commitment will reflect the aspirations, capabilities and personal circumstances of the claimant
- Clarity on how an individual’s claimant commitment will be reviewed and revised.

3.2 **Sanctions:** Homeless Link is concerned that the current design of the system with regard to the imposition of a sanction could be interpreted to mean that a claimant could be sanctioned by an amount greater than their standard allowance. This is compounded by the wording within the proposed Regulation; ‘reduction of an award’ rather than ‘reduction of standard allowance’ (Part 9, Chapter 1, Reg 93). The language in the Regulations could specify exactly which element of an award of UC will be subject to a sanction if a failure to comply with conditions is determined. We have been informed that the formulas to calculate a sanction, as provided in the draft, will ensure that no-one is sanctioned by more than the equivalent of their standard allowance element. As the formulas are currently not populated there is no way to prove the accuracy of this.

3.4 **Hardship payments:** Homeless Link believes that setting the maximum deductions from a claimant’s standard allowance in order to recover debt at 40% is too high and will lead to significant hardship for many. This has the potential to create a vicious circle of hardship and debt for vulnerable people.

4 **HOUSING BENEFIT CHANGES**

4.1 **Retaining the link between level of benefit paid and actual housing costs:** The Universal Credit system needs to be designed to ensure that it includes and reflects the real housing costs that people have to pay.

4.2 Homeless Link seeks assurances that the new Universal Credit will be able to reflect local and regional variations in actual housing costs. We are concerned about the proposals to link housing costs to the Consumer Price Index rather than the rents in local areas. We are concerned that use of the CPI measure over time breaks the link between the housing costs people pay and the amount of housing support via benefits they receive. The DWP impact assessment states that CPI is expected to rise by 2% each year and rental costs by 4%.

4.3 Homeless Link would like the housing costs element of Universal Credit for tenants in the private rented sector to be calculated in response to change in local market rents, rather than uprated by CPI.

5 **INTRODUCTION OF THE BENEFIT CAP**

5.1 **Urating of the benefit cap:** The Regulations as they have been currently issued state the actual amounts of the benefit cap (£500 per week for families and £350 per week for single people). There does not seem to be a published mechanism for how
these levels will be amended or updated. It is essential that the mechanism for how this will change is clearly publicised and understood.

5.2 **Benefit cap and supported exempt accommodation:** There is a current challenge around the benefit cap and how it will affect individuals in supported exempt accommodation prior to the transition of individuals onto Universal Credit. This is because not only will their rent be included in the calculation, but also the eligible service charges. Organisations that provide accommodation services to homeless people will be hit hard as the benefit cap will be first applied through housing benefit (HB), which is paid currently paid directly to the provider. We believe that this in an unintended consequence, but one for which transitional exceptions need to be put in place to prevent an increase in people becoming homeless and sleeping rough.

6. **LOCALISATION OF COUNCIL TAX SUPPORT**

6.1 **Impact on vulnerable groups:** Homeless Link is deeply concerned about the impact on vulnerable people of the abolition of Council Tax Benefit. The 10% cut to funding and the guidance suggesting protecting pensioners’ CTB, combine to mean that local authorities calculate that cuts to other groups could be as high as 30%. This will push people further into debt, jeopardise their accommodation and has the potential to further contribute to a rise in homelessness.

7. **SUPPORTED EXEMPT ACCOMMODATION**

7.1 Homeless Link is greatly concerned over the delay there has been in developing a resolution to how supported exempt accommodation will be included within UC. The consultation has had no public response from the DWP. There has been no ongoing involvement and consultation with the sector in the design of potential solutions. This is causing considerable disquiet amongst providers. Providers need time to plan and develop solutions to ensure essential services remain viable. With just over a year to go and no proposals, this is not sufficient, particularly given the wider context of cuts and increased demand. We believe this needs to be addressed as a matter of urgency. Any change needs to be enshrined within Regulations and also protect this funding for vulnerable individuals.

8. **MONITORING AND EVALUATION**

8.1 UC represents the biggest shake up in the benefit system for some sixty years and as such it is critical that there is regular monitoring and evaluation, and where this indicates a system or process is not working, disadvantages certain people or could be improved with regard to the policy intents, that there is opportunity to make changes.

8.2 Homeless Link is concerned currently:
- There is no mention of iterative process, review and evaluation of aspects of UC;
- Monitoring and evaluation needs to disaggregate the role of support and sanctions in moving people towards the labour market in order to determine which aspects needs to be emphasised and resourced
- Monitoring and evaluation needs to account for unintended consequences

8.3 Homeless Link strongly supports the need for annual reviews (conducted jointly between DWP and DCLG) of the extent to which Universal Credit housing costs provision is keeping track of actual rents, and for the calculation of housing costs provision to be amended where necessary to ensure that at least the 30th percentile of properties in the private rented sector are affordable.
8.4 Homeless Link believes that there needs to be additional work to understand the impact of the entirety of changes on vulnerable people. Each individual element of welfare reform may not result in a person becoming homeless immediately, but when the cumulative effects are considered, the consequences for an individual could be devastating. We are concerned that there has been no work to consider the cumulative impact of cuts, welfare reform and the recession on homeless and vulnerably housed people.

9. COMMUNICATING THE CHANGES

9.1 Homeless Link appreciates there are many demands on communications about UC. We are concerned at this time by how little accessible information about the changes is in the public domain and how little is being actively pushed out to claimants, whether in work or not. And how poor the overall involvement of agencies and individuals in the design of the system has been. This is understandable given the speed with which the changes are being introduced, but is not excusable.

9.2 It is not only claimants who need this information, but the staff who support claimants outside the benefits system. For example, frontline staff in homelessness services are often the first to be asked questions about benefits by service users and thus need to become conversant in the new system sooner rather than later. Our work with staff of homelessness services has revealed a considerable amount of misunderstanding, gaps in knowledge and confusion about what is to come.

9.3 The communications strategy for UC needs to begin now and provide information to a wide variety of claimants both in and out of work. Homeless Link asks that simple, accessible information is available as soon as changes are agreed.

10. EVIDENCE AND EXAMPLES

10.1 Homeless Link has numerous examples and case studies from our members that illustrate the points made in this document. We would be pleased to present this evidence to the Committee.

16 August 2012
Introduction
Community Links’ client group varies; we serve the needs of a community rather than people with specific issues/circumstances, for example homeless people or people with a disability. We also deliver the Work Programme as a Tier 1 subcontractor in east London and we deliver an advice service for local people; offering them help with applications for a benefit award or helping them to appeal a decision made regarding their award etc. We do not advertise our advice service yet we are consistently vastly over-subscribed with daily queues in reception leading outside of our front doors.

We see a large volume of people on our Work Programme, many of whom have multiple needs that require intensive, tailored support to gain employment and with general benefit claims. We deliver the ESF Families programme and the DWP’s Innovation Fund as well as a range of voluntary employment support programmes that support the varied needs of unemployed people. With the majority of our employment support we are required to deliver the conditionality regime on behalf of the Secretary of State. We have years of experience with sanctions and believer we have firmly grasped how to balance the duel role of conditionality and support to the maximum benefit of the customer.

Therefore, in this submission we have focused on two areas, firstly the delivery of Universal Credit as digital by default. We highlight what problems may arise based on our experience of providing welfare advice services such as form filling support, guidance on claims and appeals due to error. Secondly we have submitted evidence on the use of conditionality and sanctions based on our delivery of employment support services.

1. The proposed arrangements for claims and payments and the provision of support and advice for claimants, including the presumption of a predominantly online, self-service claims process; monthly payment to one person in the household; and arrangements for providing telephone and face-to-face support and independent advice for claimants who need it.

1.1 Advice
From April 2013, with the effective end of legal aid for welfare benefit issues, there will be a substantial (and in some areas complete) gap in availability of independent advice for claimants. For example in Newham, there will be no funding for independent advice on welfare benefit issues, and as the sole provider of advice in this field we will be attempting to continue a service via cross-subsidy from other funding streams. It is unclear whether we will be able to deliver this. Local authorities are not sufficiently independent to replace this provision, given their administration of housing and other support (and from 2013, the social fund and council tax support).

An absence of independent advice has serious consequences for claimants and for the rollout of Universal Credit. For our clients, many of whom face multiple and serious barriers to using online or telephone services (including language and disability) and who will be dealing with significant change to their benefit entitlements, the absence of face-to-face independent advice will mean many missing out on support they need and are entitled to, undermining the principles of the reforms and with serious long-term consequences for their welfare.

Independent advice providers should be considered a resource by the Department for Work and Pensions, contributing to the smooth rollout of the reforms, informing where implementation or policy needs tweaking, and challenging where appropriate. We urge DWP to make funding available for independent advice agencies during the rollout of Universal Credit, with the funding designed in such a way as to promote constructive feedback on the reforms alongside independent advice for clients.

1.2 An online service
IT system
These are the main barriers our clients will face in using a digital by default system to claim and manage their Universal Credit award:
- The majority of the people we see do not have access to a computer; many people do not have a computer at home and rely on public libraries etc.
- Many of them are IT illiterate, or have poor IT literacy skills.
- Language barriers; English is not the first language of many of our local residents, there are over 100 different dialects spoken in Newham. It is unclear if the IT system will be designed to provide different language formats to meet the needs of all claimants.
- A high number of our service users have mental health problems which often go undiagnosed and will be hard to pick up via an online service.
- Our form filling service has a high percentage of people with learning disabilities who may often struggle to articulate their needs and circumstances. They require face to face support but it is unclear how this will be detected with a digital by default system.
- Claimants may be housebound due to physical disabilities and without internet access a digital by default system of claiming will be inaccessible.
- A lot of our service users have, quite often severe reading and writing barriers. Again this often goes undetected and with a digital by default system may lead to increased error.
- There are cultural barriers that already exist; people have spent years on the old system with potential negative experiences which means they no longer trust the system. It will be difficult to overcome this preconception and will require a period of learning for trust in a new system to develop.
- Age will be an issue as many of our older clients are less capable of adapting to an online service.
- Poverty will have an impact on accessibility, for example the cost to renew passports etc mean some people do not have any form of identification or national insurance numbers etc. Another example would be the cost to make a telephone call from a mobile phone will restrict people with very low incomes from using this service.
- Debt and money management issues.
- People that are in the process of determining their immigration status will be unable to provide all the information required and so the online system will need to be able to support people in this situation in this way.

Universal Credit delivery
Delivery of welfare benefits, whether face to face, via telephone or online, comprises of both financial payments and detecting the level of support and conditionality appropriate for each customer. The Universal Credit IT system needs to serve at least three obvious functions
- the initial application for UC award
- registering a change of circumstances
- communicating the responsibilities of the claimant and the responsibilities of the state

We would add an additional three more valuable functions:
- Assessing people’s barrier to successfully entering and sustaining employment.
- Detecting vulnerability amongst clients and highlighting the need for face to face support.
- Engagement with employers

We recommend the following principles behind the design of online delivery of Universal Credit:
- Transparency
- Knowledge and understanding of application
- Chapters outlining the philosophy behind the questions
- Personalised – clear option for face to face or phone support
- Designed to detect vulnerability
- Designed to be as digitally inclusive as possible; use of online videos etc to enable the less IT literate to participate in online systems in some way

Specific recommendations

Simplicity and clarity in communications
Universal Credit IT should be developed and presented in ‘chapters’ to inform and guide customers clearly through the process. They should be aware of what each ‘chapter’ or ‘section’ is in regard to and why it is relevant to them.

a. Ensuring customers are fully able to convey the difficulties they face.
Often, but not always clients understand their own circumstances. However, even if they do, they are not always able to express their personal circumstances accurately.
- We recommend that it is made very clear that customers are entitled to face to face support for help with applications if they so wish.
- We also recommend that the philosophy behind a question is made clear so that the customer understands what the questions are asking for and why to ensure they answer it properly.

Form complexities
DWP language is not accessible to many of our customers and forms are updated on a regular basis and so customer’s previous experience of an application may no longer be relevant. Forms are complicated and are more accurately filled in if customers are able to read the form in its entirety first to understand the thinking behind the questions.

- Plain English should be used for more customers to understand the process and clear explanations given for decisions being made.
- An IT system should consider the use of an online translator.
- It should clearly notify customers of changes made for applications.
- Customers should be able to read through forms before filling them in online.
- The option to print a form and fill it in by hand should be made easily available. (Currently you cannot do this with a child benefit form for example.)
- Have absolute transparency behind the question; information should be provided so customers are able to make an informed decision, clients need to know the criteria behind the assessment.

Detection of specific circumstances/ vulnerable clients and support available
Many customers who are vulnerable or have special circumstances will not self identify or they often do not know they have special needs. Online services run the risk of losing subjectivity, without the face to face discretion to detect such circumstances, an online UC system will easily miss detecting such issues. For example those suffering domestic abuse, those who require direct payments to their landlord etc. From our experience, trust is fundamental to identifying vulnerable customers. Our frontline advisers call it the importance of ‘building the bridge’ together.

- The IT system should be designed to detect vulnerability; customers may know their own issues but the IT system should be responsible for identifying these.
- Alternative options of delivery: face to face support, phone services should all be made available and an adviser should have access to the customer’s online account following a number of security questions so that the customer doesn’t have to repeat all the information they have entered. An interactive help box should also be available.
- A warning trigger should be send to JCP if an application is not completed, where by a follow up phone call to check for particular problems, need for further support.
- Monitoring and evaluation of those who request advice support or a paper application should be carried out to further develop the IT system to meet these customers’ needs.

Security
It is crucial that claimants trust an online service that they are entering a vast amount of personal details into. The customer must be assured complete security if accessing an account on a public computer. Also data protection issues will arise if applications are to be made per household unit; many people on low incomes live in shared accommodation. Some members of a household unit may wish not to disclose personal information being requested from the online application. It is necessary to be clear who is making the online application and who has access to the account.

- Online services need to guarantee security, for people with particular needs it will be necessary to develop security cards developed in a particular way that is secure and practical, for example a way to remember login details etc.
- There needs to be secure zones clearly identified within the online application.

Access
The majority of the people we see are either IT illiterate or do not have access to a computer at home. This will mean they require alternative methods of delivery, IT training or use of public computers. If using public computers in a public place, for example in a library there is usually a time limit on access which is very likely to jeopardise the efforts made to apply successfully. Furthermore, usually quite thorough proof of identification, address etc is required to sign up to a library before free use of computers is granted.
Librarians are not trained to provide any type of welfare advice and so cannot assist customers with their applications. This is just one example of using public computers to access a Universal Credit account, make an application etc. There will also be very limited access to independent advice by the time Universal Credit starts to be delivered.

- An increase of computer terminals should be made in all Jobcentres, available to all customers. Trained staff should be on standby to assist with any queries.
- Jobcentres should also run basic IT training sessions tailored for specific use of Universal Credit online.
- As part of the transitional plan independent advice should be funded to ensure error is minimised.
- Online ‘chat rooms’ or webinars should be built into the system with an adviser from central office at the other end to advise online customers on a technical error.

2. The proposed arrangements for the “claimant commitment”, sanctions and hardship payments.

2.1 Conditionality used effectively
Community Links has a particular interest in the design and delivery of the conditionality regime. People in our local community that use our services are often significantly affected by this policy area. Furthermore it has a direct impact on our service delivery, in the free independent welfare advice we provide and on the back to work support we provide, including the Work Programme.

As an organisation with many years of experience delivering high quality employment support and providing advice to people hoping to appeal a sanction, we see the need to reform of the current conditionality regime. There are many aspects of the regulations on conditionality, the claimant commitment and sanctions that we welcome. For instance we fully support the ambition of clarifying why a person could be sanctioned and if they are, for what duration. Many people who use our services do not understand why they are being sanctioned, and in some cases do not even realise they have been sanctioned. The aim of detailing this in the claimant commitment is welcomed and should prove effective. We also welcome the intention to personalise conditionality regimes so that they are relevant in each individual – taking into account individual needs and circumstances.

However, as so much of the policy design is reliant on front line Jobcentre Plus advisers skills in using discretion, we remain concerned with the capabilities of advisers. We have concern over the quality of customer service; how competent and confident all frontline advisers are in identifying people’s needs, their hidden needs, and their barriers to employment and just as importantly, their perceived barriers to employment.

As a Work Programme provider we place a huge amount of emphasis on the importance of the adviser/customer relationship in order to establish an effective and supportive service. In our own service delivery we support our front line advisers to uphold the guiding principles outlined in our Deep Value\(^1\) report; trust, understanding, collaboration, commitment, communication and empowerment. We envisage the claimant’s journey back to work as a ‘mutual endeavour’ and other providers in the welfare to work industry accept and support our Deep Value approach.

Conditionality plays a central role in delivering support services and we strongly feel it should be designed as part of a support package. Conditionality, like support, must be tailored to the individual. We understand that this is one of Government’s objectives however we know that to deliver a truly personalised service, this requires investment in skilling up front line advisers and management. The success of these regulations is solely reliant on the skills of the advisers delivering the resulting service. We would welcome further details on the guidance being issued to all advisers for implementing new policy and more information on how the department intends to ensure a benchmark on quality is consistently adhered to.

In our response to the initial Green Paper, 21\(^{st}\) Century Welfare where we were asked to comment on several principles underpinning reform. On specifically related to conditionality and we responded with the following which remains applicable to current policy on this area:

In contrast, we are concerned about the principle to “promote responsibility and positive behaviour, doing more to reward saving, strengthening the family and, in tandem with improving incentives, reinforcing conditionality.” We feel that language like ‘reinforce conditionality’ implies that all claimants are under suspicion for wrongdoing. From our experience claimants are keen to take on more responsibility and the structural reforms being suggested will naturally enable this. We recommend a principle that indicates reforms ‘will enable responsibility and recognise constructive activity that is deemed appropriate for family wellbeing by the claimant.’

We stress that it is not necessary to include conditionality in a principle that promotes personal responsibility; in fact to do so is detrimental to increasing autonomy. Instead we suggest that a more positive form of ‘conditionality’ be designed into the personalisation agenda at Jobcentre Plus – it should be agreed in advance between the client and adviser, since each case will present very different circumstances.

2.2 Claimant commitment and rights and responsibilities
We welcome the claimant commitment for the purpose of clarity and fairness. We also think this will make the use of sanctions more effective. However we are concerned about the method of acceptance and recommend that the claimant commitment should be agreed upon rather than it ‘must be accepted’. This is because the claimant commitment will also document the type of support the adviser will also commit to providing and unless this is adequate for the individual they should not be required to commit to fulfilling actions that could otherwise lead to a sanctionable offence.

The three options outlined in the regulations rely on claimants being equipped to fully comprehend what they are committing to. More vulnerable claimants will most likely require face to face methods to gain a full understanding of the requirements. Face to face is also necessary for detecting needs and certain circumstances that should be accounted for in designing the claimant commitment. We recommend that face to face is also a method of acceptance.

We welcome the word encouraged in the purpose of the work focused interview and would like to see a better evaluation of the impact of encouraging people to move into work, separate from the evaluation of the impact of sanctioning people. If there are reasons why a claimant may not be able and willing to immediately take up paid work, these should be identified in the claimant commitment and the support to over come these barriers should be recorded within the claimant commitment.

2.3 Sanctions
We are concerned about sanction and mandatory work placements. There should only be a sanctionable offence if the mandatory work activity is considered reasonable in relation to the claimant’s needs and circumstances. There is little evidence to guarantee this is always the case in current provision.

For the high, medium and low level sanctions they should all be monitored and evaluated to assess the impact on behavioural change and compliance with a set of actions. Equally support should be separately monitored and evaluated to provide a clear understanding of what was successful in getting a claimant to comply with a set of actions.

Finally we are concerned about the introduction of a tougher conditionality regime prior to the introduction of Universal Credit. When Government have openly acknowledged the barriers claimants face with the current system to moving into work, its seems only logical and fair that tougher conditionality should only be introduced when government has removed the barriers that have been created by the structural design of the system itself.

Additional relevant policy

Community Links Minimum Service Standards – a new approach

1. Background

As part of the “Personalisation of Welfare” programme at Community Links, we have looked at the role of minimum service standards as a viable benchmark for measuring quality support against. This is particularly important in developing guidance to advisers that are responsible for issuing sanctions as well as adequately supporting claimants. We believe that current approaches need improving, particularly so as to:
• Ensure a high quality, personalised service for all customers using the Work Programme and/or Jobcentre Plus; and to
• Provide a framework to identify staff training needs and to design more effective approaches for monitoring and evaluating employment support services.

We advocate a new approach focusing on the effectiveness of the one-to-one relationships between front-line staff and customers.

While some parts of government are embracing ideas around the value of one-to-one in public service delivery, there are also powerful trends taking service delivery ever further from the human relationships that should be at its heart. These trends reflect a legitimate interest in saving costs and securing value for money and, in this context, it can appear that the benefit of investing in one-to-one relationships is difficult to measure and that working in this way is a luxury that we cannot currently afford.

However, our own experience over 30 years of providing services to people, backed up by research from a wide range of fields including employment, health, education and legal services shows that an effective relationship is instrumental to achieving desired outcomes. This is especially important when people have complex and chronic needs and lower levels of skills and confidence. Increasing the effectiveness of relationships is, therefore, a lever for improving quality, performance and value for money.

Many public services are not currently designed in ways that focus on enabling staff and customers to work together effectively to generate the best outcomes. Instead pressure is placed on these relationships through inappropriate targets, heavy administration, lack of time and tight budgets. This puts the relationship under such strain that the results are often frustration, resentment, bad service and poor outcomes. Some of this can be explained by the attitudes and behaviour of some staff and customers, but it runs deeper, to the wider systems for planning, administering, funding and reviewing services that contribute to poor working practices.

We need to turn the design of services on their head so that they start by focusing on the quality of the one-to-one relationship at the front-line.
2. New Service Standards

We have looked at how Minimum Service Standards can provide the basis for a service based on effective relationships. Behind this statement are accompanying materials both to help Advisors to develop these relationships and to monitor their success at doing this.

Design principles for Service Standards

The work uses a set of design principles:

- The starting point should be dropping the word ‘minimum’ from ‘minimum service standards.’ From the outset it sends out an unhelpful message about services being the least, the smallest or the lowest. They can really just be called ‘Service Standards.’

- The standards should be short, clearly addressed to the customer and written in Plain English.

- The standards should support people’s capabilities at the same time as understanding their particular circumstances.

- In addition to setting out the role of the service provider they should also set out what is expected of the customer, emphasising that achieving the desired outcome will be a shared effort.

- The standards should not just be a statement of warm words but shape the practical delivery of the service.

- Whilst seeking to shape the service, they should be also be consistent with the “black box” approach which gives providers flexibility in how outcomes are achieved.

- The standards should reflect a customer’s whole journey, from initial referral to staying in sustainable work.

The following is a statement that would be given to customers with Jobcentre Plus or on being referred to the Work Programme.
Service Standard

These Service Standards set out how we will work together to help you move successfully into work.

**Understanding where you are coming from**

Our starting point is to build on your skills, experience and interests. In doing this, we will work with you to understand your needs and circumstances and work with you to find ways to take care of these.

**Committing to a shared effort**

For our work together to be successful, it needs us both to commit to doing all we can to achieve the end result.

Before your first appointment, we will have received all your details from the JobCentre and spoken to your previous advisor. We will give you a Personal Advisor who will meet you face-to-face within five days of your referral.

At your first meeting, you and your Advisor will discuss what you are hoping to achieve and your circumstances. Your Advisor will explain all the resources and options available to you and together you will draw up an initial action plan. You and your Advisor will keep this action plan under review and change it when necessary.

**Working together to get you where you want to be**

The aim from the start should be for both you and your Advisor to be honest with each other and to demonstrate a real willingness to work together. Your Advisor will help you to build on your strengths. At times, this may involve challenging you, where your Advisor feels this will help you to move forward.

You will be supported by the same Advisor throughout your time on the Work Programme so that you have the time to develop a good working relationship. Your Advisor will also stay in touch once you move into work.

**Making sure we are making progress**

At regular intervals in your time on the Work Programme you and your Advisor will sit down together to review progress, including looking at whether the standards set out in this statement are being met.

16 August 2012
Written evidence submitted by the National Landlords Association

Background:

1. The National Landlords Association (NLA) exists to protect and promote the interests of private residential landlords.

2. With more than 20,000 individual landlords from around the United Kingdom and over 100 local authority associates, it provides a comprehensive range of benefits and services to its members and strives to raise standards in the private-rented sector.

3. The NLA seeks a fair legislative and regulatory environment for the private-rented sector while aiming to ensure that landlords are aware of their statutory rights and responsibilities.

NLA evidence summary:

4. The NLA contends that the implementation of Universal Credit, as intended by the draft regulations currently under consideration by the Social Security Advisory Committee, has the potential to have a significant destabilising, and subsequently detrimental, impact on the private rented sector.

5. Specifically, the Association is concerned about the lack of distinct regulation:

   (i) defining the mechanism of payment to another person on the claimant’s behalf;
   (ii) the factors which will be used to determine financial and vulnerability risk factors and;
   (iii) the degree of uncertainty presented by the replacement of swathes of regulation with guidance.

Payments to another person on the claimant’s behalf:

6. Clause 52 (1) of The Universal Credit, Personal Independence Payment and Working-age Benefits (Claims and Payments) Regulations 2012 states that the Secretary of State may direct that Universal Credit may be paid wholly, or in part, to another legal person if such a direction is likely to protect the interests of the claimant.

7. Clause 52 (2) goes on to confirm that “(1) includes provision for the making of payments to a person to discharge, in whole or part, a liability of the claimant to a landlord in respect of housing costs which are included in the claimant’s award under Schedule (HoS4) (support for renters) of the Universal Credit Regulations 2012.”

8. The NLA has long-maintained that it is essential to provide a mechanism for the direct payment of the housing cost component of any relevant future benefit to the provider of said housing. The provision of housing is a relatively high risk venture, often dependent on the stability of income streams in order to meet additional financial commitments connected to the provision of accommodation. In the most basic sense, it can be very challenging to obtain sustainable financial
products in respect of rental housing, particularly those variants which do not prohibit letting to tenants in receipt of housing support.

9. Without recourse to establishing direct payment to the landlord where necessary, providers of commercial finance are likely to determine that the risk of lending is too high resulting in high costs to the borrower or a reduction in availability. This reduced availability and increased potential cost of provision will have a detrimental impact downstream on tenants.

10. The NLA notes with some concern that Schedule 4 of The Universal Credit, Personal Independence Payment and Working-age Benefits (Decisions and Appeals) regulations 2012 expressly excludes regulation CP55 (decision as to paying another person on the beneficiary’s behalf) from the right to appeal. Given the opportunity for human error and miscellaneous misunderstanding it is imperative that a claimant, or other affected person, is able to appeal a decision they believe incorrect.

11. Further to the issue of arranging payment of relevant benefits and credits to a third party in the event of an agreed exception, private landlords have expressed some concern that measures provided within Section 96(2) of the Housing Benefit Regulations 2006 do not appear to have been replicated.

12. Regulation 96(2) states:

......a first payment of a rent allowance following the making of a decision on a claim or a supersession under paragraph 4 of Schedule 7 to the Child Support, Pensions and Social Security Act 2000(2) may be made, in whole or in part, by sending to the claimant an instrument of payment payable to that landlord.

Thereby ensuring that a private landlord is made aware of the acceptance and commencement of a new claim by means of the first payment being issued to the tenant in the name of the landlord. This system is not intended to remove any of the independence granted by direct payment to the tenant, but ensures that the provider of housing in each instance is informed of the start of the claim, the level of payment and receives the initial rental instalment.

13. To date the NLA has seen no evidence of similar provisions with the Universal Credit Regulations and believes that a failure to provide a mechanism to engage with the provider of accommodation from the outset and to ensure that they are aware of the status of a claim could have detrimental consequences for landlords and tenants trying to secure new tenancies.

Payment to the housing provider in the event of arrears:
14. In particular, it is essential that landlords, both social and private sector, are able to mitigate the risk of non-payment of rent, where the housing cost is wholly or partly met by the state, through means of a direct payment trigger mechanism. Currently, this certainty is provided by Section 95 of the Housing Benefit Regulations 2006:

\[\text{Circumstances in which payment is to be made to a landlord}\]

95.—(1) Subject to paragraph (2) and paragraph 8(4) of Schedule A1(1) (treatment of claims for housing benefit by refugees), a payment of rent allowance shall be made to a landlord (and in this regulation the “landlord” includes a person to whom rent is payable by the person entitled to that allowance)—

(a) where under Regulations made under the Administration Act an amount of income support or a jobseeker’s allowance payable to the claimant or his partner is being paid direct to the landlord; or

(b) where sub-paragraph (a) does not apply and the person is in arrears of an amount equivalent to 8 weeks or more of the amount he is liable to pay his landlord as rent, except where it is in the overriding interest of the claimant not to make direct payments to the landlord.

(2) Any payment of rent allowance made to a landlord pursuant to this regulation or to regulation 96 (circumstances in which payment may be made to a landlord) shall be to discharge, in whole or in part, the liability of the claimant to pay rent to that landlord in respect of the dwelling concerned, except in so far as—

(a) the claimant had no entitlement to the whole or part of that rent allowance so paid to his landlord; and

(b) the overpayment of rent allowance resulting was recovered in whole or in part from that landlord.

(3) Where the relevant authority is not satisfied that the landlord is a fit and proper person to be the recipient of a payment of rent allowance no such payment shall be made direct to him under paragraph (1).

15. However, the explanatory memorandum provided in respect of the SSAC meeting of 13 June 2012 explains that:

“\text{In order to provide greater flexibility, the detailed circumstances about when payment exception will be appropriate will be set out in guidance, rather than in regulations. This approach will enable cases to be assessed on their individual merits}”.

16. While the NLA welcomes flexibility in the context of incorporating differing circumstances and personal criteria in relation to the assessment of discretionary direct payment, as largely achieved by the 2011 amendments to Local Housing Allowance Regulations, it remains imperative that certain triggers for the adoption of direct payment to landlord remain mandatory.

17. Should a recipient of Universal Credit fail to pass on the relevant housing component to their housing provider for a period exceeding two months, the majority of landlords will be compelled to
initiate possession proceedings in order to bring the tenancy to an end. This can often be avoided by the switch to direct payment to landlord.

18. Failure to control rent arrears through a coherent mechanism will lead to increased tenancy failure and recourse to possession proceedings which benefit neither party.

**Cross-tenure parity:**

19. The NLA is also concerned about the lack of apparent parity between households residing in different tenures. In the case of deductions in respect of mortgage interest, the draft regulations state:

*Scheduled 4 -

4. - (1) If the circumstances asset out in sub-[paragraph (2) apply to a relevant claimant in respect of a loan, the Secretary of State is to pay the specified benefits directly to the qualifying lender to whom the mortgage interest payments in respect of the loan are payable.

20. Given that this clause is most likely intended to prevent the loss of a households home as a result of repossession brought to bear as a consequence of a failure to service mortgage interest, it remains to be seen why the same protection cannot be afforded to those renting their home from a private landlord.

21. Failure to meet the obligations in respect of rental payments to a private landlord will most likely lead to repossession of that property by said landlord. Likewise failure to service a mortgage in accordance with the terms agreed at the outset will result in repossession of the property by the mortgagee. As the cause and effect are the same in both of these incidents, it would seem logical that the regulations should provide the same solution to prevent the loss of homes.

**Guidance to replace regulation:**

22. As outlined above payment exceptions, i.e. splitting the components of Universal Credit, making direct payment to third parties and splitting joint claims between the relevant recipients are to be supported by guidance rather than explicit regulation.

23. The NLA can understand the need to include a means whereby individual circumstances can be taking into account and individual financial independence can be nurtured. Flexibility on the part of those making decisions about an individual’s ability to handle their household arrangements is to be welcomed.

24. However, the Association remains deeply concerned that the net impact of the removal of statutory controls over the circumstances representing an individual recipient’s inability to manage their
25. At present, local authorities are provided significant discretion in relation to making direct payment to landlord if it believes that do so will assist in the establishment or continuation of a tenancy. However, should it become apparent that rental payments are not being made and arrears are being accrued, direct payment to landlord is mandated.

26. The removal of this regulatory backstop would be damaging to landlords business interests and the willingness of many present in the sector to work with recipients of Universal Credit. This, in turn, is likely to increase the risk profile of landlords working with benefit recipients and therefore their running costs in relation to tenancy management and access to finance.

27. Furthermore, the lack of certainty concerning what these guidance will contain and what weight they will carry in relation to interpretation following the roll-out of Universal Credit is creating additional concern on the part of landlords considering the future of their businesses.

28. Professional landlords frequently plan their portfolio investment and maintenance strategy over a 10 to 20 year period. This is very difficult to do without reasonable knowledge concerning the risk profile of a significant part of the market place. i.e. those prospective tenants who are either in receipt of housing support, or may become so during a tenancy.

29. It is the NLA’s contention that a proper assessment of the potential impact of these draft regulations cannot be made without knowledge of the intended form and contents of the associated guidance.

30. It is particularly difficult to plan for the impact of payment exceptions in respect of Universal Credit as no providers of accommodation in the PRS have been included in the contemporaneous Direct Payment Demonstration Projects.

**Determining financial and vulnerability risk factors:**

31. The criteria against which applications for payment exceptions will be judged have not been made available in parallel with the draft regulations under consideration. As a result it is very difficult to comment on the likelihood that, upon implementation, the screening will be effective.

32. This further state of uncertainty makes it very difficult for private landlords to plan their investment strategies for coming years, particularly if their current market includes those in receipt of state housing support.

33. The relevant explanatory memorandum states that the use of a criteria-based screening process is being considered to identify those individuals and households which need budgeting support and/or
may require the application of payment to their landlord. It goes on to cite that this approach is being explored by the Demonstration Projects in the hope that ‘early lessons learnt’ from these tests will be incorporated into subsequent Universal Credit proposals.

34. As referenced earlier, no private housing providers have been included in the Demonstration Projects leading the NLA to conclude that the intricacies of the private rented sector may not be taken fully into account when determining the necessary criteria.

**Housing benefit cap:**

35. The NLA has serious concerns about the impact which the benefit cap, and specifically the cap aimed at housing benefit payments will have on access to housing. However, we note that review of the Government’s policy agenda is not within the scope of this inquiry and will limit comments to the implementation of these regulations.

36. Having reviewed the regulations under consideration, the NLA remains unclear concerning the practicalities of administering the housing benefit cap in such cases as the housing component payments are made directly to the landlord.

37. The Housing Benefit (Benefit Cap) Regulations 2012 state:

*Reduction of housing benefit*

75D. – (1) Subject to paragraph (2), where the benefit cap applies, the relevant authority must reduce the amount of housing benefit to which the claimant is entitled by virtue of section 130 of the Act by the amount by which the total amount of welfare benefits exceeds the relevant amount.

(2) Where the reduction would reduce the claimant’s housing benefit to less than the minimum amount of housing benefit provided for in regulation 75 (minimum housing benefit), the relevant authority must reduce the claimant’s housing benefit by such amount as will leave the claimant entitled to the minimum amount.

38. Given that the ‘minimum housing benefit’ specified by the 2006 regulations is £0.50, this would result in a derisory direct payment to the recipient’s housing provider and an outstanding liability in terms of rent due. By virtue of the existence of direct payment to landlord, the households effected are likely to meet the assessed vulnerability criteria and be ill-prepared to make arrangements for alternative payment.

39. The NLA is concerned that these circumstances will lead to the termination of an increased number of otherwise sustainable tenancies as a result of accrued rent arrears.

*17 August 2012*
1. The creation of the Universal Credit system is a very large undertaking and is very complex. In this brief submission we focus upon one small aspect of the new regime, support to homeowners. This group are very easily overlooked in the overall enterprise but the reality is that the changes proposed here have the potential to further exacerbate the current decline in home ownership, an outcome with far ranging consequences both for households and government. We have a number of core concerns with the proposals as currently set out. These are as set out in subsequent paragraphs.

2. The proposal to restrict the payment of SMI to those working 0 hours only (rather than 16) is extremely ill-considered. Remaining part of the work force is an important issue here and not least in terms of the ways lenders view customers in difficulty. Removing this modest incentive puts in place a cliff edge in terms of benefits –some or none and undermines the borrower’s credit standing and engagement in work. Far from progressing issues this proposal actually moves support for home owners backwards. Currently if homeowners work for less than 16 hours they are still in principle eligible for SMI; but the amount of their eligible support is removed £1 for £1 against their earnings. Under universal credit, the 16-hour rule would disappear, but however little a homeowner worked or earned it is proposed that any support for mortgage costs would automatically cease. The only help effectively provided to in-work homeowners would then come in the form of the higher earnings disregards available within universal credit for those households not receiving any help with their mortgage costs.

3. As the attached report argues the ‘unemployment trap’ built into the universal credit proposals will become far more extensive in its effects. These provisions will also create particular difficulties for those households currently in receipt of SMI that are in low-paid, part-time work. DWP estimates this as around five per cent of all those with SMI linked to JSA or income support. These provisions run completely against the stated objective of the universal credit proposals to remove barriers to households moving into part-time work, as part of a more effective approach to supporting moves into full-time work at a later stage.

4. The draft regulations ignore completely all the major issues which have been discussed extensively over the last two decades around support for home owners and go nowhere near considering any of the solutions that have been aired. What we get instead are a series of detailed and largely cost saving measures at best peripheral to improving how we support home owners in difficulty. Home ownership in the UK is falling in percentage terms. These proposals in conjunction with tightening credit standards in the mortgage market driven by the FSA’s Mortgage Market Review will ensure that decline continues. The proposals are fundamentally flawed, and will not provide sufficient support for the owners that are directly affected, for the housing market, or for the wider economy. Far more comprehensive and wide-reaching reforms are required.

5. The Joseph Rowntree Foundation (JRF) is currently funding Professor Wilcox myself to review and update proposals for a ‘Sustainable Homeownership Partnership’ (SHOP). SHOP would provide a far more effective safety net for out-of-work homeowners, with the costs shared between borrowers, lenders and government. Indeed, the introduction of universal credit provides the opportunity to extend the SHOP model so that it incorporates both in- and out-of-work means-tested assistance, again with the costs shared between the three parties. This would remove the ‘unemployment trap’ inherent in the current proposals, and permit a reconsideration of the issues of time limits and possible charges on an owner’s dwelling for longer-term claimants, in a more
constructive context. There would also be advantages in more fully aligning the rules for help with housing costs across tenures within the framework of universal credit. In particular, if mortgage costs were to be eligible for assistance for homeowners in low-paid work, there would be no need to continue with the complex proposals for a ‘two-tier’ earnings disregard for tenant households.

17 August 2012
Written evidence submitted by East Riding of Yorkshire Council

1. The proposed arrangements for claims and payments and the provision of support and advice for claimants, including the presumption of a predominantly online, self-service claims process; monthly payment to one person in the household; and arrangements for providing telephone and face-to-face support and independent advice for claimants who need it.

1.1. East Riding of Yorkshire Council covers in excess of 930 square miles; it is a predominantly rural area with over half of the population of approximately 330,000 living in dispersed rural communities. Many of our residents do not have access to the internet and there are significant areas where broadband access is poor or non-existent. Many of these customers are therefore used to, and reliant upon, visiting their local customer service centre to make a claim for benefit (or to seek advice about their claim) with one of our advisors or making alternative arrangements for internet access by visiting their local library.

1.2. The flip side to the above is that customer insight has shown that in some of our more deprived areas although there is access to broadband, and connectivity is not an issue, the level of take up is extremely low. It is these residents who are most likely to be Universal Credit customers, so by insisting on digital by default there are concerns that the most vulnerable customers wishing to claim the benefit will be significantly affected.

1.3. There are 14 Customer Service Centres (CSC) across the East Riding and the grid below shows how customers have made their housing and council tax benefit claims for the period February 2012 to July 2012.

1.4. Our customers are offered an assisted claiming method using our e-Benefits product. The customer attends our CSC and completes an assisted electronic claim. It is at this stage that the evidence is requested from the customer. We introduced this method of claiming because our research showed that customers preferred the face-to-face contact and/or did not have immediate access to the internet.

<table>
<thead>
<tr>
<th>How claim made</th>
<th>Number of new claims</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-line claims</td>
<td>70</td>
<td>2.4</td>
</tr>
<tr>
<td>eBenefits</td>
<td>1309</td>
<td>44.87</td>
</tr>
<tr>
<td>Paper claim form handed into the CSC</td>
<td>1001</td>
<td>34.32</td>
</tr>
<tr>
<td>Paper claim form by post</td>
<td>537</td>
<td>18.41</td>
</tr>
<tr>
<td>Total claims</td>
<td>2917</td>
<td>100</td>
</tr>
</tbody>
</table>
1.5. The table above shows that if face-to-face claiming/support were to be withdrawn when Universal Credit is introduced, this would potentially have a detrimental effect on the number of customers claiming. A result of this may mean increased hardship for our customers, increased rent and council tax arrears and possibly increased numbers of evictions due to customers not claiming their entitlements. This may be because they are unable to access the on-line systems because of lack of internet availability, or personal circumstances (such as learning difficulties).

1.6. A particular concern of the council is that if on-line claiming is the only option would the LA be expected to place internet points in our CSC for access and offer assisted support? If that were to be the case, there is a concern around where funding would come from for this.

1.7. For the period February 2012 to July 2012, there were over 34,000 contacts from housing benefit claimants in the East Riding requiring face-to-face support or advice at one of our CSC’s. This accounted for 23% of the queries received across the CSC network. There are concerns about how the DWP will deal with the level of enquiries anticipated, when there will no longer be a face to face service available.

1.8. The UC guidance states that customers will start to receive one monthly payment directly into their bank account and will not be advised on how the payment has been calculated or broken down. Currently payments of rent to customers living in council housing are sent automatically to their rent account and no money is paid directly to them.

1.9. The council clearly has a concern about whether these customers will pay their rent to their account. Some of our customers have been in receipt of housing benefit for years and are not aware of how much their rent is and have never been responsible for managing their accounts. There are concerns about how these customers will handle this change with no face to face intervention. We also have concerns relating to the changes to under-occupancy in the social rented sector from April 2013 and how this will impact on rent collection rates, particularly when coupled with the introduction of Universal Credit.

1.10. Our current Local Housing Allowance (LHA) caseload at 31 July 2012 is 8637 (from SHBE). From the table below we can demonstrate the effect direct payment has had on private landlords since the introduction of LHA.

<table>
<thead>
<tr>
<th>LHA claims</th>
<th>8637</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct payment to landlords</td>
<td>1120</td>
</tr>
<tr>
<td></td>
<td>12.97% paid to landlord</td>
</tr>
<tr>
<td>319 - more than 8 weeks in arrears</td>
<td>28%</td>
</tr>
<tr>
<td>19 - to secure new tenancy</td>
<td>19%</td>
</tr>
<tr>
<td>782 - vulnerability</td>
<td>70%</td>
</tr>
</tbody>
</table>

We expect a similar scenario to occur in the social rented sector when universal credit starts.
1.11. Currently customers are aware of how much housing benefit is paid to them to help towards their rent payment. There are concerns around a single monthly payment being made and the fact that UC will not be broken down, and given that, the issues with the customer being able to work out the rent element and make the correct payment to their rent account.

1.12. East Riding of Yorkshire Council attends the Support and Exceptions Working Group with the DWP, looking at how customers might be supported when UC commences. A major issue, which is currently unresolved, is the issue of making payments if the customer falls into rent arrears, in particular where the rent element may be paid directly to the landlord and the remainder of the UC to the claimant.

1.13. If the customer falls into arrears, there are concerns about how payment will be made to the LA rent accounts. The arrears may impact on collection rates for the LA and also increase rent arrears in the private sector.

1.14. The council would be interested to know how the claimant’s entitlement will be notified to the LA, particularly for the assessment of Council Tax Support.

1.15. As a council, East Riding has had excellent liaison and links with the private rented sector, we would hope that the DWP continue this.

1.16. The single payment per household means there is a possibility of increases in domestic violence and abuse. Where there is a controlling person within the household, this could lead to distressing situations for other members of the household including children. If the local authority is to provide face to face support for these households we consider that we would need an increase in funding.

2. **Progress with developing the necessary IT systems to administer Universal Credit, including the real-time information (RTI) system for PAYE taxation being developed by HM Revenue & Customs.**

2.1. The DWP are stating that the universal credit IT systems will be integrated with HMRC so that real-time data can be sent to process any relevant changes in the customers circumstances. We are concerned that no consideration has been given to LA’s in this process. If real-time information is passed to LAs through ATLAS, LAs will struggle to cope with the increase in change of circumstances which would be reported. Many of our customers will not be able to budget or plan ahead if their universal credit amount changes every month which in turn affects their council tax benefit.

2.2. The introduction of ATLAS has already caused considerable strain upon LAs processing the additional changes which the customers do not report, if they have to process extra work, then consideration needs to be given to increasing staffing and budgets and how changes in Universal Credit will be reported to LAs. We would hope that this would not remove the onus from the customer to report changes in circumstances directly to the LA.
2.3. Many of our staff are worried about their future positions, if they start to look for alternative employment we would have to recruit new staff and this takes time to train. We would expect the support and budget from the DWP to be increased for this.

2.4. We would like to know how far the changes reported would go back to as retrospective changes to entitlement to CTB/HB, when we no longer administer these benefits, would be impossible.

3. The proposed arrangements for the “claimant commitment”, sanctions and hardship payments

3.1. This will have a significant impact on the processing of Council Tax Support and existing HB claims. If stricter sanction rules are in place, we will have to gather more information regarding the customers circumstances than we do now. Any sanctions will have a significant impact when monthly payments are in place and this may in turn increase the amount of customers applying for discretionary housing payments or crisis loans from their local authority. Sanctions could also impact adversely on the council and landlords in terms of council tax and rent collection rates.

3.2. If sanctions were already in place, this could affect the Local Authorities ability to recover council tax arrears from Universal Credit. If council tax is not recovered, the council is not able to fund all the services it provides and this affects all its residents, not just those claiming benefits.

4. Changes in the income entitlement of disabled people under Universal Credit, including those who may receive less income under Universal Credit than at present.

4.1. This will increase the amount of customers applying for discretionary housing payments or crisis loans from their local authority. Again it will impact on the council’s ability to collect rent and council tax as these customers will not have the ability to pay. This may lead to increased rent arrears, evictions and homeless applications but the council may not have the housing stock available with the specialist adaptations needed to rehome disabled customers. There would therefore be an increase in demand on the council’s benefit and money advice team.

5. The impact of the changes on local authorities, including budgets, staff and support for claimants. The changes include those to Housing Benefit; the introduction of the benefit cap; and localisation of council tax support.

5.1. The biggest concern for local authorities is the impact of the changes to Universal Credit on us. Admin grants for administering housing benefit will be reduced however there will still be a need to gather information as we currently do in order to administer council tax support. With the uncertainty that surrounds the council’s role in Universal Credit it is likely that we will end up with skills gaps as staff look to secure their future and move out of benefit jobs.

5.2. If, following the initial introduction of Universal Credit, the role LAs play in delivering changes, we could easily end up in a position where we have to recruit staff following the earlier reduction
in staff numbers. The cost and resource implications of having to do this would no doubt fall on the LA in a time when we have to find savings.

5.3. We have already identified that the information provided to us for the Benefit Cap is incorrect, yet we have been advised not to inform the DWP of the discrepancy. We would like this to be corrected soon. If we were to contact customers now from the data scan provided we may be contacting customers who are not even affected by the change. We would also like to know who will work out the benefit cap as this appears not to have been decided yet.

5.4. In order to work out the benefit cap, the LA would need to start holding data which is currently not needed, which would require an extreme amount of work on the LAs part. Again, these customers will come into the CSC for help and support not the DWP as they will not offer face-to-face support. We are greatly concerned that we do not have the staffing or funding to accommodate this. We would need specialist staff available who can aid with employment, re-housing etc at one point of contact.

5.5. As stated earlier East Riding of Yorkshire Council has worked extremely hard over the years to develop its benefit and money advice service which was recognised nationally when winning the IRRV award for excellence in social inclusion. The work of the team was seen to be exceptional and the positive impact of the work of the team is felt by our residents. Our experience of dealing with vulnerable people leads us to believe that without a similar level of support, residents will find themselves in financial difficulties and in fear of being made homeless. The push for a predominantly on line provision goes against our knowledge from dealing with the most vulnerable customers. Many of our customers do not choose to make contact with our team. They are referred from other departments and organisations.

5.6. The reduction in funding for external advice organisations has led to a reduced independent advice provision which will impact further on demand from the council for face to face advice.

6. Eligibility for and operation of passported benefits.

6.1. Entitlement to passported benefits automatically entitles a person to free school meals, clothing grants, free prescriptions, a sport and leisure concession at an east riding leisure centre and full council tax benefit. We are concerned that we will not be able to identify these customers in the future if passported benefits no longer exist. We may have to rely on the DWP to advise us of eligibility but this could be very unpredictable. The loss of passported benefits will make it significantly harder for customers to understand their eligibility and many may under claim. It will also make it more difficult for advisers to maximise their customer's income and sign post to all entitlements.

6.2. ERYC have carried out significant work to ensure swift processing of free school meals (FSM) so that the welfare of children is not affected. As a LA we are pro-active with assessing FSM, if we no longer administered them we could potentially lose out on the pupil premium for our Schools Education System.
6.3. As passported benefit automatically entitles a person to maximum eligible rent and council tax, we would assume that the same will apply for Council Tax Support. However, we would either have to rely on the DWP to advise us of a customer’s income or we would need to collect income separately and duplicate the work the DWP have done for UC as they are separate claims. This wouldn’t be simplifying the benefits system. Perhaps the LA could be advised whether the Universal Credit award was an in or out of work claim.

7. **Impact monitoring: what the DWP’s priorities should be for monitoring the impact of the transition to Universal Credit.**

7.1. The DWP should ensure that monitoring is in place to establish the impact of Universal Credit on LA’s rent and council tax arrears and collection rates. Homeless prevention and domestic violence interventions and eviction rates will also provide valuable information on the impact.

7.2. We would also expect the DWP to monitor application numbers to the LA for DHP’s, crisis loans and social fund grants and the level of staff needed to process these applications.

7.3. As one of the aims of Universal Credit is to simplify benefits, then monitoring the number of and frequency of UC and CTS overpayments especially in relation to real time information will evidence if this has actually been achieved.

8. **Summary**

8.1. East Riding of Yorkshire council is very concerned about how our most “vulnerable” residents will cope with the transition from their existing benefits to universal credit. Our main concerns are -

- Broadband access is limited as East Riding of Yorkshire is a rural area
- Internet take-up is limited in the most deprived areas of our county
- Huge increase in customers visiting our customer service network needing help to claim UC
- The monthly UC payment will not show a breakdown of amounts particularly the rent element
- Customers will not pay their rent or council tax and spend their monthly payment as soon as they receive it
- Increased applications to the council for social fund loans, crisis loans, dhp’s and the council tax discretionary fund
- No information supplied directly to the council by the DWP in order to process CTS or FSM applications
- Frequent changes in UC payments due to the real time IT system leading to multiple changes in circumstances recalcuations of CTS creating small over and underpayments generating multiple council tax bills during a financial year
- Loss of experienced benefit staff as no clear role for LAs in the administration of UC
- Lack of public knowledge or understanding of UC may cause under claiming and increase poverty

17 August 2012
Summary
The London Borough of Newham has high levels of poorer residents with huge pressure on housing and other public services. Our aspiration as a borough is to create mixed communities and to improve social outcomes for our population by building the economic, personal and community resilience of the borough. We are deeply concerned that the changes to welfare and benefits will make it increasingly hard to provide adequate public services, including housing - particularly in the current public spending climate. As currently envisaged, Universal Credit will cause severe hardship to many people who are making all possible efforts to find work and improve their situation. It will create further instability for those in insecure work. The changes also place significant financial risk on local authorities at a time when budgets are under severe pressure.

1. We have a number of key concerns with the new welfare system and our on-the-ground experience in the area should be useful to the Committee’s enquiry. We have focused on these areas of concerns in our written response but we are very happy to appear before the Committee to provide oral evidence covering the wider range of issues highlighted by this enquiry.

2. Our principal concern is that the benefit cap for workless households will make housing completely unaffordable for many families in Newham and across London. We understand that government policy is to “make work pay” and we agree in principle that the, perceived or otherwise, benefit trap should be tackled. In fact Newham was the first borough in the country to introduce a better off in work guarantee for our residents.

3. However, the impact of the benefit cap on low income households, when coupled with other policy changes such as the change to LHA rates, will be disastrous both for families who will not be able to afford their homes, and for local authorities whose budgets are already under significant pressure.

4. We are concerned that following the cap, thousands of Newham families will be unable to afford their rent and will therefore look to the Council for help with their housing. Not only do we have a severe lack of temporary accommodation in the borough, it is also an expensive option that is unsatisfactory for the family and community stability.

5. We are further concerned that, following high profile coverage of Newham’s and other London boroughs’ decision to place homeless households outside of the borough, the Government is seeking to restrict local authorities’ ability to place families in stable accommodation outside of their area. Whilst we recognise that location of the property must be taken into account, there are simply not enough properties in our borough that fall within the new LHA rates, much less the overall
benefit cap or even private rented sector landlords who will consider benefit claimants as tenants.

6. It is hugely unhelpful for government to put restrictions on what local authorities can do when our work in this area is simply concerned with mitigating against the consequences of government policy. It is important to note that whilst government retains responsibility for employment policy, it is local authorities that will be dealing with the consequences of the benefit cap for workless households.

7. There is a huge risk that the suite of changes to welfare and benefits will put unsustainable pressure on local authority budgets. The main risk comes from the cost of temporary accommodation. Newham has one of the best records in London for reducing temporary accommodation, having reduced it by 63% since 2007. However the borough currently has around 250 households living in council temporary accommodation that will be subject to the total benefit cap losing a total of around £1.16m annually. Temporary accommodation in Newham costs a minimum of £75 per night or £525 per week. A cut in benefits under the cap to £500 a week clearly makes this cost unaffordable. It is highly likely that tenants will be unable to pay and will fall into arrears.

8. There are also around 150 households (subject to the cap) that are permanent council tenants that will lose a total of £676K per year of which around £500K will be Housing Benefit. These two groups alone represent a total budget pressure to the council of £1.6m/year.

9. In addition, it is thought that there will be large migrations across London, in particular to relatively cheap areas like Newham. There is no additional funding in place to help local authorities such as Newham to deal with the service pressures as a result of these migrations.

10. We have a number of suggestions for how the government could mitigate the risks associated with the changes:

   a) Changes to improve the efficiency and fairness of the policy overall

   • **Do not introduce further regulation limiting council’s ability to discharge homelessness duty.** Given the chronic shortage of affordable housing in London this amounts to an unfunded burden being placed on local authorities. If this policy is to be introduced appropriate funding should be transferred from DWP welfare bill savings to councils, reflecting the real cost of the policy in line with the agreed ‘new burdens’ principle.

   • **Exempt those complying with job seeking requirements from the cap.** The benefit cap is intended to ensure that workless households cannot be better off than the average household. There are already robust requirements on out of work benefit claimants at a time of significant levels of unemployment. Under the current proposals households where adults are doing all that they
can to find work, and are recognised as such by benefit requirements, will be forced to live in conditions of poverty. We suggest that where these conditions are being met by claimants they are exempted from the cap. Alternatively, we would support the London Councils proposal for a job support fund administered by local councils to support those affected.

- **Lower the eligibility for the 9 month grace period**: in order to benefit from the 9 month grace period before the cap is implemented an individual in the household has to have worked a full year. In Newham many people are employed in industries with short term contracts and high levels of churn. As such, despite a commitment to work, they move in and out of unemployment. These households will be immediately subject to the cap because they can not meet the requirement to have worked 52 weeks out of the previous 52.

- **A higher cap in London.** In a range of policy settings it is recognised that the costs of living in London are higher than elsewhere in the country. Newham has previously suggested that if there is to be a cap this should be higher in London reflecting this. We still believe that this would be a sensible step to introduce.

- **Phased implementation of the benefit cap.** If a cap is to be introduced we believe that it should be phased in more slowly than currently proposed to give households more time to adapt to the change.

b) Specific changes to mitigate the financial risk to councils.

- **Exemption from the cap for those already in temporary accommodation (as at 31/3/13).** Whilst the financial risk to local authorities occurs across a range of household types the risk is most acute in temporary accommodation provided for vulnerable households and those with young children. Those in temporary accommodation at the time of introduction should be excluded from the cap. Temporary accommodation is inevitably of a higher unit cost that will often exceed the cap level. If local authorities are expected to continue to discharge their homelessness duty (in or out of their own borough) it is arguable that all households placed in temporary accommodation should continue to be exempted (perhaps for a fixed period). However the most immediate pressure is on those in such accommodation at the time the cap is introduced.

- **Pay housing element direct to landlords.** A wide range of households who are dependent on the state for housing support will receive their housing support as part of a single cash payment. For capped households where current rent alone may exceed their post cap income it is questionable that they will prioritise payment to their landlord over food and other immediate costs. For a wide range of others on low incomes in council housing for whom the benefit has previously been seen as a rent rebate they will now have to
prioritise payment of rent. This is likely to lead to greater levels of rent arrears and therefore financial risk to the council. We believe that Government should act on the direct payment pilot being carried out in Southwark or at the very least give tenants the choice of this element going direct to their social landlord helping to provide greater housing security.

c) Full recognition of the administrative cost to councils of implementing changes in national policy.

- As outlined above the cost to local authorities in implementing new systems and dealing with resident queries will be significant at a time when council budgets are already under extreme pressure. We believe that councils should be provided with additional transitional costs to implement these inevitable consequences of a shift in national policy.

- Each month local authorities administering housing and council tax benefit are required to provide the Department for Work and Pensions with details of all claimants in their borough. The Department therefore holds information on the movement of claimants across boroughs which would prove invaluable to local authorities in planning services. The Department should make this information available to local authorities, and headline data publically available to show the impact of benefit and other changes.

17 August 2012
Written evidence submitted by Inclusion London

❖ Introduction

Inclusion London
Inclusion London is a London-wide organisation which promotes equality for London’s Deaf and disabled people and provides capacity-building support for Deaf and disabled people’s organisations in London.

Disabled People
• There are approximately 1.4 million deaf and disabled people in London
  1
• Analysis of the Family Resources Survey (2008-09) shows that approximately four out of ten households in London have disabled adults living in them.
• Barriers to disabled people’s education and employment lead to poverty. The poverty rate for disabled people is around double than that for non-disabled people.
  2
• Deaf and disabled people face extra costs due to their impairments that adds approximately an extra 25% to expenditure compared to non-disabled people.
  3
• Deaf and disabled people experience significantly poorer health and poorer treatment from health services, with people with learning difficulties and people with Mental Health issues likely to die 10 years earlier, not as result of their impairment or condition but as a result of the barriers and discrimination operating within the NHS.
  4

❖ Summary of Inclusion London’s recommendations and main points

Inclusion London recommends that:

1 http://www.inclusionlondon.co.uk/all-in-this-together
2 http://www.poverty.org.uk/reports/disability.pdf
3 Parckar, G, Disability Poverty in the UK, Leonard Cheshire Disability, 2008
4 Equal Treatment: Closing the gap. DRC 2008
• Contribution-related Employment and Support Allowance (cESA) is not limited to 365 days, but a reasonable adjustment is made and the limit is extended to two years for disabled people.
• Disabled people are not penalised by a loss of benefit if they are unable to take part in a work placement because of exhaustion, pain or other difficulties caused by their impairment.
• That a broader means of applying for Universal Credit (UC) is offered to disabled people.
• The officer that provides assistance with UC applications is knowledgeable about different impairments.
• That sufficient Department of Work and Pensions (DWP) staff are employed to cope with the number of inquiries.
• The accumulative financial impact of UC on disabled people is monitored.
• Government monitors whether UC has an adverse impact on disabled people’s:
  o ability to live independently
  o inclusion in the community
  o choice of place of residence, (i.e. are obliged to live in a residential home).
  o standard of living.
• The financial impact of all welfare benefit reforms and austerity measures on disabled people is monitored.
• Whether disabled people’s human rights under article 19 and article 28 have been contravened due to welfare benefit reforms and local and national austerity measures is also monitored.

Inclusion London’s main points

Inclusion London is concerned that:
• Due to changes in eligibility there many disabled people who will financially worse off under Universal Credit (UC), such as lone parents with a disabled child, resulting in more poverty amongst disabled people.
• Limits on Housing Benefit payments and the number of bedroom will cause isolation and loss of independence of disabled people, particularly those living in London.
• The UC computer system will not be accessible to all disabled people.
• DWP will not provide sufficient staff to give one to one support with applications and payments or other queries resulting from the computer system and the transition to monthly payments.
• Localisation of Council Tax Benefit is likely to result in Local Authorities (LAs) making a smaller contribution so disabled people will be worse off.

❖ Inclusion London’s response to the areas of particular interest to the Commons Select Committee:

1. The proposed arrangements for claims and payments and the provision of support and advice for claimants
Re: the predominantly online, self-service claims process; arrangements for providing telephone and face-to-face support and independent advice for claimants who need it:

1.1 Many disabled people are on low incomes so cannot afford a computer, especially blind and partially sighted people who have to bear the additional expense of audio software. Other disabled may not be able to access a computer because of physical impairments, learning difficulties or mental health issues. We recommend that the government makes a reasonable adjustment and provide a broader means of access to make applications for Universal Credit for disabled people.

1.12 The DWP has stated that for those that do not own a computer, applications can be made on a computer at a high street outlet or by telephone. However, telephones are not accessible to many disabled people including people with learning difficulties, people with speech or hearing impairments. High street outlets may not be accessible for those with mobility difficulties.

1.13 The DWP has also said there will be the possibility of ‘face to face’ support to fill in applications, which could be welcomed if the information and interview is accessible (e.g. information is provided in Braille when appropriate, or British Sign Language interpreters are provided if needed). Also the person providing the support will need sufficient training and knowledge of different impairments and to provide the assistance in a supportive manner. Many disabled people will be wary of requesting this support believing the officer will be biased against the claimant because of the government’s intention to cut benefit costs.
1.14 It is essential that enough staff are available to provide the one to one support needed, bearing in mind that many Deaf and disabled people’s local organisations are closing services due to funding difficulties, so this type of support may not be available from the voluntary sector.

1.2 Monthly payments
1.21 Some disabled people such as those with mental health conditions, particularly those who have been homeless, or people with learning difficulties will need transitional support with budgeting on a monthly rather than weekly basis. If the DWP does not provide this support on a one to one basis we are concerned that it will not be available when needed, as not everyone has family, friends and neighbours to call on and local organisations of Deaf and disabled people and other independent advice agencies and community groups are closing or shutting down services, due to funding cuts by local authorities (LAs).

2. Progress with developing the necessary IT systems to administer Universal Credit, including the real-time information (RTI) system for PAYE taxation being developed by HM Revenue & Customs.

2.1 Many of the government’s large computer projects have not worked well, for instance the NHS patient records system. If this is the case with the complex computer system needed for UC we are concerned that claimants will suffer, such as difficulties with recording the information accurately or delays in payments.

2.12 Behind each claim there is a set of unique circumstances, which can be complex, particularly if the claimant is disabled, while it is hoped that the computer system will be sophisticated enough to cope with this level of complexity, there is a possibility that it will fail, especially as it is a new system. We are concerned the DWP employs enough staff to provide support with inquiries should this failing occur. While non-disabled people may find it difficult to withstand the frustration of coping with a bureaucratic system that does not work well, for disabled people who may be in pain or have mental health issues, learning difficulties or communication support needs, delays or difficulties with their welfare benefits will cause a great deal of additional stress.
3. The proposed arrangements for the “claimant commitment”, sanctions and hardship payments.

3.1 The time limit on the contribution-related Employment and Support Allowance (cESA) to 365 days is being imposed at a time of increasing unemployment and recession. Many disabled people wish to work but face multiple barriers to doing so, such as employer prejudice, inaccessible buildings and public transport, as well as impairment issues all of which can prevent employment. Government’s own estimates indicate that 94% of people in the Work Related Activity Group (WRAG) on cESA will continue to need support for longer than 12 months.\(^5\) It is overly punitive to penalise disabled people in these circumstances and does not recognise the difficulties disabled people face in finding a job.

3.12 Disabled people can require reasonable adjustments by employers and/or support and equipment that can be funded by Access to Work, which can take months to put in place, which could take disabled people over the 365 days time limit.

3.13 To acknowledge the difficulties in obtaining employment for disabled people and the time needed to put support and equipment in place we urge the government not to time-limit the contribution-related Employment Support Allowance (cESA) to 365 days but to make a reasonable adjustment and extend the limit to two years for disabled people.

3.2 Tough sanctions are being imposed on Employment and Support Allowance claimants, such as the loss of benefit for 26 weeks to 3 years for those that refuse to ‘to comply with a work preparation requirement’ or refuse to ‘take part in a prescribed type of work placement’. Many disabled people experience pain and exhaustion that increases throughout the day, which may not come to light during, what continues to be a flawed and ‘unfit for purpose’ Work Capability Assessment. Whilst the current WCA is retained we are extremely concerned that many disabled people will be wrongly declared ‘fit for work’ and then be further penalised by a loss of an essential benefit for being unable to take part in a work placement.

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\(^5\) Parliamentary Question 55206, 16\(^{th}\) MAY 2011
http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm110516/text/110516w0004.htm#110516280
3.3 Government must ensure that the demands on ESA claimants are reasonable. There has already has been a public and media outcry at the scheme initiated by the government that required job seekers to work for free for companies making huge profits such as Tesco. Other unreasonable demands could be made, which will not be highlighted by the press and result in the loss of benefits for the ESA claimant.

4. Changes in the income entitlement of disabled people under Universal Credit, including those who may receive less income under Universal Credit than at present.

4.1 Although the government has stated that claimants ‘will not face cash losses in their benefit entitlement,’ Disability Rights UK, Citizens Advice Bureau and The Children’s Society have produced a report, ‘Disability and universal credit’, which indicates that there are those that will lose in financial terms due to UC, (please find a copy of the report attached, it can also be found at: http://www.citizensadvice.org.uk/index/policy/policy_publications /er_benefitsandtaxcredits/disability_and_universal_credit.htm)

Inclusion London is extremely concerned that disabled people’s incomes will be reduced further by the changes in UC. We have highlighted in brief, some of the losses that disabled people will experience, mentioned in the Disability and universal credit report, which we are particularly concerned about below:

- Child tax credit/Disability Additions: the benefit will drop from £57 a week under Child tax credit, to £28 under Disability Additions, effecting about 100,000 disabled children.
- Approximately £58 a week will be lost by about 25,000 lone parents as a result of the Severe Disability Premium (SDP) being abolished. 230,000 people receive SDP, but some may receive an increase in Employment Support Allowance.
- At least £33 will be lost by lone parents once the earnings limit has been passed for those that have a child on a low rate of care and a high rate mobility of DLA/PIP, because they will not be entitled to carer addition, which requires the person that you care for to be on middle or higher rate of the care component.
- Childcare costs: New system will only pay 70%, previous 95% of costs were paid.
• 116,000 families\textsuperscript{6} will no longer receive the disability element of working tax credit, which is payable to those who are working at least 16 hours each week, because there will be no extra financial help within UC for anyone found ‘fit for work’ under the ESA work capability assessment.

• Working Tax Credit: WTC will not be available under UC apart from those who qualify as ‘not fit for work’.

• Benefit payments will not be up-rated with inflation, so in practice the value of payments will fall each time prices rise.

• Pension credit: Pensioners with a working age partner will not be eligible for pension credit, so could lose about £100 a week.

The government has said that claimants will not face cash losses when transferred onto UC, but the cumulative impact of the cuts mentioned above amount to another huge cut to disabled people's income. Disabled people are already experiencing cuts due to local austerity measures and many will have DLA/PIP cut as well, due to a 20% budgetary cut imposed when Disability Living Allowance is abolished and is replaced by Personal Independence Payment. Inclusion London is seriously concerned that more disabled people will fall into poverty as a result.

5. The impact of the changes on local authorities, including budgets, staff and support for claimants. The changes include those to Housing Benefit; the introduction of the benefit cap; and localisation of council tax support.

5.1 We are concerned that when Council Tax support is localised LAs will make a smaller contribution towards Council Tax payments because LA’s budgets are over stretched. As a result disabled people will experience additional financial burden at a time when other benefits have been cut.

5.2 We are concerned that the limits on of housing benefit payments, (such as the limit of £290 for a 2 bedroom property), will result in disabled people having to move out of accommodation, particularly if living in expensive areas of London. While a move of house is stressful for all, for disabled people who can depend on the support of local relatives, friends or neighbours for assistance, a move to another area can result is the loss of crucial assistance that aids independence. The re-assessment for social care assistance in the new area, with no

\textsuperscript{6} http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-main-apr12.pdf
guarantee of maintaining levels of social care support, is another significant and additional stress.

5.21 Visually impaired people often receive training from sensory impairment team staff to learn the route to local bus stops or tube stations, to a place of employment, GP surgery, local shops and community centres etc. If disabled people are forced to move to cheaper accommodation the likely result will be additional costs to LA’s, such as the need for new orientation training to prevent visually impaired people becoming isolated and cut off from the community.

5.3 Bedroom cap: Government must make sure that the cap on the number of bedrooms does not impact on disabled adults and children that need an additional bedroom for an overnight personal assistant carer, or for any other needs because of their disability. Separate bedrooms may be needed for siblings because of the disruption caused by night time care given to disabled children.

5.41 The restriction in bedrooms will also cut support and social contact with older friends and family who wish to stay overnight, as they may not be able to withstand the rigors of ‘dossing down’ on a sofa in the sitting room, which will be necessary if a spare bedroom is not available. Difficulties are also caused when numbers of relatives or friends wish to stay, say at Christmas or for a celebration. Disabled people often cannot stay with friends and relatives, because their relative’s accommodation is not wheelchair accessible or because the public transport needed for the journey is inaccessible, or travel is restricted because of pain and exhaustion. Social contact is important, while the bedroom cap may make sense to the government in financial terms, it could increase the isolation of disabled people and have a serious detrimental impact on longer term health and well-being with resultant higher health and social care costs ‘further down the line’. It will also be socially divisive with those with privately owned homes having the facilities to invite friends and family to stay, while those in social housing do not.

5.5 The cumulative impact of the government’s welfare reforms and spending cuts on disabled people has not been assessed. Disabled people are facing cuts in social care and an increasing possibility they may be forced to live in residential care due to restrictions on LA’s budgets. Those with the highest needs who receive funding from the Independent Living Fund (ILF) are very concerned that the proposal to transfer responsibility for the ILF to LA’s from April 2015 is being made by the government without a commitment to transfer or ring-fence the
current funding. There are also cuts in support to Deaf and disabled peoples organisations and public community based services more generally, all of which disabled people disproportionately rely on. These areas of cuts coupled with the cuts in DLA/PIP and the cuts resulting from UC, including the cuts and changes in Housing benefit, will result in further isolation and poverty for disabled people and a huge loss of independence.

It is a matter of urgency that a cumulative impact assessment is carried out.

6. The level of the earnings disregards.

No response

7. Eligibility for and operation of passported benefits.

7.1 While passporting of benefits avoids multiple assessments which is welcome, if a disabled person is no longer eligible under the new conditions introduced by the recent welfare benefit reforms, disabled people are likely to lose several welfare benefits at one time, which will be very difficult to cope with.

7.2 As a result of welfare reforms or new restrictions on the budgets some disabled people will not be eligible for welfare benefits such as Disability Living Allowance/Personal Independence Payment or UC. As well as the loss of welfare benefits various concessions and benefits will be lost as well, such as the freedom pass which gives free travel in London for disabled people, loss of free directory inquiries for visually impairment people, reduced fees at leisure centres or cultural venues. The cumulative financial impact will be much greater than purely the loss of the welfare benefits mention under 4.1 and 5.5.

8. Impact monitoring: what the DWP’s priorities should be for monitoring the impact of the transition to Universal Credit.

Inclusion London strongly recommends that the following are monitored:

- The cumulative financial impact of UC on disabled people.
- Whether UC has resulting in disabled people experiencing a loss or reduction in their:
- independence
- involvement in the community
- choice of place of residence, so they are obliged to live in a residential home.
- standard of living due to Universal Credit.

- The cumulative impact of the loss of all welfare benefits and local and national austerity measures on the lives of disabled people should also be monitored by the government.
- Whether disabled people’s human rights under article 19 and article 28 have been contravened due to all welfare benefit reforms and local and national austerity measures should also be monitored.

17 August 2012
Written evidence submitted by the Child Poverty Action Group

Introduction

1. Child Poverty Action Group (CPAG) works to prevent and relieve poverty among children and families with children. We have particular expertise of the functioning of the social security system through our welfare rights, training and policy work: in April 2012, for example, we published the handbook *Universal Credit: What You Need To Know*, an authoritative guide to the new benefit. Consequently, we welcome the opportunity to submit evidence to the Committee on progress being made with respect to the implementation of universal credit (UC).

2. In this submission we organise our concerns around the three objectives that the government has set for UC, namely (i) the simplification of the benefits system (ii) making work pay and (iii) protecting the most vulnerable in our society.¹

Simplification of the benefits system

3. Simplification is a worthy goal but it is very difficult to achieve in a heavily means-tested and conditionality-based system such as UC. Despite streamlining six benefits into one, the use of ‘real-time’ information, and the payment of the benefit by a single agency to those in- and out-of-work, many complexities will remain, and new complications will be introduced with the advent of UC.

4. Recently published regulations reveal that many of the current rules which govern entitlement to means-tested benefits and which currently cause great confusion will simply be imported into UC. These include the rules relating to residence and immigration, couples, students, limited capability for work, housing costs and the treatment of income and capital.²

5. However, in addition to existing problems, UC will also create several new areas of complexity including:

- **The introduction of in-work conditionality.** DWP’s own research shows that in-work claimants are both confused and dismayed at the prospect of being subject to a range of requirements until they reach a certain income point.³

- **Joint payments.** The single household payment raises many problems not least the question of how a couple with one partner who does not accept the claimant commitment will be treated. The regulations provide no guidance on this issue.

- **Default online processes.** As well as the obvious problem this presents for the digitally excluded, UC’s online interface is likely to pose challenges even for computer literate claimants.

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¹ DWP, *Universal credit: welfare that works*, CM7957, November 2010
² See CPAG, *Universal Credit and related Regulations: response to the SSAC’s call for evidence*, July 2012 for further information
³ M Rotik and L Perry, *Insight to support Universal Credit user-centred design*, DWP Research Report, July 2012
• **Monthly payments.** While the government’s rationale for monthly payments – that they mimic the usual wage pattern – sounds reasonable, evidence shows that for many low wage jobs monthly payments are the exception rather than the norm. Moreover, studies show that claimants are concerned that the move to monthly payments will hinder rather than help them to budget effectively.

• **Minimum and maximum earnings disregards.** The introduction of different disregards for various family compositions and at different levels depending on the extent of housing support provided as part of UC is an area of especial complexity. While different disregards ensure a degree of fairness, for example, between families of different sizes, or between home owners and those who receive support with their rent, recent simplifications will result in some groups losing out and look set to cause much confusion.

This is particularly the case for those who have low housing costs. Under current proposals, those with housing costs covered in their UC award will simply get a lower disregard than those with no housing costs element. This provision differs from that originally proposed which scaled the disregard according to the amount of the housing costs received. As a result, those in work receiving help with housing costs may receive a lower universal credit award than claimants in similar circumstances with no housing costs.

We believe that if the government wishes to retain the simplified structure, a way forward is to set both earnings disregards, and in particular the lower earnings disregard, at a high enough level so that the system is fair and so that work incentives are maximised for everyone. If not, then it would be far better to go back to the original provision of tapering the earnings disregards to reflect the amount of housing costs paid. The loss of simplification could be eased merely by stating in award notices what the household’s earnings disregard is in their current circumstances.

6. Both the enduring and the new complexities that will be embedded in UC will present claimants with a whole host of challenges. Without good advice, many claimants will struggle to comprehend either their entitlements or the new obligations that UC places on them. As a result, the government’s expectation that UC will be taken up more widely than many existing benefits could be misplaced. Likewise, the objective of increasing claimants’ adherence to work could be undermined if conditionalities are not fully understood.

7. In our view, it is therefore essential that the government provides support for the advice sector as an integral part of the design, piloting and roll-out of UC. For example, the government could usefully audit existing advice provision, dedicate a percentage of its implementation budget to training and supporting advice providers, and provide funds for recruiting additional advisers as required.

**Making work pay**

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5 M Rotik and L Perry, *Insight to support Universal Credit user-centred design*, DWP Research Report, July 2012
8. Improving work incentives is an equally laudable objective and we welcome a system that allows claimants to take on work without the current levels of disruption to their benefits. However, we are concerned that many aspects of the UC scheme do not sufficiently take into account the real reasons that many claimants do not access work, or work only for only limited amounts of time.

9. The unified 65% taper rate represents little change to work incentives for many existing claimants, and there is no evidence that it will significantly influence the behaviour of claimants compared with labour market factors such as the local availability of jobs, rates of pay, and other conditions of employment. The recent changes to working tax credit (WTC) illustrate this point well. From April 2012 couples have been required to increase their working hours from 16 to 24 a week in order to access WTC. Despite the considerable financial advantage they receive if they do so, and the large losses incurred if they do not, many couples have simply been unable to find the extra hours in the prevailing economic conditions.6

10. The availability and cost of childcare also acts as a brake on families’ ability to take up work. In this respect, the cut in maximum childcare support from 80% to 70% which is carried forward in the UC regulations is particularly detrimental to work incentives. This loss is compounded by the fact that childcare costs must be reported on a monthly basis under UC. This requirement is burdensome on parents, and fails to take into account that many do not pay childcare costs according to a regular monthly schedule, but instead on a termly or more sporadic basis. As they will be constrained by monthly thresholds, many parents will be unable to claim back their full entitlement.

11. The more generous earnings disregards are welcomed but the absence of a second earner disregard undermines the work incentives for non-working partners. This is particularly important in the context of reducing child poverty given that couple families where both partners work have a significantly reduced risk of living in poverty compared with those with only one earner.7

12. The new conditionality regime will be more stringent but we are not convinced that it will be more effective in encouraging claimants to move into work. Much will depend instead on the quality of support provided through the Work Programme. As a result, we believe investment should be directed at staff training, and at providing sufficient time and resources for advisors to form trustful relationships and to develop appropriate and tailored support for claimants with genuine opportunities for self-direction. As recent events have shown, however, some providers are struggling to deliver such a service within the current business model.8

13. Work incentives will be further undermined if the withdrawal of passported benefits introduces new cliff edges into UC. To take the most often cited example, withdrawing free school meals from families when they reach a certain income threshold will create a significant work disincentive: a family with three children, for example, would need to earn more than £3,000 more a year to offset this loss of support9. While some have suggested tapering passported

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7 DWP, Households Below Average Income 2010/11, June 2012, table 4.5db
8 See, for example, I Mulheirn, Work programme design is flawed, July 2012 available at http://www.guardian.co.uk/commentisfree/2012/jul/02/a4e-job-agencies-payment-performanceSource?
9 Free school meals are worth £386.10 per year per child, or £1,158.30 for three children. With a Universal Credit taper rate of 65%, to increase their take home income to cover the £1,158.30 lost in free school meal support, a family would need to earn at least £3,309 (excluding the added burden of tax).
benefits through various means, experts generally regard this as impracticable.\(^\text{10}\) As a result, CPAG and others are calling for free school meals to be extended to all in receipt of UC.

**Protecting the most vulnerable**

14. The government’s own analysis shows that there will be winners and losers from UC but it has also made it clear that it intends to protect vulnerable claimants.\(^\text{11}\)

15. Almost all of those who are eligible for UC must be considered as vulnerable but clearly, within this large cohort there are some groups who demand our especial consideration. At CPAG we are particularly concerned about:

- **Claimants with disabilities.** Disability premiums have always been a feature of means-tested support in recognition of the extra costs associated with disability such as aids and adaptations, extra heating, transport, special clothing and diets. The severe disability premium is currently worth more than £58 per week, while the disability element of working tax credit is worth around £54 per week. Both these elements will be removed under UC. The replacement of disability living allowance by the personal independence payment (PIP) is insufficient given that we know 500,000 less people will qualify for this support.

- **Claimants with children with disabilities.** The proposed lower rate to be paid to families with disabled children is significantly less than the current disabled child element contained within child tax credit. This will adversely impact vulnerable families with a disabled child, with many families being worse off by up to £30 per week.

- **Carers.** UC will not allow an award of carer’s allowance if the claimant is deemed to have limited capability to work or get ready for work. This is, in our view, an unnecessary and illogical restriction which will adversely affect some of the most vulnerable claimants. The fact that a claimant has limited capability to work does not preclude regular and substantial caring responsibilities.

- **Joint claimants with limited capabilities.** Under UC couples who both have limited capability to work or get ready for work will only receive one element which recognises their restricted functions. Again, this does not reflect the reality that disability-related expenditure for two people is higher than for one.

- **Claimants in sheltered or institutional types of accommodation.** Under UC some service charges which are currently covered such as the provision of adequate accommodation for warden and caretaking services will no longer qualify for payment. In particular, this will affect those in sheltered or institutional types of accommodation who will have to fund these services from their subsistence benefits. This is a cutback which requires an explanation.

- **Claimants in temporary accommodation.** Local authorities have expressed concern that temporary accommodation will be included within the benefit cap. In effect, this serves to penalise those placed in expensive temporary housing through no fault of their own.

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\(^{10}\) DWP, *Universal Credit: the impact on passported benefits, Report by the Social Security Advisory Committee and response by the Secretary of State for Work and Pensions*, CM 8332, March 2012

\(^{11}\) DWP, *Universal Credit: impact assessment*, October 2011
Claimants in temporary accommodation whose benefits have been capped will need to have their rent shortfall met by the Local Authority. Many Authorities are expressing considerable concerns about whether this will be affordable or possible. The alternative is to ask claimants to make up the shortfall from their own pockets; yet those whose entitlements have already been cut by the benefit cap to below the amount the state suggests it is necessary for them to live on are unlikely to be able to meet these costs.

- **Young lone parents.** The regulations indicate that lone parents under the age of 25 will receive the same standard allowance as a single claimant without children. Currently lone parents aged 18 or over receive the same personal allowance as single claimants without children aged 25 or over. This constitutes a significant cut for young lone parents and their children.

- **Large families.** We object to the overall benefit cap on the grounds that for the first time in a generation, the level of state support will be delinked from assessed need. As the government’s own impact assessment shows, it will disproportionately affect children in larger families who are at a particularly high risk of poverty.\(^\text{12}\)

16. Beyond specific groups who look set to lose support with the introduction of UC, we have a broader set of concerns with respect to certain design elements of the new benefit. Specifically, we draw attention to:

- **Monthly assessments.** Such assessments will generate considerable lags in awards being made under some conditions. The regulations have also made clear that changes of circumstance will normally be treated as occurring on the first day of the assessment period. As a result, if entitlement ends during an assessment period, because a claimant starts full-time education on the last day of her assessment period, for example, UC will be lost for the whole month. This, in our view, is arbitrary and will cause hardship.

- **Monthly payments.** Evidence suggests that many claimants may have difficulty budgeting on a monthly basis.\(^\text{13}\) Moreover, payment to the household will disempower many women and remove safeguards that ensure payments for children and housing costs are used for these purposes where one partner in a couple acts irresponsibly. We would like to see more detailed provision in the regulations for variance from default monthly payments to the household, rather than reliance on the discretion of decision-makers.

- **Reliance on complex IT systems.** UC will depend on a sophisticated IT platform but given the mixed record of past large-scale government IT projects, we are all naturally cautious about the ability of the system to function effectively. There is no provision in the regulations for situations where the system breaks down, nor as far as we are aware, any broader contingency plans being made for such an eventuality. Given the amalgamation of payments for adults, children and housing costs, claimants risk destitution if there is a problem with their award.

17. The government has made various provisions designed to ameliorate hardship in certain circumstances but we are sceptical about the effectiveness of these arrangements as follows:

\(^{12}\) DWP, *Households Below Average Income 2010/11*, June 2012, table 4.5db

\(^{13}\) M Rotik and L Perry, *Insight to support Universal Credit user-centred design*, DWP Research Report, July 2012
• **Transitional protection.** We understand that the government is intending to restrict transitional protection to existing claimants who are ‘migrated’ onto UC through the DWP’s managed programme. In contrast, those transferring onto UC due to a change of circumstances will not get any transitional support. This arbitrary approach is unjust and undermines the government’s repeated assurance that nobody will lose out at the point of change. Given that 12 million existing claimants will be transferring onto UC by the end of 2017, this could adversely affect many who move onto UC because, for example, they have a child, a child leaves home, or when they enter or leave employment.

• **Hardship payments.** These payments will be available to some who lose support because of a sanction. However, such payments will be both more restricted and recoverable under UC. Reclaiming hardship payments will mean that sanctioned claimants will continue to receive a reduced rate of UC for significant periods after the sanction expires.

• **The localisation of elements of the social fund.** Responsibility for crisis loans and community care grants, both of which provide vital support to low-income families in extreme situations, will be delegated to local authorities from April 2013. However, as settlement letters sent out in August 2012 show, the localisation of these elements occurs in the context of significant cuts to the available budget which will highly constrain the level of support that can be provided. As one local authority officer recently said to us, ‘The social fund is not being localised, the social fund is dead’.

Conclusions

18. Universal credit has three laudable objectives but as our submission shows, there are multiple aspects of the model which undermine the achievement of these goals. Moreover, it is important to acknowledge the overall context within which UC is being designed, and to recognise that the benefit is very much a function of its broader environment.

19. Most obviously, UC is being developed in a time of acute fiscal austerity: £18 billion of cuts are being made to the social security budget over the spending review period, and an additional £10 billion have been mooted for the period 2015/16. The benefit will suffer because of this – most obviously, the taper rate has been increased to 65% from the original 55% advocated in the earliest design stages. However, as our analysis above shows, impoverishment is also embedded in UC and in our view is being used to incentivise claimants to work. Both the effectiveness and the morality of such a strategy must be questioned.

20. UC is also being introduced at a time when a more subtle assault is being made on those on low incomes. Claimants are routinely depicted as negligent, fraudulent and personally at fault for their plight despite the fact that the evidence overwhelmingly suggests otherwise. These misrepresentations have a deep and pervasive impact on policy design, public opinion and indeed on claimants themselves, many of whom experience a sense of shame when seeking state support. Aspects of UC, in particular tighter conditionality and sanctions, reflect and reinforce this inaccurate view of claimants. Again, we question the correctness of such an approach.

14 R Walker & E Chaise 2013 Poverty and shame Presentation delivered at Oxford University, March 16th 2013
21. To conclude, UC represents a chance to construct a system that supports and assists those on low incomes better than previous schemes. We hope that the Committee will agree with, and advance our analysis throughout the design and implementation of the new benefit.

17 August 2012
Supplementary written evidence submitted by the Child Poverty Action Group

1. Child Poverty Action Group (CPAG) was grateful for the chance to give evidence at the Work and Pensions Select Committee on 10th September 2012 on the design and implementation of universal credit (UC). We submit this note to provide some brief additional information to the Committee about specific concerns that were covered only partially in the session.

2. The government has justified the removal of the severe disability premium payment on the basis of simplification. We challenge this assertion: under the current system, it is indeed difficult to assess eligibility as this requires information about the circumstances and benefit receipts of all those living within a household. Under an integrated system such as UC this problem will be solved.

3. In addition, the government has suggested that it will instead direct assistance for vulnerable claimants with disabilities through the limited capability for work-related activity element of UC which it has intimated will be increased if possible in the future. As well as being less well targeted at those with the greatest needs, we question the fairness of taking a substantial amount of money away from highly vulnerable people and simply substituting this with a future promise.

4. Under the current system, both tax credits and employment support allowance (ESA) can be automatically backdated for up to a month. However, under UC there will be no automatic backdating. Instead, this will be available only in a much more restricted and prescribed set of circumstances than currently applies. This change will, in our view, result in hardship.

5. The promise has been made that no-one will be worse off at the point of introduction of UC, but this ignores the fact that benefits will have already been subject to extensive cuts. In addition, transitional protection will not be provided to those who move from other benefits to UC because of a change in circumstances such as the birth of a child or a new partner. This will leave a substantial number of people worse off under UC than originally envisaged.

6. The government has stated that payments on account will be available for those who experience delays with their UC award. However, it is not clear that these will be available to those who experience a delay because of problems with assessment, rather than simply for those who experience problems with the actual payment of the award.

7. Finally, we would like to take this opportunity to clarify one part of our evidence. The 1.4 million households who will be detrimentally affected by UC are in the bottom two income quintiles, not deciles (see transcript, page 24).

13 September 2012
1. Pharmacy Voice welcomes the opportunity to submit to this inquiry. Community pharmacists and their staff are in the frontline when it comes to the verification of entitlement to remission of prescription charges. We are therefore restricting our comments to Eligibility for and the operation of passported benefits.

Eligibility for passported benefits

2. The state invests heavily in maintaining and improving the health of the population through the National Health Service. Patients access clinicians free of charges at the point of contact, and enjoy quality care irrespective of their ability to pay. However, in England, patients receiving medicines dispensed or supplied within the NHS are required to pay a prescription charge\(^1\) (currently £7.65) for each item dispensed. Exemptions exist which entitle some patients to groups, including those on low incomes, from the charges.

3. Although the number of paid prescriptions is low as a proportion of the total – some 5.4% of the 961.5 million prescriptions attracted a charge at the point of dispensing\(^2\), we know that many people who present prescriptions for dispensing at the pharmacy ask which items are the most important, so that they can make a decision as to what to have dispensed. This may be because of unwillingness to pay for all items, or because the patient cannot afford to pay for all the items.

4. If a clinician issues a prescription, then this is because they have determined that the patient needs it for treatment or to maintain good health. Clinicians are acutely aware that prescribing decisions consume NHS resources; they do not prescribe medicines unless they are needed.

5. We therefore suggest that the passported benefit of remission of prescription charges is absolutely vital as without it, patients who are most at need (the health of those on low incomes is generally poorer than the population at large) might decide that they cannot pay for part or all of their medical treatment.

6. The failure to adhere to a prescribed course of treatment not only has an impact on a short term basis, it wastes clinician and scarce NHS resources, and can lead to long-term and perhaps irreversible deterioration in the health of the individual.

7. An instance of ill health may present at the same time that a person becomes entitled to the Universal Credit arrangements (for example, a sudden loss of income may cause a depressive illness; or an illness preventing someone working can lead to a loss of income). As treatment with medicines for those conditions will require payment of the prescription charge before the medicine can be supplied, it is imperative that the

\(^1\) Prescription charges are set out in the National Health Service (Charges for Drugs and Appliances) Regulations 2000 (Number 620)

process for entering into the Universal Credit and passported benefits system can be completed quickly.

8. We strongly oppose any suggestion that the entitlement to remission from the prescription charges should be converted to a cash benefit. We know from what pharmacists tell us, that many patients decide not to have some prescriptions dispensed because they are unwilling or unable to pay the prescription charge. The fact that some patients already choose not to have prescriptions dispensed is evidence that financial considerations do impact on the use of medicines.

The operation of passported benefits

9. The current list\(^3\) of persons entitled to remission from charges is complex. Any proposal to simplify this list is welcome. Patients seeking entitlement must find the range confusing, and when they seek to claim exemption from charges, they are required to complete an exemption claim, setting out under which heading they are entitled to remission from charges.

10. Pharmacists and their staff are required to ask for proof of entitlement, and can help patients identify whether they are entitled to remission from prescription charges from the type of benefit they receive. We understand that all those receiving Universal Credit will be sent a standard letter indicating which benefits they are entitled to. Unless all those on Universal Credit are entitled to remission from prescription charges, pharmacists will be placed in a very difficult situation. Not only will they be unable to determine entitlement to remission but they will have to spend more time explaining the changes to patients who are unwell, if they themselves understand them in the first place. If not everyone on Universal Credit is entitled to remission from prescription charges pharmacists and their staff will bear the brunt of the frustration of those people who do not know if they are entitled or not. Pharmacy staff time spent explaining complicated exemption arrangements represents a loss of opportunity for health-related discussions and for fulfilling the Department of Health’s objective of ‘making every contact count’.

11. We would propose that as well as consolidating the range of entitlements into one passported benefit, the opportunity is also taken to centralise the recording of such entitlement, and to automatically link this data into the National Health Service’s Electronic Prescription Service, so that pharmacists know through automatically when individuals are exempt from charges.

12. The Regulations were previously changed to allow prescriptions for age exempt patients to be processed without a patient declaration where this information is contained in the electronic prescription. We believe it is both practical and desirable for the Spine Personal Demographics Service to be updated to provide an indicator of exemptions and remission for all other purposes. This could be a simple Boolean flag

\(^3\) Part XVI, paragraph 6 of the Drug Tariff
indicating a currently valid exemption or remission (with no indication of the nature of the exemption or remission) set by batch update from DWP, NHS Prescription Services and other relevant Government systems at a frequency consistent with renewal of entitlement to the exemption or remission concerned. This flag could be used to update the e-prescription as it is pulled down by a pharmacy or queried by a pharmacy at the point when any prescription charges due are collected.

Summary

13. The collection of prescription charges and the checking of exemptions are an administrative burden on pharmacies and present a barrier to health care for certain patients. We recognise that abolition of prescription charges is unlikely in the current political and economic climate; we therefore recommend some practical and administrative improvements:
   • That all people on universal credit are entitled to remission from prescription charges
   • A new category should be created on the personal demographic service to identify whether a particular person pays for their prescriptions

Organisation descriptor

Pharmacy Voice (PV) represents community pharmacy owners. Its founder members are the Association of Independent Multiple pharmacies (AIMp), the Company Chemists’ Association (CCA) and the National Pharmacy Association (NPA). The principal aim of Pharmacy Voice is to enable community pharmacy to fulfil its potential and play an expanded role as a healthcare provider of choice in the new NHS, offering unrivalled accessibility, value and quality for patients and driving forward the medicines optimisation, public health and long term conditions agendas.

Pharmacy Voice wishes to acknowledge the support they have received from The Pharmaceutical Services Negotiating Committee in preparing this response.

17 August 2012
INTRODUCTION

1. Universal Credit aims to tackle the two key problems of poor work incentives and complexity in the current benefits and tax credits system. It will enable the system to help people to move into and progress in work, while supporting the most vulnerable. It will be simple to understand and administer and it will protect both the welfare of those most in need and the public purse. It will be a dynamic benefit, preparing the claimant for work wherever possible.

2. The written evidence provided seeks to address the individual lines of enquiry that the Work and Pensions Select Committee are particularly interested in. This document covers each point of interest in turn.

MIGRATION TO UNIVERSAL CREDIT

3. When a claimant moves to Universal Credit they will bring all members of the household with them. Some claimant details will be carried over, for example claimants will not have to retake a Work Capability Assessment, and similarly a move to Universal Credit will not wipe the slate clean on outstanding debts, fraud penalties, or any waiting periods served to qualify for, for example, Support for Mortgage Interest.

4. The move to Universal Credit can occur in one of three ways:
   • a new claim - from households who would otherwise have claimed one of the old working age benefits or Tax Credits;
   • a ‘natural’ migration – where a claimant is receiving a current income-replacement benefit but their circumstances change so they would need to claim a different income-replacement benefit or tax credit. They would instead need to make a claim to Universal Credit; or,
   • a ‘managed’ move – where the claimant has no change of circumstances, and they are notified that they need to transfer to Universal Credit. If their new Universal Credit award is lower that their total legacy awards, they will be eligible to receive transitional protection.

Pathfinder and Phased Implementation

5. Universal Credit will launch in April 2013 for new claims and natural migrations from a small subset of the unemployed caseload in the North West of England (Tameside, Oldham, Wigan and Warrington). It will enable the Department to test a wide range of capabilities underpinning the end to end service in a live environment, for example:
   • the new simpler, single benefit payment service;
   • monthly assessment and award;
   • some elements of the on-line service;
   • the underpinning IT payment service;
• the end to end operational arrangements;
• handling of a range of change of circumstances;
• operational support for the new service;
• the relationships with Local Authorities and third parties;
• operational resilience;
• scaling factors in readiness for regional and national roll-out in October 2013;
• the relationship with Real time information (earnings) from HMRC for those claimants that return to work after April 2013; and
• the new claimant commitment focused on work outcomes.

6. The migration approach for phase one delivery will consist of a targeted take-up across Districts to shut down Job Seekers Allowance (JSA). From October 2013 Universal Credit will be introduced simultaneously across all seven regions (Scotland, Wales, North West England, North East England, Central England, Southern England, London and Home Counties) at a District level. Claimants who have a change of circumstances will also move onto Universal Credit during this phase through natural migration.

7. Phase two will begin from April 2014 where the Department intends to start taking new claims from in-work claimants, for example those who would have previously made a claim to Tax Credits. Universal Credit will also be available to new claimants that are out of work but are not required to actively seek work, such as lone parents with a child under five.

8. Phase three will consist of managed migrations where existing claimants whose circumstances have not changed will be transferred, starting in autumn 2014 to end 2017. The Department is working on the approach as to how this phase will be ordered; with the expectation to start with households with people that are in part-time work or that are economically inactive.

ENTITLEMENT CONDITIONS

9. Universal Credit is an income related benefit for eligible single people and couples with or without children. An eligible adult is one who meets the basic entitlement conditions: to be 18 or over, under state Pension Credit age, in Great Britain, not in education and having accepted a Claimant Commitment.

10. Where the normal entitlement conditions are met there will be no entitlement to Universal Credit where a person is: a member of a religious order fully maintained by their order; a prisoner (except to the extent that support is provided for a temporary period for housing costs); or serving a sentence of imprisonment and detained in hospital.

11. Exceptions will apply to the basic conditions of entitlement as outlined below.

   Young People

12. There are five categories of people aged 16 and 17 that will be able to get Universal Credit in their own right:
- those with dependent children - lone parents or couples;
- sick or disabled young people who have satisfied the Work Capability Assessment or are waiting to be assessed with medical evidence;
- those who are caring for a severely disabled person;
- pregnant whether living with their parents or not; and
- young people who are estranged from and cannot live with parents.

13. Young persons without parental support may be in non-advanced education, training or work. For other groups of eligible 16 and 17 year-olds, entitlement is subject to the rules on education.

**Education**

14. The following groups of full time students in advanced and non-advanced education are treated as eligible for Universal Credit:

- students with relevant dependent children or young persons (including lone parents, a member of a couple who are both students and a couple where only one of them is a student);
- students who are foster parents;
- disabled students who are single or where they are part of a couple and one or both of them is disabled;
- students in couples where the other eligible adult is entitled to Universal Credit, i.e. where there are no children;
- students over the qualifying age for Pension Credit (in couple cases where one is over and one under that age); and
- for non-advanced education only, a young person without parental support (definition as for lower age limit exception) will be able to qualify up to age 21 or the end of the academic year in which they reach age 21 (or the end of the course if earlier).

**People from Abroad**

15. Entitlement to Universal Credit is based on a person living in Great Britain. A person meets this condition if they are present in Great Britain, have a right to reside, and are habitually resident in the United Kingdom, the Channel Islands, Isle of Man, or the Republic of Ireland (known as the ‘Common Travel Area’).

16. EU claimants who come to the UK to seek work and those who retain worker status because they become unemployed only have a “right to reside” if they are seeking work. Any such claimants who are not seeking work will not be entitled to Universal Credit.

**Temporary absence**

17. In certain circumstances claimants will still be eligible for Universal Credit if the nature of their work means they are temporarily absent from Great Britain, for example airmen, continental shelf workers, mariners and armed forces personnel.
18. Where Universal Credit is in payment, a temporary period of absence abroad will be allowed for up to one month for any reason e.g. holiday, visiting relatives; or a longer period of up to six months for reasons of medical treatment.

19. Furthermore, the housing element of Universal Credit will be protected for up to six months where a claimant is imprisoned or taken into care.

20. Other forms of temporary absence would not generally make a person ineligible for Universal Credit, but can impact on the status of the household for Universal Credit purposes. Where an adult or child is temporarily absent from their household because they are in a residential institution, for example hospital or care home then up to six months temporary absence would be permissible and Universal Credit would be paid as if the adult or child what still in the household. After this point the person will no longer be treated as part of the household.

CLAIMS AND PAYMENTS AND THE PROVISION OF SUPPORT AND ADVICE FOR CLAIMANTS

Payment of Awards

21. Universal Credit will be paid on a calendar monthly basis in a single payment to reflect the fact that 70 per cent of people in work are paid wages in this way.

22. This will enable low-income households to develop a greater responsibility for managing their household budget and support their transition into work.

23. Paying Universal Credit on a monthly basis will make it easier for households to take advantage of cheaper tariffs for essential costs such as utility bills. Increased financial responsibility will also allow households to improve their access to affordable credit.

Bank Accounts and Alternative Financial Products

24. Some claimants currently do not have access to a mainstream bank account. Work is underway with a range of banking and financial product providers to make financial services more accessible and supportive to low-income households.

25. Options are being explored for supporting claimants to access accounts or alternative financial products with additional budgeting functionalities, such as 'jam jar' accounts.

26. The Department for work and Pensions are continuing to work closely with high street banks through the British Bankers’ Association to explore these options, whilst also working with providers of alternative financial products.
such as credit unions, prepaid cards and other new and emerging financial providers.

**Personal Budgeting Support**

27. It is recognised that some claimants may need additional help to budget, particularly during the transitional period from the current system to Universal Credit. Work is underway with the advice sector to ensure that claimants are able to access appropriate budgeting support services to enable them to manage their money successfully.

28. For some claimants an alternative payment arrangement may be needed to support them in the move to Universal Credit; this could be a more frequent payment than monthly, a split payment within the household or payment of housing costs made directly to the landlord.

29. The Government sees this as being time-limited and would look to put in place the appropriate support to help them eventually make the transition to the standard monthly payment.

**Direct Payments and Personal Budgeting Support**

30. In June 2012 the Government set up a series of Housing Demonstration Projects in order to assess the impact of paying housing benefit directly to the tenants. The projects will give the Department the opportunity to test the support required in order to: help claimants' budget and manage their rent payments effectively, test what safeguards need to be in place to protect the landlords' revenue streams, and consider those claimants who may be unable to manage the change to direct payments (both from the outset of Universal Credit and once established on the benefit). These projects will also be used as an opportunity to explore what types of budgeting products can be used to support Universal Credit claimants in the longer term.

31. The Department understands that many people on low incomes are used to budgeting on a fortnightly basis and may be concerned about moving to monthly payment. There will be appropriate budgeting support to ensure recipients are supported effectively. The Department is examining a range of options to support claimants as part of the move to Universal Credit and is carefully considering the welfare implications involved.

32. The Government wants families to be able to manage their affairs in a manner that best reflects the demands of modern life, whether in or out of work.

**Payment Exceptions**

33. Exceptions to payments being made directly to the household are not detailed in Regulations, but will be in guidance. Formal guidance relating to payment exceptions will be shared in the winter of 2012.

34. Guidance will encompass rent payments made directly to the landlord, making payment more frequently than monthly and the provision of split payments.
Intrinsic to this guidance, will be an overview of the circumstances in which any/all of the payment exceptions could be considered.

**Universal Credit Online Service – Digital by Default**

35. Universal Credit will be digital by default in line with a wider Government agenda of making services more efficient by putting them, where appropriate, online. This will mean a significant saving as every 5 per cent of transactions through self service, achieves efficiencies of circa £5m per annum.

36. The design of the Universal Credit experience will be compelling and as easy to use as possible so that it is an attractive proposition for claimants. In line with the objectives of Universal Credit, claimants are at the heart of the service and it is designed to put them in control of their circumstances.

37. Digital capability of claimants is an important factor for Universal Credit and claimants with good digital skills will be able to access more job vacancies, helping them back to work. Digital skills are a factor in around 72 per cent of jobs.

38. Universal Credit makes more claimants employable and better able to get jobs. Over eight million people in the UK don’t use a computer, and 38 per cent of these are unemployed. People without digital skills are likely to earn 10 per cent less than people with digital skills and miss out on job vacancies advertised by 25 per cent of employers who advertise online only.

39. People with poor digital skills are excluded from the 72 per cent of jobs that require IT skills. In addition, people who do not transact online are missing out on up to £560 of consumer savings per year through, for example, securing cheaper utility deals & insurances.

40. Getting Universal Credit claimants to transact online will bring transformational benefits to their quality of life and help them become socially and financially included in today’s digital world. Universal Credit supports households and claimants to become independent, socially included and productive.

**How Digital by Default will be Achieved**

41. In order to achieve the Government’s aim of Digital by Default, the Department has developed a high quality of service design, working with claimants to design a user driven service.

42. A key focus within this development is helping to get the offline, online, and the Department has been working across government joining up efforts and initiatives and working with digital champions.

43. Universal Credit will be supplemented by a number of alternative channels to support the online service including: telephony assisted telephony, agent-led and high street channels. All of these alternative channels are designed to
support claimants to claim Universal Credit online and support them to stay online.

**Universal Credit Face-to-Face Services**

44. The Government recognises that there will continue to be some claimants who cannot use digital online services. For those claimants with complex circumstances or with particular needs, alternative access routes will be offered along with needs-based support to access online services, including support in a face-to-face environment.

45. Claimants will be supported to use other channels as soon as it is practical to do so and providers of the Universal Credit face-to-face channel must be advocates of the digital online service.

46. From 2013, Universal Credit face-to-face will include work services provided by Jobcentre Plus and Welfare to Work Programme providers. Other requirements for face-to-face services, particularly for people with high-support needs, will use the best of local capabilities. All services will be delivered by the Department for Work and Pensions and its delivery partners, including local authorities and their wider supply chains.

47. Local Authorities already play an important part in supporting people who need additional help to access services, and will have an important role to play in the delivery of Universal Credit. The Department will continue to work with Local Authorities to ensure the right level of support is available to claimants in their local area when they move onto Universal Credit.

48. An internal National Service Framework is in development to articulate the required services to deliver the face-to-face strategy. This framework will be used as a set of guidelines to help the Department work collaboratively with local authorities as plans for local service provision are developed.
PROGRESS DEVELOPING THE NECESSARY IT SYSTEMS TO ADMINISTER UNIVERSAL CREDIT

49. The pathfinder in April 2013 will prove the core Universal Credit policy and supporting processes, some of which will be automated, including an on-line claiming process. The design for these IT systems is now in its closing stages, with the build plan on track to complete at the end of October 2012.

50. Rigorous, integrated IT testing has also commenced and will continue until February 2013, bringing together Universal Credit and the various external system changes, such as the Real Time Information system. There will be a number of Service Tests which will involve claimants throughout this period.

51. October 2013 will see us start to roll out this core Universal Credit service incrementally in each region of Great Britain. It will also see us deploy the next series of functionality and processes in to the pathfinder sites. Early scoping and high level design work has now started on this, which will focus on the delivering digital (by default) processes. The programme will continue to build iteratively the functional capability to add automation and integration through to October 2015 and beyond.

Contingency Plans

52. There will be robust standby arrangements which will enable the IT system to be fully recovered within a short period of time. These standby arrangements will cater for both failures within the Universal Credit IT System and possible catastrophic outage of infrastructure (i.e. Data Centre outage).

53. The Department for Work and Pensions is recognised as having some of the best contingency arrangements in place across Government. Should there be a catastrophic outage of IT; arrangements are in place that can be invoked to ensure people continue to get their money.

54. Existing contingencies are regularly reviewed to ensure they can be strengthened and to identify where new contingencies may need to be developed so people continue to receive the best service possible. Contingency arrangements are being considered to ensure that no one will lose money when there is a disruption to on-line service. Whether claims can be made and progressed through our other secondary channels such as telephony and face to face is being examined as part of the in-depth analysis currently being undertaken.

Real Time Information

55. PAYE Real Time Information is a major Government initiative that will ensure the PAYE system meets the needs of the 21st century. PAYE Real Time Information will improve the operation of Pay As You Earn for employers, HMRC and individuals. It is estimated that RTI will deliver c£300 million net
reduction in administrative burdens for employers. PAYE reporting in real time will also support the introduction of Universal Credit.

56. The underlying process for PAYE remains unchanged, but Real Time Information fundamentally changes the way in which employers & pension providers report information to HMRC and the frequency of those reports. Information will be reported at the time a payment is made as part of the routine payroll operation, rather than at the end of the year. Additionally, the reporting of new employees and those who have left employment will be reported as part of the routine payroll function rather than a separate activity.

57. A pilot started in April 2012 to test the Real Time Information service and the IT and identify any issues which need to be resolved before most employers start submitting PAYE in real time in April 2013. The pilot is going very well and as a result Real Time Information is on track. So far there have been few issues and those that have occurred have been quickly resolved with ten volunteer employers. It was expanded on schedule in May to a further 310 PAYE schemes. Following the success of the first pilot stage, HMRC expanded the pilot again and by end July almost 1.8 million individual records were being reported in real time by 700 PAYE schemes.

58. The quality of data in the pilot has been good, with the numbers of individual records matching to a National Insurance number exceeding expectations. Where a PAYE scheme pays using Bacs, HMRC uses an automated cross referencing process to match the amounts shown on the RTI return with the amount actually paid. This process is producing high rates of matching.

59. HMRC is on track for around 1,300 schemes to be reporting PAYE in real time by the end of September and a further expansion in November. By March 2013 around 6 million individual records will be reported in real time by up to 250,000 PAYE schemes.

60. HMRC are seeing external confidence in the pilot and have therefore offered more large employers, payroll bureaux, new employers and software developers the opportunity to join the pilot or to expand existing involvement in advance of the launch date of April 2013. This approach will bring more individuals into RTI, ensuring HMRC is well placed to support the early stages of Universal Credit including Pathfinder when it starts in April 2013.

61. The remaining employers and pension providers will come on board from April 2013. HMRC are on track to have all employers and pension providers reporting PAYE in real time by October 2013 – in time for the introduction of Universal Credit.

**Contingency for RTI**

62. Critical Failure Impact Analysis is under way for the complete service chain for Universal Credit, including systems already operating within the Department for Work and Pensions environment, and those operating within other departments. This analysis will identify areas of vulnerability and recommend action in any area where risk of failure is identified.
THE CLAIMANT COMMITMENT, SANCTIONS AND HARDSHIP PAYMENTS

Claimant Commitment

63. To be entitled to Universal Credit, claimants must normally accept a Claimant Commitment. The initial Claimant Commitment will either be accepted as part of the normal claims process or, for people expected to search for work, will be drawn up during a face-to-face discussion. It will clearly record the expectations placed upon a claimant and the consequences of any failure to comply and will be amended on an ongoing basis.

64. If a claimant refuses to accept a Claimant Commitment they will not be entitled to Universal Credit. As Universal Credit is a household benefit any claim from a partner in the household will also end. Claimants who refuse to accept the Claimant Commitment will be allowed a ‘cooling off’ period to reconsider their decision. They will also be able to ask for another adviser to reconsider the requirements within it.

Claimant Responsibilities

65. The Government expects Universal Credit claimants to do all they reasonably can to establish an adequate level of earnings. There are four basic types of work related requirement that can be imposed and recorded in the Claimant Commitment.

- Work-focused interviews
- Work preparation
- Work search
- Work availability

66. The requirements imposed on any individual will depend on the claimant’s capability and circumstance. Claimants will fall into one of the following conditionality groups:

- **No Work Related Requirements.** This group for claimants who cannot work or prepare for work or if they are already earning above their conditionality threshold.
- **Work Focused Interviews Only.** This group is for claimants expected to stay in touch with the labour market and begin thinking about a move into work, more work, or better paid work.
- **Work Preparation.** This group is for claimants not expected to look for work but expected to prepare for a move into work, for example, participating in the Work Programme.
- **All Work Related Requirements.** This group is for claimants expected to move into work, or increase their earnings.

67. Claimants in the All Work Related Requirements group will normally be expected to meet work search and work availability requirements. However, the specific work (such as the type of employment and the hours of work) that
a claimant is required to look and be available for will be tailored to the individual.

68. The application of all other requirements is discretionary. Therefore, as well as supporting the personalisation of requirements, the legislation provides for considerable flexibility as to what regime is put in place.

**No Work Related Requirements Group**

69. Claimants are placed in this group if they cannot work or prepare for work over a sustained period, or if they are already earning above their conditionality threshold. Claimants will include people who have caring responsibilities of at least 35 hours a week for a severely disabled person, lone parents with a child aged under one, and claimants who have been assessed as having a limited capability for work and work related activity.

70. The conditionality threshold is calculated based on the claimant’s circumstances, but the principle which underpins this is that conditionality requirements will not be applied where an individual or benefit unit is already earning all we could reasonably expect. This will be determined by establishing the number of hours the claimant can reasonably be expected to work (for threshold purposes this will be set at a maximum of 35 hours a week but adapted according to individual’s circumstances) and multiplying this by the relevant national minimum wage for the age of the claimant.

**Work Focused Interviews Only Group**

71. Claimants whose only requirement is to stay in touch with the labour market will attend work focused interviews. They will not be required to apply for, or take up, a job or engage in work preparation activity. These claimants will include:

   a. the responsible carer of a child between one and five years old;
   b. a lone or nominated foster carer for a foster child under 16, or 18 if the child has proven care needs; and
   c. relatives or others who are responsible carers of a child who cannot live with their parents.

**Work Preparation Group**

72. Claimants in this group will be expected to prepare for a move into work but will not be required to take steps to apply for or take up work as a condition of their claim. This includes claimants who are assessed as having a limited capability for work but not a limited capability for work related activity.

**All Work Related Requirements Group**

73. This will be the default group for all claimants unless they fall into one of the other groups. Wherever a claimant is capable of work or of working more, they will be expected to take all reasonable steps to find and obtain work or more work or better paid work. Claimants will usually be expected to look for
and be available for full time work and of any type. However, where appropriate given the claimant’s circumstances and capability, this will be restricted such as limiting work search and availability to certain types of job or certain hours of work. For example where a claimant is a carer or has young children of school age. The claimant may also restrict availability for three months to a particular occupation and/or level of pay in line with current or previous work as long as they have a reasonable prospect of getting such a job.

Meeting Work Search and Work Availability Requirements

74. In order to meet a given work availability requirement, claimants must normally be available to immediately take up (or attend an interview for) work and do all they reasonably can to give themselves the best prospects of moving into work. In line with this, claimants will be expected to have spent up to 35 hours a week (or their agreed number of hours, if less) looking or preparing for work.

Claimants in Work

75. Universal Credit is designed to support people who are both in and out of work, and in particular to encourage and support those doing some work to progress and earn more in order to support themselves and their family. A number of features within Universal Credit come together to encourage this – especially the disregards and single taper rate; however it is understood that the work-related conditions applied can also be important. Traditionally, the ‘conditionality’ regime in the benefits system has aimed mostly to move people from no work into employment. At the launch of Universal Credit, this is where the Department will continue to focus its efforts in terms of conditionality. However, it is looking to do more and will be exploring options with a view to carrying out pilots in the future.

Sanctions

76. Sections 26 and 27 of the Welfare Reform Act 2012 (March 2012) provide for sanctions to be imposed on Universal Credit claimants who fail to meet conditionality requirements without a good reason.

77. Sanctions play an important role in underpinning this conditionality by encouraging claimants to meet the requirements that will help them, where it is appropriate, to move into or prepare for work. The sanctions regime is designed to drive engagement with requirements by providing:

   a. clarity about the consequences of non compliance;
   b. a clear and robust deterrent against non compliance; and
   c. tougher and clearer sanctions for repeated non-compliance.

78. In Universal Credit, there will be four levels of sanction. The table below summarises these. The level of sanction will depend on the conditionality group a person falls into. Claimants over 18 subject to high, medium and low level sanctions will be sanctioned an amount equivalent to the relevant
Universal Credit standard allowance. Claimants subject to lowest level sanctions will be sanctioned an amount equivalent to 40 per cent of the Universal Credit standard allowance.

**Sanction Levels for claimants aged over 18**

<table>
<thead>
<tr>
<th>Sanction Level / reason</th>
<th>Applicable to</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1\textsuperscript{st} failure</td>
<td>2\textsuperscript{nd} failure</td>
</tr>
<tr>
<td><strong>High Level</strong></td>
<td>Claimants subject to all work-related requirements</td>
<td>91 days (3 months)</td>
</tr>
<tr>
<td>e.g. failure to take up an offer of paid work</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Medium Level</strong></td>
<td>Claimants subject to all work-related requirements</td>
<td>28 days (4 weeks)</td>
</tr>
<tr>
<td>e.g. failure to undertake all reasonable action to obtain work</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Low Level</strong></td>
<td>Claimants subject to all work-related requirements</td>
<td>Open ended, until re-engagement, plus</td>
</tr>
<tr>
<td>e.g. failure to undertake particular, specified work preparation action</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Lowest Level</strong></td>
<td>Claimants subject to work-focused interview requirements only</td>
<td>7 days (1 week)</td>
</tr>
<tr>
<td>Failure to participate in a work-focused interview</td>
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</tr>
</tbody>
</table>

**Imposing a sanction**

79. High-level sanctions will apply to claimants within the All Work Related Requirements conditionality group. These sanctions will be imposed for failure to meet the most important requirements, such as failure to apply for a particular vacancy without good reason or failure to take up an offer of paid work without good reason.

80. Medium-level sanctions may be imposed on claimants subject to all work-related requirements. These sanctions will apply when a claimant fails to undertake all reasonable work search action or fails without good reason to be able and willing immediately to take up work.
81. Low-level sanctions will apply to claimants subject to all work-related requirements or work–preparation and work-focused interview requirements. They may be imposed for failure to comply with requirements which are designed to help the move into or prepare for work without good reason. The sanction will be open-ended until a claimant has re-engaged after their failure, followed by a short fixed period sanction.

82. Lowest level sanctions will apply where claimants subject to work-focused interview requirements only, fail to participate in a work-focused interview without good reason. The sanction will be open ended. It will end when a claimant meets a compliance condition such as attending a rearranged interview (or the award is terminated).

Cumulative Approach

83. The sanctions approach will be cumulative. This means that where a claimant subject to one sanction receives another, the period of the second sanction would be added to first. Claimants’ award amounts will be reduced for the entire duration of both sanctions.

16 and 17 Year-Olds

84. Certain 16 – 17-year-olds will be able to claim Universal Credit in their own right and could fall into any one of the conditionality groups depending on their circumstances. A sanctions regime which is specific to this claimant group will apply, mirroring the structure of the adult regime but with lower sanction amounts and shorter durations as set out in the table below. Sanction amounts will be 40 per cent of the standard allowance for 16 – 17-year-olds.

<table>
<thead>
<tr>
<th>Sanction level</th>
<th>Duration</th>
<th>Second failure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>First failure</td>
<td></td>
</tr>
<tr>
<td>Higher</td>
<td>14 days (2 weeks)</td>
<td>28 days (4 weeks)</td>
</tr>
<tr>
<td>Medium</td>
<td>7 days (1 week)</td>
<td>14 days (2 weeks)</td>
</tr>
<tr>
<td>Lower</td>
<td>Open-ended</td>
<td>Open-ended +7 days</td>
</tr>
<tr>
<td>Lowest level</td>
<td>Open-ended</td>
<td>Open-ended</td>
</tr>
<tr>
<td>(claimants subject to work-focused interview requirements only)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Safeguards

85. The requirements placed on claimants will be reasonable, taking into account capability and circumstances, such as health conditions and caring responsibilities.
86. Sanctions will not be applied if a claimant can show good reason for non compliance. When decision makers are deciding whether to impose a sanction they must consider all evidence and information the claimant presents for that failure.

87. The Department will continue to contact claimants with a limited capability for work and a mental health condition or learning disability before determining whether a sanction should be applied. This contact will inform the decision on whether there was a good reason for the failure.

88. Claimants will be able to appeal any decision to reduce their benefit to the First Tier Tribunal, but only after they have first asked the Department to reconsider that decision. They must seek reconsideration within one month of being notified of the decision to sanction, or within up to 13 months if there are exceptional circumstances which the Decision Maker deems it reasonable to accept. The appeal must be lodged within one month of being notified of the outcome of the reconsideration.

**Hardship Payments**

89. Section 28 of the *Welfare Reform Act 2012* (March 2012) allows for additional payments of Universal Credit to be made where the claimants’ award has been reduced as a result of a conditionality sanction and the claimant is or will be in hardship. Regulations make provision as to when a claimant is to be treated as being, or not being, in hardship.

**Conditions for Hardship Payments**

90. A hardship payment will be made to a claimant, who complies with their work search and preparation activities, and who can demonstrate that as a result of the sanction they cannot meet their household’s basic and essential needs in respect of accommodation, heating, food or hygiene because of the imposition of a sanction.

91. To be eligible for hardship payments, claimants will need to demonstrate they are doing everything reasonably possible to access and rely on alternative sources of support and have made every effort to reduce non-essential expenditure. This requirement ensures that claimants act responsibly with the resources that are available to them and focuses those resources on the essential needs for their family.

92. Hardship payments in Universal Credit will only be available to those who have complied with their individual work search or work preparation requirements in the seven days previous to making their hardship application. They will be expected to continue making every effort to find or prepare for work to be entitled to hardship payments. This provides a continuing incentive to prepare for or to look for work.
Recovery of Hardship Payments

93. The Department will recover hardship payments made to claimants once the duration of a sanction is completed. A claimant or both claimants in a household must accept that hardship payments will be recoverable before any application can be considered. Recovery of hardship will be suspended if the claimant is in work and earning above their conditionality threshold. Once they have been in such work for six months, the outstanding balance will be written-off. Hardship payments cease to be recoverable where the claimant has been in paid work at or above the conditionality threshold for 182 days.

Period of Hardship

94. Where a Decision Maker accepts the claimant meets the conditions for a hardship payment, the period of payment will be from the date of application to the date prior to when the next payment of Universal Credit is due.

Amount of Hardship

95. Hardship will be paid at a rate of 60 per cent of the daily amount by which the sanction reduced the claimant’s Universal Credit payment. Hardship payments will not be accessible for 16 – 17-year-olds as sanction reductions will be made at 40 per cent of their standard allowance, compared to 100 per cent for those aged 18 and over.

CHANGES IN THE INCOME ENTITLEMENT OF DISABLED PEOPLE UNDER UNIVERSAL CREDIT

Policy Rationale

96. Under Universal Credit the Department for Work and Pensions wants to: encourage disabled people and those with health conditions to work where this is realistic for them; to target financial support on those who have the most severe disabilities or health conditions (including children with the most severe disabilities), and to simplify and rationalise the current complex and confusing system.

Work Support

97. Complex ‘Permitted Work’ rules will be replaced with work incentives for disabled people via Universal Credit’s flat taper rate topped up by a generous earnings disregard. The additions will be available to people both in and out of work, thus strengthening the incentives for disabled people to move into work. They will be provided with the right help including personalising back to work support, where there is a temporary fluctuation in a health condition which will see advisors being able to limit the type and amount of work-search activity required, taking into account the claimant’s health.
Targeted financial support

98. It is intended that people who are assessed as having limited capability for work, or limited capability for work-related activity, should be provided with more support to reflect the extra costs of having on average longer durations on benefit. There will be two additions based on a single assessment: a higher addition for those with limited capability for work and work-related activity; and a lower addition for those with limited work related activity.

99. Savings achieved by these reforms through abolishing the severe disability premiums, will be used to target payments to those in greatest need by enabling a significant increase in the higher addition. There will be no direct passporting from Disability Living Allowance/Personal Independence Payments (except for children) so entitlement to an additional element within Universal Credit will only be for those who have limited capability for work or limited capability for work and work-related activity.

100. Claimants will qualify for either a disability or carer element not both, removing the current overlapping of provision that allows people to simultaneously claim an addition by virtue of a medical condition and a carer element for themselves. However, as now, couples could get a disability addition for one member and the carer element for the other partner.

101. While many people will benefit from Universal Credit, transitional protection will apply to current claimants so that there will be no cash losers as a direct result of the move to Universal Credit where circumstances remain the same.

Simplification of the current system

102. There are currently seven different components of benefits and tax credits associated with disability within the present system. These are paid at different rates, have different qualifying conditions and different purposes. The intent is to simplify the existing system, abolishing the array of multiple overlapping benefits and severe disability premiums.

103. Universal Credit will not replicate every aspect of the current provision but will consist of elements for disabled people based on limited capability for work, similar to existing arrangements for Employment and Support Allowance.

104. The Department knows that many disabled people want to work but feel the risk of losing their benefits is too great. The simplified structure of a system of tailored earnings disregards and single taper of Universal Credit will provide greater certainty and reward people for taking the step into employment. This reflects the Government’s strong commitment to help more disabled people into work.

105. It is estimated that around 300,000 households will gain from the disability reforms and around 300,000 households will receive less, although benefit entitlement for a household may be affected by other parts of Universal Credit meaning an overall increase. Where current claimants receive less as part of
Universal Credit, then transitional protection will be applied at the point of change, as long as circumstances have remained the same.

**Disabled Child Addition**

106. In Universal Credit, the costs associated with having a child will be met through the child element, with the extra costs associated with having a disabled child met through the disabled child addition to the child element.

107. There are to be two rates of disabled child additions as follows:

- a disabled child addition for a child who receives any rate or component of DLA/PIP, apart from the highest rate of the care component; or
- a severely disabled child addition for a child who either receives the highest rate of the care component of DLA/PIP or is registered blind.

108. In Universal Credit, disabled child payments will be aligned with those paid to disabled adults. Aligning the child and adult rates removes the cliff edge in the current system and will make it easier for young people who go to claim as disabled adults to have a planned transition into independence.

109. The lower rate for both adults and children will be set at around £117 per month and the upper rate for adults will increase in stages over time to around £333 per month. The rate for the severely disabled children will be set at around £333 per month when Universal Credit is introduced.

110. As a consequence, some families with a disabled child may be entitled to lower amounts under Universal Credit than they currently receive. This applies to the approximately 170,000 disabled children currently receiving the disabled child element, but not the severely disabled child element of Child Tax Credit.

111. However, some of these families may benefit overall from Universal Credit and there will be transitional protection at the point of change for existing claimants who see a lower entitlement under Universal Credit where their circumstances remain unchanged.

112. The Government has announced its commitment to undertake a review of the gateway which links disabled children to the Universal Credit disability additions. The exact details of the review are still to be determined. However, the Department will work with disabled people and disability organisations during the review to ensure that the most severely disabled children receive the support they need when the review is complete.

**THE IMPACT OF THE CHANGES ON LOCAL AUTHORITIES**

113. Local Authorities are fully engaged at all levels in the design, development and implementation of Universal Credit. They are playing a full and active part
in steering the programme and ensuring their respective organisations are represented across the Programme's key governance groups.

114. The programme has begun to engage all Local Authorities in respect of their detailed plans for Universal Credit related business change and is sharing thinking on migration proposals through Local Authority engagement forums. Plans are being put in place to ensure the migration schedule will be reviewed regularly to ensure it is flexible enough to adapt to changing national and local circumstances over what will be a lengthy period of transition.

Role and Funding of Local Authorities

115. Local Authorities will have a continuing role in providing face to face support to claimants who need additional help from October 2013 and they will continue administering Housing Benefit until all claimants have migrated onto Universal Credit. As a result, the Local Authority role after 2013 is a complex and multi-faceted one, and the scope for new and innovative approached to delivery is considerable. So for Local Authorities overall, future funding requirements are difficult to define at this time.

116. A letter from the Department to Local Authorities has made it clear that they need to retain enough capacity to continue to manage the Housing Benefit caseload prior to full migration to Universal Credit. Local Authorities in England, Scotland and Wales will continue to receive subsidy from the Department in respect of their continuing but gradually diminishing Housing Benefit administration costs after 2013.

117. The subsidy allocation statements by the Department for Work and Pensions and the Department for Communities and Local Government this coming autumn will give details of funding to Local Authorities in England for supporting the transition process.

118. Local Authorities will continue to have a significant role in delivery of other welfare services after 2013 (Local Council Tax Support, reformed Social Fund, Discretionary Housing Payments and residual housing costs) and central funding arrangements will reflect this, including where Local Authorities have a role in delivery of Universal Credit.

119. The Department for Communities and Local Government will be responsible for subsidy allocations to English Local Authorities in respect of Local Council Tax Support administration costs but subsidy allocations in Scotland and Wales will be matters for the Scottish and Welsh Governments.

120. It is recognised that Local Authorities may incur one-off costs associated with decommissioning Housing Benefit services and work is underway to understand these impacts so that the Department can meet its obligations under New Burdens Doctrine. Work is also underway to identify the costs and additional burdens on Local Authorities of the Benefit Cap and funding allocations will reflect that.
Implications for Local Authority staff

121. The Department is working with Local Authorities to understand the full implications of the transfer of Housing Benefit administration to Universal Credit. The specific implications this has for LA staff cannot be fully understood until the design of the Universal Credit service is finalised, along with that of the wider Welfare Reform changes, including the localisation of Council Tax support and elements of the Social Fund.

122. It is still too early to say how many staff and what skills and experience will be required for Universal Credit. However on the 21st March 2012 the Permanent Secretaries of the Department for Work and Pensions and the Department for Communities and Local Government wrote to Local Authority Chief Executives informing them that Local Authorities will be expected to provide face to face support for some Universal Credit claimants who will need more intensive help to access the online system.

123. It will be important to retain enough capacity to provide face to face support to claimants with complex needs when planning to reduce benefits services. Capacity will also be required to maintain the Housing Benefit caseload prior to full migration, deliver localised Council Tax Support and, in England, to take on some aspects of the current Discretionary Social Fund.

124. It is anticipated that longer term, fewer staff will be required to deliver Universal Credit compared with legacy benefits so it is expected that staff in each of the current organisations will be affected. The impact on the number of Local authority staff will also be affected by the design of the Council Tax Benefit replacement, the social fund reforms, the introduction of the Benefit Cap and decisions about the delivery model for Universal Credit.

Support for Universal Credit claimants

125. There will continue to be some claimants who cannot use digital online services. For those claimants with complex circumstances or with particular needs alternative access routes will be offered along with needs based support to access online services, this includes support in a face to face environment.

126. Claimants will be supported to use other channels as soon as it is practical to do so and providers of the Universal Credit face to face channel must be advocates for digital online service. Face to face services will be delivered by the Department for Work and Pensions and delivery partners, including Local authorities and their wider supply chains to ensure the best of local capabilities are utilised.

127. Local Authorities already play an important part in supporting people who need additional help to access services, and will have an important role to play in the delivery of Universal Credit. The Department continues to work with Local Authorities to ensure the right level of support is available to claimants in their local area when they move onto Universal Credit.
128. A National Service Framework is in development to articulate the required services to deliver the face to face strategy. This framework will be used as a set of guidelines to help the Department work collaboratively with Local Authorities as the detail of local service provision is planned.

**Support for claimants affected by the Benefit Cap**

129. The Department for Work and Pensions and Local Authorities are working to provide support to claimants affected by the Benefit Cap. This includes employment support provided by Jobcentre Plus and support with housing from the Local Authorities. Claimants likely to be affected by the cap are being encouraged to accept employment support with a view to finding work and claiming Tax Credits, as those in receipt of Working Tax Credits are exempt from the Benefit Cap.

130. Guidance is being issued to staff and locally Jobcentre Plus and Local Authorities are being encouraged to work together to ensure joined-up support for claimants. An assurance process is being put in place to ensure this happens.

**Local Authority-led pilots**

131. The Local Authority led pilots will commence in Autumn 2012 and are expected to run until September 2013. The pilots will focus on delivering the face to face support some people may need to make claims for Universal Credit, including online support, help with budgeting and job searches, reducing fraud and error, and reducing homelessness. Local Authorities will play an important role in providing that support and these pilots create an opportunity for them to be at the forefront of shaping that role working with the Department and other partners.

132. The Department for Work and Pensions and the Local Authority associations for England, Scotland and Wales each jointly developed a prospectus defining the scope of 2013 focus Local Authority led pilots in their own nations. The prospectuses invited bids for pilots to explore key aspects of Universal Credit face to face delivery, including financial independence via a greater focus on work. These have generated and an announcement about the successful applicants in each nation is expected shortly.

133. The pilots will test and inform implications for Universal Credit design and rollout and support Local Authorities in their planning for Universal Credit delivery. The results will demonstrate progress and test the benefits, costs and outcomes of pilot activity. Further pilots covering LA long-term role in the delivery of Universal Credit will be announced next year and will examine post 2015 delivery models.
THE LEVEL OF THE EARNINGS DISREGARD

134. Universal Credit intends to top up earnings in a way that will make sure that there is a clear financial gain from working. It will provide a new single system of means-tested support for working-age people whether they are in or out of work. This will reduce the risks associated with moves into employment that exist in the current system.

135. In particular Universal Credit aims to ensure that people are encouraged to take jobs of only a few hours if that is all that is possible for them. To achieve this, members of a household will be allowed to earn some money before it has any impact on the amount of Universal Credit received – this amount is called an earnings disregard. Different amounts will be disregarded from earnings in order to reflect the needs of different types of household and to support the aim that work pays.

136. In addition there will be a single taper rate at which benefit is reduced to take account of earnings over the relevant disregard level. This will allow people in work to see clearly how much support they can get while making sure that people considering a job will understand the advantages of work. This also reduces the risks of moves into employment that currently exist within the current system.

137. The rates of the earning disregard are still to be finalised but will be set in line with Government spending commitments.

ELIGIBILITY FOR AND OPERATION OF PASSPORTED BENEFITS

138. In May 2011 the Department for Work and Pensions commissioned the Social Security Advisory Committee (SSAC) to undertake an independent review of passported benefits and to provide advice on the possible approaches to the provision of these benefits when Universal Credit is introduced in 2013. The SSAC report and the Government response were published in March 2012.

139. In its response the Government noted that the SSAC’s report into passported benefits supported the Government’s view that many of these benefits provide vital support to people on low incomes and are valued highly by the individuals that receive them.

140. The introduction of Universal Credit represents not only a challenge for Departments and organisations with responsibility for passported benefits, but also a unique opportunity to consider more fundamental reform to simplify and streamline some passported benefits in future.

141. The Department for Work and Pensions continues to work closely with those Government Departments responsible for passported benefits as well as the Devolved Administrations and other providers as they develop their thinking around new eligibility criteria. Organisations will need to deliver the new
criteria within the financial limits of individual schemes and to deliver well targeted, effective schemes with particular regard to the financial climate.

142. Work is under way to determine how this will work but essentially Universal Credit will provide the earnings level to Government Departments, as a proxy equivalent of current eligibility criteria, and it will be up to each passported benefit to decide their criteria based on their rules and budget.

143. Many passported benefits, and their associated administrative functions, have been in place for many years and in some cases, modernisation is long overdue. The Government recognises that, given the legislative and administrative change that would be required, radical reform of passported benefits may not be achievable for the initial stages of Universal Credit and the immediate priority is to introduce Universal Credit in a way that works smoothly with all passported benefits.

144. The provision of some passported benefits to all recipients of Universal Credit would almost treble the numbers currently eligible. Although the Government is sympathetic to the arguments for extending eligibility this is simply unaffordable in the current economic climate.

IMPACT MONITORING

145. To support effective delivery and a smooth transition, a framework to monitor and evaluate the impact of Universal Credit is being developed. This will encompass initial policy and process preparation through to the Pathfinder and will continue through to national roll-out of Universal Credit. Throughout, the focus will be on ensuring delivery supports the core aims of Universal Credit to: improve work incentives; smooth the transitions into and out of work; simplify the benefits system; reduce in-work poverty; reduce fraud and error.

146. To support initial preparation and transition through to Universal Credit a number of trials are providing learning to inform design and implementation plans. These include:

- running a series of live innovation trials to test out aspects of the claimant experience which expect to deliver under Universal Credit;
- delivering and evaluating a series of Housing Demonstration Projects to trial direct payment of Housing Benefit, in preparation for the introduction of Universal Credit; and,
- developing and evaluating a suite of Local Authority–led pilots to both help improve service delivery and collaboration and to minimise some of the delivery risks to Universal Credit.

147. Central to the effective transition to Universal Credit is the Pathfinder activity that will run in Greater Manchester and Cheshire from April 2013. This will test the new benefit payment system with Local Authorities, employers and
claimants in a live environment before Universal Credit is rolled out across the country. The Pathfinder will be used to test the end-to-end service and feedback received from claimants will be used to make final improvements before the national launch. From day one, the impact of key aspects of service delivery will be reviewed: new IT functionality, operational processes, partnership arrangements, and customer journeys through the different services (online, face to face and telephony). This will ensure that a robust and reliable new service is in place for people to make a claim when Universal Credit goes live nationally.

148. To support a smooth national roll-out, a strategy has been developed for the systematic migration of benefit claimants over to Universal Credit. The migration schedule will be periodically reviewed as Universal Credit rolls out to reflect any emerging changes to national and local circumstances before migration is concluded.

149. The Department is firmly committed to evaluating and monitoring the impact and effects of Universal Credit. Universal Credit marks a fundamental change to the way in which people engage with the benefit system and access in-work financial support. Its design, implementation and delivery will span a number of years. Evaluation plans will reflect both the long timescale and complexity of the reform. That means developing a wide-ranging evaluation strategy which employs a number of different approaches over the lifetime of the policy: from ongoing monitoring, ‘live running reviews’ of implementation and delivery through to longer term analysis of the outcomes and impacts for different groups of claimants.

150. Hard evidence on the delivery and impact of Universal Credit will be key to making the most of the opportunity to reform the welfare system. A headline evaluation strategy for Universal Credit will be published in November.

17 August 2012
Publishing draft guidance

You asked about a timetable for publishing draft guidance. We are currently working on a timetable that will ensure we give stakeholders the opportunity to both feed into guidance and comment on any drafts. Early discussions have begun to seek stakeholder views on some specific topics areas, however wider engagement on content for the guidance is expected to take place in October.

Real Time Information (RTI)

Firstly, I am pleased to say that RTI is on track and the pilot is going very well.

The pilot started in April 2012 with 10 volunteer employers. It was expanded on schedule in May to a further 310 PAYE schemes. Following the success of the first pilot stage, HMRC expanded the pilot again and by the end of July, almost 1.8 million individual records were being reported in real time by 700 PAYE schemes.

So far, the quality of data in the pilot has been good, with the numbers of individual records matching to a National Insurance number exceeding expectations. Where a PAYE scheme pays using Bacs, HMRC uses an automated cross-referencing process to match the amounts shown on the RTI return with the amount actually paid. This process is producing high rates of matching.

HMRC is on track for around 1,300 schemes to be reporting PAYE in real time by the end of September with a further expansion in November. By March 2013, around 6 million individual records will be reported in real time by up to 250,000 PAYE schemes.

HMRC are seeing external confidence in the pilot and have therefore offered more large employers, payroll bureaux, new employers and software developers the opportunity to join the pilot or to expand existing involvement in advance of the launch date of April 2013. This approach will bring more individuals into RTI, and will help ensure that HMRC is well placed to support the early stages of Universal Credit.

The remaining employers and pension providers will come on board from April 2013. HMRC are on track to have all employers and pension providers reporting PAYE in real time by October 2013 – in time for the introduction of Universal Credit.

Support for mortgage interest (SMI)

The Government set out its views on how support for mortgage interest (SMI) should operate in the future. This was in a ‘Call for Evidence’, which ran from December 6th 2011 to February 27th 2012. The Government is committed to
continue providing support for mortgage interest in future, to assist those owner-occupiers who qualify for this help to remain in their homes and avoid repossession as far as possible. Our strategic vision for support for mortgage interest in the future is that it should provide short-term help to people at a time of personal crisis such as loss of employment or relationship breakdown, and incentivise work. This is because it is only through full-time work that mortgages can ultimately be re-paid.

Introducing a zero earnings rule for SMI broadly replicates how SMI currently operates in practice for most groups, and recognises the different characteristics and work incentives facing owner occupiers compared to other out of work claimants. Owner-occupiers who claim income-related benefits will previously have obtained and sustained mortgages and, usually, they will have done this while they are in full-time work. Most owner-occupiers should be aiming to move from short-term SMI into full time work to support their housing tenure or they should take other steps, such as selling their homes and downsizing, if they are unable to sustain their mortgages. Moreover should they attempt some part-time work the removal of SMI will in part be compensated by the operation of the full disregard.

In circumstances where people need long-term help with their mortgages because they are disabled or have retired with outstanding mortgage liabilities, the Government believes that it is not fair to pay SMI indefinitely without recouping some of the cost to taxpayers, through sharing in the asset gain to those individuals made possible by the support from the State. The Government believes that for new claims in the future, in exchange for supporting someone to live in their own home whilst they are on benefit for long periods, the best approach would be to put a charge on their properties to recoup the SMI paid. The Government is still considering this option.

You asked about the available statistical data regarding recipients of Support for Mortgage Interest (SMI) through the income-related benefits. The Department has since produced an ad hoc statistical publication, which presents the latest Income Support (IS) and Jobseeker’s Allowance (JSA) SMI caseload and average weekly awards. (The Department does not have a corresponding data series for Employment Support Allowance SMI recipients.) The IS and JSA SMI caseload is also broken down to provide a regional profile and information on the age, gender, household composition and part-time employment status of SMI recipients. The part-time employment data shows that six percent of the IS and JSA SMI caseload are in part-time employment; this breaks down to five percent of the IS SMI caseload and eight percent of the JSA SMI caseload.

The ad hoc statistical publication was published on July 19th on the Department’s ad hoc analysis webpage: http://research.dwp.gov.uk/asd/index.php

Transitional Protection

Committee members also asked for more detail regarding those changes of circumstances which would trigger a move from a legacy benefit onto Universal Credit.

Claimants will migrate to Universal Credit in one of three ways. A ‘new claim’, a ‘natural migration’ or a ‘managed migration’. A new claim occurs when a
claimant has no previous legacy benefit entitlement. A natural migration occurs when an existing legacy benefit claimant experiences a change in circumstance that would mean they would have to make a new claim to a legacy benefit, which due to the introduction of UC is no longer available for new claims. A managed migration occurs when a claimant is required by DWP to move to UC at a given time.

The table below provides examples of the circumstances where a claimant would be required to make a new claim to UC; therefore the claimant would be a natural migration.

**Natural Migration Scenarios**

<table>
<thead>
<tr>
<th>Change of Circumstance</th>
<th>Move to UC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claimant is on WTC and loses their job</td>
<td>Yes</td>
</tr>
<tr>
<td>Claimant is on JSA, ESA or IS and starts work (unless permitted work)</td>
<td>Yes</td>
</tr>
<tr>
<td>Claimant is on JSA or WTC and becomes unable to work due to long-term sickness or disability</td>
<td>Yes</td>
</tr>
<tr>
<td>Household becomes responsible for a child for the first time</td>
<td>Yes</td>
</tr>
<tr>
<td>Lone Parent on IS re-partners</td>
<td>Yes</td>
</tr>
<tr>
<td>Couple with child under 5 splits up and one parent becomes a lone parent</td>
<td>Yes</td>
</tr>
<tr>
<td>Lone parent’s child reaches the age of 5</td>
<td>Yes</td>
</tr>
<tr>
<td>Claimant takes on full time caring responsibilities for an adult</td>
<td>Yes</td>
</tr>
<tr>
<td>Claimant is no longer a carer</td>
<td>Yes</td>
</tr>
<tr>
<td>Claimant reaches state pension credit age</td>
<td>No (move to Pension Credit)</td>
</tr>
<tr>
<td>Claimant reaches state pension credit age however has a partner under state pension credit age</td>
<td>Yes</td>
</tr>
<tr>
<td>Child leaves full time non-advanced education or training</td>
<td>No</td>
</tr>
<tr>
<td>Child leaves home</td>
<td>No</td>
</tr>
<tr>
<td>Child starts full time work</td>
<td>No</td>
</tr>
<tr>
<td>Childcare costs increase/decrease</td>
<td>No</td>
</tr>
<tr>
<td>Couple on joint claim JSA splits up</td>
<td>No (Should partner wish to claim they would have to claim UC)</td>
</tr>
<tr>
<td>Claimant on JSA, ESA, IS, or HB with a partner splits up</td>
<td>Yes</td>
</tr>
<tr>
<td>Claimant on WTC with a partner splits up</td>
<td>Yes</td>
</tr>
<tr>
<td>Claimant on CTC with a partner splits up</td>
<td>Yes</td>
</tr>
<tr>
<td>Claimant on JSA/ ESA/IS/HB re-partners</td>
<td>No (change of circs to the legacy benefit for the claimant who is in receipt of the benefit)</td>
</tr>
<tr>
<td>Claimant on WTC, CTC re-partners</td>
<td>Yes</td>
</tr>
<tr>
<td>Claimant claiming SMI moves to</td>
<td>Yes</td>
</tr>
<tr>
<td>rented accommodation</td>
<td></td>
</tr>
<tr>
<td>----------------------</td>
<td>---</td>
</tr>
<tr>
<td>Claimant moves home to a new Local Authority</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Ending Transitional Protection scenarios

The Committee also asked for further information in relation to Transitional Protection (TP). For many claimants a move to Universal Credit will mean they see the same or higher amount of benefit than the current benefit system. We estimate 2.8m households would receive a higher amount under Universal Credit than they do now. However, the move to a simpler system will change the level of entitlements for some households who are already in receipt of existing benefits. Where a claimant is managed moved to Universal Credit, their circumstances have remained the same and their Universal Credit award is lower than current benefits, we will provide TP as a cash top up to make up the difference.

Over time the TP will be eroded as claimants’ circumstances change but TP will continue to be provided until there is a significant change in circumstances. This approach ensures claimants have time to adjust to the move to Universal Credit.

Over the summer we have been considering further the significant circumstances that will end TP. This is as a result of work with stakeholders, to allow us to address their concerns about complexity, to ensure that claimants who are moved to Universal Credit with no changes in circumstance are adequately protected and that TP is simple to understand and administer, therefore reducing error. This work is still ongoing and we will keep the Committee informed once decisions are made.

However, I can provide the Committee with some examples of the types of circumstances that will end TP:

1) a couple separating, or a single claimant becoming part of a couple – this is because the claimant’s circumstances are no longer recognisable as the circumstances the TP calculation was based on;

2) For 3 consecutive assessment periods an in-work claimant reduces their level of work to below the amount they are required to work as prescribed by their claimant commitment;

3) A claimant closes their UC claim - any future claim for UC will not reinstate the original TP.

As you know, Lord Freud recently held an informal briefing on the IT in development for UC, which some members were unable to attend. I agreed that I would be happy to hold a further session. If members are still keen for this session to go ahead, I will arrange for this to happen.

28 August 2012
Further supplementary evidence submitted by the Department for Work and Pensions

Letter from the Secretary of State for Work and Pensions to the Chair of the Committee.

First of all, I would like to reiterate my appreciation of the discussion on the progress of Universal Credit with you and the rest of the Committee on 17 September. Not only was it an important opportunity to discuss in greater detail some of the concerns that stakeholders and parliamentarians have at present, but also to outline the steps we are taking to ensure Universal Credit enables the majority to move smoothly into work while providing the support mechanisms for the minority who find that process more difficult.

I am writing to respond to the points we did not have time to discuss during the evidence session, and to confirm the announcements we made during the hearing, which are outlined below. Annex A then provides responses to your follow up questions. Annex B gives further information to support the oral evidence.

I would be happy to meet with you to discuss the implementation of Universal Credit in further detail, and I maintain my commitment to meet with the Committee following the laying of Regulations after the Autumn Statement.

Announcements made during the Select Committee session

Start-up period for self employed claimants

Under Universal Credit, claimants will be expected to do all they reasonably can to establish an adequate level of earnings and to become independent of state support. However, we recognise the need for claimants who are setting up a business to be given time to establish themselves and build their business. Therefore where a claimant has been self-employed for less than 12 months, a start up period will be granted. This means that claimants will not be required to satisfy work-search or availability requirements, and the Minimum Income Floor will not be applied, thereby giving them time to concentrate on developing their business.

Having listened to the views of stakeholders and the Social Security Advisory Committee, I have decided to allow claimants one new start up period every 5 years rather than once in a claimant’s lifetime as suggested in draft Regulations submitted to the Social Security Advisory Committee. This change reflects the nature of self employment; many entrepreneurs are not always successful with their first business, but the experience gained can help them build up a successful business in the future.

Supported accommodation in Universal Credit

We have listened to representations on this issue from refuges, Homeless Link, Mencap, National Housing Federation and others and have decided that
help towards housing costs for those living in supported accommodation will be provided outside Universal Credit. This is to ensure that we continue to provide a flexible system to help meet the higher costs often associated with providing this type of accommodation.

To be clear, in this context we are referring to the group defined as ‘exempt’ supported accommodation as currently set out in DWP legislation. This includes accommodation provided by a county council, housing association registered charity or voluntary organisation providing the claimant with care such as women’s refuges.

In the short term this help will be delivered broadly as now through local authorities under existing DWP legislation. People in supported accommodation will still be able to claim and receive Universal Credit. It is only the housing costs that will be provided separately. For the longer term we are exploring the feasibility of a localised funding system. This is because local knowledge is essential to help identify this often diverse group, build effective relationships with providers and ensure that resources are targeted effectively at those who need it.

As we confirmed in our consultation we are not looking to cut costs. We will of course continue to question costs where they seem unreasonably high. But local knowledge plays a big part in that and helps to ensure that any scrutiny is well directed.

We believe that providing these costs outside Universal Credit will ease concerns over funding and payment regimes, particularly for refuges and hostels that meet the current definition. At the same time it will allow us flexibility in developing future provision.

We will be talking with key stakeholders as we develop our plans.

Financial products with additional budgeting support functions

As part of a wider piece of work exploring options to support claimants budget and manage their money, the Department is exploring the feasibility of making accounts with budgeting tools available to Universal Credit claimants. These budgeting tools could help make sure claimants’ essential bills are covered – helping them to build up their credit rating and break the cycle of financial exclusion. We are looking for a range of diverse providers to express an interest in developing these new financial products.

I am enclosing the press release and Prior Information Notice which will provide you with the further information you requested on our discussions with financial institutions on providing these accounts.
I trust that this information, as well as the detailed responses below, meets your requirements, but please let me know if you or the Committee have further questions. I am keen to maintain an open and constructive relationship between us in order to achieve our shared goal of ensuring that Universal Credit delivers the improvements to the benefit system that are so badly needed and so long overdue.

Annex A

Written follow-up

During the hearing, Lord Freud and I agreed to provide further written evidence on four areas; Jobcentre Plus (JCP) support for Universal Credit claimants, Jam Jar Accounts, Job Seekers Allowance (JSA) Online pilot scheme and the local authority led pilots.

JCP support for helping Universal Credit claimants get online

The number of staff that will be needed to support claimants making claims online in JCP offices will increase over time as Universal Credit is rolled out incrementally. For the Pathfinder the additional resource requirement over and above the assistance we already provide to people making a claim will of course be small. Based on projected volumes we estimate that around the equivalent of 200 staff (£7million per annum) by the end of the migration window – April 2013 to 2017, in both JCP offices and elsewhere. This is an area where of course we will be able to gain further experience during the course of the Pathfinder.

Internet Access Devices (IAD) are currently being installed in all Jobcentres to support claimants in accessing the internet. By the end of October 2012 there will be a total of 2186 IADs across all of our 718 Jobcentre offices. The costs of installing these access devices are therefore being met outside of the Universal Credit budget.

Jam jar accounts

While many claimants are able to manage their finances well, we recognise concerns that have been raised by stakeholders over claimants’ ability to effectively manage their money once they transition to Universal Credit.

As mentioned in my covering letter, we are therefore looking to work with suppliers to explore the feasibility of new financial products to help claimants budget and manage their money.

I have attached the Prior Information Notice (PIN) which has been published in order to have a full discussion with industry on the parameters of any new budgeting product and the potential budget available.

JSA Online pilot
It is important to note that Universal Credit is different from JSA online. It is a digital by default service with self service in every channel and has been co-designed with both staff and claimants. It is not based on legacy systems and is not a predominately telephone based service. Universal Credit has been designed to cope with a broader scope of circumstances that makes its easier to assess claimant circumstances and administer a single universal payment.

The JSA Online initiative however does give us insight into migrating services to an online channel. Over 1.46m people have claimed JSA online (January 2012) and we are gaining valuable experience (e.g. claimant behaviour & feedback) from JSA online that is being fed into the planning for Universal Credit implementation.

The DWP Structural Reform Plan includes an action to “Increase the proportion of new claims to Jobseeker’s Allowance submitted online to 80% by September 2013.

83% of the British population use the internet (Source: ONS Q1 2012) but in May 2012 use of our JSA Online service was only 23.4%. Those claimants unable or ineligible to use JSA Online access our service through other channels.

To accelerate take-up of JSA Online we developed our JSA Online Take-Up Delivery plan focusing on conversion, influencing and improvement activities. Our first three trailblazer initiatives focused on:

- providing greater direction and encouragement to those who can claim online;
- incentivising the use of online channels instead of telephony

As a result JSA Online take-up figures in August 2012 are 32.3%, up 8.9 percentage points from May. We have also received positive feedback from both claimants and staff and have incorporated learning into the next phase of IT improvements.

A further three trailblazer locations are now being rolled out. As requested by the Committee, the Jobcentres Plus Districts involved in the trailblazers are as follows:

Trailblazer 1 Durham and Tees Valley
Trailblazer 2 Essex
Trailblazer 3 Thames Valley
Trailblazer 4 Gloucester and West England
Trailblazer 5 Bedfordshire and Hertfordshire
Trailblazer 6 South East Wales (Eastern Valleys)

Local Authority led pilots

At this stage there is little further to say on the local authority led pilots in addition to the information that is in the press release. The scope and scale of Universal Credit face to face provision, and the way it will be funded, is still to be determined and these pilots create an opportunity for councils to be at the forefront of shaping that role working with DWP and other partners.
The pilots, which start this autumn and end by September 2013, will focus on delivering the face to face support people may need to make claims for Universal Credit.

They will look at:
- encouraging claimants to access online support independently;
- improving financial independence and managing money;
- delivering efficiencies and reducing fraud and error; and
- reducing homelessness.

I would be very happy to update the Committee on how the pilots are progressing and suggest around March next year will be the point at which we will have outcomes which will be of interest.

Additional questions

The following information is in response to the six questions that we did not get to during the evidence session and I committed to answering in writing.

1. **What is the estimated total amount of tax credit debt which will be transferred to UC and what are the Government’s plans for dealing with this debt?**

   HMRC debt will not become Universal Credit debt. It will remain the responsibility of HMRC. The Social Security (Overpayment and Recovery) Regulations have however been put in place to allow HMRC to refer their benefit overpayments to the DWP if the claimant is in receipt of UC, so deductions can be made from their ongoing benefit entitlement. These powers will come into force in April 2013.

   There will be restrictions in place, such as maximum amounts that can be taken from the claimants benefit, as other deductions may also be required. If insufficient UC is in payment for the deductions to be made, or the claimant ceases to be entitled to UC, the referrals will be returned to HMRC as they are responsible for that debt. They will make any decisions on whether to pursue the debt, and by what means.

2. **What incentives and support will be provided under UC to help both partners in a low-income household to return to work?**

   We expect Universal Credit claimants to do all they reasonably can to establish an adequate level of earnings for their household. Universal Credit is paid to the household and therefore the earnings of the whole household will be taken into account both when calculating the total award of Universal Credit, and when determining work related requirements and activity.
Where claimants already have an adequate level of earnings, or are unable to meet any work related requirements because of particular circumstances and capability they will fall outside the Universal Credit labour market regime and into the No Work Related Requirements group. All other claimants will be subject to work related requirements intended to help them move into work, progress in work or prepare for work in the future.

In the case of joint claims the proposal is to combine the individual earnings threshold for both claimants to derive a joint earnings threshold. If the household earnings are above that threshold then both claimants, regardless of what they individually earn, will not be subject to work related requirements. If the household earnings are below that joint threshold then we will look at the earnings of each claimant individually to assess whether they earn above or below their individual threshold.

So to put it another way, in a situation where the joint earnings in a benefit unit are below the earnings threshold, we may concentrate work related requirements on the second/lower earner if the higher earner is earning more than their individual threshold, in order to help the second earner move into work, progress in work or prepare for work in the future.

3. **In what circumstances will a claimant qualify for the higher earnings disregard for disability?** (UC draft Regulations, Explanatory Memorandum para 135)

We won’t have a higher disregard for disability specifically - the higher rates and lower rates will apply in respect of whether people have housing costs or not. The challenges faced by disabled people in reduced opportunities to work are reflected in the two rates of adult disability addition.

4. **Is the Government willing to give local authorities flexibility to apply the 10% reduction in council tax support in the way they believe would be fairest in their area rather than being obliged to protect certain groups, particularly pensioners?**

Local Authorities will have considerable freedom in deciding how a 10% reduction in council tax support is achieved.

The Government has set out during the passage of the Local Government Finance Bill its commitment to protecting pensioners under the new schemes.

5. **What are the payment arrangements for claimants whom the Department decides to make more frequent payments?**

We understand that many people on low incomes are used to budgeting on a fortnightly basis and may be concerned about moving to monthly payment. For the majority of people moving to monthly payments will be an important step in preparing them for the world of work. However, budgeting support will be available in the minority of cases in which this is not appropriate.
We do not want to label any claimant as financially incapable and for that reason payment exceptions will be on a time-limited basis. We will look to put in place the appropriate support to ensure claimant’s circumstances can be reviewed, moving them over time to a point where they can manage the default Universal Credit payment arrangements. Identifying those who will require payment exceptions will come from a range of sources, for example third parties, support organisations and landlords.

A Universal Credit staff member will make the decision to allow a payment exception following a discussion with the claimant. They will consider the claimants’ financial circumstances and any other factors which would indicate support is required. Guidance will be in place to support staff and we are working with stakeholder organisations to develop the content for this.

Support will be available for claimants when they move from legacy benefits to Universal Credit by providing the option of an advance two weeks into their first assessment period. The advance may be up to 50% of the expected Universal Credit monthly award and will be recovered in 12 equal monthly instalments from subsequent payments of Universal Credit. This approach is similar to advances of salary provided by many employers when an employee starts work on a monthly salary.

For those claimants who we identify as requiring more frequent payments once on Universal Credit, twice monthly payments of 50% of an award will be made seven days after the end of an assessment period and then about 15 days later. For example, John’s assessment period runs 3rd to 2nd of each month, with his pay day on 9th. On 10th June it is agreed that John can receive a more frequent than monthly payment.

Because we want to make more frequent payments based on actual entitlement, rather than advancing 50% of the expected award, the twice monthly payment will take effect from John’s next pay day. This avoids the claimant facing over or underpayments at the end of the assessment period if it transpires the advance was an incorrect amount.

So on the 9th July John receives 50% of his award for the period 3rd June to 2nd July. We then ‘release’ the final 50% of his award fifteen days later, on 26th July. This process continues for as long as more frequent payment is required.

6. Will claimants be able to access the Universal Credit system from their smart phone from when the system is implemented in October 2013?

As Universal Credit will be online from 2013, claimants will be able to access it from the web browser on their smart phone. It is our intention to develop a Universal Credit app for smart phones; however it will not be in place for October 2013.
Commitments

I can provide the following updates on the commitments that were made during the hearing.

Communication of the treatment of gratuities

Universal Credit is a significant welfare reform and the Department will deliver a wide range of communication activity through the media, direct marketing, and where appropriate, advertising. We are working with HMRC, Local Authorities, other government departments, major employers, and third party organisations and support groups to ensure appropriate preparation for those who will receive Universal Credit or who might play a role in advising recipients.

Parity between the self-employed and employed

We made a commitment to ensure parity between the self-employed and employed people in the application of conditionality. We are currently looking into the examples provided by the Low Income Tax Reform Group and will be in touch with them in due course.

Rates and disregard levels

As I mentioned during the hearing I would be happy to meet with you again once the rates and levels have been set after the Autumn Statement.

MP’s hotline

We welcomed your suggestion that there should be an MP’s hotline to help address any casework issues that arise once UC is implemented. Officials are considering how to take this forward.

Trusted information providers

Universal Credit is being designed to support information transfer from trusted partners. For example, Universal Credit will obtain claimant’s PAYE earnings details directly from HMRC, ‘Real Time Information’ data transfer.

Universal Credit will in the future have provision for:
• Trusted Information Providers (HMRC’s tax agents/accountants, who with the claimant’s consent provide self-employment earnings) to provide information for the administration of Universal Credit claims or award; and
• Information verifiers who would verify or confirm information that claimants provide for the administration of their Universal Credit claim and /or award.

This process is being built into the design of Universal Credit along with support required by other intermediaries for those claimants who will need it.
Clarifications from 17th September evidence session

There are some aspects of the oral evidence given on 17th September that I would like to take this opportunity to clarify.

Advances to support the transition to monthly payments for existing claimants who move onto Universal Credit

Universal Credit entitlement will be assessed and paid monthly, mimicking receipt of a salary (75% of working people are paid monthly in arrears).

Most social security benefits are paid fortnightly and in arrears, so when claimants transition from legacy benefits to Universal Credit, we need to provide a fair, simple and affordable means of ensuring that they do not experience a significant shortfall in cash flow in the first month.

We will achieve that by providing migrating claimants with the option of an advance of Universal Credit two weeks into their first Universal Credit assessment period. This is not the same as short term advances which will replace interim payments and Social Fund Crisis Loan alignment payments, and budgeting advances which will replace Budgeting Loans.

The advance may be up to 50% of the expected Universal Credit monthly award, will be recovered in 12 equal monthly instalments from subsequent payments of Universal Credit.

This approach is similar to advances of salary provided by many employers when an employee starts work on a monthly salary.

The advance in not a loan but a rescheduling of payment in the first month. The claimant receives the same overall amount of Universal Credit over the first year, and no interest is charged.

To guard against hardship, we will never deduct an amount more than the equivalent of 40% of their Universal Credit standard allowance.

Telephony service

As in the current system, the Department will use the 0800 free phone number for calls to claim benefit or request emergency payments. It will use the 0845 telephone numbers when claimants call for other reasons as these are calls that typically take less time to resolve. We are aware of the financial difficulties this may cause and so, when someone asks us or raises concern over the cost of a call, we will offer to call them back. The Department also provides “Customer Access Phones” in a large number of its Jobcentre Plus offices, where people can make benefit enquiries or pursue job applications. They do not have to pay when using these facilities.
Alignment of reporting requirements for self-employment earnings with HMRC

We have been clear from the outset that where possible we will align the income reporting for the self-employed with the new cash income reporting system that HMRC are developing to simplify tax. We have not wavered from that commitment.

At the time of drafting our self-employment reporting regulations, HMRC were consulting on their cash income proposal. Now that their consultation has ended my Department is working closely with HMRC, and officials have regular meetings to ensure we are lined up as the tax proposals and Universal Credit Regulations are refined.

Cross checking of earnings

Real Time Information (RTI) will be sent by employers for all employees and pensioners covered by PAYE. A cross reference to the payment will be provided for those cases where the payer has a personal BACS service user number (i.e. they aren't a bank or a bureau). The Department will use the RTI received regardless of source of payment but the payment cross reference will be used as part of a more general risk based approach to Universal Credit security. There won't be an automatic separate cross check of non-verified data.

Review of Disabled Child Additions

Lord Freud committed to undertaking a review of the gateway which passports children to the disability additions under Universal Credit. This work is not expected to begin until 2015 by which time we should have gathered sufficient evidence from work the Department for Education is undertaking to explore moving towards a single assessment for a child’s social care, health and special education needs as well as learning from the introduction of PIP.

Support for Mortgage Interest

Lord Freud and I discussed the zero earnings rule with you at the hearing and addressed your concerns that this will reduce work incentives for those working part time. I would like to clarify that the example given where 10 hours in work at national minimum wage will mean the claimant matches the existing system is based on the circumstances of a lone parent. We used lone parents as an example as we know the effect of these changes on this group is of particular concern to stakeholders.

Temporary accommodation

I will be producing a policy briefing note in due course to clarify the Department’s position on treatment of Temporary Accommodation in Universal Credit.

5 October 2012
Written evidence submitted by Women’s Aid

1. Introduction

Women’s Aid Federation of England (WA) was established in 1974 and is the national charity working to promote the protection of adults and children who have suffered from or are exposed to gender-based violence. The proposals regarding the impact and implementation of Universal Credit (UC) have significant and potentially very detrimental impact on the provision of vital refuge services and survivors ability to afford to pay rent to access a refuge service. Last year, over 200 organisations provided around 900 refuge services to around 37,000 women and children; and local community services supported around 143,000 adults and children by providing advocacy, shelter and safety.¹

The information contained in this document has been informed largely by Women’s Aid Federation of England’s (WA) consultation response² to the Social Security Advisory Committee (SSAC) and the knowledge and expertise of WA’s members. It covers the direct impact of UC upon survivors of domestic and sexual violence (DSV) and the indirect impact through the implications for refuge services.

The key concern is that, unless supported housing costs are dealt with outside of UC, refuge services will face such drastic cuts in their rental income that they will have to close. Refuge provision is classed as ‘supported housing’ and so rely on income from rent and service charges paid by survivors, as well as local authority funding under the ‘Supporting People’ programme. As a result of UC, refuge services are expected to lose, as a conservative estimate, 59% of their rental income from survivors, most of which currently comes from housing benefit³.

This is particularly troubling in the context of broader austerity measures.

Women’s Aid welcomes the £40 million that the Home Office and Ministry of Justice has earmarked for DSV victims, ring-fenced for the first time during this spending review period. However this funding has been allocated for the use of MARACs, IDVAs, ISVAs, national help lines and Rape Crisis centres, not for refuge services. Hence, such funding will not fill the gap in income of refuges resulting from UC and so will not prevent refuges from closing down.

It is therefore crucial that the implications of UC are fully recognised and addressed before implementation to ensure that the network of refuges is able to continue to provide life saving services.

2. The proposed arrangements for claims and payments and the provision of support and advice for claimants

¹ Women’s Aid, 2011 Annual Survey, 2010/11
² Available online at: http://www.womensaid.org.uk/core/core_picker/download.asp?id=3738
³ See Women’s Aid’s full consultation response.
2.1 Online management of claims
Stalking is a frequent aspect of DSV, and is increasingly carried out with digital technology. Hence the presumption of a predominantly online, self-service claims process may compromise survivors’ safety in some circumstances. It is not uncommon for couples in relationship to have access to each others online log in details. Women’s Aid is concerned about situations where one of the couple flees the home to go into refuge services. In particular how survivors can notify the department of such a change of circumstance, and make a new claim online without alerting the other joint claimant, who may be the perpetrator. Survivors have to be confident that notification of entering a refuge as a change of circumstances does not alert the perpetrator to their location, thereby threatening her safety and others in the refuge. DWP should ensure that the abuser cannot access information about the survivor’s whereabouts through the joint online account. Being in a refuge should be regarded as sufficient evidence of a change. Ensuring online safety is particularly important for victims of forced marriage and honour-based violence who may be claiming UC.

Women’s use of online self-service claims is likely to be compounded by other issues survivors face, such as poverty, physical and learning disabilities, age, language barriers and poverty. For example, feedback from survivors and services on using online access to services such as Choice Based Lettings shows that some survivors do not have easy access to computers and the internet. Please see below for the equality impact issues.

Women’s Aid therefore recommends that the online management of claims by DSV survivors should be secure and details confidential.

2.2 Telephone and face-to-face support and independent advice for claimants who need it.

When survivors leave a DSV relationship, they are often in a situation of financial crisis. Such crises necessitate immediate support with complex issues which online services cannot meet.

At present, such crises can be tackled by a DSV worker making contact with the relevant authorities in order to secure arrangements such as supporting the survivor to obtain a crisis loan, which is then used to pay for essential goods such as nappies, clothes, transport, food, medication. Without such an immediate and tailored response many survivors may be unable to reach safety and may become (or remain) destitute.

Telephone, face-to-face support and independent advice is also essential, in order to ensure equal access; as noted above some women have problems accessing services provided online for a plethora of reasons. Such service provision would therefore enhance survivors’ safety and transition towards safety.

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*Women’s Aid, DAME report 2012*
Additionally, WA research shows that survivors prefer, and benefit from, financial advice from someone with knowledge of DSV as well as financial knowledge⁵. It is therefore recommended, in order to ensure that survivors can constructively access face-to-face support and independent advice, that some basic knowledge of DSV is required of such service providers.

Women’s Aid recommends that:

- the circumstances of survivors are considered as an exception to the standard process;
- within UC delivery there should be a dedicated member of staff available locally to liaise with women and DSV staff when needed.

3. Progress with developing the necessary IT systems to administer UC

As noted above, Women’s Aid is concerned about whether or not IT systems will be able to digitally protect survivors from online stalking and online notification of change of status on a joint claim. It is of utmost importance that measures are put in place to ensure that online management of claims can keep DSV survivors safe and their details confidential so that their safety and that of refuge services is not compromised.

3.1 Payments to one person in the household

UC payments being made to one member of a couple appear to have been made without due attention to: the direct and indirect relationships between financial problems and DSV; and the impact upon funding streams of refuges and other supported housing.

Firstly, Women’s Aid is concerned that payment to one of a couple, even though the claim is jointly made, will reduce the amount of income that survivors, as Mothers, have specifically for their children. Such a lack of control over financial resources has been shown by research to delay and prevent women and their children from escaping DSV.

The financial impacts of DSV, including arrears in essential bills such as rent or multiple debts for everyday items, are likely to be compounded by the lack of financial independence implied by payment to one member of a couple.

Many of the financial issues faced by survivors may be the direct result of financial abuse – control of another person by using or misusing money. Thus, of particular concern, is that the policy of making only one payment of UC neglects to consider that perpetrators often limit and control the partner’s current and future actions as well as freedom of choice. Perpetrators may do this by, for example, controlling access to household resources, often leaving women and children without sufficient food to eat. Abusers may also:

- refuse to contribute to household expenses;

⁵ Women’s Aid, DAME report 2012
• control earnings;
• use credit cards without permission;
• put contractual obligations in their partner’s name; and
• gamble with family assets.

Hence, by leaving the decision of whose bank account to pay UC into as a standard process, UC will potentially reinforce and facilitate the power that perpetrators hold over their victims.

This lack of financial independence and freedom of choice arising from payment to one person in the household is also expected to unduly impact on survivors experiencing poverty. Whilst it is not possible to establish causation, poverty can increase a women’s vulnerability to violence generally by increasing their exposure to violent situations and reducing their ability to escape. Such a risk to survivors’ wellbeing and transition to safety is of grave concern to Women’s Aid.

Hence Women’s Aid recommends that:

DWP should re-consider payment options and allow UC to be payable to each member of a couple individually, to reflect their status as joint claimants. At the very minimum UC should be split between a couple in cases of DSV and that payments for children revert to being paid direct to the main carer.

3.2 Monthly assessment, service charges and removing direct payment to landlords

Three provisions in combination will affect payments to survivors and refuge provision. These are:

• The removal of direct payments to landlords;
• Reducing service charges that can be covered by the UC housing element, and
• Moving to monthly payment and assessment.

These will present problems for refuges, due to an expected loss in funding. As noted above, some refuges expect to lose at least 59% of their income which is normally obtained from housing benefits of women in the refuges.

As the housing element of UC is no longer routinely paid directly to “landlords”, this could lead to an additional loss of income, deriving from potential missed payments to refuges.

The UC housing element will restrict eligible service charges to cleaning and maintenance costs, leaving refuges without income to cover vital services such as security and safety measures, play areas and space for children.

Moreover, monthly assessment and payment of UC potentially endangers the safety of survivors - due to the impact on refuges. As payments are made
monthly in arrears, and the first payment will not be until 7 days after the end of their first month on UC, this will have severe ramifications upon the cash flow situation of refuges, thereby threatening their sustainability. Unless a woman is in a refuge on the date of her second (and any subsequent) UC assessment following a new claim or change of circumstances, the survivor’s entitlement will not cover the accommodation and service she received from the refuge in that month⁶. Women's Aid is therefore very concerned about the impact monthly payment will have upon the cash flow of refuges and their ability to collect money for the vital services that they provide. Such an impact will undoubtedly cause a significant number of refuges to close⁷.

WA is also concerned that due to monthly assessment and payments, women in DSV crises situations will not have the money when required to enter a refuge or reach safety. Previously, the crisis loans have provided the vital funds that allow women to flee a DSV relationship without becoming (or remaining) destitute⁸. Such a need for short term advances will probably increase due to the reduced financial independence implied by payment to one person in a couple, and monthly assessments and payments. Additionally, WA is also concerned about the process that women will have to go through when needing to make a claim in crisis.

Hence, Women’s Aid therefore recommends that:
- direct payments to landlords should be maintained, even in the case of two landlords;
- the UC housing element should continue to cover then same range of service charges as it currently does;
- monthly assessments and payments should not apply to the housing element of UC where it concerns the payment of supported housing (including refuges). The calculation of rental payments should cover the full length of stay in a refuge;
- short term advances are allowed for in such crisis situations (for which entrance into a refuge should be an adequate criterion).

4. Changes in the income entitlement of disabled people under Universal Credit

Research indicates that disabled women experience more abuse than non-disabled women, and their impairments may be used by their abusers in order to increase both the abuser’s power and control, and the woman’s vulnerability and isolation⁹. It is therefore important that disabled survivors should be able to afford to enter refuge services if they need to. Women’s Aid is particularly concerned that survivors with an impairment, but not entitled to DLA/PIP, are not caught by the benefit cap when living in refuge services.

⁶ For greater detail and case examples, please see Women’s Aid’s consultation response at: http://www.womensaid.org.uk/core/core_picker/download.asp?id=3738
⁷ See full consultation response.
⁸ These are now being devolved to LA’s and are not a statutory provision
⁹ Women’s Aid, (2008) Making the Links Disabled women and domestic violence
For existing claimants who might be covered by Transitional Protection, Women’s Aid assumes that entering a refuge would count as a change of circumstances. If this is the case we are concerned about the situation of women previously receiving the Severe Disability Premium or the disability element of working tax credits, who would stand to lose these protected payments if needing to go into a refuge. Additionally, it is important that the expected halving of the disability addition for disabled children does not further restrict such children reaching safety with their parent in cases of DSV, again due to lack of funds.

5. The impact of the changes on Local Authorities

Local Authorities (LAs) will be picking up a number of discretionary payments for claimants, and we are concerned, that given the plethora of demand for such money, LAs will fail to prioritise DSV. In this document, we focus on two areas of concern, firstly Discretionary Housing Payments (DHP) and secondly the discretionary social fund.

Women’s Aid understands that the DHP scheme allows LAs to make additional payments where the person needs temporary help with housing costs. This could include help for those who have dual Housing Benefit liability and would potentially apply if dual payments take someone’s benefit income over the threshold for the cap. (WA also understands that payments received from the DHP Scheme will not be used when calculating a household’s weekly benefit amounts for the purposes of the benefit cap). This support for survivors entering refuges is welcome.

However, DHPs are payable at the discretion of the local authority, so do not guarantee that payment will be made when survivors need it. The guidelines regarding DHPs only contain a weak reference to the fact that DHPs could be granted to survivors of DSV. Additionally, the individual would have to make a separate application to the local authority for a DHP rather than being dealt with centrally as part of their UC claim. Around 40% of refuge users have dual housing costs, so it is likely that the vast majority of survivors would need to apply for a DHP when their benefit is capped. Even with the welcome increase in funding of £75 million in 2013/14, some LAs could be faced with competing priorities for the DHP scheme.

Hence, Women’s Aid is concerned that DHPs do not adequately substitute regulatory entitlements which have, in the past, proved vital in ensuring the safety of women across the country? Furthermore, the process of applying and the requirement to prove that they are in need of a DHP will add strain upon women already dealing with DSV and so deter them from entering a refuge.

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11 As estimated by a Women’s Aid refuge service provider, see [http://www.womensaid.org.uk/core/core_picker/download.asp?id=3738](http://www.womensaid.org.uk/core/core_picker/download.asp?id=3738) for case studies.
Aspects of the discretionary social fund will be devolved to LAs, who will have responsibility for meeting the needs of claimants for lump sum items through community care grants, and for emergency financial support through crisis loans. This money will not be ringfenced, giving rise to concerns that LAs will use this to support their statutory services or introduce priority criteria. WA is concerned that DSV survivors may miss out on such vital funds, depending on how LAs decide to prioritise\textsuperscript{12}.

**Hence Women’s Aid recommends that:**

- a mandatory resettlement grant for the victims of DSV is established;
- entitlement to DHPs in times of crisis such as entrance to a refuge should be made statutory, or at least stronger regulations should be made to ensure that LAs appropriately allocate their funding.

### 6. Impact monitoring

To date, apart from the benefit cap, the only Equality Impact Assessment apparently available on the website is dated November 2011 for the Welfare Reform Bill, and does not assess the impact of the detail of these regulations.

As refuge provision is clearly at risk due to the implementation of UC and so therefore, is the safety of DSV victims who are predominantly women, there is a special duty that the gendered impacts of UC are considered and any disproportionate impact mitigated\textsuperscript{13}.

Additionally, the equality impact assessment should pay attention to the potential for the heavy impact of UC on women to be exacerbated by other aspects of their identities, some of which may also be protected characteristics under the Equality Act. Some of these have been noted above, for example, poverty, physical and mental disability, cultural or traditional background amongst others.

Women’s Aid has also recommended that supported housing costs should be taken out of UC and funded separately\textsuperscript{14}. Otherwise we request that the DWP publish an assessment of the impact of UC on supported housing provision, including for DSV survivors, and include this in regular monitoring\textsuperscript{15}.

\textsuperscript{12} For example LAs may decide to use ‘local connection’ as a criterion for support, which could disadvantage DSV survivors who may have had to move to a new area to flee from violence. See Joint briefing by Women’s Aid, Family Action and Platform 51 on Social Fund Clauses (69-72 inclusive) of the Welfare Reform Bill for Lords Second Reading stage, September 2011

\textsuperscript{13} Women are also more likely to be subject to repeat incidents: see for example Walby S and Allen J, 2004, ‘Domestic violence, sexual assault and stalking: Findings from the British Crime Survey’, London: Home Office; Hester, M, 2009, ‘Who does what to whom? Gender and Domestic Violence Perpetrators” Bristol University

\textsuperscript{14} Refer to consultation response

\textsuperscript{15} WA also recommend that DWP publish their response to the 2011 consultation on supported housing costs
Given the concerns detailed in the body of this report, WA recommends:

**Ongoing monitoring of:**
- The timescales of processing benefits
- The impact upon women's access to refuges and funding necessary to do so
- Requests for separate payments to each member of a couple
- Access to DHPs by victims of DSV and for supported housing services

Appropriate organisations, such as Women's Aid, can help DWP to monitor the impacts of UC upon survivors, refuges, and equal access to those refuges that do stay open.

7. **Concluding comments**

The evidence contained in this report has highlighted some of the potentially dangerous ramifications of UC for DSV survivors, through direct impacts upon women and through indirect impacts upon refuge services. The recommendations above should be implemented to help mitigate such detrimental impacts upon the lives of women and children across the country. Without such action, the government will be unable to achieve its aim of ending violence against women and girls as the crippling of the refuge network in England will leave many in potentially life-threatening situations.

*17 August 2012*
Summary

We welcome the opportunity to contribute to the Committee’s inquiry on the Government’s progress towards implementation of the Universal Credit.

We respond on behalf of the optical practitioners and practices that will provide NHS eye care services to adults who will be eligible to receive Universal Credit. In terms of eye health and eye care, the key passported benefits for these recipients will be the NHS sight test and the NHS optical voucher.

As previously stated in our submission to the SSAC Review of Passported Benefits, we very much support moves to simplify the benefits system with a view to making it genuinely easier for our patients to understand their entitlements, and easier for optical practices to administer.

We have limited our response below to those aspects of NHS eye care that are relevant to the inquiry.

1. Eligibility for NHS Sight Tests (as Passported Benefits)

1.1) NHS sight tests are vital to detecting avoidable sight loss and facilitating patient access to treatment. In this way, the NHS sight test offers a valuable and cost effective screening service, which delivers early and timely detection of a range of sight threatening conditions, in particular for patients with limited means or who are at higher risk of developing sight loss.

1.2) Visual impairment carries a substantial social and human cost. This can shorten life, increase the risk of other health conditions, restrict social participation and independence, and impair physical and mental health. The annual societal cost of blindness was estimated to be £22 billion in 2008. Sight loss is also projected to double by 2050, an increase of 115 per cent. Yet, according to the Royal National Institute of Blind people (RNIB), half of this is estimated to be avoidable through early detection and prompt access to treatment. Even modest reductions in avoidable sight loss would therefore result in significant public health gains and savings in NHS and social care expenditure over the coming years.

1.3) Surveys of public attitudes indicate that the cost of eye care is a barrier to attending for a sight test. Restricting access to NHS sight tests for those on low incomes would therefore be likely to reduce their uptake and increase their likelihood of suffering avoidable sight loss.

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1 Access Economics (2009) Future sight loss UK (1): The economic impact of partial sight and blindness in the UK adult population
2 RNIB (2011) Preventing Sight Loss in Older People – Barriers and Enablers to the Uptake of Regular Sight tests
1.4) Following on from an NHS sight test, patients in receipt of a range of means tested benefits currently qualify for help towards the cost of spectacles or contact lenses (a GOS 3 optical voucher) if required. Spectacles or contact lenses are, of course, provided to correct distance or near vision, which we would argue is fundamentally important to every individual’s quality of life, safety, employment prospects, and participation in society.

1.5) An NHS sight test and optical voucher are highly valued passported benefits and a key lever to prevent avoidable sight loss. We would strongly oppose any reduction in those eligible for NHS eye care passported benefits, which we feel would be a retrograde step in public health terms.

1.6) We note that Universal Credit will also be paid to certain individuals that re-enter the workplace (expected to be those on lower incomes for a transitional period). With respect to eye care, a problem may only become apparent once the individual returns to work, for example, when driving or concentrating on a near visual task. To offer such individuals a fair chance of staying in work, NHS eye care passported benefits should continue to be available while they are in receipt of Universal Credit. Otherwise, such individuals might not be able to afford to have their sight corrected and therefore struggle in their working environment.

1.7) We would therefore wish to see all patients in receipt of Universal Credit being eligible for an NHS sight test and optical voucher. Given that more individuals are predicted to receive Universal Credit than the range of benefits they replace this would result an increase in expenditure on NHS eye care, as noted above there are offsetting benefits from the early detection of and resolution of eye conditions.

2.) Operation of Passported Benefits

2.1) Eligible patients currently complete General Ophthalmic Services (GOS) forms when they attend for an NHS sight test and where appropriate to apply for an NHS optical voucher. Each patient’s entitlement to a sight test or optical voucher is then checked by the optical practice. This system functions effectively and ensures that patients can access a sight test when they need one and the responsibility lies with the practice to check that the patient is eligible. While the system on the whole works well, we would however wish to see clearer information provided to individuals regarding their eligibility and have added further details about this in the following section.

2.2 We would like to add that, in addition to the benefits outlined above, allowing all of those in receipt of Universal Credit to qualify for NHS sight tests would have the added benefit of being a far more simple system to oversee and operate. This would deliver significant administrative savings to the optical practitioners, optical practices and NHS officials that collectively oversee the operation of the current system. These savings would help to offset

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3 College of Optometrists (2011) Britain’s Eye Health in Focus
4 http://www.nhs.uk/NHSEngland/Healthcosts/Pages/Eyecarecosts.aspx (Last accessed: August 2012)
another part of the cost of greater numbers becoming eligible for passported benefits under Universal Credit.

3.) Support and Advice for Claimants

3.1) In our experience there is a great deal of uncertainty among patients regarding eligibility for passported benefits such as an NHS sight test, in particular with respect to NHS optical vouchers.

3.2 We feel that the transition to Universal Credit offers a great opportunity to provide clear and unambiguous information to patients regarding their eligibility for passported benefits such as an NHS sight test. This should ideally be clearly stated in the letter of entitlement sent to recipients, as a simple and cost effective way to raise awareness. We understand that concerns have previously been raised by Department of Work and Pensions lawyers regarding a benefit that is provided by another Government Department (i.e. the Department of Health determines eligibility for NHS sight tests). We do not feel this is a good enough reason for the lack of clarity regarding passported benefits. It would certainly be possible to convey the message that the recipient would be likely to qualify for health-related benefits such as an NHS sight test, and signpost the recipient to another source of information produced by the Department of Health or the NHS. The same clear and unambiguous information should also be clearly included in the letter of entitlement sent to recipients of Pension Credit Guarantee Credit (which will of course remain alongside Universal Credit).

4.) About us:

4.1 The College of Optometrists is the Professional, Scientific and Examining Body for Optometry in the UK, working for the public benefit. Supporting its 13,000 members in all aspects of professional development, the College provides Pre-Registration training and assessment, continuous professional development opportunities, and advice and guidance on professional conduct and standards, enabling our Members to serve their patients well and contribute to the wellbeing of local communities.

4.2 The Optical Confederation represents the 12,000 optometrists, the 6,000 dispensing opticians and 7,000 optical businesses in the UK who provide high quality and accessible eye care services to the whole population. The Confederation is a coalition of the five optical representative bodies: the Association of British Dispensing Opticians (ABDO); the Association of Contact Lens Manufacturers (ACLM); the Association of Optometrists (AOP); the Federation of Manufacturing Opticians (FMO) and the Federation of Opticians (FODO). As a Confederation, we work with others to improve eye health for the public good.

17 August 2012
Written evidence submitted by YMCA England

1. **YMCA England**

1.1. Working with some of the most disadvantaged young people in local communities, the YMCA provides a place to stay and range of support services to help young people manage the transition to independence. The YMCA is the largest provider of supported housing for young people in England, helping over 9000 young people every night.

1.2. Every year the YMCA intensively supports nearly 215,000 young people and serves over 530 communities across the country. The YMCA will always seek to support a young person holistically, whether it be through providing support programmes for those in our residential accommodation, or by providing access to counselling and training to those who come along to local youth clubs. The YMCA supports nearly 24,000 people every year to engage in education, skills and training to enable them to improve their opportunities in the job market.

1.3. We also work with parents and families and provide a range of services including children’s centres, family mediation services, respite for young carers and general advice services.

2. **Summary**

2.1 YMCA England responded to the recent Social Security Advisory Committee call for evidence on the Universal Credit and related Regulations 2012; this submission reflects the same concerns.

2.2 YMCA England welcomes the simplification of the welfare benefits system to make it easier for claimants to understand and access the support that they need. We also welcome the emphasis on stronger work incentives and a more flexible Real Time Information (RTI) system that will support claimants with fluctuations in income and encourage temporary work.

2.3 YMCA England responded to the Government consultation on Housing Benefit reform in supported housing in October 2011\(^1\). The Government has not yet published a response to this consultation. We would like the Government to urgently clarify their position on how the housing element of Universal Credit will work for benefit claimants living in supported housing. Supported housing for young people offers additional support services, such as budget management, life skills, confidence building and employment advice, helping some of the most disadvantaged young people get their lives back on track. Payments for supported housing should be treated separately from the housing element of Universal Credit for normal private rented or social housing tenancies.

2.4 We also have several concerns about specific elements implementation of Universal Credit and wider welfare reforms. Specifically, our concerns focus on the following:

- Lower rates and assumption of lower living costs for young people under the age of 25
- Limiting service charges to three basic criteria
- The monthly payment period and how this will impact on the most disadvantaged young people leading chaotic lifestyles, as well as benefit recipients who are used

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to managing finances weekly or fortnightly and having their benefits paid directly to the landlord.

- The impact of lower rates for Local Housing Allowances (LHA); uprating LHA at the Consumer Prices Index; and of changes to service charge criteria on the finances of providers of supported housing, and also on the young people who are receiving intensive support through supported housing services to get their lives back on track.
- How the Department for Work and Pensions (DWP), Department for Communities and Local Government (DCLG), as well as local authorities will work with providers of supported housing, and other services supporting young people, to mitigate against the negative impacts of Universal Credit on supported housing services, as well as communicating the changes to young people.
- How the impact of Universal Credit will be monitored and evaluated, particularly the impact of changes to Housing Benefit and how this will impact on young people and providers of supported housing services.

2.5 We recommend that:

- The Universal Credit rate is based on need, rather than age. Young people under the age of 25 who are living independently have many of the same costs as older claimants of benefits.
- Housing Benefit should be paid directly to landlords where young people are living in supported housing. Many of the young people that YMCA works with, if given a month’s rent as part of their benefit payment will struggle to ensure that it is paid to the landlord. This could lead to consequences of increased homelessness and rough sleeping, as well as financial implications for providers of supported housing and social landlords. Housing Benefit payments could be staggered during the course of a supported tenancy, so that the claimant can begin to take responsibility for their Housing Benefit in managed stages. A young person can begin to take on more responsibility as they make the transition to independent living and improve their budgeting skills at a later stage in their supported housing tenancy.
- The Government should work with the Post Office, Credit Unions and banking industry to provide ‘jam-jar’ bank accounts for benefit recipients who may struggle to manage their finances on a monthly basis. Many young people will struggle to manage monthly payments, and a bank account that limits access to their funds will enable them to manage their finances more effectively.
- With regards to service charge criteria, the Government must ensure that there are exemptions for providers of supported housing, as there can be various different interpretations of how the ‘fabric of a building’ can be maintained.
- The DWP, DCLG and local authorities must ensure that there is an effective communication strategy that engages with providers of services for young people and the social and supported housing sector.
- The Government should ensure robust monitoring and evaluation of the impact of changes to Housing Benefit. We are particularly keen that the impact of planned changes to service charges, changes to the Local Housing Allowance (LHA) rates and uprating at Consumer Prices Index (CPI), rather than Retail Prices Index (RPI) on providers of supported accommodation is monitored. We would also expect that the impact on young people under the age of 25 who are claiming Universal Credit is analysed, as these young people will face lower rates of Universal Credit than other age groups and also face different sanctions and hardship allowances.

3. The proposed arrangements for the ‘claimant commitment’, sanctions and hardship payment
3.1 **Sanctions and the Claimant Commitment**  
Sanctions for failure to satisfy the DWP that sufficient efforts are being made by a claimant to find work are likely to be a major problem for YMCA clients. Often residents who receive sanctions are lacking in confidence and self-esteem and a total loss of income is actually damaging to their chances of moving their lives forward as it leaves the claimant under-nourished and unable to buy clothes for interview or afford travel costs for looking for work. For the sanction regime to work effectively there needs to be a more effective support mechanism for getting young people into work. The Government needs to work with and enable the voluntary sector to provide the support that many disadvantaged young people need, to ensure that sanctions are a last resort.

4. **The proposed arrangements for claims and payments and the provision of support and advice for claimants.**

4.1 **The implications of a substantial shift to online claiming**  
The most disadvantaged young people, particularly those who are living in temporary accommodation and are NEET, may not have regular access to the Internet. Whilst most young people are web savvy, for the most disadvantaged, access can be a problem. This may be particularly prevalent in more rural areas, where there are fewer services, or in areas where local library services offering free use of the Internet have closed down. Transport networks can also pose a barrier to access, where in small rural communities bus travel can be expensive, and irregular, and may be the only means to access essential services in neighbouring larger towns.

4.2 The Government should ensure that Internet access is funded in public and community facilities, such as libraries, community centres, supported housing, children’s centres, GP clinics and health centres, the Post Office, youth clubs and schools. Claimants without regular access to the Internet should be able to access Internet points easily in their communities. The Government should also ensure that there are adequate face to face and telephone services for handling Universal Credit claims, particularly for disadvantaged young people and young parents with literacy problems and may therefore have difficulties in managing their claims online.

4.3 **The payment period**  
YMCAs are concerned about how monthly payments will impact on young people who are claiming benefits. If young people are given a monthly payment they may struggle to manage their money over the course of the month, which would have negative consequences for their health and wellbeing, managing their bills, and also for their tenancies.

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**CASE STUDIES**

**YMCA England National Residents Forum**

YMCA England is a Registered Social Landlord and provides over 1000 units of accommodation in 29 locations in England. This accommodation is owned centrally by YMCA England, but is managed by local YMCAs around the country, and provides safe, secure and affordable accommodation to young people.
Young people from the YMCA England National Residents Forum discussed the changes to Housing Benefit only this month (July 2012) and have indicated themselves that they have concerns about receiving direct payments of their housing benefits. The concern expressed was that if vulnerable young people were to receive £400 - £600 themselves, they were going to find it very difficult to actually ensure that this was paid across to their landlords for rent. They discussed how this was likely to cause further evictions, and increase homelessness, which they thought would be a disservice to the vulnerable young people housed by the YMCA. This also relates to the payment period, as young people will receive a lump sum for their benefits on a monthly basis, rather than weekly chunks that can be easier to manage.

**Milton Keynes YMCA**

Milton Keynes YMCA provides supported emergency accommodation for people in crisis. There is a homeless hostel with 15 emergency beds for people between the ages of 16 – 65 years. There are also 123 residential flats for young people 18 – 30 years seeking long term accommodation and offer 35 supported tenancies. Young people who have a supported tenancy can receive one to one support with rent management, budgeting skills, life skills, getting back to work as well as a range of other services.

Monthly payments will cause severe problems for many of the young people at Milton Keynes YMCA, as many already struggle to manage their finances over the course of a week. Staff are concerned that monthly payments will lead to destitution amongst young and vulnerable clients who have problems with budgeting and money management.

4.4 The YMCA recommends that the Government should work with the Post Office, Credit Unions and the Banking Industry, to provide ‘jam-jar’ bank accounts. These bank accounts would allow limit access to ‘living allowance’ funds on a weekly basis, to ensure that those who struggle to manage their money cannot spend all their monthly benefits in one go. We are concerned that the banking industry may charge poorer customers for a service such as this and that Credit Unions do not have coverage in all areas. Social Finance recommended extending the use of ‘jam-jar’ banking in April 2011 in their report ‘A New Approach to Banking.’ This is a view we would support that would alleviate our concerns about monthly payment, if the jam-jar accounts were accessible to young people in receipt of Universal Credit.

4.5 The YMCA also recommends a staggered system of Direct Payments for young people living in supported accommodation. At the beginning of a supported tenancy young people should have the housing element of their Universal Credit paid directly to the landlord. Later on in their supported tenancy, as the young person improves their budgeting skills and confidence, there should be a staggered transition to having their housing element of Universal Credit paid into their own bank accounts. This will allow for young people to have a managed transition to independent living.

5. **Other key issues for the YMCA**

5.1 **Housing element of Universal Credit**

The YMCA has concerns over Housing Benefit payments being capped at Local Housing Allowance rates with fixed rate additions for young people living in supported accommodation. Young people living in supported accommodation...
tenancies at YMCAs around England receive a range of additional support services, including life skills training, employment and back to work support and training, budgeting skills and rent management skills. Capping Housing Benefit to LHA rates with fixed additions for young people in supported housing will have severe implications for the services that can be offered and sustained. YMCA responded to the Government’s consultation on Housing Benefit reform in supported housing in 2011, and are still awaiting the Government response to that consultation.

5.2. The uprating of LHA rates at the lower rate of the Consumer Prices Index rather than the Retail Prices Index, which more accurately reflects rental costs, is also a concern for the YMCA. The DWP’s own impact assessment states that between 2000 and 2007 private rent levels increased by an average of 4% a year, whilst CPI increased on average 2% a year between 2000 and 2010. The housing element of Universal Credit is likely to grow increasingly separated from the cost of both providing social housing and supported accommodation; as well as for claimants who need supported accommodation, and for those who are looking to move to independent living in the social housing or private rented sectors.

5.3. The YMCA is concerned that existing contracts with the Homes and Communities Agency (HCA) regarding rent levels and service charges for supported housing will be reviewed retrospectively, and that business plans for YMCAs will be impacted as a result. The YMCAs have agreed supported accommodation plans with the HCA at current Local Housing Allowance levels, and are concerned that new rates of Local Housing Allowance and service charges will be revised downwards and backdated to the start of their agreed contracts. If this were to happen then there would be serious negative impacts for YMCAs that provide supported accommodation.

5.4. The Regulations highlight exemptions to the Shared Accommodation Rate for single 25 – 35 year olds who have spent 3 months living in a homeless hostel and received support services during that time. Whilst we welcome this exemption, many of our emergency hostels provide accommodation for this client group for a period of 6 weeks. These are extremely vulnerable people who have reached a crisis point in their lives, who would benefit from the same exemption to the Shared Accommodation Rate as those who have spent 3 months in a hostel.

5.5 **Lower living costs for the under 25s**

Whilst we recognise that Universal Credit aims to be a simpler system of benefits and tax credits, that sets clear incentives for people to work, we are concerned about the distinction between those who are aged 25 and under and those who are older than 25. A young single person aged 21 years old would face the same outgoings and rental levels and costs as a person aged 26. The arbitrary age categorisation seems to focus on limiting support for young people aged under 25. Many of the young people that the YMCA works with who are in receipt of benefits are vulnerable, disadvantaged and have complex issues and support needs. Lowering their living standards further will only lead to compound the problem. We would like to see that the rates of Universal Credit have a sensible link with the National Minimum Wage for young people. Both Universal Credit and the National Minimum Wage need to ensure that they reflect the actual living costs and challenges faced by young people. We would recommend that the different rates are based on need, rather than age. The Government should work

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with voluntary sector organisations that provide services for young people to ensure that their needs are fully understood.

CASE STUDY

Birmingham YMCA provides over 200 units of supported accommodation to people who have been homeless, helping them to live independently, as well as providing affordable childcare from three nurseries, trying to give children the very best start in life.

Birmingham YMCA recently supported one young man who was 23 years old. The young man left school at 16 and joined the army, where he worked for over 5 years. For the duration of his time in the army he paid tax at the basic rate of 20%. After leaving the army his relationship with his partner broke down, and he suffered problems with drink and drugs. He spent time living in supported housing at Birmingham YMCA, and was helped to get his life back on track. He now lives independently and has gained employment. For this young man who had paid taxes and had served his country in the armed forces, the welfare benefits system supported him when he needed it and without which he would have been made homeless.

This young man was deemed old enough to undertake service in Afghanistan and pay tax at the full rate. Given his service to the country then we do not believe that young people should be singled out for lower rates of Universal Credit when they pay tax into the system at the same rate as other adults who are over the age of 25.

5.6 Service charges

The YMCA is concerned about the proposed changes to Regulations regarding Housing Benefit for service charges. Under the current Regulations there are ten circumstances whereby Housing Benefit does not cover certain elements of service charges. This enabled a reasonable degree of local discretion and flexibility about what service charges could cover. YMCAs across the country are anxious about the impact that allowing only three circumstances in which Housing Benefit will be paid for service charges will have on their work and on the young people that they support.

5.7 The criteria for service charges should be sufficiently flexible to interpretation. For example, we would like the Government to make clear how flexible the ‘protection of the fabric of a building’ will be. Would this provision allow for a service charge to include provision for a night concierge service to protect their buildings from vandalism and damage? We would recommend that the listed services within the service charge payments are sufficiently flexible to allow for this kind of property protection and other similar activities.

17 August 2012

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5 The Housing Benefit Regulations 2006
Written evidence submitted by Citizens Advice Scotland

- Citizens Advice Scotland and its member bureaux form Scotland’s largest independent advice network. CAB advice services are delivered using service points throughout Scotland, from the islands to city centres.

- Citizens advice bureaux in Scotland helped clients with over 560,000 new issues in 2010/11 – more than 1,500 new issues for every day of the year. Over 230,000 clients brought new issues to a bureau over the year.

- In 2010/11, Scottish bureaux achieved a financial gain of almost £126million for clients based on funding of £16.3million (including £7.6million in core funding). This means that CAB clients were better off by £8 for each £1 of funding given to bureaux.

Summary

Universal Credit represents one of the biggest sets of changes to the welfare system since its creation. Its implementation will be a huge challenge not only for the Department for Work and Pensions, but also for the frontline advice services that will support claimants to navigate the new system.

Citizens advice bureaux play a key role in the current benefits system and will continue to do so under Universal Credit. In 2011/12, bureaux in Scotland advised on over 78,000 new issues that concerned the benefits that are being rolled up into Universal Credit (almost 300 per working day). As a result of advice provided by bureaux on benefits, the client financial gain in additional benefit entitlement was £63.5 million.

Our key points in this response include:

- **Frontline free advice services** are likely to experience significant demand for advice on making applications for the new Universal Credit. These services, including citizens advice bureaux, must be explicitly included in the implementation of the new benefit and resourced appropriately.

- The ‘digital by default’ approach to making a claim for Universal Credit will not be suitable for a significant minority of claimants who may therefore struggle to make an application. Frontline advice services should be provided with resources to support individuals to make online claims.

- The proposed arrangements for conditionality and sanctions could cause considerable hardship for claimants. Citizens advice bureaux are already seeing clients who have reached crisis point as a result of the sanctions regime. The proposed arrangements will increase the length and severity of existing sanctions and potentially increase hardship for claimants.

- The changes proposed in income entitlement of disabled people will benefit some groups but will leave others worse off. The majority of those who are assessed as unfit for work will benefit from Universal Credit, but disabled
people who can work or those caring for disabled children stand to be worse off.

In this response, we focus on the following areas of the Committee’s interests:

- Proposed arrangements for claims and payments and the provision of support and advice for claimants
- Proposed arrangements for the “claimant commitment”, sanctions and hardship payments
- Changes in income entitlement of disabled people under Universal Credit
- Impact monitoring

Proposed arrangements for claims and payments and the provision of support and advice for claimants

All Universal Credit claimants will be initially signposted to the self-service online channel, and other channels will be used as an exception rather than the rule. There will be no paper form, but telephone claims may be completed where appropriate. Where online and telephone claims are not appropriate, the DWP will provide face-to-face support to complete online forms in exceptional circumstances.

Under current arrangements, individuals make their claims via a mixture of paper forms, telephone claims, and online claims depending on the benefit involved. Due to a number of factors - including complexity of forms, literacy problems, and health conditions – thousands of people approach citizens advice bureaux every year for help with their applications. In 2011/12, citizens advice bureaux in Scotland helped clients to completed 19,463 benefit forms (75 every working day). We expect that this demand for support with claims will continue and may even rise with the advent of ‘digital by default’ applications under Universal Credit. The following cases show claimants for whom the online application process proved unsuitable and who turned to a citizens advice bureau for support to claim their entitlement. These examples are repeated every day across the country.

A West of Scotland CAB reports of a client who is struggling to apply for JSA. The client’s appeal for ESA was refused and he was advised to apply for JSA. He was told at the Jobcentre that he had to apply for JSA either over the phone or online and that were no other ways to apply. The client cannot apply by phone as he has hearing difficulties and the client has no access to the internet. The bureau advised that the client has a right to make a claim on a paper application form and arranged for the Jobcentre to provide one.

A West of Scotland CAB reports of a client who asked for help as he has been trying to claim JSA for two days without success after he was made redundant the week before. The client went to the Jobcentre and was told that they couldn’t see him and was given a card and told to apply online or to phone the Aberdeen office. The client had been trying to get through on the phone for the previous two days without any
answer. He also tried to go online but was unable to get a user name or password to allow him to apply.

We are concerned that the DWP’s focus on online applications may leave a significant minority of claimants behind. A number of sources suggest that claimants in Scotland are less likely to have access to the internet to make an application. The Scottish Household Survey² found that around a third of households in Scotland do not have access to the internet, with less than half of households with an income of less than £15,000 having access to the internet.

Ofcom recently found that only one in three Scottish households earning less than £17.5k per year had broadband compared to 56% of equivalent households in the rest of the UK. Glasgow has particularly low access to broadband (60%) compared to other UK cities such as Liverpool (77%) and Leeds (86%). OfCOM found that the 45-64 age group in Glasgow had a particularly low level of broadband take-up (35% compared to 79% GB average) as well as the DE socio-economic group (36% compared to 56% average).³ Claimants in Scotland, and Glasgow in particular, are likely to face greater barriers to making an online application for Universal Credit. In turn, this will impact on free advice agencies supporting these claimants.

It is therefore imperative that support is in place to help the thousands of claimants for whom online applications may be inaccessible. In recent DWP research, 45% of participants said that they would need suport to claim and manage their claim online.⁴ Frontline advice services, such as citizens advice bureaux, are likely to be the places where claimants will turn to for support and are ideally placed to provide this support. However, resources must be in place to ensure that advice services are able to meet this demand. We recommend that the DWP works with frontline advice services to ensure they are able to support claimants to make online applications. Advice services are ideally placed to ensure that Universal Credit works for claimants, but must be supported to do so.

**Proposed arrangements for the “claimant commitment”, sanctions and hardship payments**

The proposed arrangements for conditionality and sanctions could cause considerable hardship for claimants. Citizens advice bureaux are already seeing clients who have reached crisis point as a result of the sanctions regime. The proposed arrangements will increase the length and severity of existing sanctions and potentially increase hardship for claimants.

In 2011/12, clients sought advice on over 1,850 new issues relating to JSA conditions, sanctions and hardship payments at citizens advice bureaux in Scotland. Many of the clients seeking advice on these issues had reached a crisis point where the disruption to their income as a result of the sanction had left them in a desperate situation. A number of these clients had incurred ‘minor’ sanctions of two weeks which meant that they were not entitled to hardship payments to help them cope.

In a number of the cases in which claimants were given sanctions for a minor failure they fell into financial difficulties very quickly and required referrals for food parcels.
Figures from bureaux in Scotland show that the number of clients that have required a charity referral has more than doubled over the last two years.

A West of Scotland CAB reports of a client who is reliant on food parcels that he is receiving from local churches. The client is currently homeless and recently received a sanction of two weeks to his JSA claim after missing a signing on date for the second time this year. The client cannot claim a hardship payment or Crisis Loan, so the bureau referred the client for a food parcel. The client approached the bureau two weeks later as he still has no money, cannot afford to travel to the Jobcentre, and is now reliant on food parcels to survive.

A West of Scotland CAB reports of a client who was sanctioned for missing an appointment at the Jobcentre. The client was volunteering and forgot about the meeting. The client has been refused a Crisis Loan and has been told that he does not qualify for a Hardship Loan as his sanction is for 14 days (it needs to be for 15 days or more to qualify). The bureau arranged for the local church to deliver a crisis bag to the client.

A number of clients report that they have received sanctions when they feel that they have met the conditions of the benefit. The individual may therefore be experiencing hardship for a situation that was not their fault.

An East of Scotland CAB reports of a client who was sanctioned for two weeks for not showing sufficient evidence that he was looking for work, despite the fact that he has been attending training that will allow him to work in the construction industry. The Jobcentre was aware that he was attending the training. The client received no notice of the sanction and only found out when he discovered that there was no money in his account. The client has no money or food and is due to have his son stay with him at the weekend. The client has already borrowed money from a friend, but has run out of options. The bureau arranged for a food parcel to be sent to the client and have put in an appeal against the sanction.

An East of Scotland CAB reports of a client who was receiving JSA but has been told by JCP the information written down by him in his 'looking for work diary' was insufficient to merit the continuation of his benefit. He was therefore sanctioned and his benefit stopped. The client was not given much chance to speak in his defence and there were entries in his diary for the period in question but they may have been missed by the official. The client has been able to live with a friend for a few days, but is now looking for free sources of food.

The UK Government’s Welfare Reform Act gives Jobcentre advisers the authority to impose longer sanctions on JSA claimants. Under these changes, the most serious failures – including failure to accept a reasonable job offer, failure to apply for a job or failure to attend a mandatory meeting – will lead to a cease in payments for four weeks for the first failure, and 13 weeks for second or subsequent failures within a 52 week period. It is likely that these changes will lead to an increased number of people experiencing financial hardship.

We recommend that clear guidance and training is provided to Jobcentre Plus staff to ensure that they only impose sanctions in appropriate circumstances and that they
are able to recognise where claimants will be put into significant hardship where sanctions are imposed. The DWP must make hardship payments available where it is clear that claimants and families are experience hardship. Charitable food parcels should not be made to be the default route for claimants unable to afford food due to a sanction.

We are also concerned about the experience of former Incapacity Benefit claimants under JSA conditionality. An estimated 36,000 existing IB claimants in Scotland will be transferred to JSA following their reassessment for ESA. These claimants, who are likely to still be affected by the illness/disability that previously made them unable to work, may find the conditionality and sanctions regime difficult to manage after years away from the workforce. It is imperative that these claimants are supported in their claim rather than punished through sanctions that may have the effect of driving them away from the workforce.
Changes in income entitlement of disabled people under Universal Credit

The changes proposed in income entitlement of disabled people will benefit some groups but will leave others worse off. However, it is worth noting that the ongoing reassessment of sickness benefit claimants will result in far fewer claimants being entitled to additional support for their disability/illness than has been the case until relatively recently.

Between 2011 and 2014, an estimated 115,000 Incapacity Benefit claimants in Scotland will lose entitlement to sickness benefits. More than half (65,000) will be moved out of the benefits system altogether with most of the remainder (36,000) eligible for Jobseekers Allowance (JSA). So while the Universal Credit provisions suggest an increase in payments to those with a limited capability for work, it must be noted that far fewer claimants will be entitled to these payments.

In June 2012, Citizens Advice England and Wales published the Disability and Universal Credit report, which examines the likely impact of the new benefit on disabled children, adults and their families. The report found that whilst some disabled people will gain from the new system, many disabled people will get very significantly less help because some of the additional support in the current system will not be provided to the same degree in Universal Credit. The report commented that the scale of the cuts in support for some groups of disabled people has not yet been properly understood.

Key issues in the report include:

- **Reduced disabled child additions**: under Universal Credit, the support provided to families with disabled children will be reduced from £57 to £28 per week. The Government estimates that this will affect around 100,000 disabled children.

- **Abolition of the severe disability premium**: the Government is abolishing the severe disability premium which gives additional care to disabled adults who receive middle or higher rate DLA (care) and live on their own. This will cost disabled adults with no one to care for them around £58 per week.

- **Cuts to support for working disabled people**: the disability element of working tax credit is worth £54 a week in recognition that many disabled people have a reduced earning potential and are unable to work full-time. This support will not be replicated in Universal Credit apart from those who would qualify as not fit for work.

The report recognises that there will be additional support for disabled adults in the support group for Employment and Support Allowance (ESA). This is in part paid for by the reductions explained above. This will benefit many adults who are unfit for work, but a minority will be worse off. This increase in support comes at the expense of other disabled people are fit for work but still need to cope with extra costs and barriers that their condition may entail.
Impact monitoring

It is fundamentally important that the impact of significant benefit changes on vulnerable claimants is monitored from the outset. It is our experience that key outcomes have not always been measured under previous benefit reforms. For example, the number of sickness benefit claimants finding employment after being found fit for work under Employment and Support Allowance (ESA) was not initially monitored, despite being the key aim of the welfare change. A number of outputs were recorded, including the results of the assessments, but not the final outcome for the claimant. It is essential that outcomes rather than just outputs are monitored.

We suggest the following outcomes, based on the points raised in our response, should be monitored under Universal Credit.

- The impact of increased sanctions on jobseekers, including whether this had a positive effect on employability and whether sanctions lead to increased demand for charitable support.
- The impact of Universal Credit on claimants with disabilities or illness who are fit for work. Analysis of the regulations suggest that these claimants will be worse off under Universal Credit although it is difficult to estimate the scale of this loss of support
- The number and type of claimants that struggle to make an online application for Universal Credit. It is imperative that the DWP has an understanding of the difficulties that claimants may experience in the online process so that they can ensure that there are no claimants that slip through the net.

References:


17 August 2012
PART ONE:
Introduction

1. The Convention of Scottish Local Authorities welcomes the opportunity to provide evidence to the Select Committee. Our particular interest is on the impact of the move to Universal Credit on Scottish local authorities, both direct impacts and indirect consequences.

2. While COSLA supports moves to simplify the benefits system and the intention to move people from benefits into work, we are concerned about the pace and timescale of changes and the potential impact on income streams and demand for services from vulnerable people. COSLA has previously lobbied about significant aspects of the benefits changes and we are concerned that risks to services and potential adverse impacts of changes are mitigated as far as possible. To that end we are engaging directly with the Department for Work and Pensions and Scottish Government to highlight issues for local authorities and to seek to ensure that planning for the implementation of Universal Credit takes account of these.

PART TWO:
Summary

Direct Financial Impacts

COSLA and Scottish local authorities are working with the Scottish Government on a localised council tax reduction scheme, which in the first year will closely mirror the existing Council Tax Benefit. A key concern is that the totality of resources that will be transferred to Scotland will result in a larger reduction than the 10% announced. We also believe that the administrative costs transferred to Scotland should reflect the real costs of operating a council tax reduction scheme without the economies of an integrated service once housing benefit migration to Universal Credit is complete. COSLA are also concerned that effective and sufficient data sharing by DWP supports delivery of a localised scheme. A further concern is that the consequential business impacts on councils of Universal Credit introduction are recognised and funded by the DWP and that DWP recognises this throughout the period of housing benefit migration through sufficient administrative subsidy.

Impact of changes to eligibility and support with housing costs

4. COSLA is concerned about the impact that direct monthly payments could have on housing delivery and planning in Scotland. We anticipate significant impacts on rent arrears and homelessness if this is not phased in effectively over a much longer timescale. These impacts could be exacerbated by the impact of under-occupation measures from April 2013. We are also concerned that housing investment plans could be put at significant risk.

Impact on Revenues and Benefits function

5. The abolition of Housing Benefit is likely to significantly compromise the efficiencies of an integrated service once councils only operate a council tax reduction scheme.
This will entail significant business and workforce impacts for councils. Councils are currently undertaking a business impact analysis to determine the financial impact of the reforms and we believe that the costs associated with the changes to Benefit delivery, including staff, systems, contractual and transition costs, should be fully met by government.

**Indirect Financial Consequences**

**Social Work**

6. COSLA believes that the likely impact of the totality of welfare changes on the most vulnerable children and families will translate into increased demand for social work services across Scotland. There is also concern about the impact of benefit changes for people with disabilities. The operation of under-occupation measures and further planned changes fail to take adequate account of the needs of many people with disabilities and are likely to produce increased service demand.

**Passported Benefits**

7. There is likely to be additional work and costs for local authorities as new assessment processes have to be designed for passported benefits. Again, effective data sharing by the DWP is required to support and reduce this extra burden.

**Advice Services**

8. Information and advice services, mainly supported through local authorities in Scotland, are likely to see substantial increased demand. DWP should make sufficient investment both to support this activity and any future role to support delivery envisaged for local authorities.

**PART THREE:**

**Impact on Scotland’s Local Authorities**

9. This submission is to advise the Select Committee the key points which COSLA would wish to highlight in relation to the impact of the Welfare Reform Act and the introduction of Universal Credit. The submission covers both the direct and indirect financial impacts on Local Government.

**Direct Financial Impacts**

10. The Welfare Reform Act will have significant direct financial impacts across a whole range of services currently delivered by Scottish Councils.

**Council Tax Benefit and Migration of Housing Benefit**

11. Council Tax Benefit is being abolished from April 2013 and Scottish Government has been working with COSLA and local authority representatives on a localised Council Tax Reduction scheme. Plans by the UK Government to cut the funding that will be devolved to Scotland and English local authorities by 10% will have direct financial consequences which would either need to be passed on to individuals or be absorbed by Scottish Government/Local Government. Recognising the challenging timescales to have replacement arrangements in place, COSLA and the Scottish Government have now agreed to provide £40m of funding to top up a Council Tax Reduction scheme for 2013/14 and to operate a reduction scheme on similar lines to the existing Council Tax Benefit. COSLA and the Scottish Government are continuing to explore arrangements on how Council Tax Reduction would operate in Scotland after 2013/14.
12. COSLA is concerned at the approach that the Department for Work and Pensions appears to be taking to calculate the sum to be devolved to Scotland to operate localised council tax support. While the total funding to be devolved has yet to be announced, we understand that, in considering the level of funding, reference has been made to the Department for Work and Pensions forecasts for Council Tax Benefit expenditure up to 2015/16 (Medium Term Forecast for all DWP Benefits updated 20/07/12) as being the basis for determining the funding to be made available. These forecasts appear to be indicating that the expenditure for Scotland will reduce by a greater margin than the 10% cut, compared with the estimate for 2012/13. By 2015/16 the forecast expenditure for Scotland will have dropped by 18% (£70m). At the same time the overall forecast for England, Wales and Scotland combined falls by 10.7% in 2013/14, with a slight increase in expenditure for 2014/15 and 2015/16. Whilst we are not in a position to offer our own forecasts, instinctively the position set out in the DWP forecasts seems to us to be contrary to our expectations and appears to leave Scotland at a significant disadvantage compared with the rest of Great Britain. This is particularly in light of the outturn figures for previous years which show that expenditure has increased year on year, clearly suggesting that demand has increased over these years. In our discussions with our member Councils there has been no indication from them that they anticipate demand reducing for Council Tax support and indeed many anticipate that demand could increase over the next few years. Whilst understandably that the UK Government wishes to see a reduction in expenditure, it seems more than onerous to us that Scotland should bear a greater than 10% share of this reduction. Both COSLA and Scottish Government have sought clarification on these points from DWP.

13. Local Authorities receive administration subsidy from the Department for Work and Pensions (DWP) to administer both Housing Benefit (HB) and Council Tax Benefit (CTB). The amounts received do not cover the actual costs currently involved. When CTB ceases on 31 March 2013 to be replaced by a localised Council Tax Reduction Scheme in Scotland, we understand that an admin subsidy will be transferred to the Scottish Government. Clearly the DWP will be looking to reduce the amount of admin subsidy as the HB caseload moves onto Universal Credit. At present, councils deliver an integrated benefit service covering both HB and CTB. Since the costs involved in administering the current CTB scheme are within the overall admin subsidy from DWP, COSLA and Scottish councils are concerned that, in attempting to separate out the costs to transfer for future council tax reduction to Scotland, that this should reflect the likely costs of operating council tax reduction without HB administration. Scottish local authorities are concerned that they could be faced with reduced admin subsidy but still most of the fixed costs in administering a new ‘stand-alone’ council tax scheme. Care needs to be taken that simply looking at caseload numbers does not necessarily mean that there will be less work. Customers will continue to contact Local Authorities particularly during the transition from HB to Universal Credit. Staff resources could be compromised leading to a poorer service to our customers.

14. Equally important is ensuring that data held by DWP/HMRC can be fully shared with Scottish local authorities to support the administration of council tax reduction. Without data sharing being made fully available, future local authority processing costs will increase significantly against current levels. Data-sharing also has financial implications for the processing successor arrangements for elements of the Social Fund being devolved and for administration of passported benefits such as

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free schools meals, footwear and clothing grants that rely on eligibility for existing welfare benefits that will be replaced by Universal Credit.

15. Both of these issues are the subject of current discussions between the DWP and local authorities but the detail is not yet confirmed. COSLA has been working with the DWP to estimate the business and cost impacts on local authorities. This is difficult to estimate fully without all the detail of plans for migration. Our view is that it appears that certainly in the next 2 to 3 years, local authority workloads are likely to increase and that levels of admin subsidy should not be reduced.

Impact of changes to eligibility and support with housing costs

Direct payments:

16. Housing Benefit will be abolished and housing costs will be included in the Universal Credit when this is introduced from October 2013. As Universal Credit will be paid directly to individuals Councils expect that rental income will be significantly diminished and arrears and collection costs will increase as individuals may not then prioritise payment of rent. COSLA is concerned that if, for example, arrears could rise to levels around 10% as a consequence, this loss could potentially amount to £50m per annum across Scotland’s councils. We are aware of the Direct Payment Demonstration projects, one of which is in Edinburgh and councils will plan to do what they can to mitigate this risk, but we continue to be concerned that this measure alone, which saves no money for the Government, could lead to a major destabilisation of council housing and social housing generally. Even if the Government continues to see this as the direction of travel for state assistance with housing costs, we believe that such a radical change requires to be phased in over a much longer timescale than currently contemplated if these risks are to be avoided.

Under occupancy

17. This situation will be exacerbated when Housing Benefit is reduced for tenants deemed to be occupying a property larger than they need, from April 2013. Tenants will have their Benefit reduced even when there may be no alternative accommodation for them to move into and this could lead to arrears and potentially increased homelessness.

Housing strategies:

18. The strong possibility of increased rent arrears may require councils to review their housing strategies and plans to invest in improvements and to provide more affordable homes. Increased arrears may also impact directly on Councils’ ability to fund investment in housing stock more generally and could impact on Councils’ ability to meet the Scottish Housing Quality Standard. Less security of rental income streams is also likely to mean that housing association partners may also have a constrained ability to borrow and this is likely to impact on their ability to make as effective a contribution to housing development strategies. While we welcome the work of the DWP on support and exceptions and are contributing to this, COSLA is concerned that housing delivery and planning, which is devolved to Scotland, could be significantly impacted by the approach to implementation of UC across Great Britain. We would strongly suggest that direct payments requires very careful phasing over a longer timescale with appropriate supports in place.

Landlord Liaison

19. Scottish councils are heavily involved in liaison with private sector landlords as part of their existing housing benefit/local housing allowance administration. It is not clear how this function will be carried out once Universal Credit subsumes payments
for housing costs. Scottish councils through COSLA have indicated a willingness to support aspects of delivery of Universal Credit and will be involved in UC local authority pilots. However, early clarity will be required from DWP if the expectation is that councils continue such functions under Universal Credit as well as detail on what financial and commissioning arrangements will underpin such functions.

Impact on Revenues and Benefits function of Councils

20. Councils have merged Revenues and Benefits systems, including Council Tax collection and Council Tax Benefit. With the abolition of Housing Benefit this is likely to significantly compromise the integrated approach to improving outcomes that has been fostered to date.

21. The major consequences we anticipate include:

- Loss of front and back office efficiencies.
- Costs of large scale re-engineering of IT systems and interfaces.
- Adverse impact on Councils’ workforce.
- Risk to effective transitional delivery of on-going Benefits functions.
- Increase in arrears and collection costs.
- Resource pressure to provide additional communication and advice to individuals about the switchover to Universal Credit and attendant confusion for claimants.

22. Councils are currently undertaking a business impact analysis to determine the financial impact of the reforms and this will be further developed in the coming months. In all cases however it is our belief that the costs associated with the changes to Benefit delivery, including staff, systems, contractual and transition costs, should be fully met by government.

23. COSLA and Scottish local authorities along with the Scottish Government are exploring with the DWP a possible delivery role by local authorities to support smooth delivery of Universal Credit and we have encouraged the participation of local authorities in Scotland in local authority delivery pilots. We await more detail from DWP on the precise role that is envisaged for local authorities. Our understanding is that a role is envisaged to support, in particular, face to face delivery. However, in order to plan and deliver services effectively, many of which will be under pressure, local authorities need more detail on what is expected, how this is to be resourced and whether this is seen as a continuing involvement by DWP.

Indirect Financial Consequences

Social Work:

24. While it is recognised that Universal Credit itself will have both positive and negative impacts on families, COSLA believes that the likely impact of the totality of welfare changes on the most vulnerable children and families will translate into increased demand for social work services across Scotland. There is also concern about the impact of benefit changes for people with disabilities. The operation of under-occupation measures fails to take adequate account of the needs of many people with disabilities and a variety of other groups whose support needs fluctuate, such as people with mental ill health and some of those with learning disabilities. Local
authorities have found it difficult to estimate the likely impact this will have on services but coupled with other benefit changes including Disability Living Allowance being replaced by Personal Independence Payments with 2 levels of support rather than 3, most authorities are anticipating increased demand for services, particularly since the Government is seeking to reduce the overall cost of disability benefits by 20% of current costs.

25. Reductions in income as a result of changes, will also impact upon eligibility for council charging for services. However individuals affected may still require social care services.

Passported Benefits:

26. There is also likely to be additional work and costs for local authorities as new assessment processes have to be designed for passported benefits and additional pressure on services if some of these are withdrawn from those currently receiving them because they do not receive some of the successor benefits. Both the Scottish Government and Scottish local authorities are aiming to keep benefit eligibility as close as possible to those who currently receive these benefits, at least initially. However, since current eligibility has been tied to particular benefits for so long, the replacement of these benefits by UC and PIP will inevitably entail additional work, even where the intent is to maintain simplicity. In this respect, access to DWP data on UC entitlement and other benefits and a breakdown of this will be necessary. Otherwise local authorities will be required to carry out additional checks with increased costs to verify eligibility.

Advice Services:

27. There is expected to be a substantial increase in demand for all kinds of advice services. In Scotland these are mostly provided or funded by local authorities. Such services include money advice, debt advice and welfare rights advice and appeals. Some of this impact could be mitigated if DWP undertakes sufficient investments in support and financial inclusion. Crucial in this respect will be how DWP proposes to define and treat ‘vulnerable customers’ in the new system. This appears to be still evolving. COSLA and Scottish local authority representatives have been engaging closely with DWP in relation to these issues. However we are still unclear as to what investments DWP will be making and the detail of the role they would wish local authorities to perform in support of the introduction of UC and how much funding might be available to support this.

17 August 2012
Written Evidence Submitted by Notting Hill Housing

1. Notting Hill Housing is one of the largest Registered Providers of social housing in London, providing around 25,000 homes, including general needs, temporary and supported housing.

2. The implementation of Universal Credit will bring a number of challenges to the way we work and we value this opportunity to share our views.

**Views on the proposed arrangements for claims and payments and the provision of support and advice for claimants, including the presumption of a predominantly online, self-service claims process; monthly payment to one person in the household; and arrangements for providing telephone and face-to-face support and independent advice for claimants who need it.**

3. While we welcome the expansion of digital inclusion, we are concerned about the accessibility issues that online services create for low income households. Our own tenant profiling of young families in temporary housing suggests that only 59% have internet access. This number may be even lower amongst older, established social housing populations and the DWP’s November 2011 Equality Impact Assessment on Universal Credit also identified age as one of the most important factors in determining digital exclusion. It went on to identify disability and ethnic minorities as further risk categories.

4. While we understand that telephone and face-to-face support will be made available to a small minority, we fear that central resources simply won’t stretch to all those who need it. We are also not clear on the means by which support will be signposted to some of the more hard-to-reach communities that we house. Instead, we believe the onus and costs will fall on social landlords and local government to ensure that our customers have good access to online services through office based and portable facilities.

5. Another area of concern is direct, monthly payments in arrears, to a single person in the household. We are concerned that this is likely to exacerbate money problems for vulnerable families. Our recent tenant profiling suggested that as many as:

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1. NHHT, (June 2012), Home Options customer satisfaction survey
2. DWP (November 2011), Welfare Reform Bill Universal Credit Equality impact assessment
• 12% of general needs customers do not have a bank account

• 95% (who received Housing Benefit) said that they found it easier to have Housing Benefit paid directly to their landlord

• 20% of general needs customers said that they have debts that they are struggling to manage³

6. While we are working to improve financial inclusion amongst our customers by raising money awareness and partnering with local credit unions, we remain concerned about the most vulnerable being unwilling or unable to engage.

7. The Government’s White Paper on Universal Credit stated: ‘We… recognise the importance of stable rental income for social landlords to support the delivery of new homes and will develop Universal Credit in a way that protects their financial position. Options for achieving this could include some on-going use of direct payments to landlords, use of direct debits, and a protection mechanism which safeguards landlords’ income.’⁴

8. As yet, the vulnerability criteria which could protect thousands of households is yet to be defined. We are concerned that a number of other areas such as third party deductions for arrears and the safeguard triggers for landlord payments also remain unclear. And, while we are keen to learn from the Direct Payment Demonstration Projects, we need to have clear strategies in place to help us identify those who we have greatest concern for and will need to flag for landlord payments.

9. Since the housing element of UC is not ring-fenced, we will also need to target support for all other high risk cases to ensure that our customers are protected from expensive payday loans and are prepared for UC with bank accounts and a clear understanding of budgeting. We want to encourage as many as possible to put their rent payments onto direct debit to help counteract the impact on a single monthly payment.

³ NHHT, (March 2012), General Needs income survey
⁴ DWP (November 2010), Universal Credit: welfare that works
10. Direct payments will pose the single biggest challenge to social landlords and could significantly undermine the stable nature of our income base. Notting Hill currently receives Housing Benefit directly for more than 60% of our customers. Many Registered Providers have predicted an increase of between 3% and 5% in arrears and we are concerned that the associated costs of an increase in arrears -including additional staff for rent collection and bad debt- could eventually impact on the competitive financing rates that the sector has historically benefited from. This, in turn, could ultimately destabilise the affordable housing programme. While Moody’s Ratings Agency has placed all of its English rated housing associations in the low to manageable categories for the near term, close monitoring will remain in place to ensure that public ratings can be regularly updated, as required.

11. We fear that the self-service claims process will bring further delays and costs to a system that is already likely to attract an increase in arrears and could even end up putting our customers’ homes at risk.

**Views on progress with developing the necessary IT systems to administer Universal Credit, including the real-time information (RTI) system for PAYE taxation being developed by HM Revenue & Customs**

12. The switchover to a single DWP IT system is another issue that will have to be factored into arrears collection for social landlords. The new system will bring a host of internal challenges to the way we work. We will need to forge new relationships where we have been reliant on named contacts for updates on customer claims and there will be considerable cost attached to processing the increased number of individual payments. We would be interested in hearing more about the safeguards that will reduce the prevalence of the kind of regional failures that are synonymous with large scale IT programmes.

13. While we understand that the real-time information (RTI) system has been set up to ease the reporting burden for claimants, many details remain unclear. For example, how a claimant will know if their earnings have been reported through RIT and whether they risk having their claim suspended.

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5 NHHT, (May 2012), NHHT Welfare Reform Strategy
6 NHHT, (May 2012), NHHT Welfare Reform Strategy
7 Moody’s Investors Services (May 2012), Special comment on English housing associations
14. It is also not clear if matters such as treatment of benefits-in-kind will be available by October 2013. With a large number of complex and incompatible legacy benefits being rolled into one, there is scope for any number of smaller items to impact on tax coding adjustments. These are likely to lead to delays and suspension which could ultimately impact our cashflow and ability to service finance agreements.

Views on the proposed arrangements for the “claimant commitment”, sanctions and hardship payments

15. While we welcome the protection afforded through the personalisation of requirements, we would like to see other criteria such as the Work Focused Interviews Only group expanded to include more vulnerable categories. We would also like to find out how full time students will be treated.

16. We also welcome a more streamlined and proportionate approach to sanctions than currently exists but are very concerned about the impact that one person refusing a commitment will have on income for the whole household. While we appreciate that the third and final 1,095 (three year) sanction will constitute a serious breach we are concerned about the impact of such Draconian measures on the local community. With such high stakes, we would like to learn more about the safeguards that will be in place to achieve a consistent approach and help to avoid a disproportionate amount of court time being taken up with challenges.

17. The removal of complex hardship rules may increase simplicity but at the cost of flexibility that allows targeted support to meet specific needs. We are concerned that our local partnership approach to working with troubled families may be undermined by a cycle of sanctions and hardship payments.

Views on changes in the income entitlement of disabled people under Universal Credit, including those who may receive less income under Universal Credit than at present
18. Disabled households are disproportionately represented amongst benefit recipients and under the old DDA definition, they constituted as much as 45% of the total benefit population.8

19. While we welcome the £7,000 higher earnings disregard for disabled people, we are concerned that there has been no decision on what might be appropriate once the disabled worker element of Working Tax Credit (WTC) is replaced by Universal Credit. We also assume that the Work Capability Assessment (WCA) attached to UC will be narrower than existing requirements, with the onus firmly on the applicant to challenge any decisions.

20. Where the Government recognises the extra costs that disability can bring,9 there is also concern that a number of measures will clearly have more of an adverse effect on the disabled population. The November 2011 DWP Equality Impact Assessment (EIA) on The Welfare Reform Bill Universal Credit acknowledged that the disabled population would be at greater risk from the predominantly on-line access system and that they would be less likely to be moved out of poverty by UC, as a result of a lower prevalence of work amongst disabled households. The EIA went on to make clear that where households experience a lower entitlement under UC, this is likely to be greater for disabled households: £37 per week on average compared to £26 per week for non-disabled and that disabled households are also less likely to experience an increase in entitlement: this stood at 27% compared to 44% amongst non-disabled households in the population pool.10

21. While we support plans to reduce fraud and the number of people who wrongfully receive DLA on a long term basis through UC and Personal Independence Payments (PiP), we remain very concerned about what happens to families in instances where, for example, the main earner becomes seriously ill and there is a large drop in income. Such families will already face cuts such as the removal of ESA (contribution based) after one year for those in the work related activity group. Welfare reform is also likely to mean that they will have to wait six months –instead of the current three-to receive support through a disability benefit.11

22. As a result of welfare reform we expect a reduction in the number of our customers who are able to claim DLA/PiP or non-means-tested disability benefit. We will be

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8 DWP (November 2011), Welfare Reform Bill Universal Credit Equality impact assessment
9 DWP (November 2011), Welfare Reform Bill Universal Credit Equality impact assessment
10 DWP (November 2011), Welfare Reform Bill Universal Credit Equality impact assessment
11 CAB (January 2011), Universal Credit: an exploration and key questions
seeking to target support for those with any additional income strain through improved
data sharing and tenant profiling.

**Views on the impact of the changes on local authorities, including budgets, staff and support for claimants. The changes include those to Housing Benefit; the introduction of the benefit cap; and localisation of council tax support**

23. We are concerned about losing the level of trust and expertise that has built up through years of close working with borough partners. This has helped to ensure that difficult caseloads are managed effectively, with minimal impact on arrears collection.

24. We are also concerned that the localisation of council tax will place undue strain on borough partners and stands in diametric opposition to the welfare reform agenda which seeks to simplify the benefits system. There is a real possibility that a locally set criteria for council tax support could result in a geographical drift of claimants in search of a better deal.

**Views on the level of the earnings disregards**

25. Changes to the earnings disregards that currently exist under tax credits have been identified as one of the areas which will contribute to the £2bn reduction in expenditure that the Government expects to come out of UC implementation.\(^\text{12}\) We would argue that this does not help support people into work.

26. However, we welcome the higher earnings disregards and flexibility that are broadly attached to UC including increases to disabled and lone parent households and the removal of the 16 hours work requirement for access to childcare costs. We remain concerned that these will be substantively undermined by the treatment of housing costs.

27. At a time when households will be adjusting to the impact of the Household Benefit Cap we believe that the minimum thresholds offered to those with housing costs will act as another barrier to families settling in new areas. We are very concerned about the socio-economic costs of absorbing whole communities who have been uprooted but are still trapped in benefit dependency.

\(^{12}\) DWP (October 2011), Universal Credit Impact assessment
Views on the eligibility for and operation of passported benefits

28. We agree that the current system of passported benefits is in need of reform. The complexities of the existing system act as a barrier to take-up.

29. We are keen to see the current raft of passported benefits streamlined for simplicity. A more coordinated approach is also likely to reduce costs. However, we appreciate that the sheer scale of the different benefits involved make it unlikely that one approach will fit all and we do not feel that a cash entitlement included within UC would be appropriate.

30. We would like to see more transparency in better-off-in-work calculations by ensuring that they make some reference to the value of passported benefits. We would also like to see the associated cliff-edges which act as barriers to work removed although we are concerned about how the Government would go about achieving this based on its cost neutral stance.

31. We are disappointed that comprehensive advice on passported benefits is unlikely to be available by October 2013, despite the significant difference that they make to low-income families.13

Views on impact monitoring: what the DWP’s priorities should be for monitoring the impact of the transition to Universal Credit

32. Universal Credit is a fundamental reform of the current complex system of benefit rules and therefore leads to both increases and reductions in the level of entitlements.14 It is imperative that on-going monitoring focuses on the regional impact of the Household Benefit Cap and learning from the Direct Payments Demonstration Projects. These two areas will bare significant impact on the way social landlords operate.

33. With the dual purposes of simplification and making work pay, we would like to see the 2014-15 UC reviews focus on the impact of work incentives on younger people and lifting families out of poverty. We would also like to see the impact of changes to passported benefits being monitored with assessments on the impact on take-up of benefits and work.

17 August 2012

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13 SSAC (March 2012), Universal Credit: the impact on passported benefits
14 DWP (October 2011), Universal Credit Impact assessment
Written evidence submitted Simon Community NI

Simon Community NI is pleased to respond to the Work and Pensions Select Committee inquiry into progress towards implementation of Universal Credit.

About Simon Community NI

Simon Community NI is one of the leading homeless charities in Northern Ireland. We are committed to our vision of ‘ending homelessness’ and provide accommodation, advice and community support for individuals and families who are threatened with homelessness or who experience homelessness. We recognise that addressing homelessness involves more than providing accommodation and we have developed a range of services to meet other needs associated with being homeless including: Rent and Deposit Bond Scheme, Harm Reduction Service, Homelessness Prevention Programme, a Client Representative Project and Freephone Helpline; a 24/7 helpline providing advice and support to those who are homeless or a risk of becoming homeless.

Simon Community NI supports the principles of Universal Credit to simplify the benefit system and make work pay with the gradual withdrawal of benefits when a claimant moves into work. We are concerned however, about the accumulative effect of these changes given that the draft Universal Credit regulations do not include sufficient safeguards to protect the most vulnerable within society.

The Northern Ireland Context

Northern Ireland presents specific circumstances with regards to welfare reform. In particular, Housing Benefit arrangements in Northern Ireland differ notably from those in Great Britain, for example;

(a) there is no equivalent to Rent Officers; instead all arrangements are made by the Northern Ireland Housing Executive, and
(b) Local Housing Allowance (LHA) is administered differently with the continuation of direct benefit payments to landlords where the tenant so chooses.

In addition, the recent report by the Centre for Social Justice, ‘Breakthrough Northern Ireland’, illustrated the high impact of mental health problems on the population. The proportion of the population claiming Disability Living Allowance and Incapacity Benefit in Northern Ireland is significantly higher than in Britain. 8.6% of the working age population are receiving Incapacity Benefit compared with 5.2% in Britain.

1 Centre for Social Justice, Breakthrough Northern Ireland, September 2010 pg 15
**Supported Housing**

We are disappointed that the Universal Credit regulations do not give any indication as to whether supported accommodation will be included under Universal Credit. The uncertainty of this position, at this late stage in the Universal Credit development process, is damaging for the sector as it hinders future planning as how best to support clients under the new system. We would welcome clarification of this matter as soon as possible.

Our response to the inquiry draws on the assumption that all elements of the Universal Credit regulations will apply to our clients while they are in our projects and as they move onto independent accommodation.

**Claimant Commitment**

The claimant commitment must be signed by both members of a joint couple claim in order to receive Universal Credit payment. We are unconvinced as to the practicality of this condition where there is for example, a disagreement or a breakdown in communication between a couple, thus jeopardizing benefit entitlement for the entire family. We would welcome assurance from the government that there will be an alternative procedure, recognizing situations where one partner does not wish to commit, to enable payment to the member that does sign. The alternative process could, for example, allow the partner committing to receive the single rate and appropriate elements of Universal Credit. The claimant commitment is personal to the claimant and the partners (and children) of a joint claim that commit should not be unduly punished for the actions of others that do not.

**Direct Payments**

Simon Community NI is concerned that the housing element of Universal Credit will be paid mostly to tenants in place of landlords. Unlike Great Britain, in Northern Ireland most housing benefit claimants have their payments made directly to the landlord. Direct payments to landlords are vital to the sustainability of many social housing providers and, where rent arrears occur in private and social tenancies.

Ending direct payments for the majority of claimants could lead to increased non payment of rent/mortgage, debt accrual and loss of home. DWP has indicated that there will not be a blanket exemption and direct payments will be decided on a case by case basis. Although the explanatory notes state that the most vulnerable will be excluded, we are concerned about the lack of detail about what factors will determine vulnerability. We would welcome the publication of comprehensive
guidance on this matter. In addition, we recommend that at the very least that there should be automatic exemption of supported housing tenants.

Claiming Online

Simon Community NI is unconvinced about the Government’s assumption that the vast majority of claimants will be able to claim Universal Credit and manage their applications on line. We welcome Departmental assurances that there will be face to face communication in certain situations. We believe, however, that there should also be the provision for paper claims and notification where it is deemed appropriate in order to personalise and support the claimant during the claiming process.

In addition, we are concerned about the over reliance on on-lining claiming particularly given the introduction of a new IT system. We would welcome provision for system failures or problems with security software. Such instances could leave claimants completely bereft of benefit payment until the problem is rectified as has occurred in the past. Under Universal Credit such instances could cause severe hardship for families given the amalgamation of payments for housing, children, limited capability to work and jobseeking.

Young people aged 16 and 17

Simon Community NI welcomes the inclusion of young people who are estranged from their families as a group entitled to Universal Credit. The four groups aged 16 and 17 that qualify for Universal Credit are particularly vulnerable.

We support the recognition that 16-17 year olds should face lesser sanctions due to the vulnerabilities associated with the limited circumstances of entitlement to Universal Credit. We believe, however, that existing safeguards and concessions for 16-17 year olds should continue. For example, at present automatic good cause is granted where on the first occasion a young person has acted or failed to act in a way that could lead to a training related sanction.

In addition, there remains a lack of information about conditionality for these groups. Under Income Support young people are required to do 12 hours per week of further education, but there is no detail in the explanatory notes or regulations about how many hours young people will be required to do to avoid conditionality under Universal Credit.

It should also be recognised that some of these young people might have extra needs or facing crises that might make it impossible for them to engage with education, work or training. Additional safeguards must be put in place for such young people.
Awards

We are concerned that a lone parent under 25 will only receive the same standard allowance as a single claimant without children. This appears to be quite a retrograde step as currently lone parents aged 18 or over receive the same personal allowance as single claimants without children aged 25 or over. This will constitute a significant cut in income for lone parents and their children.

Monthly payments

Simon Community NI supports the principle of developing financial capability and developing budgeting skills, especially for young people. We are concerned, however, that moving from fortnightly payments will cause hardship for claimants who experience difficulty budgeting on a monthly basis. In addition, it could result in the loss of safeguards for payments for children and housing costs, where one partner in a couple acts irresponsibly. We would welcome further clarification in the regulations for situations that would allow a variation from default monthly payments.

Housing Element

Housing Benefit is experiencing such radical reform that it will no longer offer an effective safety net against homelessness in the private rented sectors, and will be eroded even further as it becomes decoupled from market rents through updating by the Consumer Price Index.

We are concerned that the Universal Credit regulations present further cuts to the housing element in Universal Credit. In particular, we do not understand the rationale for reduced earnings disregards for claimants receiving the Universal Credit housing costs. Introducing minimum and maximum disregards will only add complexity to the system and is in direct conflict with the aim of simplification. Lower disregards for those with the housing element will act as disincentive to work. Further clarification of this rule is required, for example, will a claimant’s earnings disregard be upgraded during a dispute about eligibility and then be recoverable if housing costs are restored?

Eligible Service Charges

Whilst we welcome simplification of the eligibility for service charges, we have strong reservations about the new approach to service charges for social housing within the regulations. The new rule retains the conditions for entitlement but restricts the service charges which are limited to services necessary to maintain the
fabric of the accommodation, the cleaning of communal areas, and the cleaning of exterior windows if the claimant or his/her family cannot do this. This represents a shift in definition from service charges being ineligible if they are ‘not connected with the provision of adequate accommodation’ to being eligible only if the ‘service necessary to maintain the fabric of the accommodation’. Worryingly, it is difficult to identify as to which services charges will match this description.

As a result, some providers may decide to cut services such as children’s play areas and the maintenance of stairways. Moreover, the consequences of such changes may also affect the financial viability of smaller Social Housing Providers, causing arrears and repossessions and potentially affecting tenants’ health and safety.

**Hardship Payments**

We are concerned that making hardship payments recoverable will mean that claimants subject to a sanction will continue to receive a reduced rate Universal Credit for months after the sanction period expired as deductions are made for recovery, which will extend the period of financial hardship.

**Conclusion**

Simon Community NI is pleased to respond this inquiry. We trust you will find our comments helpful. If there is any further way in which we can contribute to the consultation process we would welcome the opportunity to do so.

*17 August 2012*
SUMMARY

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales, and the three national park authorities, the three fire and rescue authorities, and four police authorities are associate members. It seeks to provide representation to local authorities within an emerging policy framework that satisfies the key priorities of our members and delivers a broad range of services that add value to Welsh Local Government and the communities they serve.

2. It is difficult to disagree with overarching objectives of a welfare system that is simpler, makes work pay and lifts people out of poverty. However the approach to Universal Credit in particular and welfare reform in general is staggering in both scope and deliverability.

3. The UK Government is bringing forward changes to the welfare system which the WLGA believes will adversely affect the most vulnerable in our society. As a reserved matter, UK Government has shown little understanding of the added dimension that devolved government brings to a complex landscape of service delivery.

4. Local authorities have spent many years redesigning locally delivered services to focus on the customer and to absorb the variety of demands that are driven by their needs. Universal credit is designed around the need to save money. It is not designed around the needs of the most vulnerable members of society and we are fearful about the social impact.

5. The format of our paper follows the sequence of questions in the original call for evidence. There are a number of questions where we could not give comprehensive answers but this is not to say that they are not important. On the claimant commitment, it is important that we take a whole system approach to a deeply ingrained problem. The economy has to generate a supply of jobs for the unemployed. On the issue of income entitlement for disabled people we are concerned about the
Finally, the majority of passported benefits are an issue for Welsh Government (WG).

**ADVISORY SERVICES**

6. **Support & Advice** – we have serious concerns about the lack of clarity in local authorities’ role in provision of support and advice. The DWP are insistent that there will be a role for local authorities in the face to face (F2F) delivery of Universal Credit (UC). However, the role will not be mandated but will be commissioned via an application process. We must seriously question the DWP’s ability to deal with potentially hundreds of commissioning applications when they are focussed on the delivery of UC.

7. Failure to achieve the desired channel shift coupled with local authority staff reductions and associated diminution in F2F activity means there will potentially be reduced capacity through UC implementation. We anticipate that the change in payment frequency will increase pressure and demand on F2F services. DWP has separately announced it is to close benefit processing centres and contact centres affecting a significant number of Job Centre Plus staff. This will have a significant impact on F2F delivery especially in rural areas.

8. Local authorities in Wales have a long track record of efficient and effective service delivery in benefit services and should have the potential to continue to provide the local gateway to benefits. However it is likely that any commissioning partner for F2F services will not have appropriate levels of access of the UC system in order to properly advise the customer and deliver meaningful benefits to the UC service provision. This would significantly reduce the quality of service that a customer currently receives through F2F services which is very unsatisfactory.

9. Local authorities can play a key role in ensuring the success of UC providing this is adequately funded and decisions are made in a timely manner which allows clarity to assist with service planning. However we are concerned that considerable duplication could occur between UC and the new Council Tax Support Scheme (CTSS) if data sharing arrangements are not concluded successfully.
10. **Monthly Payments** - Many Housing Benefit (HB) customers have been used to shorter payment frequencies and will find budgeting over a monthly cycle difficult. For those ‘in-work’ UC claimants there is potential for such budgeting pressures to lead to requests for salary advances from employers, or persistent absence as money for fares and lunches runs out at month end. These will be issues that many small/medium size employers may have to address.

11. A further concern is the potential of ‘purse to wallet’ transfer - in effect for many households, the nominated bank account for UC purposes will be that of the male partner, whereas childcare costs, food and clothing, is often the responsibility of the female partner. In households where relationships are unstable, or where there is the potential for drug or alcohol misuse or domestic violence, there is the risk that a lack of financial resources will lead to greater pressure and increased demand on local authority services.

12. For Landlords there is a real risk that they will not receive adequate rental payments as payment will go direct to the claimant landlords and tenants may use the UC payment for non-housing related expenditure causing rent arrears to increase leading to increasing demand on local authority homelessness services.

13. In our view there is a significant risk that ‘pay-day loan’ companies and loan sharks will be the ones that benefit most from this policy.

14. **Digital by default** - the WLGA has serious concerns about this policy. While there is considerable evidence that channel shift reduces transaction costs significantly there is very little evidence to support the contention that claimants will switch easily to the use of on-line facilities. Where local authorities currently offer e-claiming of benefits, take-up is not high. Online claiming was introduced for Jobseeker's Allowance but by April 2011, 20 months after the option became available, only 17% of new claims for Jobseeker's Allowance were made online. The claims by UK Government that the UC claimant will manage their claims in the same way as on-line banking are far fetched.
15. In our view, a range of delivery methods should be offered as many claimants do not possess the IT skills to conduct their business digitally. There needs to be significant emphasis on digital inclusion. Research by the ONS\(^1\) has revealed that the main barriers were low levels of confidence using the internet, not having home internet access and attitudinal barriers to using on-line service. The same research indicates that:

- 39 million UK adults are Internet users, and of those, over 30m had accessed the internet every week, but 9.2m people have never accessed the internet and 6.3m adults have limited or no literacy; and,
- internet use decreases in line with income – 98% of people with an income over £41,600 falling to 69 per cent of adults with an income of less than £10,399.

**INFORMATION TECHNOLOGY CONSIDERATIONS**

16. The success of UC is predicated on a high level of claims being made online and given the concerns expressed above we would question the credibility of such a bold claim. In addition, there is a real risk that on-line claiming will result in an increased incidence of organised fraud.

17. It would appear that some of the benefits hoped for from a single payment will be eroded by a lack of integration in operating arrangements:

- in-work UC claimants need to be aware that any change of circumstances reported to DWP as part of a UC claim will not update details that are held by HMRC. HMRC will need to be informed of any changes separately via the HMRC website.
- UC claimants also need to be aware that addressees are not always updated from Real-time Information (RTI) data sent by employers.

18. For claimants there will be a concern that as UC will incorporate a number of pre-UC state benefits, it will be difficult for them to check the breakdown within the total to ensure that mistakes have not been made. Equally, employers need to be aware that the

checking and verification procedures when a new claim is made could identify payroll
queries if the claimant disputes the earnings that have informed the UC award.

19. In respect of the RTI system, over 300 employers are currently submitting data to
HMRC, with the next phase starting to go-live from July 2012 which will see this figure
rise to 1,300 by November 2012. HMRC are still actively recruiting employers for the
November – March 2013 window as part of attempts to get nearly 250,000 submitting
data. However it is likely that there will only be a two or three month window at the
most due to the Self Assessment deadline and the annual coding runs.

20. The lessons learned so far on RTI reportedly relate to data mismatches and the time
taken for employer submissions. Rectifying both of these will place a greater burden on
employers especially the smallest. This could undermine the whole project given that
there are 750,000 micro-employers (those with less than 5 employees) in the UK. This is
of great concern in the current economic climate.

21. The HMRC’s track record of change management is not good. The introduction of tax
credits was done prematurely and we are concerned that lessons are not being learned.
HMRC have acknowledged that the tax credit system has been open to fraud. We need
greater assurances that there will be better testing this time and we have to question the
achievability of this under such aggressive timescales.

22. Whilst it is seems probable that the work on the UC system is more advanced than that
of the RTI system, there are still considerable risks of this falling behind schedule.
Again, the WLGA has a number of representatives on various working groups and limited
details have been provided on the UC system, comprising merely a few screen shots of
how the system may look.

23. In our view, the timescale is one of the most fundamental risks in relation to the
implementation of UC. The pathfinder area will go-live in April 2013 and will proceed on
a limited basis for several months. It will be operating under conditions where the IT
systems are not up and running which limits any evaluation.
24. Other parts of the system are also being tested in isolation such as the direct payment demonstration projects. This is a very limited test based upon a small number of claims and does not replicate how Universal Credit will operate once launched. Local Housing Allowance (LHA) was piloted over 3 years but most of the issues arose only when LHA was rolled out. We would echo the view of the All-Party Parliamentary Group on Taxation\(^2\) who commented that aspects of UC were ‘potentially undeliverable’.

25. Roll-out from October 2013 needs to be carefully managed. In our view, it would be more sensible to ensure that the UC system receives exhaustive testing in the pathfinder so that it is fully fit for purpose when this is rolled out nationally. Even if this delays the project it would considerably reduce the risk of reputational damage than a manual based system.

**THE IMPACT ON LOCAL AUTHORITIES**

26. There are 3 major changes that are being introduced from April 2013 that will have a profound impact on local authorities that cannot be considered in isolation from UC:

- the benefit cap;
- the new Council Tax Support Scheme (devolved in Wales); and,
- under-occupation within the social housing sector.

Unlike the introduction of UC, there is no phased approach to these changes. However the impact on vulnerable people is potentially more significant than the introduction of UC. The changes will be exacerbated by changes to the social fund.

27. **Budgets** - Currently there is a significant amount of uncertainty as to future funding arrangements for local authorities and this is significantly hampering their ability to plan effectively. In Wales we estimated the costs of implementing the new Council Tax Support Scheme to be £2m. The impact of recurrent costs is estimated at £60m. Like many of the changes in respect of UC, the level of funding for new areas of responsibility

\(^2\) [http://www.appgtaxation.org/PAYE_at_the_Crossroads.pdf](http://www.appgtaxation.org/PAYE_at_the_Crossroads.pdf)
is yet to be decided and timing is now critical. Local authorities across the UK will be setting budgets in the early autumn if they are not already doing so.

28. Of paramount concern for us in respect of the major changes coming in April 2013 is the amount of funding that will transfer to the Welsh block from 2013-14 for the new Council Tax Support Scheme. While the UK Government is proposing a 10 per cent reduction in funding towards the new scheme to replace Council Tax Benefit, the reality is that, because of the calculation methodology being applied by UK Government, the funding to be made available to local authorities in Wales will on average see a real terms reduction closer to 20 per cent against current benefit expenditure levels. Our discussions with revenues managers across Wales tell us that the scale of changes now being proposed is not dissimilar to that under the ill-fated Community Charge. If that is the case local authorities can expect losses in the collection of council tax of around £30m annually.

29. **Staff** - The impact on local authority staff is already taking place. The transference of the payment of HB to DWP is already having a destabilising and de-motivating effect on local authority benefits teams. DWP have already asserted that TUPE will not apply. Many employees are now looking elsewhere for job opportunities, one authority in North Wales has already lost 5 staff from a team of 37 since the start of the calendar year and it is anticipated that this trend will continue. Conversely, over the next two years, it is anticipated that the workload of local authorities will potentially increase rather than decrease as a result of implementing these changes. Losing experienced staff at such a time is inevitably going to have a major impact, both in financial and performance terms.

30. **Housing Benefit and the cap** - In many authorities there is a lack of supply of smaller and self-contained accommodation. This will impact on the ability of families to relocate where benefits are cut for under-occupation.

31. The so-called ‘bedroom tax’ will have a profound impact on both customers and the local authority in the context of both revenue collection and homelessness. Contrary to the expectations expressed by the Department for Work and Pensions in their circular HB/CTB A4/2012 customers cannot simply obtain employment or ask family members to contribute more to the household budget. Some customers will be experiencing a
reduction in their benefit of up to £26 per week. This will create great hardship and there need to be additional protections for existing customers.

32. Plans are being made to introduce benefit caps which it is anticipated will not affect a significant number of customers in Wales (around about 1,700 households) but even so, some of these will be significantly affected (£100+ per week). The combination of changes could have a disastrous effect on some people.

33. Our analysis of the UC regulations (Reg 75(B)) allows local authorities the flexibility to adopt the cap “if appropriate” rather than awaiting a directive to do so by the DWP. While this introduces a degree of flexibility into the operation of the cap, this brings with it a danger of inconsistent and potentially incorrect decision making. It also adds complexity and confusion to the process both for the local authority and the claimant, particularly with regard to the area of disputes.

34. There is a real risk of rent arrears and increased collection costs as a consequence of direct monthly payments of UC. Housing business plans are reliant upon maintaining rent income levels and there is a danger that these plans may not be fully delivered - impacting on WG policies such as Welsh Housing Quality Standards. This is not just an issue for local authorities with retained stock. With higher risk income streams, the interest rates charged to housing associations may well increase.

35. **Council Tax Support Scheme** – The development of a new scheme is devolved to Wales. A significant amount of work has been undertaken between Welsh local government and the WG on options, costs, software changes, regulations and modelling. Once a scheme has been agreed, implementation should be straightforward. There will however, be problems managing the impact of further reductions in benefits granted especially where people are having to pay Council Tax for the first time.
THE LEVEL OF THE EARNINGS DISREGARDS

36. The current system of Housing Benefit does not in any way influence the level of overall benefit entitlement. However the proposal to reduce the maximum appropriate disregard by 1.5 times the housing element cannot be viewed as either a simplification to the current scheme or transparent for the customer. It is an unwelcome complication which could impact further upon other areas of policy such as housing and homelessness. It also introduces a perverse incentive whereby claimants could try and work out whether they would be better off hiding their housing costs, not asking for assistance with them, and thereby receiving a higher level of earnings disregard.

IMPACT MONITORING

37. Monitoring is one element of implementing successful evidence-based policy. The key overarching aim for UK Government’s research strategy should to be focus on the wider social and economic impacts of the Welfare Reform agenda.

38. The immediate financial impacts on individuals and households can be assessed and forecast i.e. the impacts of the main reforms on income according to the composition of household (analysed by region, income group, families with children, lone parents, working-age adults without children, pensioners, and workless households) and the impact and analysis of work incentives.

39. However, the DWP must also undertake research to assess the impact on:

- poverty, including child poverty and inequality (DWP have already undertaken an assessment of the potential impact of UC on poverty in Britain. However, they will need to continue to monitor this)
- the wider economic and social impacts on a wide range of issues such as social housing, homelessness, social care, education, crime and disorder and health and well-being
• labour supply - e.g. the number of people who move into work or increase their hours as a result of UC. DWP’s Impact Assessment of UC estimates that there would be a reduction in the region of 300,000 workless households. They note that they will make a further assessment of the likely impact in the future.

40. It is vital that a thorough-going evaluation looks at all welfare reform changes in the round. The cumulative impact of one or more elements of welfare reform on households, some of whom are the most vulnerable in society, has not so far been considered.

17 August 2012
Written evidence submitted by Barnardo’s

Introduction

1. Barnardo’s works directly with over 190,000 children, young people and their families every year. We provide a comprehensive range of services through more than 800 projects across the UK.

2. Barnardo’s has a long history of working with children affected by child poverty and it is an inescapable element of nearly all of our services. We have conducted a number of research projects in recent years on the subject of child poverty. Through this work we are aware that issues with the benefits system, and barriers to entering work, are significant for many parents raising children in poverty.

3. **Summary of key points**

   - Barnardo’s believes the presumption of a predominantly online service must be supported by initiatives which will guarantee easy and convenient access to all. This includes ensuring that Universal Credit is smart phone compatible and that access to the internet is provided in a range of settings such as children’s centres. Telephone and face to face services must remain for those who need them. Monthly payments risk causing hardship for some of the most vulnerable, such as young care leavers, and guidance on this should allow for a wide range of flexibility.

   - The requirement under Universal Credit for a bank or Post Office account is an ideal opportunity to ensure that more people become financially included by making it easier to open bank accounts and by extending the facilities of the Post Office Account.

   - Barnardo’s is concerned at the findings of the All Party Parliamentary Group on taxation which suggested that Real Time (RTI) is in difficulty and calls on the Government to give this issue urgent consideration.

   - In this response we make a number of recommendations relating to the ‘claimant commitment’ sanctions and hardship payments. These include making amendments to the draft Regulations so that individuals can never be expected to attend a job interview when undertaking paid employment; that reasonable travel and location requirements are set (for example, travelling one and hour each way may be impractical for parents working a few hours a day) and that work search requirements are suspended for at least the first six months of taking up a new job. We are concerned that harsher sanctions could impact on work incentives; the proposals relating to hardship payments could plunge families into financial difficulties and risk the welfare of children and we therefore recommend a review of the Regulations relating to these.
Barnardo’s runs a number of services for disabled children and we have serious concerns that the decision by the Government to cut disability premiums will impact on the ability of parents to afford care for their children.

With regard to the eligibility and operation of passported benefits, Barnardo’s believes that the Department for Education should take the lead in developing new eligibility criteria for free school meals which helps to make work pay by avoiding ‘cliff-edges’ provides support for school meals for every child who needs them and contributes to tackling health inequalities.

Finally, Barnardo’s strongly urges that the there is timely and effective impact monitoring which has a specific focus on the effect of the new regime around sanctions and hardship payments; the impact of the benefit cap; the introduction of the housing size criteria and the effects of the changes to the Social Fund.

**The proposed arrangements for claims and payments and the provision of support and advice for claimants**

4. The proposed mechanisms for claiming and paying Universal Credit represent a major change for those receiving in and out of work benefits. Given the problems which many claimants have had with the current tax credit system, including problems with form filling, needing to constantly update details, and issues with over and under payments we believe that making the system simpler and linking it to real time earnings data could benefit many claimants.

5. However, Universal Credit will impact on claimants in many different situations. While many claimants will be in work, receiving their wage on a monthly basis and familiar with using online systems, there will be others for whom this new system will represent a significant change. It is essential that the necessary support mechanisms are therefore in place to assist the most vulnerable.

6. In relation to the presumption of a predominantly online service, Barnardo’s is of the view that this represents a significant challenge for Government. Currently only 19.6% of Jobseekers Allowance (JSA) claims are submitted online1. While many claimants suggest they would welcome the ability to manage their benefit payments online, the lack of accessibility to online services for many of the poorest in society represents significant issues - figures show that almost a quarter of households have no internet access, and the rate of internet use decreases in line with income2.

7. Barnardo’s believe that the presumption of online claiming needs to be supported by policy initiatives which will guarantee easy and convenient access to online services for all, such initiatives include:

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• The Universal Credit website must be smart phone compatible. For growing numbers of people this is the primary means of accessing the internet and 27% of adults now own one.3
• The Government should consider ways to provide free and easy internet access in a range of services which Universal Credit claimants are most likely to use, such as Job Centre Plus offices, supported housing providers, GP surgeries, health centres and children’s centres. The latter are particularly important given the demands the new system will place on parents to provide information on their childcare costs.

8. In addition, it is important that the presumption of online claiming does not mean that those who need support either through a telephone service or face to face struggle to get this or are given a second class service. Those who need the telephone service are likely to be some of the most vulnerable claimants – including those with serious disabilities and those who do not speak English as a first language. The draft Regulations make it clear that online claiming will be the default unless claims fall “within a class of case for which the Secretary of State accepts telephone claims or where he is otherwise willing to do so.” We consider that there is a strong case for defining telephone claims broadly and for allowing hybrid cases where the initial claim is done online, but where updates such as information on childcare costs can be provided by telephone or text message. The Government should also consider using text message or telephone reminders to inform claimants if they need to take action with regard to their Universal Credit claim. Electronic messages sent through the online claiming system will frequently not be read by those who do not have regular internet access.

9. The introduction of monthly payments is another initiative which, while sensible for some, risks causing hardship to some of the most vulnerable claimants who struggle to manage their money. Barnardo’s provides a number of services to vulnerable 16 to 24 year olds – particularly care leavers. Such young people have often had chaotic lives and can have very limited budgeting skills. The draft Regulations state that claimants will be able to apply for a temporary payment exception, for example to be paid fortnightly. We believe that in practice guidance on this exception should allow for a wide interpretation and emphasise that the exemption may continue for some time, while an individual is given the support to achieve the necessary budgeting skills to manage monthly payments.

10. Everyone will need to have a bank account or Post Office account under the Universal Credit regime, yet despite progress those on low incomes are much less likely to have a bank account than those with higher incomes. For example, around one in ten households with an income between £100 and £200 per week do not have a bank account (excluding Post Office Card Account) compared to only around one in 50 with incomes between £500 and £600 per

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http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr11/UK_CMR_2011_FINAL.pdf
week⁴. Barnardo’s report – A Vicious Cycle⁵ set out proposals to help families struggling with debt gain access to mainstream finances. We believe Universal Credit offers the ideal opportunity to ensure that more people become financially included by making it easier for people to open bank accounts and by extending the facilities of the Post Office Card Account.

**Progress with developing the necessary IT systems to administer Universal Credit**

11. Barnardo’s is concerned at the findings of the All Party Parliamentary Group on Taxation in July this year, which suggested that Real Time Information (RTI) is in difficulty and highlighted two major concerns. The first of these is that although HMRC has been working closely with the payroll software industry, the companies involved may not have time to fully develop the necessary products and the second is that employers will not be ready. The APPTG’s stakeholder research found there was a lack of awareness of RTI in the HR departments of SMEs and large organizations - only 34% of respondents having heard of it.

12. Barnardo’s would urge the Government to give full consideration to the recommendations of the APPTG to ensure the effective implementation of RTI. We are also concerned that the current regulations and guidance do not provide any provision on what happens if there is a system failure, or if an employer fails to input the required data and claimants Universal Credit payment is effected as a result.

**The proposed arrangements for the “claimant commitment” sanctions and hardship payments.**

13. The draft regulations provide some flexibility on the requirements a claimant will be asked to meet to be awarded their Universal Credit payment. For example they do not set out how often a claimant should attend interviews. This flexibility is welcome, particularly as Universal Credit will apply to in work claimants. The provisions relating to in-work conditionality will particularly affect parents, who may often find it easier to enter the labour market for only a few hours a week to begin with and to gradually increase their hours, as their children become older and childcare needs reduce.

14. However, we are concerned that given the extension of a “claimant commitment“ to a much wider group of individuals the regulations do not go far enough to recognise the specific circumstances of individuals, particularly what is reasonable to expect of those who already work even if part time. We would particularly argue that the conditionality regime should be relatively “light touch” for those who are in paid employment. The ultimate aim should be to enable an individual to develop and progress in work, gaining experience and training where appropriate. Skilled part time work or part time employment with training may be more beneficial for an individual’s long term career prospects and earning potential than longer hours in an unskilled job.

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⁵ Barnardo’s (December, 2011) A Vicious Cycle: The heavy burden of credit on low income families
Barnardo’s would urge that the claimant commitment recognises the benefits of allowing individuals to develop their career, rather than constantly requiring them to work more hours, even if this means moving to jobs which offer less security and career prospects longer term.

15. Particular changes which Barnardo’s believe should be made to the current regulations on the claimant commitment include:

- Amending regulation 87(5) to provide a specific exemption that an individual can never be expected to attend a job interview at a time when they are also expected to be undertaking paid employment. The current regulations assume an individual will always be able to negotiate time off with 48 hours notice, yet this is not always the case.
- Amending regulation 88(3) to provide that the cost and feasibility of travel will be taken into consideration when setting reasonable location requirements. Currently the regulations suggest that a claimant may be expected to travel an hour and half each way to work, which may be impractical for working parents working a few hours and with childcare commitments.
- Amending regulation 90 to provide that an individual’s work search requirements are suspended at least for the first six months of taking up a new job. Currently there is no provision that allows an individual to settle into a new part-time job before requiring them to look for another “better” job.

16. Universal Credit also brings in significantly more severe sanctions for those who do not comply with the requirements of the claimant commitment. Under the new regime individuals who do not comply are likely to lose their benefits for a much longer period and will find claiming assistance for hardship much more difficult. While we understand the desire on the part of the Government to ensure that those claiming Universal Credit have a genuine incentive to comply with the regime, Barnardo’s is of the view that it is important that sanctions do not operate in a way which is counter productive, causing individuals to disengage and be lost completely from the system.

17. We are particularly concerned about the following provisions:

- Plans that an individual could still have their Universal Credit payments (including awards for childcare) sanctioned for up to six months after they have moved into paid work, as a result of a previous failure. Allowing in work benefits as well as out of work benefits to be reduced due to sanctions could affect work incentives.
- Plans to introduce two penalties for low level sanctions meaning that an individual will suffer a sanction for both the period of time it takes them to comply with the conditions and for a further 7 day period. Given these sanctions are likely to be applied to the most vulnerable and hard to reach groups, a system which works instantly to award engagement is likely to be far more effective in encouraging individuals back into the system.
18. Universal Credit also makes it significantly more difficult for individuals who have been sanctioned to be provided with hardship payments. We have two main concerns with the new regime:

- To receive hardship payments claimants must “have complied with all the work–related requirements that they were required to comply with in the compliance period”. This effectively introduces conditionality into the hardship regime. Hardship payments ought to operate as a safety net to prevent families from entering destitution – imposing conditions on families could seriously risk the welfare of children.

- The provisions for some hardship payments to be recoverable. By definition, hardship payments are paid to families who are struggling, and who may well find themselves in debt as a result of reduced benefit payments – reducing their benefit payments still further as they repay the hardship payments risks plunging families into further financial difficulties.

**Changes in the income entitlement of disabled people under Universal Credit**

19. Barnardo’s runs a number of services which support disabled families and their children and we are aware of the significant costs which raising a disabled child can put on families. We therefore share the concerns of many in the disabled sector regarding the decision to cut the disabled premiums which will be given to families with disabled children under Universal Credit. The DWP have previously announced that the amount of support for disabled children other than those on the high rate care component of DLA, or those who are severely visually impaired, will be substantially reduced (the maximum rate is to be cut by £28 per week) as a result of the introduction of Universal Credit. Many families with disabled children are deeply concerned about the impact of this change on their ability to afford care for their children.

**Eligibility for and operation of passported benefits.**

20. Barnardo’s is concerned that no effective solution has yet been proposed on how free school meals will work within the Universal Credit structure. Free school meals can be worth a great deal financially to a family (our calculations suggests that the benefits are worth about £386 a year per child\(^6\)). Meetings with officials have indicated that current thinking is that a simple income threshold will be introduced meaning that families who earn below the threshold will get the full entitlement and those earning less will get nothing. This will effectively create a “cliff edge” in relation to benefit entitlements and will introduce a work disincentive in a system specifically designed to avoid them.

21. We believe that the Department for Education should take the lead and ensure that the development of new eligibility criteria leads to a system which will:

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\(^6\) £1.98 per school meal x 5 days a week x 39 weeks in a school year = £386.10
• **Help make work pay** by avoiding steep “cliff-edges”, where exceeding a certain income point would result in a loss of all of the benefit which means that the household loses money as a result of earning more.

• **Provide support for school meals to every child who needs it** – all children who live in poverty should get a FSM including 16 to 18 year olds who attend further education colleges rather than school six forms.7

• **Be simple** for families to understand and for schools and Government to administer.

• **Contribute to tackling health inequalities** by improving the health of the poorest fastest, as set out in the Government’s public health white paper, *Healthy Lives, Healthy People*.  

22. In order to realise these principles, we suggest that the Government consider aligning the structure of support for school meals to closely reflect the structure of Universal Credit. This will enable support to be withdrawn in a way which ensures the preservation of work incentives. The system would be designed to ensure that the money could only be spent on school meals, and not be given as cash to parents – this could be done by, for example, inputting a cash value in the Universal Credit and having the meal provided by the school or through the use of pre-payment cards.

**Impact monitoring**

23. Barnardo’s would urge the Government to develop plans from the outset to ensure that the impact of Universal Credit is effectively monitored. In particular, impact monitoring must examine those elements of the regime which could produce serious hardship for families and young people. The Government has said that Universal Credit will decrease child poverty by 350,0008 but this will not happen if many families do not receive the level of benefit anticipated because they are subject to long period of sanctions or because they are paying back hardship payments.

24. Impact monitoring should include a specific focus on the following policies:

• The effects of the new regime for sanctions and hardship payments, particularly the possibility that a family may lose a significant part of their benefit for up to three years (or longer if they claim hardship payments during this time and subsequently need to repay them)

• The effect of both the benefit cap and the introduction of housing size criteria into claims for social housing, both of which could impact on the ability of families to afford housing which meets their needs.

• The effects of the decision to transfer two elements of the Social Fund, the community care grants and crisis loan budgets to local authorities and devolved administrations. We are concerned that replacement services may not provide the level of support that families require.

17 August 2012

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Summary

London Borough of Lambeth welcomes any change and policy initiative that truly incentivises work and provides income safeguards and certainty for those moving in and out of work, particularly given today’s volatile economic situation. Many aspects of Universal Credit are positive in this regard but we have significant concerns in some key areas – digital by default delivery option, monthly payments in arrears, treatment of self employed earnings, direct payments by default – and these are set out below for your consideration.

There are also likely to be significant revenue implications for the council associated with tenants being unable to manage direct payments under the Universal Credit regime. Our estimate is that increasing arrears may end up costing the council £2m-£3m in lost rental revenue.

Specific Comments

1. Digital by default

The Universal Credit (UC) draft regulations suggest the aim is to deliver UC digitally as a default position with almost all future communication with claimants being via personal on-line claimant accounts (including award and decision information, notice of appointments, etc.). We understand that there may also be a limited facility to accept a paper claim but only in circumstances (as yet undefined) where someone has requested a home visit and that any alternative claim and access routes will be kept to a minimum.

Local authorities - through social care, housing services, welfare rights services etc - are the biggest supplier of advice and advocacy services to people with disabilities. They also provide significant advice services to other vulnerable groups. This digital by default approach has the potential both to significantly limit vulnerable claimants access to benefits and to hinder our ability to successfully support people as needed through their claimant journey.

Many claimants are “digitally excluded” and will find it difficult to manage their claim on-line. They may lack access to a computer, lack the skills required or have security concerns about an on-line delivery system that deters them from using an on-line channel. They may not fit into the traditionally vulnerable groups who will qualify for a home visit and limited additional support. The council will have an undefined and unresourced role in supporting them creating new burdens for us. We estimate that this would cost over half a million pounds to the council.

We believe it would be helpful for DWP to review the digital by default delivery mechanism to ensure that agencies can get the information they need to support vulnerable claimants and that there is more flexibility for those that cannot manage an on-line claim process.

2. Monthly payments in arrears

The change in arrangements which no longer allow an advanced claim and which mean that UC will be paid more than a month in arrears will necessarily cause hardship for those waiting at the start of a claim period.

Monthly payments (especially when they include an element for housing costs) may prove challenging for those that are unused to managing being paid at this frequency and lack the necessary bank accounts and financial confidence to do so. Ministers have claimed that UC will mimic a monthly salary payment but a significant proportion of lower income workers are paid weekly or fortnightly so this is not strictly accurate. Additionally, there is no guarantee that UC payments will align with rent cycles and particularly with the requirement for rent to be paid in advance as it normally is.
There should be an option for claimants to choose to receive their UC payment more frequently and the claiming in advance provision at the commencement of a claim should be reinstated.

3. Young people

The minimum age for UC will be 18, with exceptions for 16/17 year olds (eg: lone parents, carers and those who are in education or estranged from parents (as now). However, It appears that 16/17 year olds who are unemployed and who would have limited access to JSA now (either through being in child benefit extension period and living away from home or by being in severe hardship) will only have one route to UC in future – that is, by proving estrangement. This would exclude those in severe hardship who are living at home and where the parents (on benefits themselves) are unable to support them.

4. The self employed

Like many local authorities, Lambeth actively encourages residents to consider self employment. At present, Working Tax Credit supports people well during the times that their business is less profitable by reflecting an overall view of the actual state of a business’s profitability, broadly using the same methodology as the tax system. This is fair in that it takes an annualised view of income and it also reduces bureaucracy for the self employed.

However, under Universal Credit, this changes and the self employed may see falls in their income that significantly reduce the sustainability of their business. The main issue that concerns us is that the self employed will be required to report their earnings and have their income assessed over periods of one month. This is impracticable and does not take into account fluctuations in income and the kind of seasonal self employment that sees income vary between months. We are hopeful that UC can make assessments that more closely mirror those made by HMRC for income tax purposes.

5. Incentives to work

Disregards are yet to be fixed but it seems that the principle will be as for pension credit – which is that unless something is specified as counting as earnings or other income, it will be fully disregarded. There will be no partial disregards.

It seems there will not be the equivalent of a HB 'run-on' for housing costs in UC - once someone starts work, the use of real-time information means that UC is adjusted immediately.

The rather complex rule about earnings disregards being calculated using ceilings and floors and using 150% of housing costs seem to have been dropped for a simpler model - designed so that people in work (however defined) don’t get help with mortgage interest. This may lead to increases in homelessness amongst owner occupiers.

6. Temporary absences from home

Currently, under special circumstances, Housing Benefit can be payable while you are away from home for up to 52 weeks. Such circumstances covered include hospital admissions, staying in a care home, providing care for others or being held in custody awaiting trial. Simplification of the rules under UC means that prisoners on remand or sentenced will have the same 26 week limit put on the help they receive with housing costs instead of the present 52 week/13 week differences that now apply. This could be hugely detrimental to those given short sentences who are aiming to maintain their accommodation.

The same 26 week limit will apply to people going into hospital and to those going into residential care (where again there is a 52 week limit at present for temporary stays and 13 weeks for trial periods which will be abandoned). This means that people going temporarily into hospital and residential care will only get Universal Credit for 6 months in future and this has huge implications for local government as providers of both housing and social care.
An explanatory note – issued alongside the draft regulations – states: “…where an adult or child is temporarily absent from their household because they are in a residential institution elsewhere (e.g. in hospital, staying in a residential care home [but excludes child or young person in Local Authority care home] or residential school) then up to 6 months temporary absence is permissible, during which Universal Credit is payable as normal as if the adult/child/non-dependent was still in the same household.” This may add to levels of homelessness amongst people with mental health problems and other chronic conditions, even if they are likely to recover in seven months.

7. Direct payments

The default of UC being paid direct to the claimant and this single payment including a payment for housing costs is likely to contribute to increasing rent arrears amongst more financially excluded claimants and it is not clear to us what support or exceptions will be allowed and to whom this will be made available.

Landlords in the private rented sector may be unwilling to rent to claimants causing silt up in hostels, supported housing and hospitals and increasing levels of homelessness as arrears build across all tenure types. A private rented sector landlord survey undertaken in Lambeth late in 2011 revealed that claimants receiving the benefit for their housing costs directly was a concern for many and that many would cease letting properties to claimants as a result.

Many vulnerable claimants do not have access to the transactional bank accounts they would need to set up standing orders and lack the skills to manage what may amount to a single payment of hundreds (often thousands) of pounds. In Lambeth we are working to promote the take up of the Credit Union but there is a concern that

We are keen that the option to maintain direct payments to landlords of the housing element of UC is extended to those claimants that feel they would benefit from it, even if this extension only applies for a 12 month transitional period or similar.

There are also likely to be significant revenue implications for the council associated with tenants being unable to manage direct payments (paid monthly and in arrears) under the Universal Credit regime. This is particularly the case in supported housing but is also true for many of those living in council or private rented accommodation in the community. Our estimate is that increasing arrears may end up costing the council £2m-£3m in lost rental revenue.

Case Studies

We draw your attention to the case studies attached (produced by CAB) that illustrate additional concerns. We do not feel the need to duplicate the points they have made so clearly.

17 August 2012
Tower Hamlets is an inner London borough; unparalleled in its history of diversity and growth, as well as a high level of deprivation. The impact of Universal Credit, especially the benefit cap element, is likely to have the biggest impact in boroughs such as ours. DWP estimates are that 1700-2800 households will be affected by the benefits cap from April 2013. Our own analysis suggests that this could be much nearer 4,000 households with the maximum potential loss of benefit to residents in the borough is around £38m.

This will result in a large financial risk to the council, caused by uncertainty around homelessness applications and the knock on impact to other council services.

We are also concerned that this will lead to a range of negative outcomes for residents, including, increasing overcrowding and poverty; displacing families away from their communities and support networks; reducing community cohesion; an increasing requirement for Council services; and, increasing levels of health problems, including mental health issues.

The Council has put in place a range of actions to support our residents through the changes, including briefing sessions and resources for front line staff to informing them of the changes and how it may affect their clients; a range of communications, including a personal letter to all residents to be affected by the cap, encouraging residents who have concerns to get in touch with relevant agencies to discuss their situation; and, home visits to families affected.

However the Council is still extremely concerned that these reforms will have a deep impact on the borough’s residents and community; as well as on the Council’s ability to act upon its commitment to One Tower Hamlets in reducing poverty and inequality.

The Council would welcome greater information sharing from the DWP to help us to inform residents; greater clarity from central governments on the relationships between Councils regarding homeless vulnerable households; greater recognition of the impact the reforms will have on existing Council services which will see increasing demand; and most importantly a recognition that the greatest impact of these reforms will be on large families living in inner London. As a borough which takes equality and equality impact assessments extremely seriously, it is disappointing that this policy does not appear to have considered the impact the welfare reforms will have on multicultural, income diverse, boroughs such as ours.

1. **Introduction**

   1.1. Tower Hamlets is an inner London borough; unparalleled in its history of diversity and growth, as well as a high level of deprivation. In recent
times Tower Hamlets has experienced the largest growth in the country and has been the focal point of regeneration in London, with the borough undergoing the country’s highest housing growth over the last few years. Deprivation is widespread in Tower Hamlets and the majority (72%) of areas in Tower Hamlets are amongst the 20% most deprived areas in the country. Unemployment remains an issue with 13% of the working age population unemployed, compared to 9% across London. Diversity has always been a key strength of the borough. It now has the fastest growing population in London. This growing population is ethnically diverse, with nearly half of the borough’s population comprising of Black and minority ethnic groups.

1.2. The London Borough of Tower Hamlets has been leading on work locally to assess the impact of Welfare reform changes and to co-ordinate action to support residents through the changes.

1.3. Our calculations show that the groups most affected by welfare reforms and the welfare cap in particular, will be; households in three or more bedroom dwellings, those renting in the private sector and those with combined working hours of less than 24 hours a week.

1.4. This is due to the relatively high cost of rents in the capital, especially for larger properties, and many will exceed the Local Housing Allowance (LHA) cap introduced from April 2012 and the benefits cap expected in April 2013.

1.5. DWP estimates are that 1700-2800 households will be affected by the welfare cap from April 2013. Our own analysis suggests that up to 4,000 households could be affected. Timely and accurate information is key to enabling us to support residents through the changes and we would welcome clearer and quicker information from the DWP to help support residents through the changes.

2. **Impact on the Budget**

2.1. The introduction of Universal Credit will impact on Local Authorities in terms of financial support for residents who cannot afford their rent. Housing Benefit will no longer be administered locally and will become part of Universal Credit and will also be subject to the welfare cap.

2.2. Local authorities have a duty to house homeless families. For those housed in temporary accommodation any shortfall between housing benefit entitlement and the rent charged will have to be covered by the Council.

2.3. Over the longer term, our impact assessment highlights greater risks for households in private rented accommodation, and some large
families in social housing. This is because the welfare cap does not take into consideration family size or local market rents and as such, it is likely that these families will no longer be able to afford their rent. These households may be evicted and present to the Council as homeless. Any cost higher than the benefit cap associated with housing these families will fall to the Council.

2.4. Tower Hamlets currently has a thriving private rented sector with high demand for available properties. The 2011 Census data revealed that Tower Hamlets has seen the largest population growth in the Country, with growth of 26%. A reduction in income for households in receipt of housing benefit is unlikely to result in a proportionate reduction in rents. This has been confirmed by negotiations with local landlords and there is evidence of an increasing reluctance to house families in receipt of housing benefit.

2.5. Current estimates suggest that just under 4,000 households will see a reduction in benefits. Taking account of current family circumstances and benefit claims, the maximum potential loss of benefit to residents in the borough is around £38m.

2.6. In addition to this loss of benefits, the uprating of benefits by CPI, and not RPI or local rents, will ensure that in the longer term more and more tenants will be priced out of the borough as rent costs outstrip benefit allowances. Rents in Tower Hamlets are due to rise by 20% over the next five years (Savills and Rightmove Rental Britain Spring 2012), with CPI forecast to be around half that over the same period (Office for Budget Responsibility Economic and fiscal outlook, March 2012).

2.7. Due to the cuts already imposed on local authorities it is not possible for the Council to cover this loss in benefits and will instead have to find alternative cheaper accommodation in which to house homeless families. It is likely to be difficult to do so because properties are expensive in the borough and neighbouring local authorities will also be seeking local accommodation priced within the cap, for the purpose of housing their own homeless clients.

2.8. The Council, as a landlord, will also face financial pressures due to welfare reform. Universal Credit will be paid directly to households, who will have to pay their landlords themselves, whilst facing increasing pressures on a decreasing income. Rent arrears, evictions and length of voids are all likely to increase, placing an increasing financial risk on Tower Hamlets Homes. This financial risk will also affect local Registered Providers.

2.9. The Council is also concerned about the impact of these changes on disabled people, carers, and people with mental health problems, who may currently be managing to live independently, perhaps with the support of preventative and universal services such as lunch clubs,
peer support groups, and extended families and friends. In particular, beyond Universal Credit, with the changes to Disability Living Allowance, there is a concern that a significant number of these people may be found to be ineligible for the Personal Independence Payment, (which is due to replace Disability Living Allowance from April 2013), and that the loss of this income may trigger a decline in an individuals’ ability to cope, with resulting risk of an increase in the demand on the Council’s adult social care services.

2.10. It is currently not clear from DWP what support mechanisms and assessment processes will be in place to support the implementation of Universal Credit. We are currently undertaking our own pilot programme to enable us to understand the issues and needs involved. However, the lack of any concise information regarding the DWP plans may mean that some, particularly vulnerable, individuals will have a long and stressful wait during the transition to Universal Credit.

3. **Impact on the Council’s Duty of Care**

3.1. Comments from Central Government Ministers regarding welfare reform changes suggest that the Government recognises that the impact of their policy will be displacement of families to areas with cheaper rents.

3.2. However the Council’s assessment is that for many London boroughs this displacement may well be outside of the borough and may indeed be in different parts of the country.

3.3. The implications for Council responsibilities under its duty of care are complex, and there is as yet no guidance from Central Government on the problems which will emerge. For example it is unclear how a Council with a homelessness duty towards a resident, and the Council where a family is housed temporarily should interact and how issues such as social care or other council services should be managed.

3.4. There are significant numbers of vulnerable adults and children in the Borough, with whom Council services have developed effective support and working relationships over a long period of time. We have also just undertaken a large scheme of work under the Government’s Troubled Families programme which will involve assigning families a key worker.

3.5. We are trying to gauge the impact on these groups and think it is likely that a number of these families will be affected by the benefit cap and potentially face displacement in terms of their homes and the support services they currently need.

3.6. There are a range of other key worker and other worker relationships with families which we are concerned will also be disrupted. These include families being supported within parenting programmes and
those who have established positive relationships with family support workers in children's centres. There may also be a potential risk to children with Child Protection Plans if many of those families are moved out of borough; and we also have concerns about increasing strains on section 17 funding.

3.7. For adults this includes disabled adults, those with mental health problems, and informal carers, who are being supported by adult social services and by our third sector partners. Ensuring that residents receive the care they required and are not left in a gap between two responsible authorities is a key priority for the Council.

4. Impact on the Community

4.1. A Borough-wide Partnership event was held in February 2012. This Welfare reform congress identified the potential of these changes to have wide reaching effects on a range of issues including the health and wellbeing of those affected; educational attainment due to potential disruption to schooling; additional pressure on social care and safeguarding services; overcrowding and housing security; levels of debt and financial insecurity; and potentially on crime and community safety as income levels fall and those affected become more desperate.

4.2. In the Borough’s Community Plan, most recently refreshed in 2011 and widely consulted on with residents and partner organisations, one of the key themes was to develop our vision of One Tower Hamlets - this is our aspiration to reduce poverty and inequality, bring local communities closer together, and provide strong leadership by involving and empowering people and giving them the tools and support to improve their lives. Through this vision we aim to harness the opportunities of a borough rich in ethnic, religious and socio-economic diversity and it is our key policy for tackling inequality across health, education, jobs and quality of life. From this commitment we have seen for example a year on year increase in residents responding positively to the question “People of different backgrounds get on well together”.

4.3. Planning policy has also ensured that neighbourhoods remain mixed and that community infrastructure is used by a diversity of residents. The potential impact of these changes is that people will be forcibly moved from their homes and communities, in the short term affecting communities which will lose families and in the longer term making neighbourhoods unaffordable to residents in receipt of housing benefit. The borough may become increasingly segregated and it will become more difficult to deliver the aspiration of One Tower Hamlets and its focus on reducing inequality. It is a serious risk that this will result in decreasing unity and possibly increasing community tensions.
4.4. A key strength of the communities in Tower Hamlets is the informal care structures in place. Currently 3.7% of the population provide more than 20 hours of unpaid care per week. Furthermore, we have a higher proportion of the population providing 50 or more hours of unpaid care per week than any other local authority area in England. This is the result of families often choosing to continue to live near each other, within the borough, and provide care at home.

4.5. Faith plays an important role in the lives in many of our residents, with 80% of residents stating they hold a religious belief. This means that local places of worship play a key role in both providing help and care and creating resilient and supportive communities. Tower Hamlets also has a thriving faith and secular voluntary and community sector which has developed out of these caring networks and from which innovative solutions to social problems have emerged.

4.6. The Council's concern is that decreasing affordability will result in families moving away from the borough, disintegrating these informal care structures, currently provided by families, places of worship and community organisations. This will place more responsibility back onto individual family units and onto Council services with the net impact of reducing independence and resilience within communities. The structuring of the benefit cap is also likely to result in large families, often most reliant on informal care structures, seeing the largest reduction in income.

4.7. The benefit changes and the benefit cap impact particularly hard on our borough because of the high cost of housing and demographic profile of the borough. They have the real potential to massively increase homelessness as housing becomes less affordable to those on benefits. As the impact of new funding arrangements for new housing delivered by Registered Providers (RPs) impacts, new rents in the social sector will become less affordable to those on benefits. The Council has developed guidance about appropriate local rent levels and is developing policy around the implementation of new affordable rents within our Core Strategy Managing Development DPD, which will be used to influence Registered Providers to introduce affordable rent levels which meet local guidance, subject to further negotiation with the GLA and the outcome of the Examination in Public.

4.8. There are two key strands to the impact on health and wellbeing. A high proportion of those households who will be affected by the benefit cap have a household member who is on Incapacity Benefit or Employment Support Allowance due to ill health. There is a challenge to health professionals, and in particular GPs, about how they ensure that their practices encourage people to consider whether and how they might be able to move into work – which the evidence shows in many cases can also be a better way back to fitness. At the same time, there is a real possibility that people impacted by welfare reform
will face real anxiety which could create or worsen existing health problems, particularly mental health.

5. **Supporting people through the changes**

5.1. The Executive Mayor of Tower Hamlets has set up a Welfare Reform Task Group including representatives from key Council services, housing providers, the NHS and the community and voluntary sector. The role of the group has been to develop a co-ordinated response to these significant changes in an effort to minimise the negative impact on local people.

5.2. This includes:
- a programme of briefing sessions and resources for front line staff across the partnership to informing them of the changes and how it may affect their teams and their clients;
- a range of communications, including a personal letter to all residents to be affected by the cap, encouraging residents who have concerns to get in touch with relevant agencies to discuss their situation;
- hosting an awareness month in Autumn 2012 around money management, employment and benefit issues;
- seeking to co-ordinate advice and support services to ensure the optimum utilisation of advice capacity in the Borough. This includes monitoring demand, targeting residents, and trying to manage pressure on advice services through developing accessible briefing material and referral routes;
- further modelling the impact of the changes and the numbers affected so that we can respond effectively;
- developing a set of indicators to monitor the effect of the changes in a range of areas;
- working closely with London Councils to share best practice and find common solutions; and
- Co-ordinating a joint Universal Credit pilot programme. This will include combining Council, Jobcentre Plus and other partners support services to work directly with those affected by the cap to support them to move into, or closer to, employment, which is a particularly complex and difficult challenge in the current economic climate.

5.3. Welfare reform changes have the potential to worsen poverty in the borough, and certainly increases the need for a focus on working in a co-ordinated way to tackle poverty. There are already a number of initiatives relating to tackling poverty, including our child poverty work, an emerging Financial Inclusion Strategy and a proposed Fairness Commission later this year. The Council is also drawing together an anti-poverty strategy to ensure this work is co-ordinated and as comprehensive as possible.
6. **Conclusion:**

6.1. The Council and its Executive are deeply concerned about the impact these reforms will have on the borough’s residents and community; as well as on the Council's ability to act upon its commitment to One Tower Hamlets in reducing poverty and inequality. The Council would welcome greater information sharing from the DWP to help us to inform residents; greater clarity from central governments on the relationships between Councils regarding homeless vulnerable households; greater recognition of the impact the reforms will have on existing Council services which will see increasing demand; and most importantly a recognition that the greatest impact of these reforms will be on large families living in inner London. As a borough which takes equality and equality impact assessments extremely seriously, it is disappointing that this policy does not appear to have considered the impact the welfare reforms will have on multicultural, income diverse, boroughs such as ours.

17 August 2012
1. Introduction

St Mungo’s has been opening doors for homeless people since 1969. We currently run over 100 projects, providing accommodation for more than 1,700 people every night and helping thousands more who are rough sleeping or at risk of homelessness. St Mungo’s delivers a range of residential services from emergency shelters to semi-independent flats, as well as non-residential health, education and employment services. We also prevent homelessness through our housing advice programmes.

St Mungo’s services are based on a recovery approach and we aim to work in partnership with clients in a personalised, effective way. Our clients often have complex problems that cause, or are caused by, homelessness; we deliver holistic support to help people rebuild their lives.

1.1. St Mungo’s welcome the opportunity to contribute to the Work and Pensions Committee Inquiry into progress towards implementing Universal Credit. We consulted directly with clients to inform our response.

1.2. This response submits evidence on areas specified by the committee. It also submits evidence on an additional area - service charges in supported accommodation - as this is of special concern to St Mungo’s and our clients.

2. General observations

2.1. St Mungo’s believe Universal Credit has the potential to help our clients through strengthening incentives to work and simplifying the benefits system. However, we have significant concerns over the potential for Universal Credit to impact negatively on our clients and their recovery from homelessness.

2.2. There is a theme running through legislation measures that are likely to hit the most vulnerable the hardest, further excluding them from society. The State of the Nation report recognised that a core goal for the Government was to ‘improve the quality of life for the worst off’.\(^1\) The Social Justice Strategy\(^2\) recognised that there was a need to help people facing multiple disadvantages to successfully move into work. We are concerned that Universal Credit could work against these goals.

\(^1\)HM Government (2010) State of the nation report: poverty, worklessness and welfare dependency in the UK

3. Summary - St Mungo’s key concerns around Universal Credit

3.1. Direct, monthly payments to claimants are a risk to the health and safety of vulnerable people. They could also make it more difficult for vulnerable claimants to find and retain accommodation. People who live or have recently lived in supported housing should be exempt from direct payments.

3.2. Service charges are higher in supported accommodation, reflecting the support needs of people who live there. The Draft Regulations do not take account of this and are totally unsuitable for supported housing.

3.3. People with needs around literacy or who find it difficult to use computers will need assistance to make digital claims. There must be alternatives in place and robust mechanisms for identifying those who need them.

3.4. It is vital that the claimant commitment should be handled sensitively. Claimants should have the option of being accompanied by an advocate when they discuss the claimant commitment with an advisor.

4. The proposed arrangements for claims and payments and the provision of support and advice for claimants

a) Monthly payment to one person in the household

“It’s dangerous and it’s going to cause more homelessness”

- St Mungo’s client

Claimants receiving awards on a monthly basis will find it extremely difficult to budget and their health and safety could be put at risk

4.1 We are unaware of any major issues around the current frequency of benefit payments. It is still common for many employees to be paid weekly.

4.2 Many of our clients find it difficult to manage their benefit payments over the current two week intervals between payments. If claimants were left with an entire month between payments, this would severely test their ability to budget.

4.3 This is particularly true for our clients with mental health issues and learning difficulties. It is likely that monthly payments would also put the 45 per cent of our clients who are socially vulnerable⁢ at a greater risk of being targeted and exploited financially.

⁢ St Mungo’s (2012) Client Needs Survey (CNS). St Mungo’s defines someone as socially vulnerable if they are vulnerable to exploitation or are unable to form appropriate social connections.
4.4 Under the current fortnightly arrangements, some of our clients spend much of their benefit on drugs or alcohol in the first few days after they have been paid, despite support from staff. Our staff have raised concerns that monthly payments to our clients would lead to more deaths in our projects, as our clients would potentially ‘binge’ on dangerous quantities of drugs and/or alcohol. With such large quantities of cash, they would also be more attractive targets for drug dealers.

**Direct payment of the housing element could threaten vulnerable people’s housing security and supported accommodation provider’s financial viability**

4.5 Due to many of our clients’ limited ability to budget and prioritise spending, it is highly likely that they would not pay all or some of their rent. We would struggle to subsidise clients who built up arrears and would potentially have to evict them. This could increase homelessness as our clients are unlikely to have any other accommodation options.

**Impact on clients’ ability to find independent accommodation**

4.6 We are extremely concerned that further limiting direct payments to landlords would make it more difficult for our clients to move out of our supported accommodation into independent accommodation.

4.7 It could make it particularly difficult for our clients to move into private rented accommodation. Landlords that we work with assume that there is a risk associated with housing someone who has a recent history of homelessness, but that this risk is mitigated if LHA is paid directly to the landlord.

4.8 We believe that very few of the private landlords we currently work with would be willing to house our clients if the housing element of Universal Credit (UC) went directly to clients. People who have moved out of supported accommodation should be able to have the housing element of UC paid directly to their landlord for 12 months.

**Supporting a client’s transition**

4.6 Paying the housing element directly to clients could also make the personal transition from supported accommodation to independent accommodation more difficult. During this period claimants may use the housing element to meet other expenses, thereby potentially putting their new accommodation at risk.4

4.7 In addition to these concerns, the proposed changes will also lead to extra complexity for our clients who will receive Personal Independence Payment, as this benefit will be paid every four weeks rather than monthly. Currently, 30 per cent of our clients receive DLA and may be affected by this.

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4 The FOR-HOME study, found that rent problems/arrears were the most common reason for tenancies failing. Crane, M, T. Warnes and S. Coward (2011)The FOR-HOME study
b) The presumption of a predominantly online, self-service claims process

4.8 There is a need for a well designed alternative to the digital by default approach for claimants for whom it is unsuitable. Many of our clients need sustained and long term support to be able to use the internet, others may never be able to use the online interface.

4.9 35 per cent of our clients need support to complete a form, seven per cent are unable to speak English and seven per cent have learning difficulties. These clients will not be able to make an online claim without considerable assistance.

4.10 The claim form should contain a phone number that people can contact if they are having difficulties. Given the low incomes of many UC claimants, this number should be free to call from any phone. Claimants should also be able to send a text message, in which they can ask for someone to phone them. The initial claim form should include a tick box that the claimant can tick to confirm that they are able to maintain their awards without ongoing assistance.

4.11 If a claimant is finding it difficult to complete an application then the system should be able to pick up on this and prompt them to seek support via means outlined above. People should also be assisted to maintain their online claims, for example a text could alert claimants when a message has been sent to their online account.

4.12 Claimants should not be expected to rely on an internet connection that they cannot afford. There will be a need for Jobcentres to invest in additional internet access to allow UC claimants to confidentially access their claims.

4.13 There will also be circumstances where it is not possible for claimants to submit information electronically, e.g. submitting a signed doctor’s note. There therefore need to be a postal address that this information can be sent to.

5. The proposed arrangements for the “claimant commitment”, sanctions and hardship payments

In cases where a personalised claimant commitment is drawn up it is vitally important that this is done so in sensitive and transparent manner

5.1 The claiming process could be a stressful period for claimants, especially for those who have mental health issues or have learning disabilities.

5.2 Advisors should be aware that people who have recently been through the Work Capability Assessment (WCA) and have been unexpectedly found fit for work could find the process especially stressful, as expectations around work related activities are likely to increase dramatically. Around a third of our clients who are on JSA after

\[5\text{ St Mungo’s (2012) CNS}\]
going through the WCA have one or more mental health problems, including diagnoses of schizophrenia, depression, anxiety and bi-polar disorder.6

5.3 JCP staff may not have the necessary skills to avoid aggravating these problems when discussing the claimant commitment. St Mungo’s therefore believe that claimants should be able to request that they are accompanied by an advocate when discussing the commitment with an advisor. Claimants should also be able to ask for an independent third party or their advocate to mediate throughout their claim.

5.4 Claimants should also be able to request a of change personal advisor if their current advisor does not understand the barriers to employment that they face.

The claimant commitment should recognise the challenges that homeless people face

5.5 Homeless people are more likely than the general population to have poor skills and education, poor physical and mental health, face practical barriers such as a lack of suitable clothing or relevant documents and to be subject to employers’ negative prejudices.7

5.6 JCP should work with homelessness organisations to ensure that staff are aware of these issues and are trained in how to support homeless claimants. JCP should also ensure that any programmes they fund/commission include specialist support for homeless claimants.

Claimants should not be pressurised by financial considerations into signing an inappropriate claimant commitment

5.7 The regulations state that a claim cannot be processed until the claimant signs the claimant commitment. If a person is not comfortable with the contents of a claimant commitment, it is possible that they may benefit from a longer period of time over which they can further discuss the commitment with their personal advisor. In these cases the date of the first payment will be pushed back as the person's claim will be submitted at a later date.

5.8 The prospect of an extended period between the initiation of the claim and the first payment may discourage claimants from questioning any elements of the claimant commitment that they are uncomfortable with. They should therefore have access to an advance payment over this period in order to allow them the necessary time to develop an appropriate claimant commitment.

Sanctions should automatically trigger direct payment of the housing element to the landlord

6 St Mungo’s (2012) Client Needs Survey
7 St Mungo’s (2010) Work Matters
5.9 If people’s standard allowance is cut as a result of a sanction, then they may feel like they have no choice but make up the shortfall from the housing element, jeopardising their ability to pay for their accommodation.

5.10 People who are vulnerable could be more likely make up shortfalls from the housing element of UC if sanctioned. People with learning difficulties or mental health issues may find it more difficult to plan ahead and budget accordingly. Vulnerable clients who have been sanctioned may therefore be at significant risk of falling into arrears, risking eviction.

5.11 The loss or cancellation of benefits was a factor that led to five per cent of our clients becoming homeless.8 Paying the housing element directly to landlords would act as a safety net, helping to ensure that the introduction of UC did not cause more people to become homeless.

The application of more severe sanctions could lead to complete disengagement

5.12 The evidence around sanctions is mixed - a review published by the Joseph Rowntree Foundation9 found that while sanctions could be effective at reducing benefit caseloads, there were sufficient grounds to cast doubt over whether they had positive impacts on long term employment and earnings.

5.13 We are particularly concerned about the prospect of sanctions that last for three years. These are likely to have a significant impact on people’s income that extends over the three year period as claimants pay back hardship payments. Imposing such a severe sanction could lead people to leave the welfare system entirely, finding alternative sources of income from crime, street activity and the illegal labour market. In the words of one client, “There will be an increase in prostitution.”

5.14 It is unclear how sanctioning someone for this length of time would help them to enter employment. The evidence around long term sanctions suggests that the longer the sanction the more likely a claimant is to leave welfare unemployed or with a poorly paid job.10

5.15 UC sanctions should be rigorously evaluated from the onset. The evaluation should examine whether sanctions are more likely to be imposed on vulnerable claimants and whether sanctions improve employment outcomes for vulnerable claimants.

6. Service charges and supported accommodation

6.1 Service charges are higher in supported accommodation as residents require a higher level of service provision. These higher charges pay for services that are vital to our clients’ safety and physical well being. We are often obliged to provide these services through contracts with the local authorities that commission our services.

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8 St Mungo’s (2012) CNS
6.2 To make people in supported accommodation pay these charges would be wrong in principle, as the services meet needs which require support. Imposing these costs on people in supported accommodation would be similar in principle to charging people in hospital for services received while in-patients.

What is being proposed?

6.3 The Draft Regulations suggest that service charges will only cover the cost of cleaning communal areas, cleaning external windows and services necessary to maintain the fabric of the accommodation. It is unclear what would constitute “services necessary to maintain the fabric of the accommodation.”

Potential impact

6.4 If the Draft Regulations were applied to St Mungo’s supported accommodation, and service charges in supported accommodation were treated in the same way as general needs housing, then there would be a dramatic increase in the amount that our clients would be liable to pay for service charges. Not only is this wrong on principle, it is also unworkable as our clients would not be able to meet the extra costs.

6.5 The extent of the extra costs that our clients would face can be demonstrated through comparing what are currently eligible service charges in one of our residential services in London, and what would be eligible service charges in the project if the Draft Regulations in were applied.

6.6 Services that are currently eligible, but that would become ineligible under Draft Regulations could include communal utilities, council tax, gardening and a communal TV aerial. These services cost a total of £14.23 per client per week. Clients would also continue to have to pay £10.00 for service charges that are currently ineligible and would remain ineligible under UC. This would mean that in total clients would pay £24.23 for service charges each week – an increase of over 142 per cent.

6.7 If it is assumed that the standard allowance is equivalent to Job Seekers Allowance (JSA), i.e. £71.00 a week, claimants required to pay £24.23 a week to meet ineligible service charges would be left with just £46.77 a week to meet all other expenses.

6.8 The situation would be even worse for people who were under 25. If their standard allowance was equivalent to the JSA rate for this group, £56.25, then they would be left with just £32.02 a week after paying ineligible service charges.

6.9 If the Draft Regulations were applied to supported accommodation then it is likely that many claimants would be unable to afford to pay for the increased ineligible charges, leading to arrears and possibly leaving providers with choice other than to evict them. It is also possible that claimants would not want to enter supported

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accommodation due to the potential cost, for deciding that they would prefer to live on the streets.

**Service charges for supported accommodation can work under Universal Credit**

6.10 Service charges vary considerably in our projects, not only because of projects’ location. They are driven by the size and maintenance requirements of the buildings and the needs of the client groups that are housed. In view of the variation caused by these factors, it would not be possible to fix levels of service charges nationally or in a given geographical area.

6.11 Service charges under UC should allow local authorities and providers of supported accommodation to maintain current arrangements, which are set at levels that are appropriate for each particular project. It is also important to ensure that the funding for eligible service charges in an area is fluid, and can respond to changes in the provision in an area, e.g. the opening of a new project or changes in the delivery of services in a project.

**17 August 2012**
Written evidence submitted by Age UK

About this consultation

This Inquiry by the Work and Pensions Select Committee is looking into progress towards the implementation of Universal Credit. It is examining the implementation process, the proposed entitlement conditions and the future operation of the benefit.

Key points and recommendations

- Age UK supports the Government’s aim of a simpler system with better work incentives for people of working age. Particular issues for those in their 50s and early 60s are: support for disability, digital exclusion and appropriate help for older jobseekers.

- At least in the shorter term the introduction of Universal Credit is likely to increase demands on independent information and advice services. The Government should consider how it could support the advice sector.

- Couples where one has reached Pension Credit age and the other is younger (‘mixed age couples’) could end up with £100 a week less income under Universal Credit than under the current Pension Credit system. The older partner could be financially better off living alone and claiming Pension Credit.

- Carers and people with limited capacity to work who have an older partner may receive additional elements in Universal Credit but couples could still face lower incomes than under the current system. And it is unclear whether rates will be increased if the older partner is disabled and if so how disability will be assessed.

- Older partners may have to draw more on their retirement savings to support a younger partner. They may also lose other support linked to Pension Credit such as Cold Weather Payments and the Warm Home Discount and miss out on protection for pensioners within Housing Benefit and support with council tax.

- As the aim of the change for mixed age couples is to increase work incentives rather than cut spending we believe there is scope to use savings that will be made to provide an additional element within Universal Credit where one partner is older.

- The new Pension Credit capital limit should not be used as a way of cutting overall support and older parents or grandchildren should not be adversely affected by reforms intended to change provision for working age people.

- While we are pleased that pensioners will be protected in the new system of local support with council tax we do not believe that local authorities should be put in a position where it is against their financial interest, and those of younger low income people in the area, if more older people claim their entitlements.
• Delivery plans and ongoing communications around reforms to means-tested benefits for older people need to be designed to maximise the take-up of benefits and to ensure that the transition from working age to pensioner benefits is as simple and as automatic as possible.

1. Introduction

1.1 Age UK welcomes the opportunity to respond to the Committee’s inquiry into progress towards implementation of Universal Credit. Although Universal Credit is a working age benefit it is likely to have a significant impact on the people that Age UK represents and our services for the following reasons:

• While much of our work is with pensioners we are also concerned about the financial position of people approaching State Pension age. People in their 50s and early 60s sometimes come to us for information and advice and the numbers who do so seem likely to increase.

• Pensioners will be part of the Universal Credit system if they have a partner who is under the Pension Credit qualifying age.

• As a result of the introduction of Universal Credit there will need to be changes to benefits for pensioners.

1.2 In this response we highlight aspects of the reforms that may particularly affect people approaching state pension age and then focus on the impact of changes for people over Pension Credit age.

2. People approaching State Pension age

2.1 Age UK supports the Government’s aims in introducing Universal Credit, namely to simply the system, incentivise work and ensure smooth transitions in and out of work. However we are concerned about aspects of the reforms. Three areas that will be particularly important for people in their 50s and early 60s are:

• Support for disabled people given that disability becomes more prevalent with age. We are concerned that changes such as the abolition of the severe disability premium and time limiting of contribution based Employment and Support Allowance (ESA) will have an adverse effect on some disabled people approaching retirement.

• The digital by default approach is a considerable challenge. Internet use is lower among low income people and falls with age. Around a quarter (24%) of 55-64 year olds never use the internet compared to six per cent of 25-34 year olds\(^1\). It will be essential that those who are currently digitally excluded are not disadvantaged.

\(^1\) Internet use and attitudes bulletin 2012 Ofcom, 2012. The bulletin shows that 56% of people with low incomes never use the internet compared to 81% of the UK population aged 16 or over.
The Work Programme needs to ensure that its services are effective for older jobseekers. Once out of work, it is harder for the over-50s to move back into employment than for any other age group, with less than 40% of those who lose their job back in work a year later².

Impact on information and advice services

2.2 Even if Universal Credit does ultimately achieve the aim of a being simpler system, in the shorter term, there is likely to be greater pressure on advice agencies. People will need support with the new system, there will be issues around transitional protection and during the period of transition there will be two different systems running. Some local Age UKs have reported an increasing number of people under State Pension age seeking information and advice on benefits such as ESA and we expect this to rise as the welfare reforms changes are introduced and State Pension age increases. Many advice services are already under pressure and having difficulty maintaining funding. Their role will be essential to support reforms and the Government should consider how it can support the advice sector to cope with demand as the changes are introduced.

3. Universal Credit for couples where one is over Pension Credit age

3.1 The introduction of Universal Credit will change the way that couples are treated where one is a pensioner and the other is of working age - described here as ‘mixed age couples’. Currently as long as one partner in a couple has reached Pension Credit age they are treated as a pensioner couple for the purpose of means-tested benefits. Those already receiving Pension Credit will continue to be entitled but in the future mixed age couples will need to claim Universal Credit.

3.2 During the passage of the Welfare Reform Bill Ministers explained that the reason for the change was to ensure that the younger partner is subject to work related conditions. He said ‘This is not a saving measure as such. We have not calculated a saving out of it’³.

3.3 Age UK understands why the Government wants to treat working age people with older partners in the same way as others in respect of work related requirements and in some cases couples will be better off under Universal Credit because of the more generous earnings rules. However where neither partner has earnings, couples who claim benefit in the future are likely to have lower income under Universal Credit. This would apply where the younger partner is not able to work due to caring responsibilities or disability, or is unable to find paid work despite fulfilling the agreed job seeking requirements.

3.4 Although Universal Credit rates have not been announced they are expected to be in line with current benefits. Mixed age couples where neither is working could end up with £100 a week less than under the Pension Credit system – the current standard Pension Credit guarantee rate for a couple is £217.90 whereas it is just

² Too much to lose Policy Exchange, 2012.
³ Hansard PBC debate 28 April, col 553.
£111.45 for ESA or Jobseeker’s Allowance (JSA). The rate for a couple would be less than the Pension Credit rate for a single person which is currently £142.70. This reflects the higher benefit levels for older people but we see this as an indication of the low level of working age benefit rates rather than over generous support for pensioners.

**Carers and disabled people**

3.5 There will be additional carer and disability elements within Universal Credit but these are unlikely to compensate for the loss of Pension Credit. For example if the younger partner is unable to work because he or she is caring for a parent then there will be an additional carer element in Universal Credit. However with Pension Credit the couple receives a higher basic rate of benefit plus an addition in recognition of caring responsibilities.

3.6 If the younger partner is incapable of work they could receive an additional element equivalent to the ESA work-related activity component (currently £28.15) or the support component which is currently £34.05, although the Government has said that ‘as resources become available’ they will increase this in stages to £77 (2011-12 rates). These elements will reduce, but not remove, the difference between Universal Credit and Pension Credit rates.

3.7 And it is unclear what the position will be if it is the older partner who is disabled. Someone who is say 70 will not be assessed for their ability to work or carry out work related activity but we do not know if they will receive additional support and if so, how this will be assessed.

**Savings**

3.8 Universal Credit will have a £16,000 upper capital limit whereas there is no upper limit for Pension Credit and there is a higher level of assumed income for savings under the threshold. As a consequence pensioners with savings who have a younger partner may need to draw down their retirement savings to support their partner at a much faster rate than under the Pension Credit system.

**Linked support**

3.9 People with a younger partner will also miss out on other support intended for older people such as Cold Weather Payments and Warm Home Discounts. In addition they may be affected by localisation of council tax support and Housing Benefit restrictions for social tenants considered to have more bedrooms than they need. In both these policy areas the Government said it would protect pensioners. However it appears they will not receive this protection if they have a younger partner because they will be redefined as working age.

**Age UK’s views**

3.10 Age UK believes that it is very unfair to put older people with younger partners in a position where they would be better off financially living alone. Where couples
stay together and the younger person is unable to work due to caring or disability, or is able to work but cannot find a job, they will be placed in a difficult financial position.

3.11 We are concerned that the combined impact of welfare reforms could work against other areas of Government policy. For example people are being encouraged to provide for their retirement but a pensioner may have to draw on their life savings to support their partner with little prospect of ever replenishing these.

3.12 The Government wants to encourage anyone under Pension Credit age to work but this can be done through work-related requirements. And rather than providing incentives to work, as the time for introducing Universal Credit approaches, some people with an older partner may be better off giving up their job and claiming Pension Credit before the changes are introduced.

3.13 Where one partner in a couple is not expected to work due to caring or disability higher rates of Universal Credit will apply. Age UK believes that there should also be additional support where one partner is not expected to work due to their age.

3.14 The Government has said that in the current spending period the changes could save up to £100 million\(^4\) and over time this will increase as more mixed age couples claim Universal Credit rather than Pension Credit. Given the Minister made clear that the aim was to improve work incentives rather than to cut spending we believe there is scope to use savings that will be made in order to provide an additional element within Universal Credit where one partner is older.

3.15 These issues are covered in more detail in Age UK’s paper *Universal Credit and couples if one is over Pension Credit age*

4. Impact on pensioner benefits

4.1 Although Universal Credit and other welfare reforms are aimed at simplifying support and improving work incentives for people of working age there will also need to be changes to benefits for older people. These include:

- The introduction of a housing credit in Pension Credit to provide support with rent once Housing Benefit is abolished.
- A new credit for children in Pension Credit for older parents, grandparents or others with responsibility for children once Child Tax Credit is abolished.
- Provisions to ensure the transition from working age to pensioner benefits works smoothly given the systems will vary more.

**Housing credit**

4.2 Housing Benefit currently has a £16,000 capital limit (where someone is not in receipt of Pension Credit guarantee) whereas there is no upper capital limit for Pension Credit. However when help with rent is incorporated into Pension Credit, rules will need to be aligned and the Government has said it will introduce a capital

\(^4\) Hansard 18 Oct 2011, col.936W.
limit into Pension Credit which ‘will be a higher capital limit than for working age claimants’.

4.3 If a limit is introduced at over £16,000 then this could be beneficial to some older Housing Benefit claimants who are not currently entitled to support. However others with higher levels of savings but who would be entitled to Pension Credit guarantee because of their low income could lose support. The impact will depend on where the savings is set. We believe that in deciding on the threshold the Government should keep to the aim of aligning schemes and not try to cut overall support. Otherwise older people with moderate savings will have to draw on their retirement funds at an earlier stage and younger people are more likely to feel building up savings is not worthwhile.

Children

4.4 We are not aware of any information about the likely level of support in Pension Credit for children or any analysis of the impact the change will have on the incomes of older people caring for children. It is important to ensure that pensioners with dependent children are not adversely affected by reforms intended to change provision for working age people. For those in this position, such as grandparents who are bringing up their grandchildren, the role can be physically and emotionally demanding and financial pressures can make the situation more difficult.

Benefit take-up and council tax support

4.5 We know that many older people do not receive their full benefit entitlements. Between £3.7 and £5.5 billion of means-tested benefits are estimated to go unclaimed each year by pensioners and around a third of those entitled to Pension Credit miss out. A positive feature of the new Pension Credit system will be that only one claim will be needed for support with basic living costs and help with rent which will make the claim process more straightforward. On the other hand some people entitled to Housing Benefit alone may be less inclined to claim if they need to approach the Pension Service rather than their local authority.

4.6 Council Tax Benefit is being replaced by a localised system of support with council tax. We are very pleased that pensioners are being protected but concerned about the potential impact on take-up. Whereas help with rent will be incorporated into Pension Credit, support with council tax will be less closely associated with other means-tested benefits. There will be provision for data sharing so it is hoped that older people will not need to resupply any information needed for a claim that has already been provided for DWP to administer Pension Credit. The design of the system will need to make sure that the process minimises the danger that people will not proceed with a claim for support.

4.7 As local authorities will need to fund support from a fixed and reduced budget they will have no incentive to proactively encourage take-up among older people in a way that some do now. Age UK believes that local authorities should not be put in a position where it is against their financial interest, and those of younger low income people in the area, if more older people claim their entitlements.

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**Moving forward**

4.8 It is inevitable that given the major changes to benefits and tax credits and the challenges in setting up the new IT systems for Universal Credit the main focus will be on provision for people of working age. However it is important that the consequences for older people’s benefits are also taken into account and that other policy objectives are not put at risk. For example if less is done to support benefit take-up then pensioner poverty rates could increase and changes to the treatment of savings could discourage retirement provision.

4.9 Delivery plans and ongoing information and publicity should take into account the importance of ensuring systems are as easy to understand as possible and try to maximise take-up. Furthermore given that support for working age people is going to be increasingly different to support for pensioners it is essential that the transition from one system to the other when people become pensioners is made as simple and as automatic as possible.

*17 August 2012*
Introduction
The Children’s Society supports over 48,000 children and young people every year through our children’s centres and specialist services, the majority of whom are likely to be in families in receipt of Universal Credit. We believe in achieving a better childhood for every child but have a particular focus on disadvantaged children.

Whilst we welcome the introduction of the Universal Credit (UC) to simplify the benefit system and improve work incentives, it will also have profound implications for the lives of millions of children and families across the UK. Many of those affected will be amongst the most disadvantaged and it is crucial that the right decisions are made now, to ensure that the transition onto the new system is as smooth as possible for those affected.

Summary
This briefing addresses a wide range of issues relating to the introduction of UC, and makes a number of recommendations. However, we would particularly like to draw the attention of the committee to the following:

- The lack of automatic backdating, and in particular, the consequences for families becoming entitled to UC at the point of having a child.
- Changes to the structure of support for people with disabilities, and in particular, the impact of the loss of the Severe Disability Premium (SDP) on families with young carers.
- Earnings disregards in UC, including the removal of per-child disregards originally proposed.
- The future of Free School Meals (FSM) under UC.
- The operation of the in-work exemption from the benefit cap under UC and the potential impact on working parents on sick leave or maternity leave.

1. Claims and payments

i. Online claims
Many of the families with whom The Children’s Society works lack either the means or the skills to use the internet. We are concerned that the implications of a shift to online claiming has not been sufficiently addressed. The quality and accessibility of telephone and face-to-face advice on establishing and maintaining a benefit claim must not be undermined by an ‘online first’ delivery mechanism.

We are also concerned about the interaction between an online first system, and having no automatic backdating of UC claims. Claimants who struggle to use the online system may need to seek alternative support in order to help them to establish and access their claim which is likely to delay their claim.

Recommendation 1: DWP should consider establishing a fund to support voluntary sector service providers to deliver additional support with making and maintaining online claims for UC. For example, since many claimants will be families with very young children, support with making and maintaining online claims could be delivered through children’s centres. Support with computing facilities and staff time and training would be required to enable this.
Because childcare costs will require regular reporting, it is particularly important that support is given to digitally excluded families with children in childcare. It should be recognised that these are amongst the busiest families with least time to administer their claim.

**Recommendation 2: The Government should consider how they can ensure that online facilities for managing UC claims are available through nurseries, in order to enable parents to administer their claim at the point of dropping off or collecting their children from childcare.**

**ii. Backdating**
We are concerned that the DWP have indicated that UC claims will not typically be able to be made in advance of the point of entitlement, and cannot be backdated as standard.

Claimants will only be able to get (up to one month) backdating if they face certain specific circumstances which make it difficult for them to make a claim on the date at which they become entitled. For example:
- The claimant’s health condition delays their claim
- Problems claiming online due to system failure or planned system maintenance

We are concerned that:
1. It may be difficult to prove that a claim made online faced “system failure” whilst making the claim.
2. Many claimants may find they have to delay their UC claim in order to find support in using the online system. These claimants should not lose out as a result of this.
3. A very large proportion of claimants will become entitled to UC at the point at which they have a new child. It is very unlikely that parents will be able to make a UC claim on the day on which they have a new child. Expecting new parents to provide medical evidence that they were unable to make a claim on the day they were having a baby seems unnecessarily complicated.

**Recommendation 3: Households should be entitled to at least one month, and ideally three months backdating. This should be automatic in order to reduce the complexity of the claims process for the claimant.**

**iii. Joint claims**
Except in exceptional circumstances UC payments for joint claimants would be paid in entirety into one bank account.

Long term couples who already share their income and bills in full (e.g. through a joint bank account) will not need separate payments to each member of the couple. However, for some couples (particularly new couples), the situation is more complicated.
For example, suppose a lone parent (not responsible for housing costs) moves in with a partner who receives support towards their rent. UC entitlement can only be paid into one bank account, so either (1) the parent will have to relinquish control of the child related UC he/she receives, or (2) his/her partner relinquishes control of their housing support. Neither partner may be happy to give up control over the support that they receive. This could put partners off from moving in together and forming long-term relationships.

Moreover, the outcome of this situation could be that the UC paid for children in the household, is not paid to the main carer. There is evidence that the best way to ensure that money paid towards the needs of children is used for that purpose is to pay the money to the main carer.\(^1\)

**Recommendation 4:** Where requested, UC payment should be split between joint claimants in such a way as to ensure that the payments made on account of children in the household are made to the main carer, and that payments made on account of housing costs are paid to the tenant responsible for paying the housing costs.

**2. The “claimant commitment”, sanctions and hardship payments**

We are concerned by the lack of detail around conditionality for working parents. Core conditionality requirements set out in regulations will apply to groups “roughly equivalent to those subject to the current conditionality regime.” However, some level of conditionality will be introduced for those working up to their “conditionality threshold” – up to 35 hours per week. Conditionality for benefit claimants working 16 hours or more per week is a big change to the welfare system.

DWP briefing notes have recognised that “the decision to move jobs involves consideration of more than simply the increased earnings that someone may accrue.” These other benefits of a job are particularly important for a parent, including flexible working, maternity leave rights and so forth.

**Recommendation 5:** There should be no conditionality requirements on parents working 16 or more hours per week.

The key principle behind UC is that work should always pay. Currently, in assessing whether a claimant has good cause for failing to apply or accept a job, decision makers must consider work related expenses incurred. The same commitment is needed for UC.

**Recommendation 6:** The government should be clear about the level of gains that claimants can reasonably expect on moving into work under UC (after accounting for work related expenses). In addition, it should be explicitly established that under UC a claimant would not be expected to avail themselves of a job where expenses incurred would amount to an unreasonably high proportion of the income the claimant would have received.

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\(^1\) See for example: Jackie Goode, Claire Callander and Ruth Lister (1998) “Distribution of income within families receiving benefits” Policy Studies Institute

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Policy Studies Institute
The DWP have suggested that the sanction amount for UC would be equivalent to the standard allowance. This disproportionately penalises couples whose standard allowance is significantly higher than that for single claimants. Additionally this means that conditionality cannot be effectively applied to each partner independently.

Recommendation 7: In the case of joint claims, sanctions should be equivalent to half of the standard allowance for the claimant household where one partner has been sanctioned. The sanction amount should only equal the full standard allowance for the couple where both partners in the couple have been sanctioned.

i. Disabled children

The DWP has previously announced that the amount of support for some disabled children\(^2\) will be substantially reduced as a result of the introduction of UC\(^3\). Many families with disabled children which The Children’s Society work with are deeply concerned about this cut.

Case study A

The Children’s Society works with David, a single dad with three children, two of whom have disabilities. Andrew aged 5 has Down’s syndrome, while his one year old sister Amy, has cerebral palsy.

David is already relying on family and friends to help out with caring from time to time, and his budget is tight. He could stand to lose £27 per week in support for Andrew under the Universal Credit. He is currently applying for disability benefits for Amy, and depending on the level of support she is awarded, could lose a further £27 per week from this support. He noted that:

“Any cut to what we survive on now would have a real impact on our living. So many of the things we need every day, like milk for my youngest and nappies, are already more expensive… We just about manage.”

Recommendation 8: The government should reconsider cuts to support for disabled children, and provide a disabled child element within UC which is equivalent to that currently provided by the disability element of child tax credit.

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\(^2\) Other than those on the high rate care component of DLA, or those who are severely visually impaired

\(^3\) Further details of this change are set out in the attached briefing note “Cuts to financial support for 100,000 disabled children under UC”.
The overall amount of support a family receives is clearly the most important consideration and for some, additional support received through improved work incentives within UC may offset the cut. However, as shown in Disability and Universal Credit⁴ lone parents with disabled children will struggle where they face childcare costs on moving into work. An enhanced childcare component should be provided for families with disabled children, to recognise the typically higher costs for this group.

**Recommendation 9: UC should cover an additional 10% of childcare costs for families with disabled children compared to other families.**

**ii. Disabled lone parents**

We are very concerned that there is no replication of the SDP within the UC. SDP currently gives additional support to disabled adults with no one to care for them (or a young carer) helping to cover the additional costs of living with a disability but no carer. This will cost families up to £55.30 per week⁵. This cut could be equivalent to 20% of household income after housing costs.

**Case study B**

The Children’s Society has been working with Kelly whose mum Jenny became ill about ten years ago when Kelly was 8 years old. An aggressive illness hospitalised Jenny, and has since entirely paralysed her down one side. After staying with relatives for several months whilst her mum was in hospital, Kelly was able to move back with her mum from the age of 9.

Since then she has cared for her mum non-stop. She makes meals, she does washing and cleaning. She said early on she could only make simple dinners - scrambled eggs on toast, but she has learnt quickly. She does not do it alone, Jenny has a rota of professional carers who come to help out day to day, but they cannot do everything, and they do not stay overnight. About three years ago, the year before Kelly was due to sit her GCSEs, Jenny became extremely ill for a while. Kelly had to get up around four times a night to help her out. Naturally she was exhausted, dragging herself to bed as soon as she got in from school. Families like theirs could be left £55 a week worse off under UC.

The DWP reports that 25,000 lone parents are currently in receipt of SDP, this means around 42,000 children are likely to be affected. We are concerned the cut in support will place substantial pressure on these children to take on

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⁴ (attached) From The Children’s Society, Citizen’s Advice and Disability Rights UK.
⁵ £2876 per year. This cut could be equivalent to 20% of household income after housing costs.
additional care responsibilities as parents will face difficulties in paying for the additional costs of care.

In total we estimate that around £50 million per year is being taken from support for young carers caring for a disabled parent as a result of this change. No additional support is being provided to local authorities as a result.

### Recommendation 10: UC should provide a self care element to provide additional support to disabled adults with no other adult to look after them.

#### 4. Local authorities

**i. Localisation of Council Tax Benefit (CTB)**

The government has announced that CTB will not be integrated into UC. Instead each local authority will be asked to establish a scheme of assistance. The government will then be delivering a 10% reduction in expenditure on CTB, excluding low income pensioners.

### Recommendation 11: We not believe that the full burden of this cut should be placed on working age households which will mean that many of those most affected will be families with children. The cost should be distributed across all households.

The government’s impact assessment of the localisation of CTB notes that the local authorities could make savings from CTB expenditure by changing the personal allowances or the taper rates for CTB.

Any option for providing support with council tax costs will have significant implications for the impact of UC. For example, local authorities may choose to keep the current system and cut expenditure by reducing maximum awards for working age claimants, meaning those on the lowest incomes would bear the highest proportion of the burden of the cuts. Another option would be to adjust the taper rate, so that CTB is withdrawn more rapidly as earnings increase – protecting the poorest families.

In both cases, failure to integrate CTB into UC risks creating a “double taper” for claimants with both entitlements tapered away in parallel. This recreates the current high levels of Marginal Deduction Rate and undermines the simplicity of UC. Ideally, CTB should be integrated into UC to avoid double tapers and ensure progressive work incentives. However, if local authorities are to be responsible for council tax then:

### Recommendation 12: Local authorities should not make savings by cutting maximum award levels, since this would penalise the lowest income families the most. Instead, variations in personal allowances and taper rates should be used to withdraw earlier and at a higher rate.

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6 This issue is discussed further in the attached briefing note on “cuts to support for Young Carers under UC.”

7 Saving £410 million.
The Government has also announced its intention to restructure the Discretionary Social Fund, including localising key aspects. The new scheme under UC will have two components:

1. **Payments on account** – which will replace Crisis Loan alignment payments, (paid in periods pending the payment of benefit) budgeting loans and interim benefit payments.

2. **Locally based assistance** – which will replace crisis loans for emergency costs and community care grants. The financial provision to enable this will be made through non-ring fenced funding to local authorities.

Social Fund payments provide a crucial bulwark of support for families in times of financial crisis helping people to find independence in their community and helping people to deal with emergencies.

### Recommendation 13: If CTB is not to be integrated into UC, then the UC should try to ensure that the impact on work incentives under UC are minimised. This could be done by varying the level of earnings disregard provided within UC entitlement, to reflect the household’s level of CTB entitlement. This would enable CTB to be withdrawn in full before UC begins to be withdrawn, ensuring that no household is affected by a double taper where the two are withdrawn at the same point.

### ii. Social Fund localisation

The Government has also announced its intention to restructure the Discretionary Social Fund, including localising key aspects. The new scheme under UC will have two components:

1. **Payments on account** – which will replace Crisis Loan alignment payments, (paid in periods pending the payment of benefit) budgeting loans and interim benefit payments.

2. **Locally based assistance** – which will replace crisis loans for emergency costs and community care grants. The financial provision to enable this will be made through non-ring fenced funding to local authorities.

Social Fund payments provide a crucial bulwark of support for families in times of financial crisis helping people to find independence in their community and helping people to deal with emergencies.

### Recommendation 14: It is crucial that local authorities use the funding allocated to them following the abolition of the discretionary Social Fund to establish appropriate schemes of assistance for vulnerable families. Money should be ring fenced to ensure that they do so.

### Recommendation 15: Local authorities should ensure that the schemes they establish reflect the current structure of the parts of the discretionary Social Fund which they are designed to replace – i.e. supporting people to live independently in the community/ support families in times of stress, and to provide for short term needs in times of crisis.

### iii. Impact monitoring

Assessing the impact of different localised schemes of assistance particularly of CTB and the discretionary Social Fund should be a key priority for impact monitoring. There needs to be evaluation of the range of schemes being put into operation and the amount of spending on these schemes.

### Recommendation 16: Localised schemes of assistance put in place to replace Council Tax Benefit/discretionary Social Fund assistance, should be monitored and evaluated. This should include:

- Level of take up
- An overview of the range of schemes in place
- The impact on work incentives
- Overall expenditure by local authority and nationally (including changes in expenditure)
5. The level of the earnings disregards

i. Per child disregards
Previous DWP briefing notes had emphasised that there would be a disregard paid per child in the household. These were to be £520 for the first child and £260 for the second and third children. For a working family with three children, this would be worth around £676 per year.

The draft regulations indicate there will just be a single (unspecified) level of disregard for families with children. The DWP has emphasised that this is a simplification measure, and that UC will account for household size through the child element.8

Recommendation 17: Per child disregards should be retained in UC entitlements in order to ensure that progress work incentives are maintained for larger families. This is particularly important in order to address the impact of the loss of FSM, and potentially high childcare costs, faced by larger families on moving into work.

If the government does decide to remove the per child disregards, it is crucial to ensure that the reduced level of support is replaced by equivalent additional support in the child element of UC so that families with children do not lose out as a result of this simplification. This would mean an addition of £338 pa for the first child and £169 pa for the second and third children to the child element of UC.

ii. Variations in disregards by levels of housing cost
Previous UC briefing notes from the DWP have emphasised that there will be different levels of disregard for households with and without housing costs, with

8 “Changes to the structure of disregards for families with children have also been made to reduce complexity making the system simpler to understand and operate. The structure and levels of the disregards are being designed to ensure that households have strong work incentives. The effects of the change to the design of disregards will depend on the exact levels of disregards which will be finalised closer to implementation of UC. UC will account for different family sizes and circumstances through the different elements including the child element. The child element will comprise of two rates; one rate for the first/only child and then a reduced rate for second and subsequent children.” (personal communication from DWP)
the level of "maximum" disregard\textsuperscript{9} reduced by 1.5 x the level of housing costs claimed, until it reached a "minimum" level.

So, for example, the "maximum" disregard for a lone parent with two children would be £9,000 per year, and the minimum would be £3,040\textsuperscript{10}.

UC regulations now suggest there will be only a maximum level of disregard (for households without housing costs), and a minimum level (for those with housing costs) in order to make the system simpler. We are concerned this measure actually makes the system considerably more complicated, since households with low levels of housing costs in receipt of UC would have to make a determination of whether they would be better off claiming for help with housing costs but receiving a reduced earnings disregard, or making no claim for help with housing costs. For example:

Case study C
A working lone parent with two children has eligible housing costs of £50 per week. Under the original proposals, their maximum level of disregard would be reduced by £75 per week (£3,900 pa) giving them an actual disregard of £5100.

Under the new proposals, since they have claimed help with housing costs, the level of their disregard will be reduced down to the "minimum" level for their household (£3,040).

If they did not claim any help with housing costs, then they would receive their maximum disregard (£9,000). If the lone parent is earning £9,000 or more per year, then the difference between the minimum and the maximum disregard is worth £74.50 per week – substantially more than the value of the help with housing costs received.

There have been suggestions that the maximum and minimum income disregards should be replaced with a single income disregard applying whether or not the household has housing costs. This could leave many working people with no housing costs considerably worse off compared to under the current system. In particular, households with mortgage costs, who lose their support with mortgage interest on moving into work, would find it extremely difficult to ensure that work paid anything at all if they also lost their higher level of disregard.

Recommendation 18: We believe there should be a minimum and maximum level of disregard, with the maximum reduced by 1.5 x the rate of housing costs until they reach the minimum disregard.

\textsuperscript{9} The level received for a household with no housing costs.

\textsuperscript{10} Proposed max and min levels as follows:
Minimum levels: for a single person without children £700; for a couple: £1920 plus £520 for the first child and £260 for the second and third children; for a lone parent: £2,260 plus £520 for the first child and £260 for the second and third children; and for single disabled people or a couple where at least one person is disabled: £2,080. Maximum levels: for a single person without children £700; couple: £3,000 plus £4,250 per household for a child (regardless of the number of children); lone parent: £9,000 (regardless of the number of children); and disabled people: £7,000 per household if a recipient or either partner in a couple is disabled.
6. Passported benefits

The government has not yet made key decisions about how passported benefits\footnote{Such as Free School Meals and Free Prescriptions} will operate under UC. The Children’s Society is particularly concerned about entitlement to FSM.

Under the current system, the loss of FSM at 16 hours work per week is partially alleviated by gaining Working Tax Credit at the same threshold. This means that the family will normally still gain income overall at the point where they lose FSM entitlement.

Under UC, there is no single threshold at which the family gain a substantial increase in benefit income. This means that the loss of FSM is not covered by other benefits, creating a ‘cliff edge’ where if a claimant exceeds this point, the costs exceed the benefits – they lose money by earning more or working longer.

The government has indicated that they are considering how to replace the current entitlement criteria, possibly through an income threshold at which FSM entitlement is lost.\footnote{DWP (2010) “UC: Welfare that works” London: DWP (p48)}

Figure 6 below illustrates the potential impact on the income of a lone parent with three school aged children with an earnings limit of £7,500 per year (£144 a week) to be imposed on FSM entitlement:

\textbf{Figure 6: Household income under UC\textsuperscript{13} for lone parent with three children with earnings limit of £144 per week for FSM entitlement}

(Where rent is £85 pw, council tax is £15 pw the family are in receipt of FSM which is included as equivalent cash value\footnote{Based on out of work benefit levels for Feb 2012\footnote{£1100 annual value for three children is worth £21 per week when divided equally across the course of the year.}})

\footnote{Such as Free School Meals and Free Prescriptions}

\footnote{DWP (2010) “UC: Welfare that works” London: DWP (p48)}

\footnote{Based on out of work benefit levels for Feb 2012}

\footnote{£1100 annual value for three children is worth £21 per week when divided equally across the course of the year.}
It is clear that this situation would create a severe work, and work progression, disincentive. A family earning £143 per week would be substantially better off than a family who (as a result of taking on additional hours or receiving a pay rise) earned just over the £144 threshold.

In the case given, the person's earnings would need to increase by £4,500 a year\(^{15}\) before their overall income\(^{16}\) reached the level it was at when their earnings were below £7,500. This is likely to be exacerbated as the family would also lose the additional entitlements that are provided locally as a result of the receipt of FSM\(^{17}\).

Recommendation 19: The government need to consider alternative options for provision of FSM which would ensure that this did not create a substantial benefit cliff edge which leaves low income families worse off for earning more. We believe that the best way to address this is to extend FSM to children in all families eligible to receive the UC.

Recommendation 20: In order to reduce the cost of extending entitlement, the Government could consider asking for part payment towards their additional FSM entitlement from those families who are brought into entitlement by the new rules.

The full costings of these recommendations and proposals for dealing with FSM under UC are included in the attached paper 'Fair and Square'.

### 7. UC and the household benefit cap

The Children’s Society has a number of concerns over the operation of the household benefit cap under UC.

#### i. The links with in-work rules under UC

Under the current benefit system, exemption from the out-of-work benefit cap will be based on Working Tax Credit entitlement. Under UC this will no longer apply, instead:

i) The household will be exempt from the cap where their earnings are at or above £430 per month.

ii) The 9 month grace period for the household benefit cap will apply where households have had earnings above £430 per month for each of the previous 12 months.

We are concerned that:

1) Term time workers will be affected by the cap in school holidays, and will find it impossible to “earn” the grace period since they will never have 12 months where their earnings are above the level prescribed.

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15 From £144 to £231 per week.

16 Including the value of FSM.

17 Including uniform allowances and reduced price access to leisure facilities.
2) Although counted as earnings towards exemption from the benefit cap, the rate of Statutory Sick Pay (SSP)\textsuperscript{18} is not sufficient to meet the earnings requirement. Therefore, SSP claimants will become affected by the cap, despite remaining in employment. Also, a period of sickness could mean an employee loses entitlement to the grace period.

3) Also, although counted as earnings, Statutory Maternity Pay (SMP) may be paid at a rate which is too low to meet the earnings requirement, even if they had income too high for the cap prior to taking maternity leave. Maternity Allowance (MA) is not counted as earnings.

This means that mothers taking maternity leave to have a child, and in receipt of SMP or MA, may be affected by the cap during their period of maternity leave, or lose their entitlement to the grace period of exemption from the cap after their maternity leave ends.

**Recommendation 21:** Households in receipt of SSP, SMP or MA should be treated as meeting the earnings figure for any month in which they receive one of those benefits.

The “earnings figure” for in work exemption from the out-of-work benefit cap has been set in the regulations at £430 per month. This is slightly higher than 16 hours per week at minimum wage for those aged 21 and over. However, it is around £85 per month higher than the equivalent of 16 hours per week at the national minimum wage for 18-21 year olds.

**Recommendation 22:** The earnings figure should be set at 16 hours at the minimum wage for the benefit claimant to ensure that it both reflects different minimum wages for different age groups and is automatically uprated with the minimum wage rate.

ii. The implications for the monitoring and evaluation of the impact of the cap

We welcome the government’s assurances that they will monitor the impact of the household benefit cap and review it in 2014 following its first year of operation.

**Recommendation 23:** Given that around three quarters of those affected by the cap are children, it is particularly important that the review pays specific regard to the impact of the benefit cap on the well-being of children. It is important that as part of this the review considers:

- the numbers of children affected by the cap
- the impact on where families with children are able to live
- the impact on the income of families with children, and in particular the impact on household spending on children’s needs
- the impact on child poverty levels and on levels of material deprivation among children
- children having to move school as a result of the cap
Written evidence submitted by Association of Directors of Adult Social Services

Background
The Association of Directors of Adult Social Services (ADASS) represents Directors of Adult Social Services in Local Authorities in England. As well as having statutory responsibilities for the commissioning and provision of social care, ADASS members often also share a number of responsibilities for the commissioning and provision of housing, leisure, library, culture, arts and community services within their Councils.

ADASS welcomes the opportunity to provide evidence to the Work and Pensions Committee inquiry into the implementation of the Universal Credit.

Areas for evidence

1. The proposed arrangements for claims and payments and the provision of support and advice for claimants, including the presumption of a predominantly online, self service claims process; monthly payment to one person in the household; and arrangements for providing telephone and face to face support and independent advice for claimants who need it

We are sceptical about the Government’s assumption that the vast majority of claimants will be able to claim Universal Credit and manage their awards online and we believe there should be a provision for paper claims and notifications. The Government’s Explanatory Memorandum on Universal Credit justifies the retention of clerical claims for Personal Independence Payments on the basis of the ‘diversity of PIP claimants’ but this applies equally to Universal Credit.

We have concerns that vulnerable claimants will be ill equipped to handle the online system and may not be able to register a UC claim at all.

ADASS has concerns that the monthly payments will cause hardships to many claimants who will have difficulty budgeting on a monthly basis, and that payment to the household will disempower many women and remove safeguards that payments for children and housing costs are used for that purpose, where one partner in a couple acts irresponsibly. We would like to see more detailed provision in the regulations for variance from monthly default payments to the household, rather than reliance on the discretion of decision-makers, but at the very least there should be comprehensive and publically available guidance.

For vulnerable claimants, we have concerns that they will be ill equipped to handle the online system and may not be able to register a UC claim at all.

2. Progress with developing the necessary IT systems to administer Universal Credit including real time information (RTI) system for PAYE taxation being
developed by HM Revenue and Customs.

ADASS questions the reliance on IT to administer the Universal Credit system. Much reliance is to be placed on the ‘real-time date’ system for employees but there is no provision in the regulations for situations where the system breaks down. We fear that the amalgamation of payments for adults, children and housing costs could leave claimants facing destitution if there is a problem with their claim or award.

3. The proposed arrangements for the ‘claimant commitment’, sanctions and hardship payments

We suggest that it is a statutory requirement that no sanction is applied until the claimant has received notification of a possible sanction which includes an invitation to make representations within a specified time limit on whether there was good reason for the alleged failure. This will ensure decisions are based on all the relevant evidence, and if there is proper opportunity for representations to be made before, rather than after, a sanction is imposed.

The Government has consistently claimed that UC will ensure that claimants will always be better off in paid work. We believe that this should be reflected in the sanctions regulations, by providing that if this is not the case, a claimant will automatically have good reason for voluntarily giving up a job, or failing to apply for a job or to accept a job offer. This can be tested by requiring a ‘better off’ calculation to be undertaken before a sanction is imposed, which takes into account work-related expenses including child care and transport, as well as the loss of UC and council tax support. Under the current system, there is a requirement to take into account the availability and cost of child care, and given the Government’s acceptance of the importance of child care to work incentives, we are concerned about the removal of this statutory safeguard.

We fear that some vulnerable claimants (e.g. those with mental health problems or personality disorders) could face repeated sanctions for failures to cooperate. We believe there should be a statutory duty to interview claimants and review cases where there are repeat failures before further sanctions can be imposed with a view to arranging specialised advice and assistance through the work programme.

4. Changes in the income entitlement of disabled people under Universal Credit, including those who may receive less income under Universal Credit than at present.

We are particularly concerned about the lack of provision of disability additions or elements within the UC. This should not be seen in isolation, as changes to DLA and re-assessments of ESA have already caused a surge in requests for advice, advocacy and representation. The cumulative effect of these changes on disabled individuals should be monitored and noted. Disability premiums have always been a feature of means tested support in recognition of the extra costs associated with disability (for example aids and adaptations, extra heating, transport, special clothing and diets).
This particular change will impact heavily on severely disabled claimants, in apparent contradiction of the Government’s stated aim of protecting the most vulnerable. The severe disability premium is currently worth more than £58 per week, while the disability element of working tax credit is worth around £54 per week. Neither are replicated within UC. The elements for limited capability to work (LCW) and work related activity (LCWRA) have been imported into UC from employment and support allowance, but there has always been a distinction between additional payments for incapacity to work and for disability, reflecting the fact that many disabled people are able to work but still have additional expenses. The absence of disability additions is particularly inimical to work incentives for disabled people and we would urge a rethink of this major change in entitlement.

The proposed lower rate of the additional amount for disabled children (equivalent to the LCW element) is significantly less than the current disabled child element paid with child tax credit. This will adversely impact upon vulnerable families with a newly disabled or diagnosed child, with many families being worse off by up to £30 per week in comparison to those who claim before UC is implemented. The Government has indicated that the higher rate will rise to around £77 per week, but there is no mention of this in the EM.

The award of only one element where joint claimants are both unfit for work is similarly unduly restrictive and not reflective of reality. Disability related expenditure for two people is higher than one.

There is no provision for treating a claimant as having Limited Capacity for Work while awaiting assessment or disputing a decision through revision of appeal, a process which could take many months. Regulation 90 only relaxes work related requirements in these circumstances for a maximum period of 14 days, twice a year, running the risk of punitive sanctions for sick and disabled claimants.

This provision places a rigid cap on work incentives for disabled claimants, including those undertaking ‘permitted work’. As long as a claimant can satisfy the work capability assessment, we would advocate no limit, as in any event, the means-test for UC would exclude higher earners. The definition of the threshold in terms of weekly income is not consistent with the UC monthly assessment period.

5. The impact of the changes on Local Authorities, including budgets, staff and support for claimants. The changes include those to Housing Benefit, the introduction of the benefit cap; and localisation of council tax support

Local Authority staff need to be more informed and involved in rolling out the credit and ensuring that they are equipped to provide the necessary support and advice for claimants. There may be job losses for council staff currently involved in administering housing and council tax benefit once this is replaced by Universal Credit.
Local Authority Social Work teams are not equipped, even with the new ‘local welfare assistance’ responsibilities to provide a back - stop service in the event of individual or system failure. We are also concerned with the possible consequences for social work teams of such changes as the under-occupancy penalty. It could mean some older adults having to move to areas where they have less community support (and less flexibility to have family members stay with them to provide support) when they become older and frailer. We are also aware that some single mental health service users have been granted tenancies of hard to let (often high rise) 2 – bed properties because no one else wants that type of accommodation. It would seem wrong to then penalise that person with a 14% cut in their housing benefit when the allocation was not their choice- this is substantively different to ‘empty nesters’ where the children have moved on.

There is also a major problem for ‘vulnerable’ service-users and families who are responsible for paying council tax. Given the 10% overall reduction that councils are required to make in council tax benefit expenditure, and the protection given to people aged 65 and over, it seems that working-age service users will have to pay around 20% of their council tax bill, even if in receipt of maximum UC because they have no other income. UC rates have yet to be announced and ADASS would like confirmation that those rates will reflect the requirement that many UC claimants will have to find £4 a week or more (depending on prevalent council tax rates) towards their council tax, from a benefit that is expected to be pitched at subsistence levels.

The £500/£350 pw benefit caps for families and individuals will undoubtedly cause hardship. It will disproportionately affect larger families, lone parents, ‘kinship carers’, people in high-cost rental areas, and people in more expensive supported accommodation. We are also concerned that your own impact assessment shows 30% more of those affected are from BME Communities yet this is not acknowledged or addressed in the EM.

6. The level of the earnings disregard

The current permitted work earnings disregard, which currently allows many disabled people to move into employment may be replaced by a less generous alternative.

We feel that introducing earnings disregard imports much of the current complexity that already exists in the current system and will defy the aim of simplification intended by introducing the Universal Credit.

We await the final amount of earning disregards for disabled singles and couples.

7. Eligibility for and operation of passported benefits

ADASS supports the view that passported benefits provide vital support to those on low incomes, older people, and vulnerable adults, and advocates that they should be
included in the Universal Credit. Those over the state pension age should be eligible for health, utility and energy related benefits without means testing.

8. Impact monitoring: what the DWP’s priorities should be for monitoring the impact of the transition to Universal Credit

The DWP should work in consultation with Local Authorities and Children and Adult Services organisations to monitor the impact of the Universal Credit.

Priorities should include monitoring ease of operation for claimants and users of the Universal Credit system; monitoring the numbers of people claiming Universal Credit; monitoring employment levels for those in receipt of benefits from the previous system or the Universal Credit; and monitoring overall poverty levels.

17 August 2012
Avanta Welcomes the opportunity to comment on the proposals outlined through the Governments Select Committee inquiry into progress towards implementation of Universal Credit. Implementing measures that increase work incentives combined with simplifying the benefits system are to be applauded. Helping people to fulfil their potential should be a fundamental policy objective for the Government. We believe that helping people with are able to get back in to sustainable employment can have a positive impact on their health.

This represents an opportunity to elevate people out of the poverty trap and make it more financially rewarding to enter employment. Greater flexibility around earnings disregards should make it easier for people to get back in to work although greater detail is required about the level of disregards and the impact this will have on specific groups such as Lone Parents and people with a Disability.

Outlined below are our thoughts on the specific questions outlined in the Consultation.

The Committee is particularly interested in receiving evidence on the following specific areas:

**The proposed arrangements for claims and payments and the provision of support and advice for claimants,** including the presumption of a predominantly online, self-service claims process; monthly payment to one person in the household; and arrangements for providing telephone and face-to-face support and independent advice for claimants who need it.

Changes in benefit entitlement and eligibility will have a profound effect on the most vulnerable members of society. Effectively managing the migration of different benefit systems in to the new Universal Credit will be essential. The complex nature of benefit entitlement means that the hardest to help and most vulnerable customers will require the necessary support and assistance needs to be put in place so that they are able to fully articulate their disability and their own personal circumstances enabling them to receive the full benefit entitlement based upon their own conditions.

Research and evidence from the Work Capability Assessment (WCA) has highlighted the need for a comprehensive first time right assessment to be taken from the outset of each case. A full assessment based upon measuring capability as opposed to disability can help people understand how they can fulfil their potential. Evidence from the Harrington Review needs to be incorporated in to the initial assessment process so that people are not misdiagnosed and are then put in to a position where a review of their case needs to be undertaken. Avanta believe that participating in work based activity can be extremely beneficial in addressing problems such as mental health. The world of work can help to instil self worth and confidence in addition to elevating people out of the poverty trap.

Local Authorities and the voluntary sector can play a pivotal role in helping people make the transition on to the new benefit and providing them with the most up to date advice and guidance with regards to the application process. We would
welcome a more in depth understanding of Government proposals for this so that customers can be sign posted to the most appropriate agency.

**The proposed arrangements for the “claimant commitment”, sanctions and hardship payments.**

Avanta believe that promoting the world of work and helping people back in to the labour market is an important component in developing a “social contract” between the state and the customer. This helps to define the roles and responsibilities of the state and customer and define the underlying principals of their benefit entitlement. We believe that conditionality should be based upon the individual’s capabilities to actively participate in paid work and contribute to wider society. Through the delivery of mandated programmes for over 30 years including mainstream programmes such as New Deal, Pathways to Work and the Work Programme we believe sanctions should only be pursued or applied as a last resort. Our experience has shown that adopting a customer centred approach underpinned by their capability and needs is the best way to develop specifically tailored support and interventions that empower customers to address their barriers to employment.

Ensuring people comply with their roles and responsibilities outlined through the Universal Credit will be crucial if it is to succeed. However, using sanctions before gaining a thorough understanding and diagnosis of their own personal barriers and circumstances can stop people meaningfully engaging and participating in activities that enable them to progress back in to the labour market. Through our experience of delivering mandatory Programmes through DWP ranging from New Deal to the Work Programme penalising people through sanctions can be detrimental in the long term and not address underlying problems that could be associated with conditions such as mental health. In addition, sanctioning and hardship payments can also be counterproductive in gaining the long term trust of people and could have repercussions on the welfare of family members including children. However, as a last resort, sanctioning can be used as a tool to gain the persons compliance and in some cases undercover potential fraudulent claims.

**Changes in the income entitlement of disabled people under Universal Credit, including those who may receive less income under Universal Credit than at present.**

As previously stated it is essential that customers are provided with a thorough diagnosis that defines what their condition is ensuring that they are then awarded the correct benefit entitlement. Through the current benefit system their is a number of different premium levels based upon their medical condition. More information needs to be made available about the impact of this on people in receipt of these premiums. Customers not awarded the equivalent premium through the Universal Credit need to have in place a package of support and help that can enables them to make the transition to the new benefit.

Avanta believe that changes within the income entitlement of disabled people under the Universal Credit should be managed very carefully. Changes in income entitlement and eligibility will have a profound impact on the customer’s personal economic and social impact circumstances. Successfully managing this transition through supported interventions will be crucial.
The level of the earnings disregards.

Avanta welcomes earning disregards that incentivise people to enter the labour market. The current benefit system inhibits the ability of some customer groups such as Lone Parents to successfully enter employment. Introducing a lower “taper” level which encourages people to enter employment would help the most vulnerable people in society. However, the principals underpinning the Universal Credit need to reward people that want to enter the world of work. The initial report conducted by the Centre for Social Justice (Dynamic Benefits, 2010) recommended that a taper rate of 55% as opposed to 65% should be deployed and we would suggest that the proposed “taper level” of 55% should be reviewed in order to ensure that it has been set at an optimum rate that maximises the chances of people entering long term employment and minimises potential for fallout in the long term.

Successive Government provision that is designed to help mandated customers back in to employment has been hampered due to a lack of flexibility within the benefits system that inhibits their ability to enter the labour market. We welcome the introduction of a cumulative disregard based upon the amount of hours someone works. Housing disregards also need to be carefully considered. Our experience shows rental costs are one of the primary barriers to entering sustainable employment. Local disregards should reflect regional variations in rents which are significantly different in Newcastle and London for example. Disregards should also be considered for more marginalised or disenfranchised groups such as Lone Parent, low income families or people with a disability. This will provide them with a greater chance of competing within local labour markets. Childcare costs also need to be factored so that Lone Parents are able to access flexible childcare that reflects the working practices of different sector.

Eligibility for and operation of passported benefits.

More research needs to be conducted in order to understand the full implications of loosing passport benefits and the set thresholds that will trigger this. We welcome that some passport benefits will be phased out to limit the impact on the household but a number of groups could still potentially loose out. For example, people with a disability could lose their eligibility to free prescriptions but still be entitled to free school meals. Addressing these potential anomalies will be fundamental in developing the most appropriate customised support for each individual. At a local level, there are a number of passport benefits that help the most disenfranchised in society such as a discounted gym membership. Withdrawing this from someone experiencing mental health problems could be detrimental to their long term rehabilitation.

Impact monitoring: what the DWP’s priorities should be for monitoring the impact of the transition to Universal Credit.

DWP should monitor the impact of the Universal Credit through a number of mechanisms. The key indicator will be the number of customers that successfully enter the labour market and the cost savings that DWP directly recoverable as a result. This would build on principals developed by Lord Freud through the “DEL/AME” which is based upon the principals of “Invest to Save”
In addition, the views and voices of customers and the Employment Related Services Community needs to be incorporated so that agreed changes can be implemented at an early stage.

17 August 2012
Written evidence submitted by Contact a Family

Summary

- Contact a Family is concerned that many families with a disabled child could be left worse off under Universal Credit.
- Cutting the lower child disability addition by £28 per week, means families with a disabled child are likely to be at greater risk of being worse off under Universal Credit than other families.
- Those families whose caring responsibilities prevent them from working and who qualify for the lower disability addition appear certain to be worse off. This is because there is no prospect of them seeing their reduced disability addition offset by other features of the Universal Credit designed to make work pay.
- It seems likely that some working families with a disabled child will be better off under Universal Credit and some worse off. This will be dependent on individual family circumstances.
- No assessment has been published into Universal Credit's impact on families with a disabled child as a specific group.

About Contact a Family

1. Contact a Family is the only UK-wide charity providing practical and emotional support and information to families with disabled children – regardless of disability or health condition.

2. Our Counting the Costs 2012 survey of over 2,300 families with disabled children across the UK shows that for those in jobs one in seven (14%) is missing meals and one in six (17%) cannot afford to heat their homes. For families not in work due to their caring responsibilities almost a quarter (24%) is going without food and a third (32%) without heating. 58% of all families that responded to the survey fear their financial situation will worsen in the next year - up 15% since 2010. The majority (73%) cited welfare reforms as the main reason for their fear.

Evidence

3. Contact a Family welcomes the government’s determination to create a benefit system that is simpler, easier to understand, and with greater incentives for those who are able to work. However we are also conscious that for some parents with a disabled child work is not necessarily a realistic option. With this in mind we were initially encouraged by assurances that the governments reforms did not intend to reduce the levels of support ‘for people in the most vulnerable circumstances’.

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1 The economic value of the contribution made by carers in the UK is a remarkable £119 billion per year (Carers UK)
2 http://www.cafamily.org.uk/media/381221/counting_the_costs_2012_full_report.pdf
3 “21st Century Welfare” Department of Work and Pensions 2010; para 6 Executive Summary
4. Against this background, Contact a Family had hoped that the government would endeavour to ensure that the introduction of the Universal Credit would not disadvantage families with disabled children. However we have become increasingly concerned that many families with a disabled child will be worse off.

Reduced disability additions for disabled children under the Universal Credit
5. At present, tax credit claimants with a child on DLA can receive an additional disability element for that child, worth £56.63 per week. Children on DLA care component at the highest rate qualify for a further additional payment called the severe disability element – bringing additional disability payments for a child on high rate care component up to £79.52. For those out of work families who have not yet claimed tax credits, there are equivalent additional payments within income support, and certain other means tested benefits.

Child disability additions under Universal Credit
6. Like the benefits it is replacing the Universal Credit will also include additional disability payments for children. The government proposes that there will be two rates of child disability addition – a high rate and a low rate. Those children on the highest rate care of DLA or with a severe visual impairment will qualify for the higher addition. This will be paid at a rate equivalent to the current £79.52 per week.

7. All other children on DLA will qualify for the lower disability addition. The government proposes that this will be paid at a rate of £28.15 per week. This amounts to a cut of £28.48 per week, or almost £1500 per year. Since the addition is paid per child, families with more than one disabled child could see much higher reductions.

8. Even at the current rates of payment many families with disabled children struggle financially. A recent survey carried out by Contact a Family found going without essentials and getting into debt to pay for food, heating, clothes and specialist equipment is the norm for most families with disabled children. Parents talk about the harsh choices they constantly face, the unfairness and increasing the stigma they face. This is on top of the practical and emotional challenges of caring for a disabled child not experience by other families.

9. Against this backdrop a halving in the amount of the basic disability addition is likely to lead to significant financial hardship for large numbers of parents looking after a disabled child. For that we reason Contact a Family is calling on government to retain child disability additions at least at current rates.

http://www.cafamily.org.uk/media/381221/counting_the_costs_2012_full_report.pdf
Aligning payment rates does not mean equality of treatment

10. The government has justified cutting the lower disability addition, on the grounds that this aligns payments with additions for disabled adults. Presumably this is seen as ensuring that all disabled people receive similar levels of financial support regardless of their age. However the government’s proposals will not result in equity of treatment. This is due to differences that will exist in the eligibility criteria for the higher disability addition.

11. Disabled adults will qualify for the higher addition if they fall into the support group for Employment and Support Allowance. However the test that will apply to children is significantly harder to satisfy – a child will only qualify for the higher addition if they have a severe visual impairment or if they are so severely disabled that they qualify for the highest rate of the care component.

12. In practice this means that the child must require not only substantial amounts of care throughout the day but also care during the night. A child without any visual impairment who doesn’t require help during the night will only ever be eligible for the low rate disability addition – this will remain the case even if he or she has very complex disabilities requiring continual care for the whole time that they are awake. The only exception to this will be where a child has a terminal illness and their death is expected within 6 months. As a result it is likely that many severely disabled children whose conditions are such they will qualify for the higher addition as an adult will be restricted to lower rate additions until they turn 16.

The numbers of disabled children affected

13. Analysis of tax credits and DWP statistics from 2011 suggest that around 289,000 parents qualify for disability additions under the existing system. Of these around 170,000 would qualify for the lower rather than higher addition and are consequently at risk of having their disability addition halved if and when they lose transitional protection. However not all of these parents will necessarily be worse off under Universal Credit. Some families will be better off overall, if gains arising from other features of the Universal Credit outweigh the cut in the disability addition.

14. The government estimates that 800,000 households with a disabled member will be worse off under Universal Credit, with a similar number being better off. However these figures include disabled adults as well as children. The lack of any impact assessment for disabled children as a distinct group means it is not currently possible to predict the number of families with a disabled child who will be worse or better off.

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5 According to HMRC figures from April 2011 there were 146,400 in -work families receiving an additional disability payment via child tax credit. Of these 87,600 receive the basic (i.e. lower) disability element. There were also 118,300 out of work families receiving a disability payment via child tax credit. Of these 67,500 qualify for the basic disability element.

Out of work families
15. Nevertheless what seems certain is that families whose caring responsibilities prevent them working at all will be worse off if their son or daughter gets the lower disability addition. Unable to benefit from any of those features of the Universal Credit designed to make work pay, they will inevitably face a loss of almost £1500 per year once transitional protection is eroded.

16. It is difficult to source reliable figures for the numbers of out of work families who will be worse off in this way. In December 2011 Lord Freud stated that the number of disabled children living in out of work families was 131,000. However this includes those who would get a higher disability addition under Universal Credit. The number of children in out of work families claiming tax credits who qualify for the basic disability element was confirmed by HMRC in 2011 as 67,500. However a further 25,000 out of work families do not receive tax credits and instead receive a disabled child premium via income support or income based jobseekers allowance. If we assume that the percentage of families getting the lower rather than higher addition is consistent with tax credits (around 60%), this would suggest another 15,000 children in out of work families who are likely to be worse off i.e. 83,500 in total.

17. Unfortunately this picture is muddied by uncertainty as to how ‘out of work’ has been defined. The tax credits system tends to categorise out of work families as those who do not work sufficient hours to be eligible for working tax credit, rather than simply those doing no work at all. It is therefore feasible that this 83,500 figure includes some families where a parent is engaged in a small amount of part-time work and who may therefore see all or part of the reduced disability addition offset by gains resulting from other aspects of the Universal Credit design (e.g. more generous earnings disregards). However even taking this uncertainty into account, it seems likely that tens of thousands of disabled children whose parents are unable to work will be worse off under Universal Credit - simply as a result of the disability addition being halved.

In-work families
18. Attempting to quantify the number of ‘in-work families’ (e.g. those working a sufficient number of hours to be eligible for working tax credit) who are likely to lose out is even more problematic. The most recent HMRC statistics state that of 157,900 disabled children within ‘in-work families’, 59,700 qualified for the higher addition. This leaves almost 100,000 children living within in-work families who will see their disability addition halved.

19. Despite a reduction in their disability element, it’s probable that some of these working families will still be better off overall as a result of other features of the Universal Credit system such as more generous earnings

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Footnotes:
7 Lords Hansard 12 Dec 2011: Column 1054
8 Contact a Family correspondence with HMRC
9 Child and Working Tax Credit statistics – tables 5.2 & 5.4; HMRC April 2012
disregards or a more flexible carers addition. The chances of a working family being better or worse off will ultimately depend entirely on the individual circumstances of the family in question.

20. For example working families will be at an increased risk of being worse off under Universal Credit if they have more than one disabled child who does not qualify for the higher addition; or if they have only a small amount of earnings (and therefore do not make full use of the enhanced earnings disregards). Other factors that will increase the risk of being worse off are outlined in rest of this submission.

A disabled parent looking after a disabled child
21. The government plans to change the rules which currently allow a carer who also has health problems of their own to qualify for a disability addition and a carer addition at the same time. Under Universal Credit a disabled adult who provides care for a disabled child will either get a disability payment as an adult or an additional payment as a carer – but not both. For some families this could mean a loss of up to £34.05 per week, in addition to any reduction in their child’s disability element.

Working families in rented accommodation with childcare costs
22. Under Universal Credit the percentage of childcare costs met will be 70%. However tenants in receipt of housing benefit (HB) and council tax benefit (CTB) can currently receive help with up to 95.5% of their childcare costs. For these working families there will be significant cut in help with childcare costs that could end up leaving some worse off. For example a family spending £300 per week on childcare for two or more children, would get £76.50 a week less towards these costs under Universal Credit. It is also worth noting that since these families are receiving help with housing costs they will not be able access the most generous level of earnings disregards under Universal Credit.

Families in rented accommodation affected by the size criteria rules
23. Contact a Family is disappointed that the Department for Work and Pensions is seeking permission from the Supreme Court to challenge the Court Of Appeal’s recent decision in the Gorry case10.

24. The current size determination rules (which are to be replicated in Universal Credit) assume that children can share a bedroom even where a disabled child’s condition means that this not possible in practice. The Court of Appeal found that the failure of these rules to allow for an additional bedroom required because of a child’s disability amounted to discrimination.

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25. Currently these rules only affect those renting privately under local housing allowance. However they are to be extended to tenants in social housing from April 2013 and this will also be a feature of Universal Credit. If the Court of Appeal’s decision is overturned and the size criteria applied to Universal Credit in its current form, this seems certain to leave some families in social housing worse off.

26. In some cases families will have been allocated a property of a particular size precisely because of the needs of their disabled child. For instance a child with challenging behaviour may present a risk to siblings or a child with complex disabilities may require care during the night which would be disruptive to anyone sharing their room. Parents faced with this reality will have no option but to continue renting a property that allows their severely disabled child to have a room of their own.

27. Under Universal Credit (and housing benefit from April 2013) these families will face a dilemma. Unless they are lucky enough to get discretionary housing payments, they will either have to move to a smaller property that is unsuitable for their disabled child or face a cut in help towards rent. Faced with this choice many will feel they have little option but to remain in their existing tenancy.

28. Contact a Family’s concerns about the extension of size criteria to social housing is not limited to the impact on those cases where a child is unable to share a bedroom. There may be other reasons why a social landlord has decided to house a family with a disabled child in a bigger property than would otherwise have been allocated. Some children may require specialist equipment that is difficult to store, others may require a sensory room or similar therapeutic space. In other cases the fact that a disabled child spends so much of his/her time at home may have been a factor taken into account in allocating a property.

29. Contact a Family is concerned that the capping of rents in the social sector will disproportionately affect families with a disabled child. These families are more likely to be in rented accommodation, more likely to be on low incomes and less likely to be able to consider moving tenancy (e.g. because their current tenancy has been adapted for their child or because they need to live close to a specialist school or college). For these reasons we would like to see families in social housing exempted from the size criteria rules where their child’s disability is a factor in the size of property that they have been allocated.

**Disabled children living away from home**

30. Contact a Family is concerned financial support may be reduced under Universal Credit if a family has a disabled child living away from home either in a residential setting or elsewhere such as in hospital.

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11 Joseph Rowntree Foundation, Housing and disabled children – reviewing the evidence. 2008
31. Under current Tax Credit regulations a parent can continue to receive payments for a child who is looked after by the local authority in a residential setting solely because of their disability. Contact a Family is worried that no such equivalent concession may exist under Universal Credit. The draft Universal Credit regulations prevent a child from being included in your claim if they are “looked after by the LA”\textsuperscript{12}, without providing any specific definition of how this is to be interpreted.

32. In addition it seems likely that that payments for disabled children who are temporarily absent from the home may also be restricted. The draft regulations\textsuperscript{13} only allow for payments for a child to continue during the first 6 months of a temporary absence. Once a child has been absent for a longer period payments will cease. This will impact on children who are absent from home for more than 6 months because they are in hospital or residential school – children for whom payments can continue to be paid indefinitely under the existing tax credits system.

33. Contact a Family is concerned about this issue as families with a child living away from home in hospital or residential school continue to incur costs in respect of that child.

34. These families not only face the prospect of payments for a child in care or hospital stopping – but also of consequently losing protection from the benefit cap. The draft regulations\textsuperscript{14} state that the benefit cap will not apply to a household where “a child or qualifying young person for whom a claimant is responsible”, is receiving DLA or the new PIP. However since regulation 4 suggests that a claimant ceases to be responsible for a child if they are treated as looked after by the local authority or temporarily absent from home for more than 6 months, these families seem destined to lose that protection.

Transitional protection
35. The government has promised transitional protection to ensure existing claimants do not lose out when they are moved over onto the Universal Credit. However since these protected payments will be frozen, even those who are transitionally protected will be worse off over time. Transitional protection will also be lost if a claimant loses or gains any of the elements making up a Universal Credit award\textsuperscript{15}. Transitional protection will be of no assistance to those future generations of disabled children who first start to qualify for disability additions after the introduction of the Universal Credit.

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\textsuperscript{12} Regulation 4 (6)(a) of the draft Universal Credit regulations
\textsuperscript{13} Regulation 4(7)(b) of the draft Universal Credit regulations
\textsuperscript{14} Regulation 71(2)(e) of the draft Universal Credit regulations
\textsuperscript{15} Universal Credit Briefing Note – Transitional Protection July 2012
Written evidence submitted by LACA Ltd

Background of LACA
LACA was formed in 1990. It is the professional body representing 750 catering managers who provide services to all sectors of local authorities across Scotland, Wales and England. These services include meals in the community (‘Meals on Wheels’); social services catering; elected member and staff catering; civic catering and school meals. Without doubt the largest provision of meals and services by the members is school lunches. In the region of 3 million meals are served on a daily basis in more than 23,000 state schools. The annual turnover is in excess of £360 million. Approximately 100,000 staff are employed in the industry. LACA has been represented and worked closely with Government Departments in England in particular the Department for Education, the Department of Health, and the School Food Trust for some considerable time and The Welsh Government. In addition LACA has worked on a number of projects with the Foods Standards Agency and The Department of Work and Pensions on Extending Working Lives.

The particular interest and important issue for the members of LACA is the present Passported Benefit of Free School Meals and its future with the introduction of Universal Credit. LACA responded to the Social Security Advisory Committee consultation document on passported benefits. The consultation on the proposals for free school meal benefits has not yet been published. This makes it difficult for LACA to respond fully to the House of Commons Work and Pensions Committee Inquiry into the progress towards implementation of Universal Credit.

LACA’s response and evidence on the specific areas that the committee is particularly interested in is as follows:-

The proposed arrangements for claims and payments and the provision of support and advice for claimants, including the presumption of a predominantly online, self-service claims process; monthly payment to one person in the household; and arrangements for providing telephone and face-to-face support and independent advice for claimants who need it.

The presumption of a predominately online, self-service claims process and monthly payment to one person in the household causes concern to the members of LACA on two levels.

- The entitlement and receipt of free meals is based at present on unemployed and low-income families. Many of these families do not have a computer or access to the internet. They cannot afford nor have the necessary knowledge to use this medium and may deter those entitled to apply for this essential benefit
- At present most benefits are paid weekly or two weekly. To change to monthly payments could lead to grave financial and budgetary difficulties to these families. Clarification on whether monthly payments means 13 four weekly or twelve calendar month payments? It
is hoped that budgeting support will be provided and made easily accessible to support this transition.

- The administration of the entitlement to free school meals is carried out by the local authority responsible for Education. At present it is for many authorities, still a paper based claim. The decision whether a child meets the criteria to receive free school meals is made by the Local Authority. The decisions and any outcomes when challenged are safeguarded and mechanisms are in place that ensures open and transparent results, which may be lost if this becomes a fully automated system. The assumption that all systems are electronic and can be incorporated into this new delivery method is not the case.

- There will be families who will be in receipt of benefits through Universal Credit but do not qualify for free school meals. These benefits will be paid monthly into a single bank account. The majority of school meals are paid for on a weekly basis. As already mentioned some families will find managing their budgets difficult. The failure of the retention of the money to buy school meals will lead to many of these children missing out on a nutritionally balanced meal. This in turn will reduce the number of pupils taking the meals which not only impacts on the health and well being, attainment and development but will impact on the cost of providing meals if economies of scale are reduced or lost. The benefits of school meals be they free or paid are:

- For a huge number of children, the school meal is their only cooked nutritional meal each day, as noted in the recent report by The Children’s Society http://www.childrenssociety.org.uk/sites/default/files/tcs/fair_and_square_campaign_report.pdf. This provides in excess of one third of their daily nutritional requirements and at least one portion of vegetables. It is widely recognised that many children do not receive enough vitamins and minerals in their diet; particular concern is with teenage girl’s consumption of iron which is too low, causing anaemia. The school menu is nutritionally planned to ensure the provision of these vital nutrients. In many schools a breakfast service is also provided. In very deprived areas some children are entitled to a free breakfast as well as lunch. It is therefore essential these children are given the post possible nutritional support through the free school meals service.

- There are many pieces of research, case studies and statistical information available regarding the importance of school meals in the development of children, including those by the School Food Trust on School Lunch leaning and behaviour – Secondary and Primary and The link between child nutrition and health.

- Good eating habits and diet formed in childhood will lead to a healthier population for the future and lead to longer life and less pressures on the National Health Service.

The impact of the changes on local authorities, including budgets, staff and support for claimants
The impact of the changes on local authorities, including budgets, staff and support for claimants are considerable. For four years from 2013 to 2017 it will be necessary to administer a two tier system side by side. At present within the 150 local authorities, each one has its own system; it could be argued that everyone does it differently. Recent budgetary cut backs resulting in lower staff levels may result in difficulties in delivering two systems simultaneously which could result in claims being delayed and parents and pupils not benefitting at the time of need. Additional resource may be required to cope with a two tier administration resulting in higher costs to run the service which may impact on the level of funding for meals.

Within the process there is an electronic checking system (ECS) that is used by most authorities but it is not compulsory. This system will need reprogramming for Universal Credit and to work alongside the existing system whilst in operation at an additional cost to government. With the fragmented school system is the question of who is going to deal with the allocation of free school meals in Academies and Free Schools? At present Academies and Free Schools do not have access to the present procedures other than through a local authority.

The level of the earnings disregards.

Eligibility for and operation of passported benefits.

The level of earnings disregards and therefore eligibility for and operation of passported benefits is of great importance. The level of earnings disregards needs to be set as high as possible. There is a very high number of children whose parents are working but on very low incomes who could lose their entitlement to free school meals. This vulnerable group of present recipients of free school meals are very poor and as recorded in this response the school meal provides them with good nutrition. By setting the threshold as high as affordable, the fewest number of families will be affected by this.

It is to be hoped that the earnings disregard is not set so low that it may be more financially beneficial for employees to stop working as they would be better off on Universal Credit.

Conclusion

LACA hopes that this response clarifies some of the issues we see regarding the passported benefit of free school meals.

We are very concerned about how the introduction of Universal Credit will affect the future of the vital provision of free school meals, which in many instances is the only nutritionally balanced meal that these children receive.
If you need any further information or clarification please get in touch. We would be pleased to attend the House of Commons Work and Pensions Committee and give evidence on this matter if required.

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1. ABOUT THE SOCIAL MARKET FOUNDATION

1.1 The Social Market Foundation (SMF) is a leading cross-party think tank, developing innovative ideas across a broad range of economic and social policy. SMF champions policy ideas which marry markets with social justice and take a pro-market rather than free-market approach.

1.2 In July 2012 SMF was named Prospect Magazine’s Think Tank of the Year and Economic and Financial Policy Think Tank of the Year. SMF has written widely on welfare reform and welfare-to-work policy.

2. SUMMARY AND EVIDENCE BASE FOR THIS SUBMISSION

2.1 The evidence set out below is based on research SMF carried out during 2012 into the potential impact of Universal Credit on low income households. The research focused on assessing how changes to the payment of benefits and tax credits are likely to affect how households budget and are able to build and sustain their financial resilience. The research consisted of 30 in-depth interviews and three focus groups with low income households. The research, which will be published in September 2012, indicates that the Universal Credit could have significant consequences for many low income households.

2.2 The Work & Pensions Select Committee is conducting an Inquiry into the Universal Credit and is looking for written evidence on the implications of its implementations. Given the scope of SMF’s research, this submission considers the impact of the proposed arrangement for Universal Credit in relation to:

- A monthly payment
- Payment monthly in arrears
- A single payment
- Payment to one person in the household

3. MONTHLY PAYMENT

The proposed change

3.1 Under the Universal Credit, the frequency of benefit payments will be altered to a uniform monthly payment. Currently, tax credits and other benefits such as Income Support and Job Seekers Allowance are paid at different intervals including weekly, fortnightly, four-weekly and monthly.

3.2 The aim is for the monthly payment to reflect the world of work, and to help smooth the transition into monthly paid work, ‘encourage claimants to take personal responsibility for their finances and to budget on a monthly basis which could save households money.’

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Implications of the change
3.3 SMF’s research looked in depth at how low income households budget. This indicated that the move to a monthly payment will be a significant change for a large number of households: some rely heavily on weekly or fortnightly benefit and tax credit payments, as well as wages, to frame their budgeting, to apportion money and to ration expenditure. On the basis of SMF’s research and previous evidence, it is likely that some households will be unable to cope and will run out of money before the end of the month, leaving them reliant on additional formal or informal credit.2

Low income households’ views on monthly payments
3.4 Our research showed a strong opposition towards the idea of a monthly payment amongst the majority of the participants. In many cases where the household was in favour of the change the budget was already managed on a monthly cycle. The majority budgeted on a shorter cycle – most commonly weekly.

3.5 Households objected to the idea of a monthly payment on the following grounds:

- Some households feared they would spend their income before the end of the month. This would leave them at risk of further indebtedness.
- Frequent benefit payments act as psychological boosts.
- Many rely on the current frequency of payments to help them ration and allocate their expenditure.
- Households were already expending considerable efforts to cope on a low income – a compulsory monthly payment was considered to exacerbate this problem.

Regulations and stated aims
3.6 In addition to these unintended and undesirable consequences, it is unclear that the Government will achieve its policy objectives of greater personal responsibility and smoothing the transition into work. First, as indicated above, our research demonstrates that households already devote significant energy to managing their household finances. It is doubtful that a standardised monthly payment will make them take greater responsibility.

3.7 Second, there is little compelling evidence that a standard monthly payment will necessarily prepare individuals for the world of work. There is some evidence that shifting from frequent payments to a monthly salary can prove difficult.3 However, it is unclear that the reform will smooth the passage to work for the population under consideration. As the Government’s own figures recognise, only half of those paid £10,000 or less receive a monthly wage;4 four in ten of those in the bottom two earnings quintiles receive their earnings weekly. These figures should be set alongside the low earnings that out-of-work benefit claimants are likely to receive when they move into work.5

2 Previous research commissioned by the DWP indicates that the monthly payments are likely to be problematic, see Andrew Thomas and Nick Pettigrew, Attitudes towards methods of paying benefits (DSS, 1999); Monique Rotik and Luke Perry, Perceptions of welfare reform and Universal Credit (DWP, October 2011).
3 Christopher Farrell and William O’Connor, Low-income families and household spending (DWP, 2003), 28
5 Lorna Adams, Katie Oldfield, Catherine Riley and Andrew Skone James, Destinations of Jobseeker’s Allowance, Income Support and Employment and Support Allowance Leavers 2011 (DWP, 2012)
Ability to cope

3.8 Across our sample, households varied significantly in their ability to cope with the proposed monthly payment. The research identified three principal groups.\(^6\)

- those who are already Prepared;
- Adaptors for whom monthly payments would be a challenge but who could respond confidently;
- the Exposed who felt they would be unable to cope and were at risk of running out of money and taking on additional debt due to a number of factors.

3.9 Characteristics that determined households’ ability to cope included: their level of forward planning; the length of their current budgeting cycle; their level of financial engagement; and the degree to which their financial management was structured around the current benefit system. Additional characteristics that may render households vulnerable include: lack of informal support from family or friends; lack of experience of changing in the past; low levels of confidence; high levels of indebtedness; being unbanked or being unready to use the full functionality of bank services.

3.10 The Government hopes to manage these problems through a ‘Payments exceptions policy’ and through the availability of more appropriate financial products that can offer automated facilities.\(^7\) The Government’s payments exception policy would provide an alternative method of transfer (frequency or destination of payment) for individuals considered unable to cope with the change.

3.11 Financial products – such as ‘Jam Jar accounts’ – are likely to be of significant help to those who are ready to engage with mainstream financial services. However, as the literature and our research show, a significant number choose not to use banking products currently – at least to their full potential. This represents a large proportion of the population: 1.54 million have no access to a transactional account and 0.95 million have only a basic bank account.\(^8\) Many more deliberately choose to deal in cash. Even assuming that a private market for such accounts is viable (and this seems doubtful), they will not help the whole claimant population, including many of the most vulnerable.

3.12 The Government has stated its readiness to develop an alternative payment structure for individuals who require specific support. The Draft Regulations state that screening will be carried out ‘so that only those claimants who have reasonable grounds for exceptional payment arrangements reach a human decision maker. To ensure exceptional payments are targeted towards those claimants who would benefit most from such an approach, we are considering using a criteria-based screening process.’\(^9\) SMF’s research suggests that developing such criteria will be extremely difficult given the very varied circumstances and

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\(^6\) The research also identified a potential further group of Hopers who viewed the reform optimistically, but who had low levels of financial engagement.

\(^7\) DWP, Explanatory Memorandum for the Social Security Advisory Committee Claims and Payment Regulations, 13. These are likely to include ‘Jam Jar Accounts’.

\(^8\) Social Finance, A new approach to banking (April 2011), 3.

\(^9\) DWP, Explanatory Memorandum for the Social Security Advisory Committee Claims and Payment Regulations, 13.
characteristics of households that can determine vulnerability, as indicated in para 3.9 above. The policy will be drawn either towards a narrow definition of vulnerability and therefore leave a large number of households financially exposed, or it will have to go to great expense to identify and then offer alternative arrangements to a very large proportion of claimants.

3.13 SMF’s research is exploring whether the Government could use a behavioural nudge to steer households towards a monthly payment whilst also offering an opt-out for those that would value a more frequent payment. Such a policy would recognise the importance that claimants place on ‘personalisation’ in the new benefit system, as evidenced by recent DWP research. SMF’s own research found very strong support for the concept of choice in terms of frequency of payments, with claimants themselves volunteering the concept in the group discussions. Finally, such a policy would reduce significantly the negative impact of the Universal Credit reforms on the financial resilience of low income households with all the social and financial consequences that entails.

3.14 If such a system was adopted, policy-makers could also consider developing a portal through which claimants could personalise their payments further: such as third party payments.

3.15 The SMF would be pleased to present the evidence in more detail to the Work and Pensions Select Committee if invited to do so.

4. PAYMENT OF UNIVERSAL CREDIT MONTHLY IN ARREARS

The proposed change
4.1 The Universal Credit will be paid monthly in arrears, with ‘earnings information collected by the end of the claimant’s assessment period.’ The Claims and Payments Memorandum states that: ‘The assessment period for Universal Credit will run from the effective date of claim and each subsequent assessment period will begin on the same date of the month’ and that the ‘assessment periods will always be one month in length’.

4.2 This would allow the Government to calculate the earnings of a household every month – by accessing its PAYE records – and to adjust its Universal Credit payment up or down accordingly.

Implications of the change
4.3 There has been little discussion about the potential implications of the introduction of a rolling assessment and monthly payment in arrears. Theoretically, this could have four positive outcomes: households would have to complete fewer forms; earners would feel the benefit immediately of working more hours and would see that ‘work pays’; households

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10 Monique Rotik and Luke Perry, Insight to support Universal Credit user-centred design (DWP, 2012)
11 DWP, Explanatory Memorandum for the Social Security Advisory Committee, Universal Credit Regulations 2012, p.27.
12 DWP, Explanatory Memorandum for the Social Security Advisory Committee Claims and Payment Regulations, 11-12.
whose income fluctuates seasonally over the year would see fewer peaks and troughs; and, the much-reported problem of overpayments and underpayments could be rectified.

4.4 However, there are likely to be significant unintended consequences, even on the most optimistic assumptions about the success of the Real Time Information (RTI) system. Households will have their earnings assessed every month, but they will also be paid monthly payment in arrears seven days after the end of the assessment period. Someone on a weekly wage who is subsequently made redundant could face over a month waiting for their revised Universal Credit payment. Many would have little alternative but to go into debt, with all the potential consequences that can entail. Considerable thought will have to be given so that all those who may find themselves in this predicament can access early financial support through DWP’s ‘Short-term Advances’ and ‘Budgeting Advances’.

5. SINGLE PAYMENT

The proposed change
5.1 The aggregation of various in-work and out-of-work benefits and tax credits into one Universal Credit award will mean households receive a larger, single cash transfer from government on a monthly basis.

5.2. The logic of a single payment is that it will increase take-up by making benefits simpler for claimants to understand and by auto-enrolling a claimant on the full suite of benefits to which they are entitled, whilst reducing administrative costs. The Government has forecast that the Universal Credit will reduce administrative costs by £500m a year through reduction of duplication and greater efficiency.\(^\text{13}\)

Implications of the reform
5.3. The majority of interviewees were positive about the introduction of a single payment and believed it would reduce time on exhausting and complex form-filling as well as interaction with different government departments, which they welcomed, especially as many felt that they were constantly passed around different departments and that staff were insensitive and impersonal.

5.4. However, as was noted by some interviewees, the single payment, whilst reducing complexity, would also aggregate the risks of system failure. At least in the case of multiple income streams, if one part of the system fails, claimants are not exposed to so much financial risk.\(^\text{14}\)

5.5. A move towards a single payment with no breakdown of the different components reduces the potential for the positive effect of labelling. Evidence shows that the labelling of benefits leads to positive behavioural responses. For example, analysis by the Institute for Fiscal Studies has revealed that the labelling of Winter Fuel Payment led to a significant expenditure on fuel from that cash transfer.\(^\text{15}\)

\(^{13}\) DWP, *Universal Credit: welfare that works* (2011), 60.  
5.6. Due to this reliance on the existing payment schedule, our research suggests that the Single Payment may be disruptive to some households. Its negative impact is likely to be mitigated in part by the fact that Child Benefit was the transfer our interviewees hypothesized most often, and this will remain outside the Universal Credit. However, this does not mean that the Government should abandon considering how it can ‘nudge’ households towards socially-desirable expenditure and help them apportion by providing information on the components of their benefit payment.

6. CLAIMS TO UNIVERSAL CREDIT BY JOINT CLAIMANTS

The proposed change
6.1 Where two people claim Universal Credit as a couple, the Universal Credit regulations propose that the couple make a claim jointly.

Implications of the regulations
6.2 The reforms are likely to lead to a significant change to which partner in a couple household receives benefits and tax credits. Different benefits and tax credits can currently go to different members of the household. Data from HMRC and DWP shows that: in 85% of couple households who receive the transfer, Child Tax Credit is transferred to a female payee;\(^\text{16}\) in 87% of couple households who receive the transfer, JSA is claimed by the man.\(^\text{17}\)

6.3 Our research and existing academic studies indicate that the single household claim could be problematic for a minority of households. A small number of households expressed real concerns about how the benefit money would be distributed in their house if the money was no longer allocated to specific members of the household as it currently is. Aside from violent domestic abuse, these concerns are likely to arise in the following circumstances:

- Where financial affairs are separately managed within the household, as is the case with many new and cohabiting couples, with little sharing of information on income and expenditure.
- Where there is a lack of certainty about who would end up wanting or being able to lead the household finances and budgeting process.
- Where there is mistrust of one partner’s ability to spend money in the interests of the whole household.
- Where there is concern that the Single Claim could be used to exert power and control within the household.

6.4 Economic abuse and financial imbalance within the household can lead to a partner and, where the partner is the principal carer, dependents receiving less or even insufficient income to live adequately. The Universal Credit draft regulations include a number of welcome safeguards. First, both members of a couple will have to sign the Universal Credit

\(^{16}\) HMRC, Child and Working Tax Credits Statistics (2012), 36.

\(^{17}\) DWP, Equality impact assessment: Universal Credit: welfare that works (2010), 10.
Second, there is provision in the regulations for the Secretary of State to pay the Universal Credit to someone other than the claimant or to split the payment between the partners in a couple. This is likely to be feasible in instances of criminal domestic abuse. However, in cases of economic abuse or severe financial imbalance – where a member of the household is denied access to income or where the benefit payment is used as a lever for exerting control – it is unclear what evidence base the Secretary of State would wish to see this exception invoked.

6.5. The academic literature suggests there could be more subtle implications from a single claim. First, the Government has confirmed that “particularly in low-income households...men sometimes benefit at the expense of women from shared household income”. 19 A single claimant could exacerbate this. Second, there is a wealth of evidence from the UK and abroad to suggest that when women receive benefits, this is more likely to lead to higher expenditure on children. A single claimant could thus undermine expenditure on children. Third, it could also reduce the exposure of some people to financial management, which could have negative consequences in the case of separation or bereavement. 20

6.6. In addition to the powers residing with the Secretary of State, there may be a case for claimants to be given a choice to split payments if they feel this would help their budgeting and financial arrangements.

17 August 2012

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18 DWP, Explanatory Memorandum for the Social Security Advisory Committee Claims and Payment Regulations, 7.
19 House of Commons, Hansard, Written Answer, 14 March 2011, c126W.
20 Fran Bennett, Universal credit: payment to joint claimants – Committee stage of Welfare Reform Bill 2011, House of Lords, Oct 2011 (Clause 97) (WBG, 2011)
London Councils is committed to fighting for more resources for the capital and getting the best possible deal for London’s 33 local authorities. We lobby key stakeholders, develop policy and do all we can to help our boroughs improve the services they deliver. We also run a range of services ourselves, all designed to make life better for Londoners.

London Councils supports the broad principles of the government’s welfare reform agenda and, to this end, we are working with the Departments for Work and Pensions and Communities and Local Government to manage and mitigate the impacts of welfare reform as well as focus on helping people into jobs. We do however have concerns that elements of the welfare reform agenda do not adequately take account of London’s unique situation and pose challenges for London’s local authorities.

We are hopeful that the government continues to work with us to ensure that the move to Universal Credit can be implemented in a way that does not compromise the delivery of services to London’s population.

The following summarises London Councils’ key concerns:

- High private rents in parts of London may potentially lead to significant numbers of households migrating from high rental cost boroughs to lower rental cost boroughs as a result of the LHA changes, the overall benefit cap and other welfare changes.

- If a significant number of households are either evicted or forced to leave their accommodation as a result of the welfare reforms, Councils are likely to experience an increase in homeless applications.

- Councils would also expect to experience a growing requirement to house families in temporary accommodation, access to adequate quantities of which they do not currently have. Councils will have to consider radical solutions if they are to procure sufficient temporary housing to meet requirements.

- The lack of clarity provided by the Department for Work and Pensions concerning the housing benefit subsidy for people in temporary accommodation from April 2013. This issue is now becoming pressing.

- The cost implications of service delivery for boroughs most affected by welfare migration could constitute a significant additional financial burden for Councils, particularly in schools and children’s services.

- It is not clear that mainstream job programmes can deliver the intensive support that many of those affected by the benefit cap will require in order to move into the jobs market.

- Councils are concerned that the quality of the data provided by the DWP is not adequate and that if the impacts of welfare reform are to be properly mapped, the data would need to be of much higher quality and able to be shared across public agencies.

- The localisation of Council Tax Benefit represents a de facto further reduction in Council budgets where they are already coping with up to 26% reduction in budgets over four years.
Given the numbers affected and the timescales involved, it is likely that Councils will have a significant face to face advice role in managing the benefit cap and the transition to Universal Credit. No funding for this has currently been identified by government.

Outlined below is the background to London Councils’ current thinking on these important issues.

Impact on Local Authorities

1.0 Budgets & Services

1.1 The department for Work and Pensions has estimated that 49% of all households affected by the overall benefit cap will be in London. The same estimates indicate that 17 London boroughs will have at least 1000 households affected by the cap. We estimate that over 80,000 children in London will be members of impacted households.

1.2 We are in contact with our member boroughs who are responsible for administering the housing benefit changes, initially implementing the benefit cap in April 2013 and for setting up local Council Tax benefit and Social Fund successor schemes. We are attempting to map the impacts of welfare reform in London, particularly the potential migration of households between boroughs and any consequent pressure on Council services that arise.

1.3 London Councils commissioned a piece of research in 2011 that examined over 200,000 housing benefit records from a representative sample of London boroughs and gathered qualitative evidence from across London. The report estimated that over 130,000 workless households in London would be unable to afford their rent as a result of either the LHA changes or the overall benefit cap. It also found that the overall benefit cap would affect larger families more;

- One in five families with one child would be unable to afford their rent.
- More than a third of single parent families with three children would be unable to afford their rent.
- 50% of couples with three children would be unable to afford their rent.
- 80% of households with four or more children would be unable to afford their rent.

1.4 The average weekly loss for a household in London as a result of the overall benefit cap is estimated at £105.

1.5 The impacts on households in London are accentuated due to London’s higher private rents vis a vis the rest of the country. Furthermore, higher childcare costs mean that financial incentives to work are lower than the rest of the country.

1.6 It is not possible to predict the ways in which households will react to rent unaffordability as resulting from benefit changes but there appear to be a limited range of options open to them including;

- Move into work or increase hours at a current job.
- Move into a smaller, cheaper property in the same area.
- Move into a similar sized property in cheaper part of London.
- Attempt to absorb the shortfall by cutting back on other spending.

1.7 Broadly, households where no member moves into work, for whatever reason, the choice is between moving to cheaper accommodation (either in a borough with cheaper rents, overcrowding a property or presenting to the Council as homeless and being placed in temporary accommodation) or reducing other spending to make up the shortfall and remain in their current property.

1.8 Local authorities are likely to be involved in the decisions of households in a variety of ways including providing employment support, housing advice, dealing with increased demands for school places, care and social housing and re-housing families who are required to leave their current accommodation as a result of the reforms.

2.0 Housing

2.1 The Department for Work and Pensions have commissioned Professor Ian Cole of Sheffield Hallam University and others to monitor the impacts of welfare reform. The first interim report was released in June 2012 and whilst the interviews and data collection was from a period too early to give any indications of migratory flows, there was some useful opinion data. Where tenants were impacted by changes to their housing benefit;

- Landlords in London are more than three times more likely to evict tenants or not renew tenancy agreements (37%) than they were to lower rents (11%)
- 17% of London landlords said they would no longer let their property to housing benefit claimants as a direct result of housing benefit reforms, compared to nine per cent nationally.
- More London tenants (33% compared to 19% nationally) were trying to renegotiate their rent with their landlord than housing benefit claimants in other parts of the country but were less successful.

2.2 If these assertions follow through to action, London’s local authorities may experience;

- An increase in the number of evictions in the private rented sector.
- A reduction in the supply of private rented housing available to housing benefit claimants.
- An increase in the migratory flow of households from higher rental areas to lower rental areas.
- An increase in homeless presentations to Councils
2.3 Lord Freud has stated that one of the expected effects of reducing housing benefit payments will be the reduction of private sector rents. DWP figures show that between March 2011 (just before many of the LHA changes were implemented) and March 2012, private rents in London rose by on average £47. The change was most significant in properties in the lowest quartile, rising on average by £57.

2.4 A study by Hackney Citizens Advice Bureau in June 2012 found that of 1585 properties available for private rent in Hackney, only 143 were available under housing benefit limits. Furthermore, landlords for only 14 of the properties were willing to consider accepting housing benefit tenants. With low levels of private rented sector accommodation available to housing benefit tenants, the burden for housing statutorily homeless families will fall to Councils.

2.5 There are an estimated 350,000 households currently on social housing waiting lists in London. In order to discharge their duty to house families, Councils often have to offer temporary private rented sector accommodation.

2.6 Boroughs have expressed concern that they do not have access to sufficient quantities of temporary accommodation to keep up with demand. The situation is being further destabilised by the lack of clarity on the future arrangements for housing benefit for people living in temporary accommodation. Officials have indicated that both boroughs and Registered Providers of social housing would be consulted on the post-2013 arrangements. Boroughs have yet to receive clarity on the Department’s proposed way forward. Evidence from boroughs and Registered Providers suggests that this delay and uncertainty is having and will continue to have an impact on the future supply and availability of temporary accommodation available for homeless households.

2.7 Demand for temporary accommodation is likely to increase as households find they are unable to cope with rent payments and are evicted. The Housing Minister has written to local authorities in London for breaching the 6 week limit on housing families in bed and breakfast accommodation. Whilst boroughs always seek to minimise the time a household will stay in B&B, boroughs are having increasing difficult identifying housing within the LHA cap. The number of London households in temporary accommodation increased 41% between June 2011 and June 2012.

2.8 It is also to be expected that some families seeking to absorb the impact of the benefit cap will move to accommodation that is legally overcrowded. Overcrowded accommodation is associated with reduced health and educational outcomes.

3.0 Schools and Young People

3.1 An acute pressure point in London is the supply of primary school places. Rising demand has meant that London’s Councils built or started to build 241 new classrooms in 2011/12 to meet their legal requirement of offering every child a primary school place. In boroughs that already have high demand for primary places; the movement of a large number of families with children into the borough will have serious consequences for the availability of school places that will constitute a significant additional financial burden to local authorities. It remains to be seen how the affected Councils would secure the necessary funding to cope with such an additional demand.
3.2 As the number of children in a borough rises, it follows that the number of children ‘in need’ or ‘at risk’ will increase in similar proportions with implications for the Council’s children’s services.

3.3 In some affected households there will be adults in receipt of social care services who are not exempted from the cap by virtue of being in receipt of a disability benefit. In these cases, there will be service implications of their migration between boroughs. Councils and other public services will need to put in place systems and communications channels with which to track vulnerable people and ensure that they are in receipt of the necessary care.

4.0 Council Tax Benefit

4.1 The localisation of council tax support represents a significant reform to the current welfare system. From April 2013, local authorities will not only be required to implement and administer a local scheme for Council Tax Support (CTS) that responds to local priorities within the parameters set by the Government, but also deliver a saving – which is potentially larger than the headline 10 per cent - in the national cost of council tax support.

4.2 London Councils is concerned that these proposals will not lead to the achievement of the Government’s stated objectives. We believe they represent a financial risk to local authorities and may prove confusing for many claimants – some of whom are the most vulnerable in society.

4.3 London Councils remains concerned that this policy will transfer significant financial risk to local government without true flexibility. Council Tax Benefit demand is currently managed by DWP through the flexibility of Annually Managed Expenditure (AME). Local authorities will now have to manage demand from a fixed and potentially declining funding pot (Local Government DEL) – a clear transfer of significant financial risk to local government at a time when local government funding overall is reducing.

4.4 The extent to which the cost pressure, created by the national funding cut to CTS, can be covered through the workings of a local scheme, or will become a further cost pressure to the overall budget of the authority, will depend on: how the cut is distributed across authorities; local decisions on scheme design; and local demographics. For local authorities the risks under local council tax support plans are magnified: a local authority area which suffers an economic shock outside of its own control, could see its council tax support claimant count rise without matching recourse to additional funding for council tax support.

4.5 In our view, the policy is a mechanism for asking local authorities to (a) deliver a 10% saving in the national cost of council tax support, and (b) to take on the financial risk of the future cost of council tax support demand.

4.6 London Councils believes that it would appropriate for council tax support to be incorporated within the Universal Credit with a system of direct payments to local authorities. This would create a single and simplified benefit system with all claimants subject to the same rules. In this way, the Government’s objectives of improving work incentives can be aligned across all relevant benefits.

5.0 Support for Claimants
5.1 Our intelligence from senior officers in boroughs suggests that there is likely to be a significant role for Councils in supporting affected benefit claimants through a face-to-face service. It could be argued that any such role should be funded by government under the New Burdens Principles.

5.2 A piece of research carried out by IPSOS MORI on behalf of the Department for Work and Pensions produced interesting insights into the likely implications of the ‘Digital by Default’ approach to benefit administration. The report found that:

- In total, 78 per cent of respondents said that they use the internet, including 48 per cent who said they use it every day. Internet access was most commonly from home, and the majority (74 per cent) said that they had a home broadband connection.

- Around half of respondents (53 per cent) had searched for a new job online, while 43 per cent had found out about government services online and 14 per cent had put in a new claim for a benefit online.

- The majority of respondents (62 per cent) said they would be willing to make an application for a benefit or tax credit online. Where respondents were not willing to apply online, this was either because of their own lack of skills, concerns about making a mistake, perceived cost, concerns about privacy or security, or a general lack of interest.

- Just under half (45 per cent) said that they would need help or support to use the benefits and tax credit service online. The most popular type of support was a telephone helpline to answer queries if people get stuck online.

5.3 It is therefore likely that Councils will also have a role in managing the transition to digital channels but also providing non-digital support for households unable for whatever reason to use digital methods to claim benefits and report changes in employment circumstances.

5.4 Lord Freud has said that the precise role of Councils in managing the Universal Credit transition would be decided following the face-to-face pilot schemes in the Autumn but he has indicated that he considers Councils ‘natural intermediaries’. We would argue that if the government decides that Councils should have a significant role in administering the transition to Universal Credit and providing face to face support to claimants, then this would constitute an additional financial burden to authorities already facing reductions of up to 26% in their revenue budgets.

6.0 Worklessness

6.1 It is clear that the best way a household could deal with a benefit shortfall or avoid the overall benefit cap is by one or more of its inhabitants moving into work. London Councils is supportive of attempts to design a benefits system that makes work pay.

6.2 We recognise that the government's Work Programme is aimed at getting people from the welfare system into work, but remain concerned that it may not be responsive enough to meet the immediate needs of this target group.

6.3 It is our contention that for some long term benefit claimants, moving into the jobs market will require tailored, intensive and targeted support to build skills and
capabilities. We suggest that such individuals might benefit from a flexible job support fund, locally administered, that would fill the gaps in mainstream and local employment schemes in which local authorities would play a key role.

6.4 It is not clear that mainstream job programmes can deliver the intensive support that many of those affected by the benefit cap will require in order to move into the jobs market; there may be gaps in this support e.g. outreach work and confidence building. A locally administered job support fund, that could fill gaps in provision locally, would require buy in from the Departments for Work and Pensions and Communities and Local Government.

7.0 Impact Monitoring

7.1 Predicting the actions that households might take as a result of finding their rent unaffordable due to welfare changes is challenging. Furthermore, actions households might take (e.g. moving to a smaller property, running up rent arrears, moving to a cheaper part of London) cannot always definitively be defined as direct consequences of welfare reform.

7.2 However, there are a number of expected actions which cannot be measured directly, but can be implied by measurement of associated indicators. For example, we might expect to see an increase in demand for school places in areas where cheaper larger properties are available for rent. This would imply that households affected by the LHA reforms to bedroom HB or by the overall benefit cap were moving to properties elsewhere that were available for a rental level that was affordable under their new benefit entitlement.

7.3 We suggest that the indicators similar to the following on a geographical basis could offer some insight into the impacts of welfare reform:

- PRS evictions
- Homeless applications to Councils
- Households in temporary accommodation
- Housing Benefit claims
- Employment figures
- Housing Benefit claims
- Social Housing waiting lists
- School rolls

7.4 Furthermore, we also suggest that some thought is given to how government departments are able to track individuals or families across borough boundaries, particularly Troubled Families, individuals on the Work Programme and vulnerable children and adults.

17 August 2012
Written evidence submitted by the Institute of Chartered Accountants for England and Wales

INTRODUCTION

1. Institute of Chartered Accountants for England and Wales (ICAEW) is writing to provide written evidence in response to the call for evidence on 17 July 2012 by the Work and Pensions Committee on progress towards implementation of Universal Credit (UC).

2. In its call for evidence, the Committee listed eight areas on which it welcomed comments. ICAEW's submission focuses on two of these areas: the potential impact on the self-employed and small businesses and the Real Time Information (RTI) computer system HMRC will use to administrate UC.

WHO WE ARE

3. ICAEW is a world-leading professional accountancy body, supporting over 138,000 Chartered Accountants in more than 160 countries. Our members operate across a wide range of sectors in business, practice and the public sector.

4. ICAEW's Royal Charter means that we work in the public interest with governments regulators and industry to maintain the highest business and ethical standards.

GENERAL COMMENTS

5. The Government’s proposals for UC are a fundamental and far-reaching reform of the benefit system. As noted in the Committee’s call for evidence, the Government’s policy objectives are to:
   • improve work incentives;
   • smooth the transitions into and out of work;
   • simplify the benefits system;
   • reduce in-work poverty; and
   • reduce fraud and error.

6. We believe that there is a reasonable consensus that the existing benefit system is in need of reform and in principle the above are laudable policy objectives. The existing rules are highly complicated to understand, apply and administer, they create many anomalies and perverse incentives and appear prone to fraud and error.

7. In principle, therefore, UC offers an opportunity to tackle these problems. The key test is whether the design and implementation of UC can deliver benefits in all these areas. As chartered accountants and business advisers, our particular areas of expertise in this area are:
   • the interaction of UC with self employed/small businesses; and
   • progress with the IT system that will underpin UC claims, namely HMRC’s Real Time Information. The latter will affect all businesses that have employees.

8. Our key concerns highlighted below are that the proposed implementation of UC in these two areas may not realise the policy objectives. In particular an emerging concern is that the proposals in these two areas are likely to be highly complicated and administratively much more burdensome on businesses than the existing rules.
9. We are concerned about the proposals for implementing UC for the self-employed and small businesses. As it stands at the moment, the proposals will impose significantly increased burdens on this sector which conflict with the policy objective to simplify the system. We have a number of detailed concerns about the impact on small businesses. Given the committee’s request to keep submissions to no more than 3,000 words, we have summarised our concerns below.

- **Currently the self-employed claiming benefits such as tax credits submit a yearly return of income. Under UC, they will need to submit a monthly return of income.** The administrative burden on the self-employed and small business owners claiming benefits will therefore increase by a factor of twelve.

- **The monthly return must be submitted within seven days of the end of each month, otherwise UC payments will be suspended.** That is a very short time in which to pull together the right paperwork while running your own business.

- **Businesses can only report online.** Clearly it is right that in the longer term the UK and its citizens should embrace a digital future. However, it is wrong to have this imposed on those who are not ready, particularly as many of the citizens claiming UC may be vulnerable and need more support. Recent data shows one in ten businesses don’t use the internet. Many more (particularly in rural areas) cannot access broadband at reasonable speeds. Another recent report stated that 7.8 million adults in the UK (more than 10% of the population) have never used the internet. These people will struggle to make a claim, either because they will not have the equipment and/or the necessary competence. Further, many questions remain about Internet security, so UC claimants are unlikely to wish to report sensitive financial information on a public computer in, say, a library.

- **Self employed claimants could be asked to report in two different ways by two different parts of government.** To claim UC, DWP proposes everyone to submit monthly reports using cash-based accounting (where receipts and expenses are recorded during the period they are actually received and paid) rather than accruals accounting. We have highlighted below our concern about the proposal to use cash accounting. Leaving this aside, adoption of cash accounting is potentially in conflict with the tax rules which are based on accrual accounting, although HMRC is currently consulting on whether small businesses could opt to submit tax returns based on cash accounting. Unless reporting for UC and tax are joined up properly and on a consistent basis, there is a risk that some small businesses will, have to prepare two totally different kinds of account, causing confusion and an increase in admin burdens.

- **The proposal to use cash accounting for UC needs to be rethought.** Cash accounting offers a distorted view of people’s income. A self-employed retailer might buy in stock in January and show a big drop in income, but sell it in February, showing a spike in income. Their monthly UC payments will not reflect their actual financial circumstances, so may distort income flows rather than supporting those on low incomes.

- **We are concerned that DWP is forging ahead with cash accounting for UC when other parts of Government are (rightly) cautious about its adoption.** The Office for Tax Simplification considered that it should only be offered to cash-based businesses with a turnover below £30,000, and HMRC are considering it with great caution. It is important that DWP does not make a premature decision on cash accounting without proper consideration of the knock-on implications elsewhere.

- **UC’s rules will hit those trying to move from welfare to work using self-employment as a stepping stone.** Under the ‘gainful self-employment’ rule, recipients won’t be able to be employed part-time while building up their own business. That’s because UC rules require claimants to be working at their self-employment for at least half the expected number of working hours for the system to realise that self-employment. Otherwise, they’ll need to agree to find other work.
• The IT system UC will rely on will not be fully implemented in time, and many kinks and problems in the system haven’t yet been addressed (more detail follows in direct response to the committee’s questions on RTI).

10. Should the committee be interested, we can on request provide more detail on the points set out above.

11. In the light of the above concerns, we have recommended the following to the DWP:

- Revise the reporting process to give the self-employed more time to prepare and report their information.
- Provide alternative ways to submit information, for example telephone or postal submissions.
- Consider an alternative system for UC claims by business claimants, based on the current tax credits model. This will allow businesses that already use GAAP-based accounts and income tax rules to use them for UC claims too.

REAL TIME INFORMATION

12. The design of UC is underpinned by RTI for PAYE taxation being developed by HM Revenue & Customs. Under RTI, employers will submit monthly data electronically to HMRC of employee earnings, tax and NIC paid etc. HMRC will then forward data to DWP which will be used to validate any UC claim.

13. It is important to appreciate that RTI is a major extension of the existing PAYE reporting system which HMRC is implementing for a variety of reasons of which UC is only one aspect. It will provide detailed information to HMRC monthly in respect of all employees, whether or not the employees make a UC claim. The RTI data will then be passed to the DWP through a gateway and this information will then be used by DWP to validate UC claims. However, our intelligence is that the gateway has not yet been built, so at this stage we do not know what information will be submitted over the gateway to the DWP and how it will be used by the DWP to validate UC claims.

14. The Committee has asked for comments on RTI and following discussions with the Committee clerk a number of specific questions have been identified. We have set out these questions and our comments below. However, we have a number of concerns about RTI and the extra burdens that it will impose on businesses.

ANSWERS TO THE COMMITTEE’S SPECIFIC QUESTIONS ON RTI

What issues have been identified so far during the RTI pilot and how are these being resolved? It has been suggested that only a small percentage of records have been successfully matched during the pilot – is that the case and if so what is the problem and how is it being resolved?

15. We do not have this information, and suggest you ask HMRC for clarification. Clearly, for RTI to support UC it is essential that data is accurately matched. This will involve HMRC matching the data to payment and its own standing data, the successful transmission through the gateway and the DWP then matching that data to a UC claim. In principle this should streamline admin and provide a joined up service. However, there a number of processes involved and given the short timescale and lack of detailed information about the precise IT solutions, the scope for problems arising looks considerable.

Is the objective of getting all employers on to RTI by October 2013 still achievable?

16. Given that RTI is a significant increase in admin existing burdens and will apply to all employers, the timetable appears challenging. We assume that HMRC will be able by that date to notify all employers that they must submit RTI but in practice we expect many smaller
businesses to struggle to comply, especially those who are not computer literate or are in areas where broadband connectivity is poor.

Employers have indicated that the migration is too rapid – what response has been made to their concerns?

17. As far as we know, HMRC has not responded to those concerns. We think many employers do not know that they must migrate to RTI between April and October next year. We expect that HMRC are well aware of the scale of the challenge of alerting and educating employers, both before the changeover and to support employers afterwards. We have been doing our best to raise our members’ awareness of the deadline and are currently working with HMRC on a webinar scheduled for transmission next month. Many employers would prefer mandation from 6 April, to coincide with the start of the payroll year, but for many businesses 6 April 2013 would be too soon, so there is a case for putting the date back to 6 April 2014.

All businesses will have to conduct a data checking and collection exercise to verify their employee details before their first RTI submission. HMRC is also conducting a data cleansing exercise of its PAYE records. What support will be available to resolve initial data verification problems, especially as the number of new employers joining RTI increases significantly?

18. Employers who have submitted their initial cleansed data to HMRC tell us that the flow of data is only one-way – i.e. HMRC isn’t feeding data back to employers to help them to correct their records.

Software suppliers have indicated that there is insufficient time to develop the required new products – how is this being resolved?

19. Software houses have also told us that HMRC have taken longer than expected to provide software specifications, which has delayed software writing.

It has been suggested that the pilot has provided insufficient opportunity to test the at-or-before issue because ad hoc payments are permitted without the requirement to submit a Full Payment Submission (FPS) – how and at what stage will the at-or-before issue be tested?

20. We have also asked HMRC about this, and recommend you ask them to respond. The pilot is at an early stage, and we suspect employers have not yet had to face up to the complicated aspects of RTI, for example the on-or-before deadlines included in our list of examples (appendix 2, page 15) of when employers will find it impossible or impractical to meet the deadline for making the Full Payment Submission (i.e. submitting the RTI report).

Is the Interim Solution accurate enough for Universal Credit?

21. Yes, it is probably sufficiently accurate, especially as it will be corroborated by input from claimants.

Can it guarantee real time accurate data?

22. It is not possible to guarantee 100% accurate real time data, but it is probably sufficiently accurate when corroborated by input from claimants.

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1 APPG report para 158
What is the impact on the delivery of the Universal Credit system of RTI initially being delivered via the Interim Solution rather than the Strategic Solution?

23. The main impact is that RTI can be implemented on schedule even though most employers do not initiate payments by BACS because it’s more costly. If the strategic solution had been imposed on employers from day one, most employers would not have been able to comply.

Is there a greater chance that earnings data will be inaccurate?

24. We understand that the BACs solution matches the data submission with payment whereas the interim solution does not do so. There must therefore be a greater chance that earnings data under the interim solution will be inaccurate.

Could there therefore be a greater number of over and underpayments and subsequent adjustments in benefit payments?

25. Yes.

Could there be delays in earnings information reaching DWP if HMRC data matching takes longer than planned?

26. Yes.

Lord Freud has said that Universal Credit will be able to function if necessary without RTI, through self-reporting of earnings by claimants.

How would self-reporting operate in practice, both for online and for telephone claims? (Who would claimants ring to report their monthly earnings? Who would enter this data online? How would telephone claimants check the monthly earnings figures actually used to calculate their benefits?)

27. In principle this would appear possible, although we would have expected that the extra admin costs will be considerable and would negate one of the key policy drivers behind UC and RTI. We suggest it is taken up with the DWP.

What contingency plans does DWP have for running UC without RTI?

28. We do not know and suggest you take it up with the DWP. As noted above, we believe that UC can be operated without RTI, as claimants will need to claim UC and will continue to receive payslips etc against which data could be checked. It would appear sensible risk management on the part of DWP to ensure that the system can function if there are problems with RTI. However, the potential benefits of a streamlined and joined up service would be lost.

What additional resources would DWP need to run self-reporting if RTI were not available (for example how many staff to provide extra telephone services and to enter monthly earnings data for claimants)?

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While electronic payments are transmitted through the banking system via BACS and most employees receive their salaries/wages via BACS, most employers do not initiate BACS payments. Payments set up using internet or telephone banking, whilst paid via BACS, are not BACS payments as defined for the purpose of the strategic solution, because they are not initiated under BACS using a Service User Number (SUN), the unique six digit number allocated to organisations authorised to use the BACS service.
29. We are not in a position to answer this question and suggest you ask the DWP directly. Much will depend upon exactly how UC claims will be made and how the DWP intends to use the RTI data sent via the gateway to validate UC returns.

30. It is important to remember that RTI is being rolled out by HMRC independently of UC, so RTI is likely to be required regardless of how the data will be used, if at all, to check UC claims. That being the case, we believe that the Government has seriously underestimated the costs to employers and agents of implementing RTI, and that the extra burdens on many small businesses will be substantial. We do not know the costs incurred by of HMRC to implement and administer RTI but we suspect they are also substantial and should be clarified with HMRC.

   How will ad hoc payments such as annual bonuses and benefits in kind be treated under RTI? How will UC payments be adjusted?

31. RTI is a fundamental change in the way that payroll information is reported to HMRC. However, RTI will not change the way earning are treated for tax, national insurance or PAYE. That includes annual bonuses and benefits in kind, which will be treated the same way they are now. Benefits in kind will continue to be reportable on forms P11D and, where they are payrolled voluntarily by employers, will be shown in a separate field on the RTI Full Payment Submission so that they can be distinguished from those earnings that employers are obliged to subject to PAYE.

   What information assurance training will be provided to staff handling earnings data?

32. Individual government departments and individual employers will have to determine this.

   How will data security work in practice, especially for those claimants using computers in public places to enter their monthly earnings data?

33. As noted earlier this is likely to be could be a major problem, particularly for the digitally excluded, those without a decent broadband connection, and those whose business doesn’t require internet access.

17 August 2012
Written evidence submitted by Fiona Nicholson

1. I am a self-employed home education consultant and I have benefited greatly from Working Tax Credit in setting up and running my business over the past few years. I made the transition to self-employment following an extended period of voluntary work with the home education support charity Education Otherwise. Since becoming self-employed I have also engaged in a voluntary capacity with the Spartacus Group of disability activists and I am credited as co-author of the Spartacus submission to the DWP consultation on Personal Independence Descriptors published in April 2012. I also collaborated with Dr Sarah Campbell on Past Caring, published in July 2012, which is an analysis of Worcestershire Council’s proposals for a Maximum Expenditure Policy.

2. This memorandum is narrowly focused on the implications of Universal Credit for self-employed people and I have taken my information from the Draft Regulations for Universal Credit; the Explanatory Memorandum on Universal Credit Regulations prepared for the Social Security Advisory Committee, both published in June 2012 and; the Note on Transitional Protection published in July 2012.

3. Paragraph 160 of the Explanatory Memorandum, which is a 59 page document, confirms that the Government intends to implement the Minimum Income Floor proposal, originally put forward in the White Paper on Universal Credit, which will limit the amount of Universal Credit a claimant can receive while declaring themselves to be self-employed on low income.

4. Paragraph 162 of the Explanatory Memorandum goes on to explain that claimants who declare that they have income from self-employment, or who are self-employed with no income, will be invited to a “Gateway” interview where they will be asked to demonstrate that they are in “organised, developed self-employment carried out in the expectation of profit.”

5. Paragraph 163 of the Explanatory Memorandum states that “types of appropriate evidence will be set in guidance, but examples may include diaries of appointments, lists of customers and suppliers, proof of tax registration with HMRC, marketing materials to secure new business, a business plan, receipts for stock purchased, order and sales records and bank statements.”

6. According to paragraph 162 of the Explanatory Memorandum, the claimant will be required to demonstrate that self-employment is “taking up the majority (i.e. at least half) of the claimant’s work week – this would be 18 hours a week for claimants with no limits on their working time, but lower for claimants with caring responsibilities or disabilities, for example” and also that the self-employment is “done with the intention of increasing the income received to the level we could expect the claimant to make if working full time (for their circumstances).”

7. Paragraph 164 of the Explanatory Memorandum states that where the claimant is accepted as being in gainful self employment for Universal Credit purposes and has been
in gainful self-employment for less than a year he/she will be granted a start up period, otherwise he/she is to be subject to the Minimum Income Floor.

8. The Minimum Income Floor is explained in paragraphs 166 to 169 of the Explanatory Memorandum on Universal Credit, where we learn that the level has not yet been set – despite publicity elsewhere about the notional income’s being derived from the minimum wage – and that as of June 2012 Department for Work and Pensions is “working with other government departments to determine what the optimum design will be so that claimants become less reliant on benefits.”

9. Paragraph 168 of the Explanatory Memorandum on Universal Credit 168 recognises the limits some claimants who are able to work have on the amount they can be expected to work, for example if they are the lead carer for a school-age child or have a physical impairment. The Department of Work and Pensions states that “in setting the final design of the Minimum Income Floor, we will carefully consider these tailored easements.”

10. Paragraphs 169–170 of the Explanatory Memorandum on Universal Credit set out the expected provisions for the “Start-Up Period” whereby claimants who satisfy the Gateway checks on their self-employment and are within one year of starting out in self employed activity, will be eligible for the “Start-Up Period”, covering one year from the date of claim within which the Minimum Income Floor will not be applied, and where the claimants’ Universal Credit award will be calculated based on their reported income, even if that is £0 in any assessment period. Paragraph 169 states that claimants will be eligible for only one Start-Up period in their working lives.

11. Paragraphs 171–188 of the Explanatory Memorandum on Universal Credit set out the proposed requirements for reporting self-employed income on a monthly basis – ie “the assessment period” – with paragraph 173 giving further details of the simplified “cash income” basis which asks for the total income from receipts into the business and the details of payments out of the business under defined categories in the assessment period.

12. Unsurprisingly the proposals for monthly reporting require much explanation and appear designed to discourage the majority of claimants. Paragraph 186 states that “claimants will receive messages towards the end of each assessment period [ie every month ] warning them that they will need to make an income report once the assessment period has finished.” It would seem that the current plan is for the amount of the monthly subsidy to be automatically recalculated based on allowable income fluctuations worked out by the claimant and submitted via an online claim form within 7 days every month.

13. In the Draft Regulations for Universal Credit, which is a 92 page document, self-employment is dealt with in pages 29 to 31. Gainful Self-Employment is defined in paragraph 57 and the Minimum Income Floor is mentioned in paragraph 58–(1) as follows: “Where, in any assessment period, a claimant is in gainful self-employment and their earned income in respect of that period is below £... [amount/s to be determined], the claimant is assumed to have earned income equal to that amount.” Once again, the
amount is left blank, though media reports have suggested that it will be based on the minimum wage.

14. The Transitional Protection Note explains that transitional protection will be calculated by comparing the total household monthly benefit and tax credit receipt at the point of migration with the total first household Universal Credit entitlement. Where the Universal Credit entitlement is lower, Transitional Protection will be awarded as a cash amount to make up the difference.

15. However, we are told that transitional protection will “not be offered to self-employed claimants against the effects of the Minimum Income Floor. In these cases, the Transitional Protection calculation will be carried out prior to the Minimum Income Floor being applied. Once the Minimum Income Floor is applied the household will retain their Transitional Protection amount, but no further protection will be provided. This will ensure that claimants’ circumstances other than those related to earnings are protected.”

16. My view is that the proposals for self-employment and Universal Credit do not take into account the full range of circumstances in which people move into self-employment and the time it takes to establish a self-sustaining business. In addition, the monthly online reporting requirements are virtually impossible to explain, let alone to understand.

17 August 2012

i  http://edyourself.org/
ii  http://edyourself.org/articles/EO.php
Written evidence submitted by the Low Incomes Tax Reform Group

Who we are

1.1 The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998 LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those on low incomes.

1.2 The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT’s primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.

Executive summary

2.1 There are five aspects of the implementation of universal credit (UC) to which we wish to draw the Committee’s attention.

- **The accumulation and transition of tax credit debt.** HMRC and DWP need a clear and well thought-out strategy to ensure that the start of UC is not blighted by inheriting the £6.5 billion debt that may have accumulated in tax credits by 2014/15.

- **The situation of claimants who will be self-employed.** The proposed treatment of the self-employed under UC will represent a massively retrograde step from current practice under WTC. The combination of the proposed system of accounting for profit and the minimum income floor will give a wholly distorted view of how the business is actually doing; the monthly reporting will add greatly to burdens on small business; and the definition of ‘gainful’ self-employment could deter claimants from starting and building up their business by engaging in it part time while being employed the rest of the time.

- **The potential difficulties inherent in a substantial shift to online claiming.** In order to maximise take-up of UC, it will be necessary to pursue a multi-channel approach, encouraging and supporting people to transact online but continuing to offer robust alternatives. This is particularly important for the self-employed, whose reporting requirements under UC are much more significant than their employed counterparts.

- **Aspects of the RTI feed from HMRC to DWP,** looking particularly at claimants who will fall outside RTI or whose payment patterns will not be conducive to RTI. This includes people who are treated as self-employed by their employer (probably as a ruse to avoid RTI) but are in reality employed; those who are paid weekly, or at irregular intervals other than a month; and those whose employers are digitally excluded small and micro-businesses.

- **The impact of the civil penalty where claimants’ PAYE data is erroneous.** There is a danger that the civil penalty could be used to penalise claimants who fail to spot errors in the PAYE codes which are fed through to RTI data thereby giving rise to overpayments of UC.
2.2 Our colleagues at the Chartered Institute of Taxation are responding separately and in detail about self-employment and RTI.

Accumulation of tax credit debt in universal credit

3.1 The HMRC accounts for 2011/12\(^1\) disclose that by 2014/15 claimants could be in debt to HMRC by some £6.5 billion. The way in which tax credits was designed – on the basis of pay now, fix entitlement later – has contributed to the current debt levels, as have both claimant and departmental error and delay.

3.2 There are provisions in the accounts for HMRC to write off tax credit debt that has accumulated as a result of HMRC not meeting their responsibilities (i.e. official, or administrative, error), or debt that is judged irrecoverable. In 2011/12 HMRC wrote off £1.7 billion, some £1.2 billion being written off in respect of old debts where no recovery action had been taken in the previous 12 months. That write-off brings outstanding debt to within HMRC’s target of £4 billion at 31 March 2012, although some £2.3 billion of that is regarded as unlikely ever to be recoverable.

3.3 Tax credit debt of £1.8 billion accrued in 2011/12 and HMRC estimates another £1.6 billion will accrue in 2012/13 in part due to recent Budget changes. By the very nature of tax credits, this debt will be largely owed by low income families. An unspecified part of this debt is likely to be due to compliance initiatives (i.e. checks, enquiries and other investigations by HMRC into possible error or fraud by claimants). Yet in 2010/11 the amount of error and fraud in the system increased in comparison with 2009/10 which is worrying.

3.4 Accumulated tax credit debt will become UC debt on transition. The basic design of UC is less likely to attract debt in the same way that tax credits did. But nor is it simple; its own complexities contain massive scope for claimant and official error. The last thing it needs is an importation, right at the outset, of a legacy of outstanding debt from the very system it is intended to replace. A clear and well thought-out strategy on how to manage this inherited debt needs to be in place long before the transition actually goes ahead.

Claimants who are self-employed

4.1 Hitherto, working tax credit has been relatively effective at supporting the newly self-employed. We are very concerned indeed that the proposed arrangements for self-employed claimants of UC will be a massively retrograde step in the way the welfare system supports those who choose the self-employed work option.

4.2 Many aspects of the changes will create huge extra administrative burdens for small businesses, and force many small business proprietors to report to the DWP on the basis of a distorted view of how their business is really doing in economic terms. We cover these in detail in our response to the SSAC consultation on the draft regulations\(^2\) but we would like to draw the Committee’s attention particularly to the following:

\(^1\) C&AG Report: HM Revenue and Customs 2011/12 Accounts (HC 38 2012/13)

\(^2\) Available on our website at [http://www.litrg.org.uk/News/2012/uc-draft](http://www.litrg.org.uk/News/2012/uc-draft)
• the proposal to make businesses account for their ‘profits’ month by month on a basis that differs significantly from that used by HMRC for income tax self-assessment or for VAT, and bears no relation to generally accepted accounting practice principles as it ought;
• the choice of a monthly assessment period which in most cases will be aligned neither with the PAYE period nor with the accounting period of the business simply adds to the complexity;
• distortions arising from applying a monthly cash basis with no provision for carry-forward of negative results (i.e. losses), and the added complication of a minimum income floor which will turn what is in fact a negative result into a wholly artificial profit for the period. This is an accounting nonsense.

4.3 The minimum income floor is itself a major obstacle to anyone hoping to set up in business on their own. The start-up period is too short for most businesses; the denial of a second or subsequent start-up period is a serious practical disincentive to anyone to setting up in self-employment more than once in a lifetime; and there is simply no recognition of when businesses experience a genuine ‘dip’ in profits, or reinvesting to expand or taking on a new employee.

4.4 The examples in Appendix A show how a self-employed claimant can earn the same amount as an employed claimant, but receive less UC because of the distorting effect of the MIF.

4.5 In addition, the rigid definition of ‘gainful self-employment’ risks forcing people into work search requirements if they, for example, choose to work part-time in an employed capacity and part-time (but slightly less than their expected number of working hours) building up their own business.

4.6 We recommend that:

1. The same definition of self-employed earnings, or profits, should apply for both tax and benefit purposes; or at the very least, negative results (ie, losses) should be capable of being carried forward and set against profits of future assessment periods; or an annual reconciliation should take place so that by the end of each year, a business’s earnings for DWP purposes should at least bear some relation to its actual results.
2. The minimum income floor should be restricted to cases where there is manipulation of profit in order to maximise entitlement to UC. At the very least, its application should be suspended or restricted during periods of economic difficulty.
3. The rules on ‘gainful self-employment’ and conditionality should be flexibly applied where, say, a claimant is in employment part-time and spending the rest of the working week developing a business. It is critical to a successful economy to recognise these new working patterns and build them into the rules which should be clear and unambiguous.

Online claiming

5.1 Many claimants will benefit from accessing UC through their own individual online account. There will of course be a significant minority of claimants who may be unable, or find it too difficult, to claim online or manage their account online because they do not have access (or have only limited access) to a computer or the internet. Among those who are able to access the internet,
many will not have the skills or confidence to set up or manage an account online. Some claimants may have security concerns which deter them from using an online channel.

5.2 We understand that the DWP envisage some form of ‘assistance to digital’. In our view, such assistance must have two strands: encouraging and helping claimants to go online where they possibly can, and offering robust alternative channels to those who cannot.

5.3 In our report Digital Exclusion (May 2012)¹ LITRG found that nearly half of those seeking help on tax and tax credit issues did not have access to a computer. Of those without access less than a quarter would want to carry out personal business online, even if barriers such as affordability could be overcome. This suggests any substantial shift to claiming and managing one’s claim online will have to make allowance for substantial numbers of ‘paper and post’ hold-outs for some time to come, particularly as the demographic of UC claimants will be similar to the majority of tax credit claimants, and will comprise the sector of the population that most frequently needs help in their interactions with Government.

5.4 Our report found that the most common determinant in digital exclusion was age, but other significant factors, often combined with low income, included a disability, learning difficulties, location, culture and language. Digital exclusion was prevalent among small businesses and the self-employed. Lack of inclination and lack of expertise were the most common reasons for not wanting to carry out personal business online; doubts over security and affordability were also significant deterrents. Digital exclusion will continue to persist – a ‘hard core’ group will remain excluded for some time to come.

5.5 While doing business online wherever possible makes good economic and administrative sense for both state and citizen, it is vital to ensure that the shift to online claiming does not result in UC becoming any less available to those digitally excluded groups than to claimants who are IT-literate and have a decent internet connection. The approach must be an inclusive one at all levels.

5.6 Any such strategy should take into account accessibility of computers and internet connections for low-income households. It is sometimes suggested that public computers in libraries or internet cafes are generally available, but at a cost in terms of security and increased incidence of fraud and error. People carrying out financial transactions on public computers are more vulnerable to being watched by strangers, or if they fail to close and log out of a session completely they leave themselves open to fraud. And with libraries closing, the chances of there being a public computer with internet access within easy walking distance of all UC claimants, or at the very least a short journey by public transport, are slim. Such considerations must not be glossed over when devising a strategy.

5.7 Digital exclusion does not just denote inability to use computers; it can also embrace those whose computer skills, or functional skills, are inadequate for particular tasks. Between the digitally competent at one end of the spectrum, and the hard core who will never make it online at the other, falls a range of users who are comfortable using online channels for some things but not for others – for example, they may use a computer for emails and social media but not for internet banking. To

¹ Digital exclusion – a LITRG report (May 2012) – see http://www.litrg.org.uk/reports/2012/dig-excl
assist such people and encourage them to use the digital channels, online claiming should be made as simple as possible, must be accompanied by easy to access guidance and customer support, and must be robust and secure. Savings resulting from reduced delivery costs of online claiming should be reinvested in recognising the role of intermediaries and the voluntary sector in supporting such groups of claimants.

5.8 In summary, to maximise take-up of UC, it will be necessary to pursue a multi-channel approach, encouraging and supporting people to transact online but continuing to offer robust alternatives. This is particularly important for the self-employed, whose reporting requirements under UC are much more significant than their employed counterparts.

Aspects of the RTI feed

6.1 Again, in our response to the SSAC we set out our concerns about those with employed earnings who fall both within and outside RTI in some detail. We would draw the following significant and worrying issues in particular to the Committee’s attention.

‘Bogus’ self-employment

6.2 There will be those claimants whose employers treat them as self-employed, even though the relationship between the worker and the engager is in reality one of employment. The workers have no real choice in the matter – either they work for that employer on those terms, or they look elsewhere for work and face whatever sanctions are imposed for failure to take up the work that is offered.

6.3 The incidence of what is sometimes referred to as ‘bogus self-employment’ is likely to increase where employers find RTI impossible or unduly burdensome and seek to avoid it by treating their workers as self-employed. It will be important to minimise this risk as far as possible.

6.4 Alternatively, the nature of the engagement might not be fully understood by the ‘employer’ or worker or might be borderline employment/self-employment, leading to a decision rightly or wrongly that the status of the worker is self-employed.

6.5 In either case, by the time HMRC compliance teams catch up with the employer and re-categorise the workers as employees, the workers may already have been treated as self-employed for a period with all that that entails – attending gateway interviews, monthly self-reporting of earnings, minimum income floor, and so forth. They may then face retrospective adjustment of their tax and PAYE position – although it is unlikely that their UC position will be retrospectively adjusted even though while nominally self-employed they will have been subject to a minimum income floor and other restrictions which do not apply to employed earners.

6.6 These workers are in a seriously vulnerable position and are likely to get caught up in the cross-fire between HMRC compliance teams and the rogue employers.

Employees who are paid irregularly, or at intervals other than a month

6.7 For those who are paid weekly, or at regular intervals other than a month, or at irregular intervals, the choice of a monthly assessment period could result in ‘lumpy’ and irregular patterns of UC entitlement, given that their UC entitlement will be based upon actual PAYE receipts during a UC
assessment period which will normally be different from their pay period. This effect could be avoided by aligning the UC assessment period with the PAYE month, rather than the rather arbitrary alternative proposed. Their position may be further exacerbated by the RTI requirement that the employer account to HMRC ‘on or before’ paying the employee – we understand that HMRC may relax this strict rule, but there will remain the problem of UC being based on RTI data relevant to a different period.

*The position of claimants whose employers are digitally excluded*

6.8 The success of UC will depend on the success of RTI. All the signs are that HMRC will apply the full rigour of their enforcement procedures to deter non-compliance with RTI. There is however a distinction between those who can comply but choose not to, and those who cannot. Within the latter category are a sizeable minority of digitally excluded micro-businesses who cannot, or find it excessively difficult, to use or access computers or the internet. An initial rigorous application of penalties in this area to the wrong people will be hugely damaging to trust.

6.9 Employees of small business falling within those categories are at risk of being excluded from RTI, unless departmental strategies are designed with the needs of such enterprises in mind.

Where the efficacy of a welfare system such as UC depends so much on online engagement, both HMRC and DWP must have an effective and joined-up strategy to deal with the digitally excluded. Such a strategy must be educative rather than compliance-driven; penalising people who cannot use online channels for their inability to use them, which is the strategy practised by HMRC at present, will not help them achieve the impossible. It simply creates hard cases – and hard cases make bad law.

6.10 Part of the problem is an inadequate assessment by HMRC of the risks presented by digital exclusion¹. HMRC’s Tax Information and Impact Note² recognises the difficulties faced by care and support employers and those who are digitally excluded because of their location. But it says nothing about the broader categories of digitally excluded employers, such as those whose digital exclusion derives from their age or a disability. It is essential that HMRC and DWP recognise those categories, and provide a coherent and joined-up strategy for small and micro-employers based on helping them go online where possible, and alternative channels (such as telephone or paper) where that is not possible. Otherwise there is a risk that HMRC will be in breach of equality law.

**Consequences of errors in RTI data or where system does not work or is inaccessible**

7.1 The civil penalty for negligent mis-statement³, or for failure to provide information (whether negligent or unintentional) which results in an overpayment, is likely to compromise claimants who fail to spot that there is an error in the RTI data used to calculate their UC. Their failure may be due

¹ LITRG press release Tax information obligations will present problems for small employers – 26 April 2012 (http://www.litrg.org.uk/News/2012/tax-info-obligations)


³ Welfare Reform Act 2012, section 116
to no more than a lack understanding of the PAYE system and PAYE documentation and a general lack of numeracy.

*Example*

Peter has two jobs, working 25 hours a week in the first and 20 hours a week in the second, each at £6.50 an hour. The first job is on a personal tax code (we assume 910L for 2013/14), the second is on a basic rate (‘BR’) code.

Peter’s monthly pay and tax (ignoring employee national insurance) is:

- £700 in job 1 (no tax as his personal allowance will be over £750 a month)
- £560 in job 2 (tax at 20% is £112)

In November 2013, Peter loses job 1 when his employer becomes insolvent. The employer does not submit final RTI data and no immediate notification is made to HMRC of Peter’s job loss. Peter’s second job continues and basic rate tax deductions continue to apply, as Peter does not understand that he can contact HMRC to get his personal allowance allocated to job 2.

From November 2013 to March 2014, Peter therefore pays too much tax. His net pay reported to DWP for UC purposes will be artificially low. This is only picked up after 5 April 2014 when HMRC reconcile his record and issue him a refund for the overpaid tax. This refund will not be taken into account for the purposes of Peter’s UC income calculation, as the draft regulations only provide for PAYE deducted or refunded by the employer to be taken into account.

7.2 It is essential that the penalty processes should concentrate on deterring deliberate or reckless default, and not stray into penalising errors that are not the fault of the claimant.

**APPENDIX A**

**Example 1**

Claimant A, who is in employment, earns £10,125 in a tax year after deduction of tax and national insurance, while claimant B, who is self-employed, earns £10,096. The employed claimant’s UC is based on net income of £10,125. However, assuming a MIF equal to 35 hours work at the national minimum wage (NMW), the self-employed claimant’s UC will be based on an income of £11,166, which is £1,042 more than Claimant A even though Claimant B’s net income is the lesser of the two.

**Example 2**

Claimant C (employed) and Claimant D (self-employed) each earn £939 gross in the month of January 20xx. Using (for the sake of argument) figures for the tax year 2012/13, Claimant C will pay income tax via PAYE of £51 and Class 1 national insurance of £36, leaving a net income for UC purposes of £852. Claimant D’s self-assessment payment on account for the tax year is due in January, so Claimant D pays £466 income tax and £13 Class 2 national insurance, leaving a net
income of £460. However, because UC requires Claimant D to take the higher of actual results or the MIF, Claimant D’s income for UC purposes for the month of January will be £939 (NMW at 35 hours a week). Thus the self-employed claimant, with the same gross income but a lower net income than the employed claimant, will be deemed to earn £87 more than the employed claimant in a single month because the MIF is applied to net income (rather than gross income).

17 August 2012
Written evidence submitted by the Confederation of British Industry (CBI)

1. The CBI is the UK’s leading business organisation, with offices around the UK as well as representation in Brussels, Washington, Beijing and Delhi. The 240,000 businesses the CBI represents employ around a third of the private sector workforce, a significant percentage of those that will be affected by HMRC’s move to a ‘Real Time Information’ payroll system (RTI). CBI members are therefore crucial to the government’s successful introduction of Universal Credit.

2. The CBI supports the introduction of the Universal Credit as a way to simplify the benefit system and increase claimants’ financial incentives to work. An overhaul of our overly complex benefit system was overdue and the improved labour market incentives the new benefit design brings are positive. By making it easier for existing employees to work more hours or begin work, the new benefit should help businesses resource effectively when demand rises. Our attached briefing note The Government’s Welfare Reform: Universal Credit sets this out in further detail.

3. However, the Universal Credit’s successful implementation at a business level is wholly dependent on how effectively HMRC handles the major transition to Real Time Information (RTI), the new payroll system where employers will tell HMRC about PAYE payments at the time they are made, rather than at the end of the year. This is a significant operational change for businesses. The CBI is concerned that the new system’s tight delivery timetable, coupled with low awareness among companies, is a risk to business and to the implementation of the Universal Credit. Government must take immediate action to ensure the system will be delivered without placing additional burdens on business.

4. In this submission, we argue:
   o Universal Credit must be as simple as possible and increase incentives to work effectively
   o successful implementation of Real Time Information is critical to making the Universal Credit work
   o benefit reform needs to be underpinned by efficient welfare to work services

Universal Credit must be a simple as possible and increase incentives to work effectively

5. The key strength of the Universal Credit is simplicity. As one single benefit, it consolidates the existing multitude of in and out of work benefits into one monthly payment. This represents a considerable improvement on the current benefits landscape, which is often complex and difficult to understand. Under the new single benefit, claimants will not have to calculate how much each individual benefit they claim would be reduced if they took up work and how this would impact on their overall income. Cutting through this complexity is welcome and should make it easier for claimants to understand the financial benefits of taking up work or working more hours.

6. However, there is a real risk that this simplicity is lost during implementation. Universal Credit has the potential to be a big improvement on the current benefit system, but complexity is starting to creep back in. A case in point is the Explanatory Memorandum for the Social Security Advisory Committee on the benefit’s regulations, which sets out the detail of the policy. The document spans 59 pages in total, with much of the detail on individual elements of the benefit in further supporting documents. If you have to be an expert to understand how the new benefit works to claim it, the new benefit won’t work as an incentive. For businesses, this means they will feel the additional burden of RTI but will not benefit from the additional labour market flexibility the Universal Credit could introduce. To avoid undermining the new benefit’s effectiveness, we therefore recommend that the DWP makes simplicity a key criterion in their introduction of the Universal Credit and its ongoing monitoring.

7. In addition to simplicity maximising incentives to work is essential. This reform is also a good opportunity to assess how key barriers to work can be lifted, specifically the availability of low-cost
childcare and transport. These financial factors often limit people’s ability – and sometimes willingness – to find and hold down a job. The current design of the Credit does not mitigate against these problems, which have dogged the effectiveness of welfare-to-work for many years.

- **Childcare**: The government should exclude Ofsted-regulated childcare costs element from the Universal Credit taper. Under the Universal Credit childcare costs are exempt from the benefit cap, but they are subject to the taper. This means that of the 70 percent of childcare costs households can theoretically claim back from government many families will effectively only be able to claim back 25 percent.\(^1\) With the cost of childcare representing a key barrier for women in taking up work, reducing the pool of labour employers can draw on, excluding childcare costs from the Universal Credit taper could help more women to enter the labour market.

- **Transport**: The government should also reconsider the role of transport within the Universal Credit. Transport costs represent a significant barrier to work for most claimants. They can take up a substantial amount of average monthly earnings amongst workers in the lowest pay bracket, meaning taking up work often simply does not pay.\(^2\) It is therefore important that the government reconsiders the role of transport within the Universal Credit to ensure transport costs do not disincentivise claimants from taking up work.

8. The wider programme of benefit reform represents another opportunity to reduce complexity. In addition to the Universal Credit, a number of other benefits, so called ‘passported benefits’\(^3\), will initially coexist alongside the new benefit. Given the scale of the challenge of introducing the Universal Credit it is however sensible that these benefits remain outside the new benefit for now to maintain the deliverability of the programme.

**Successful implementation of Real Time Information is critical to making the Universal Credit work**

9. Universal Credit’s success depends on HMRC smoothly implementing RTI under extremely tight timelines. To work effectively, Universal Credit needs to have access to good-quality, up-to-date claimant data. For the majority of Universal Credit claimants this will be sourced from HMRC, through its new RTI system. This means it is critical that RTI is working and in place before Universal Credit comes in.

10. While initial feedback from employers involved in the RTI pilot has been satisfactory, with officials providing adequate support when the system fails, we are concerned that such support will not exist when the programme is rolled out at scale. In addition, the implementation timetable for RTI is extremely tight, allowing no time for slippage. Businesses need to be reassured that RTI can be delivered and that plans are in place in case something goes wrong.

11. HMRC must minimise the additional burden on businesses through RTI and clarify what information employers will be required to submit. Employers are still unclear what information they will be required to submit under RTI, making it impossible for them to prepare adequately for the new system. In addition to this an initial list of information to be provided under RTI includes a number of pieces of information that it would either be extremely burdensome – or legally impossible – to collect for employers. These include, among others, employees’ relationship status, partners’ details and up-to-date addresses. Therefore, government must clarify and streamline the information employers will be required to submit under RTI for Universal Credit claimants and other employees as soon as possible. Additional data collection, stretching beyond workplace issues, is not acceptable to business.

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\(^1\) This is because of the 65 percent marginal deduction rate.

\(^2\) Research by Centre for Cities, for example, shows that a bus pass in South Hampshire costs up to 16 percent of average monthly earnings in the lowest pay bracket. See: Clayton, N, Smith, S and Tochtermann, L (2011) *Access all areas: Linking people to jobs*. Centre for Cities: London. Data refers to 10th percentile full-time and part-time earnings.

\(^3\) These include, among others, Sure Start maternity grants; help with health costs; Healthy Start; free school meals; help with funeral expenses; help with court fees; and help with the cost of prison visits.
12. The DWP also needs to devise mechanisms for getting up-to-date data for those Universal Credit claimants for which no RTI data will be available. A potentially large number of businesses do not currently use PAYE because they pay their employees cash or they fall under the income tax and National Insurance threshold. These companies’ employees are highly likely to be eligible to claim Universal Credit, but as a result of the way in which their employers operate there will be no real time information available for them.

13. The draft Universal Credit regulations suggest claimants need to self-certify any income received outside RTI, however this clearly carries a big risk of fraud. Reporting employees’ income on a monthly basis to HMRC manually would, on the other hand, present an unacceptable extra burden for employers. We therefore strongly encourage the department to consider ways in which these employees can claim Universal Credit without imposing an additional monthly burden on their employers.

Welfare reform needs to be underpinned by efficient welfare-to-work services

14. The effectiveness of Universal Credit as a work incentive depends on its simplicity and the strength of the incentive. As a policy tool the new benefit will only work if HMRC’s move to a ‘Real Time Information’ payroll system is successful. However, to move people into work Universal Credit will need to be complemented by efficient welfare-to-work services and holistic, face-to-face support for claimants.

15. The move to self-service online claims as the default should free up a considerable amount of resources within Jobcentre Plus (JCP). This represents an opportunity to re-think how claimants are supported. JCP needs to use the move to self-service online claims to shift its emphasis from a mere benefits audit to supporting people into work. The focus in JCPs is all too often on assessing a benefit situation, and not suitability for work. This is particularly damaging, given that an individual is most likely to return to work in the first months of unemployment, when they are not used to being out of the labour market.

16. To help address this, a comprehensive ‘readiness to work’ assessment, which maps out a full range of issues affecting a person’s ability to find and sustain work, should be introduced alongside Universal Credit. Many workless people have a range of complex barriers to work and much of the existing research suggests that individual, personalised support has the best results in helping people back into work. The government is already taking this approach through its Work Programme, but only for long-term unemployed people. As we outlined in our report Action for jobs: How to get the UK working, the introduction of Universal Credit is a chance for JCP to do the same for people who have been out of work for a shorter time and, particularly in the current labour market, risk falling into a spiral of dependency. The new assessment would identify a claimant’s distance from the labour market and can be used as a tool to tailor individual support.

17. Claimant commitments need to be comparable, including frequent contact with JCP staff, and sanctions need to be applied coherently. The CBI wholeheartedly supports the Universal Credit principle of claimant commitments, with claimants having to actively look for (more) work in return for claiming benefit. Because every claimant is different, we welcome JCP advisors’ flexibility in designing claimant commitments. However, it is important that commitments for similar types of claimant remain comparable, so that the impact of Universal Credit on work outcomes can be monitored effectively. Similarly, the move to online claims and job search facilities should not lead to less contact with JCP staff. As we argued in Action for jobs, as services move online, there is a strong case to be made for people to sign on twice a week in person, and more often online, to make looking for a job resemble having one as far as possible. There is also a clear case for coherence in applying sanctions (e.g. in the interpretation of what counts as ‘good cause’ for not complying), to ensure work incentives are effective and Universal Credit’s impact on work incentives can be measured effectively. The publication

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5 CBI (2011) Action for jobs: How to get the UK working
of guidelines for JCP advisers may help bring about greater coherence. The publication of statistics on decisions taken in different JCP district may help identify where decisions vary substantially.

18. Finally different organisations need to work together in supporting claimants into work. A relatively large number of organisations are involved in helping workless people back into work, in helping working people increase their hours or in making the introduction of the Universal Credit work. These include local authorities, which will administer the housing benefit cap and are responsible for delivering the prime minister’s problem families programme, Work Programme providers, JCP, the DWP and the HMRC. To deliver the individualised support necessary to help workless families back into work, these stakeholders need to work hand-in-hand and avoid a duplication of efforts. In particular, it will be crucial for the DWP and JCP to work with Work Programme providers on developing better ways of assessing a claimant’s barriers to work and the implications this has for referral to the Work Programme and providers’ payment levels for different types of job outcomes. The DWP should publish a guidance note for providers on how Universal Credit will impact on the Work Programme by November 2012.6

17 August 2012

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6 CBI (2012) Work in progress: fulfilling the potential of the Work Programme
Written evidence submitted by Manchester City Council

1. We welcome this Inquiry into Universal Credit and have chosen to focus on the strategic aspects of the introduction of this new benefit within the context of the range of other changes to welfare benefits that are impacting upon communities in Manchester.

2. As the Committee will be aware a number of districts within Greater Manchester (GM) are involved in piloting aspects of the introduction of Universal Credit and Oldham and Wigan hope to be playing a key role in delivering the face-to-face support for people making online Universal Credit claims.

3. Whilst these piloting initiatives take place, we have chosen in this submission to offer a perspective on the broader issues surrounding the introduction of Universal Credit that we feel will be of concern to the Committee. One is the cumulative impacts of the welfare reform as a whole on communities in Manchester. The other is the challenges that the Universal Credit faces in transitioning people into work without a more sophisticated approach to delivering a range of support services to help people access work.

Introduction

4. Universal Credit and the wider reforms are designed to simplify and reduce the cost of the national welfare system. However, unless a more sophisticated and nuanced approach is taken, the Government may not achieve the level of reductions in spending that they require. Our evidence for this assertion is from an analysis of spending that we have undertaken for total public expenditure across GM between 2009 and 2012. Total public spending has not reduced in total over this period, but the proportions have changed: Spending by DWP in particular has gone up by 30% and health has gone up by 15% but local government expenditure has gone down by 22%. There are also big falls in public spending to support growth in terms of higher and further education, closing of the RDA and reductions in Homes and Communities Agency spending. Costs of dependency are therefore rising in GM but spending to support growth and jobs is falling. There is a risk that the country could spend another three years reducing the benefits paid to individuals, but not fundamentally reducing the national welfare bill, or the wider costs of dependency on public services.

5. Increasing the number of people in work is not simply a function of incentivising work through the levels of benefits offered but relies on a wider set of issues related to how people access the range of support they need to enable them to access jobs. The welfare reforms in the main do not address these wider issues and concentrate instead on the task of simplifying and reforming what had become an over-complex benefits system. We would argue that the approach to welfare reform
should be more localised in its implementation so that it can be integrated around the needs of individual claimants and their families with bespoke packages of public services. The incentive of work paying more than benefits is necessary, but insufficient: People also need effective support to take work opportunities that may exist locally and the ability to sustain that employment over the long term.

6. We see Community Budgets as a tool for public service reform which helps to reduce demand across service silos and which enables us to capture some of the financial savings and retain them in the place for re-use to prevent further dependency or to help generate growth. Using the Community Budget approach, investment by one agency potentially reduces demand for other organisations services (you shake the tree and the fruit falls in someone else’s garden). Community Budgets, as part of a wider programme of reform, can help ensure that resources are shared over the garden fences all of the time by using a New Delivery Model where people can access appropriate service interventions, sequenced and co-ordinated through the Community Budget. These can include specific services such as mental health, drug and alcohol services, family intervention programmes, and interventions with offenders, together with employment and training support.

7. An added benefit of this approach is that local services can also ensure that frontline staff engages with local residents about work and their skills to access work. This helps develop their thinking about life without benefits. Some local programmes in Manchester are already taking this on but they need to be scaled up and delivered by public services working together at place level.

8. Evidence from early Community Budget piloting work shows faster progress in resolving some of the problems which stand in the way of people entering the labour market – such children attending school and better access to help with drug and alcohol problems. We considering how the approach can be used to support people into work and to help them stay in work. Critical to this also is the commissioning and provision of skills locally so that it dovetails with the way in which we intervene on worklessness within families and is bespoke to the current and future needs of the local economy.

9. If operated at sufficient scale this approach can support economic growth by increasing our productivity (through greater labour market participation) and reducing the costs of dependency. The rewards of this investment can then be re-invested both in similar interventions and in developing more employment opportunities.

10. We believe that there is huge potential going forward to link economic growth and competitiveness in Manchester with greater public sector reform to reduce dependency and to reduce the burden on Universal
Credit when it is introduced. But without addressing the wider challenges of welfare reform and adopting a more localised approach to join up public service interventions, it is likely that overall costs in the public sector will increase.

**The cumulative impacts of welfare reform**

11. The welfare reforms will have a wide range of impacts for people in Manchester over the short and medium term. For cities with high unemployment and high benefit dependency it is a huge challenge to both manage the transition from dependency to self-reliance creating the sorts of job opportunities that many workless people can access at a time of low economic growth.

12. All the Council’s of Greater Manchester are currently working to manage the impacts of welfare reform in their local areas and preparing for the introduction of Universal Credit. The local authorities play a key role in identifying where the impacts of welfare reform are likely to be greatest, provide advice and other support services to communities, and play a community leadership role in co-ordinating interventions to help people get back to work.

13. The Council has been working with the Centre for Local Economic Strategies (CLES) to produce an initial analysis of the city-wide cumulative impacts and is applying this methodology to examine impacts within particular parts of the city, specific neighbourhoods and groups of the population. Whilst the picture of impacts is still emerging we know from that they are likely to be very significant: Over 64,000 people claim out of work benefits (17% of the working population) and will be eligible for Universal Credit. Changes will impact differently across the City according to the levels of benefit dependency.

14. We have concerns about the impacts on people but also on ‘place’ – either from large scale churn de-stabilising people and communities or reductions in income within areas with high concentrations of people currently on benefit. In Manchester there has been significant success in increasing the numbers of families that are economically active through targeted restructuring of our housing markets creating stable and attractive neighbourhoods. There is a danger that some of this progress could be at risk with the changes in welfare now taking place.

**Demographic change**

15. The welfare reform changes are happening at a time when Manchester is expanding rapidly. The 2011 Census shows that Greater Manchester’s population has grown to nearly 2.7 million and the city of Manchester’s population has grown to 503,100, an increase of 6.6% and 19% respectively since 2001. This is one of the largest increases in England, behind Tower Hamlets and Newham and one that we forecast will continue. The Census shows a large increase in children
aged 0-4 (40% increase since 2001) and also adults age 25-29 (up by 50.5% since 2001) a proportion of which are new migrants to the city.

16. There is a high coincidence of the wards where population (especially school age) is growing and the wards we are identifying as most impacted by welfare reform changes. The challenge that the Councils of GM face is the complexity of managing the impacts of demographic change and the demands on services that this will bring together with the impacts of welfare reform on a population which has high levels of benefit dependency.

**Neighbourhoods**

17. In terms of welfare, out of work benefits claimants in the city of Manchester live predominantly in wards in the north, east and central parts of the city. Changes to welfare payments, particularly as transfers are made from IB to JSA, will further impact these wards.

18. Over the last 10-15 years we have worked proactively across the City to stabilise and support mixed communities that are economically active. This has included changing the housing mix in areas and using levers such as the housing allocations policy to increase the number of working people in social housing leading to more balanced communities. There have been good successes in increasing the numbers of working families and reducing transience in areas where we have intervened in this way. In places such as Wythenshawe, Hulme and parts of East Manchester this has resulted in a far more positive, economically active community environment.

19. The Council is currently utilising the Community Budgets for Complex Families New Delivery Model across the whole of North Manchester, with the aim of engaging 1,000 families by March 2013. The priority in this work is to increase employment and reduce dependency, and there are strong links between partner organisations in delivering the appropriate interventions to achieve this aim.

**Housing**

20. Whilst we are uncertain about the extent to which people will move as a result of changes to housing benefit, we think it likely that there will be increased pressure on housing in areas with cheaper rent within Manchester, and between the districts and further afield. This could include movements to Manchester from other parts of the country. Potentially, some communities could become less sustainable as the support provided by family and social networks are lost as those furthest from the labour market are forced to move around and over time become even more concentrated in the same areas.

21. Reductions in housing benefit linked to under-occupancy of social housing could also have serious implications in Manchester. We estimate 14,000, or 44% of all working age social housing tenants,
could be affected by the under occupancy element of the legislation amounting potentially to £7.95m of lost housing benefit in the city. Where tenants can no longer afford their current rents it may be that they will often need to move to new parts of the city causing impacts on services including schooling and other support services. Moves may be also be into the poorer quality private rented market.

Local economy

22. The changing welfare system and payments will have implications upon individual, family and personal incomes, but also upon the wider economy of neighbourhoods where people live. Where income is lost for specific communities, there will be impact upon spending power and potentially increases in levels of debt in these areas. Less income will potentially have knock on effects for local shops, local businesses and local economies generally; however spend could increase if people move into work locally or elsewhere.

23. We forecast almost £45m less income within the local economy as a result of the welfare changes, £13.7m of which results from people moving from IB to JSA. Some may be replaced and even increased as people move from JSA into work but other benefit reductions (such as to DLA) are less likely to be made up over time. This emphasises the importance of working across agencies to support people into work as quickly as possible.

Personal Debt

24. The move to the single monthly Universal Credit payment could increase levels of debt and recourse to short term high interest loans. Many social housing tenants in Manchester are already in rent areas and direct payments of housing benefit will almost certainly lead to increased levels of debt and increases in related issues such as levels of depression, domestic violence and criminality. Many Registered Providers are increasing debt counselling and money advice provision and many are visiting tenants affected by changes to their housing benefits. We are also considering support we can provide through the Council Tax Support scheme from April 2013.

25. Demand is increasing in GM for a range of benefits and advice services connected to welfare reform particularly those delivered by agencies such as the Citizens Advice Bureau through a Community Legal Advice Services (CLAS) contract administered by the Council. Six centres across the city provide debt, housing, welfare benefits, family, community care and employment advice to residents free of charge. We are working with many families already through our Community Budget pilot and debt is one of a number of issues that many families face and for which we are providing support as part of a range of sequenced interventions.
Impact on the Revenues and Benefits service

26. The introduction of Universal Credit will directly impact on the Revenues and Benefits service and Customer Services, and the Council is assessing the degree of the impact that this will have on the workforce. The change will affect all staff involved in benefits administration including benefits officers, visiting officers, appeals staff, administration, development staff and management as well as counter and phone staff. Whilst DWP will take on all new claims some residual work will remain such as discretionary housing payments and the Council administered Council Tax Support scheme. The volume of the work remaining and the required workforce numbers is not yet known.

Impact of benefit changes on families and children

27. The change to Universal Credit will have an impact upon individuals who claim the current range of income and in work related benefits. According to the Institute of Fiscal Studies\(^1\) those in work and working less than 16 hours a week will generally be better off; whilst those working over 30 hours a week will be worse off as a result of changing thresholds in the shift from Working Tax Credit to Universal Credit. For example, a single full-time working mum of three on the minimum wage under Universal Credit her income could drop by £67/week or £3,484/year pushing her family into poverty. This is because the earning disregard under Working Tax Credits is more generous than under Universal Credit.

28. The changes to housing benefit (or the housing element of Universal Credit) particularly under-occupancy penalties are also having an impact. For example, an unemployed couple (JSA of £105.95) living in a 2 bed Wythenshawe flat (£75.85/week) whose son has left home currently receive full housing benefit and do not have to pay anything towards their rent. From April 2013 they will have a 14% deduction for under occupation by one bedroom amounting to £10.62/week which they will need to make up out of their Jobseeker’s Allowance entitlement.

29. The consequence of both these examples is that benefits may be saved but the families (one working the other not) may become more dependent on other public services as their needs increase.

Conclusions

30. Welfare reform and the introduction of Universal Credit presents a major challenge to cities such as Manchester, but we are taking a strong leadership role in managing welfare reform within the context of

our vision for growth, reduced dependency and increased self-reliance and responsibility within our communities.

31. We believe that there needs to be a broad and sophisticated approach to welfare reform that ensures that reforms being made deliver the outcomes that are sought. The main aim of Universal Credit is improving work incentives so that people do not need to rely on the benefit as a main source of income. But moving people into work is not just a function of incentivising them through the level of benefits received, it is also about access to the range of support services available to enable them to access jobs. Providing these in a co-ordinated and sequenced way is what Community Budget pilot in Manchester is seeking to achieve – potentially with long lasting and more widely beneficial results extending not only to the benefits bill but to the cost of public services more generally.

32. In terms of impacts of welfare reform we are concerned about the impacts on people and place rather than simply a focus on changes to specific welfare programmes – such as Universal Credit. In Manchester we are seeking to consider the total impact on families and communities of welfare policy together with demographic change and the spending changes that are taking place across public services, for instance in health and social care budgets and in children’s services. Together these factors will have a major influence on the services we are able to deploy to support families in our most dependent families and communities.

33. We are seeking to develop a better understanding of the cumulative impacts of welfare changes upon places and residents and believe that this should be monitored at both a national and local level. We would be very happy to work with the Committee on ideas for how this could be taken forward.

34. In Manchester we are seeking to help people through a difficult transition from welfare and a life free from reliance on Universal Credit, by:

- Creating the mechanisms and incentives to join up action in local places that connect people back to work. We are ensuring that our work with complex families is tackling worklessness, poverty and dependency issues within families and that people are able to make a transition into work. We believe the Community Budget pilots will provide an evidential base supporting this approach and we would like to take this further in the next phase of the City Deal process by looking at how we can use ‘investment model’ principles between public agencies to drive action across agency boundaries linked to the transition to Universal Credit.

- Developing more effective help to manage the potential for benefit dependent areas to simply become poorer. Cities’ capacity to
intervene in areas of failure has been severely curtailed by national and local government spending reductions e.g. with the cessation of the HMR pathfinder programme. Through this programme Manchester and Salford had significant successes in turning round failing areas through a combination of targeted demolition, rebuilding for sale and market rent alongside the use of allocations policies that incentivise working families. There is currently a lack of a coherent national policy response to failing markets and the role of housing in strengthening the economy and this is something we would wish to see addressed by Government in the next parliamentary session.

17 August 2012
Written evidence submitted by the Royal National Institute for Blind People (RNIB)

Summary

- The Universal Credit regulations risk artificially separating out the support offered to different households with disabled children. One possible solution would be to amend the regulations so families with a child on at least middle rate DLA care receive the severely disabled child addition.
- The Government is redirecting support away from children with disabilities and working age adults living on their own to adults in the ESA support group. We would prefer to see the regulations amended to protect groups, like families with disabled children, who need additional support now.
- We support the idea of a self-care premium to reflect the additional costs borne by adults, like those with sight loss, who live on their own (this includes lone parents with dependent children). The self-care element would still be linked to DLA/PIP as SDP is today and would address the additional support needs disabled people living on their own experience above and beyond living with a health condition or impairment.
- RNIB has serious concerns about the claims process and would like to see the Government do more to assist claimants, like those with a visual impairment, who cannot readily or easily make a claim online.
- Blind and partially sighted individuals’ access needs need to be at the heart of any claimant commitment and the regulations need to reflect there are a variety of good reasons why disabled adults might fail to comply with the claimant commitment, not least the provision of inaccessible information or the failure on the part of Jobcentre Plus or other relevant agencies to make reasonable adjustments.

1. Changes in the income entitlement of disabled people under Universal Credit

Reduced disability child additions

1.1 The maximum amount of Universal Credit is to include a specific addition to the Child Element called a Disabled Child Addition for each
relevant child dependent. The **disabled child addition** will be awarded for a child who receives any rate of either component of DLA (mobility or care) apart from the highest rate of the care component. The **severely disabled child addition** will be awarded for a child who receives the highest rate of the care component of DLA or for a child who is **registered blind**.

1.2 Analysis by the Children's Society, Disability Rights UK and Citizens Advice\(^1\) shows the support provided through disabled child additions will effectively be cut in half given families with a disabled child entitled to receive support through the disability element of child tax credit, currently receive £57 a week. In future many families with a disabled child will receive only £28 a week. This is equivalent to the loss of around £1,500 per year for most families with a disabled child. The change could cost families with a child born with a disability up to £24,000 by the time the child reaches 16 years old.

1.3 RNIB welcomes the recognition that families with children who are registered blind experience significant, ongoing extra costs. However RNIB questions the rationale of splitting the support families with a disabled child receive in the way the regulations currently propose. The regulations would mean families with children who are registered partially sighted experience a big drop in income compared with the current situation they find themselves in under child tax credit. The Government states it wants to support people with the greatest needs but registration status alone is not the most consistent or reliable predictor of a household's extra costs so to categorise and determine the support a household receives on the basis that a child is registered blind (as opposed to being registered partially sighted) is questionable in our view.

1.4 Children and young people with a visual impairment are more likely than children with no SEN to be socially and economically disadvantaged. Analysis of the Department for Education’s own data highlights that 26 per cent of children with "Visual Impairments as their only SEN" and 29 per cent of children with "Visual Impairments plus another SEN" live in the fifth most deprived area of the country\(^2\). This tends to be the case of course, with other disability groups but what also needs noting is the very high proportion of children and young people with a visual impairment who have at least one other SEN or disability.

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\(^1\) ‘Disability and Universal Credit’, Royston, Sue & Royston, Sam (July 2012).

\(^2\) [http://www.rnib.org.uk/aboutus/Research/reports/education/Pages/educational_attainment.aspx](http://www.rnib.org.uk/aboutus/Research/reports/education/Pages/educational_attainment.aspx)
1.5 Children and young people with a visual impairment are rarely registered blind. The NHS Information Centre for Health and Social Care published figures\(^3\) revealing two hundred children aged 0 - 4 years were registered blind the year ending March 2011 with only 710 children aged 0 - 4 years registered blind in total. With health studies showing far higher numbers of children and young people with partial sight than are reflected in registration data, RNIB is concerned that families with children who are not registered blind and do not receive higher rate DLA care and yet experience profound, complex problems will experience a disproportionate loss of income. This includes families with children with multiple disabilities including dual sensory loss.

1.6 The Universal Credit regulations risk artificially separating out the support offered to different households with disabled children. This could lead to the perverse situation where family 'Smith', to take a random example, would see their daughter with an unregistered sight impairment and severe hearing loss, experiencing a cut of £28 a week whilst family 'Jones' whose son is registered blind or receiving higher rate care (and experience the same needs) getting additional support under Universal Credit.

1.7 In summary what we are advocating is a level playing field. We warmly welcome the Government's recognition that families with a child who is registered blind experience additional, ongoing support needs but so too do families with children who are partially sighted or have sight loss and additional SEN. One possible solution would be to amend the regulations so families with a child on at least middle rate DLA care receive the severely disabled child addition, although this still has negative aspects. As we go on to explain in section (4) below, the Government is redirecting support away from children with disabilities and working age adults living on their own to adults in the support group. Whilst providing more generous support to individuals in the support group is a laudable aim - and one we would like to see the Government consider as finances allow - given the overall package of reforms for disabled people under Universal Credit is cost neutral, we would prefer to see the regulations amended to protect groups, like families with disabled children, who need additional support now.

**Abolition of the severe disability premium**

\(^3\) NHS Information Centre for Health and Social Care Registration Figures year ending March 31st 2011.
1.8 The severe disability premium (SDP) currently gives additional support to disabled adults who receive the middle rate or higher rate of the care component of DLA and live on their own (or just with children) and no one is paid carer's allowance for assisting them. This additional support helps to cover the additional costs of both living alone with a disability and having no carer, a situation that affects many blind and partially sighted people of working age.

1.9 The Government is abolishing the SDP with the introduction of Universal Credit. This will cost disabled adults with no one to care for them, or with only a young carer, about £58 per week (over £3,000 a year). The Government's stated objective is to simplify the benefits system and remove the complex web of additions and premiums. However, in RNIB's view this is a case of over-simplification. It involves simplifying the system without recognising the obvious damage it will do to disabled people experiencing the triple whammy of living on their own, losing additional support and in many cases receiving little, or no state-funded care from cash-strapped local authorities.

1.10 We support the idea of a self-care premium to reflect the additional costs borne by adults, like those with sight loss, who live on their own (this includes lone parents with dependent children). The self-care element would still be linked to DLA/PIP as SDP is today and would address the additional support needs disabled people living on their own experience above and beyond living with a health condition or impairment. This would better fulfil the Government's stated aims of supporting households with the greatest needs. In addition it would do very little damage to the cause of simplification given other additions, for example for carers, are being carried over from the current system.

Additional support for disabled adults in the support group for employment and support allowance

1.11 The Government is redirecting support away from children with disabilities and working age adults living on their own to adults in the support group. Whilst providing more generous support to individuals in the support group is a laudable aim - and one we would like to see the Government consider as finances allow - given the overall package of reforms for disabled people under Universal Credit is cost neutral, we
would prefer to see the regulations amended to protect groups, like families with disabled children, who need additional support now.

**Cuts to support for working age disabled people**

1.12 Tax credits currently provide in-work support for people on low incomes. The disability element of working tax credit (WTC) is worth £54 a week and recognises that many disabled people have a reduced earning potential and are unable to work full-time as a result of their health condition or impairment. They also frequently face extra costs which can't be met by schemes such as Access to Work. The support will not, however, be replicated in Universal Credit except for those who would qualify as not fit for work. There will be no extra financial help within Universal Credit for anyone found 'fit for work' under the ESA work capability assessment. This represents a dramatic and unfortunate shift in the level of support provided to disabled adults hoping to remain in work or who have an ambition of increasing their hours or wages. It is in our view contrary to the wider aims of Universal Credit, which are to improve work incentives and support people in low income jobs.

**2. The proposed arrangements for claims and payments**

2.1 RNIB has serious concerns about the claims process and would like to see the Government do more to assist claimants, like those with a visual impairment, who cannot readily or easily make a claim online. A default and preferred option of encouraging online claims should not in any way compromise blind and partially sighted people's access to Universal Credit.

**3. Arrangements for the “claimant commitment”, sanctions and hardship payments.**

3.1 RNIB has concerns about the Claimant Commitment, conditionality, sanctions and the hardship regime. Many blind and partially sighted people are found 'fit for work' following an assessment of their work capability. RNIB knows of a number of cases where individuals who are registered blind have been placed straight on to Jobseeker's Allowance, which of course entails a totally different - non-specialist - level of support compared with ESA WRAG. DWP figures reveal that around 55 per cent of new ESA claims are being found 'Fit for Work'. Bearing in mind these
claimants will have health conditions and disabilities, the regulations governing conditionality and sanctions must be sensitively and fairly applied to individuals in the Work Related Requirements group.

3.2 Blind and partially sighted people often tell RNIB they receive information from Jobcentre Plus and other public bodies in formats they cannot read. Research shows that inaccessible job adverts represent one of blind and partially sighted people's main barriers to searching for and obtaining employment. Blind and partially sighted individuals’ access needs need to be at the heart of any claimant commitment and the regulations need to reflect there are a variety of good reasons why disabled adults might fail to comply with the claimant commitment, not least the provision of inaccessible information or the failure on the part of Jobcentre Plus or other relevant agencies to make reasonable adjustments.

4. Eligibility for and operation of passported benefits

4.1 The Social Security Advisory Committee noted in its Annexe to its review on passported benefits ('passporting to the future') that the following groups of people (and their partner if they have one) are eligible for support with the costs of sight tests and optical treatment:

Individuals in receipt of:
- Income Support
- Income-based Jobseeker's Allowance
- Income-related Employment and Support Allowance
- the Guarantee element of State Pension Credit for partners under 60

People (and their partner if they have one) receiving the following Tax Credits are eligible if their income is below a threshold amount - currently £15,276 gross taxable per year:
- Working Tax Credit with a disability or severe disability element
- Child Tax Credit with Working Tax Credit
- Child Tax Credit on its own

4.2 In common with optical groups we would be extremely concerned were rules on eligibility for passported benefits to restrict access to support with the costs of sight tests and optical treatment. The administration of Universal Credit needs to be simple enough to enable the Department of Health - and indeed optical practices - to continue
assessing entitlement to individual support under the General Optical Services contract (GOS).

About us

RNIB is a membership organisation with over 10,000 members who are blind, partially sighted or the friends and family of people with sight loss. 80 per cent of our Trustees and Assembly Members are blind or partially sighted. We encourage members to be involved in our work and regularly consult with them on government policy and their ideas for change.

Our priorities are to:

- Stop people losing their sight unnecessarily
- Support independent living for blind and partially sighted people
- Create a society that is inclusive of blind and partially sighted people's interests and needs.

17 August 2012
Summary

- Crisis, the national charity for single homeless people, broadly welcomes the introduction of Universal Credit but has significant concerns around some of the details and believes that the new system will fail to respond to non-standard claims and the needs of the most vulnerable claimants.
- There are a number of policy decisions and elements of UC about which we have serious concerns. This includes the way that payments will be made, the treatment of non-dependants for housing support and the removal of some important protections from the current system.
- There are also a range of important details which are yet to be finalised by the DWP as well as areas where it has not been made clear how UC will interact with other policies. This is particularly concerning due to the tight timeframe in which UC is due to be implemented.
- We are disappointed by the approach of the DWP towards stakeholder engagement. We feel that the department has failed to fully and adequately engage and consult all relevant stakeholders and that little information about progress towards implementation is being made available. This makes it difficult for us to comment on some aspects of UC.
- Finally, it will be very important that the impact of UC is closely monitored and evaluated and mechanisms put in place to make changes where necessary.

1. Introduction

1.1 Crisis is pleased to respond to this important and timely Work and Pensions select committee inquiry into progress towards implementation of Universal Credit (UC).

1.2 Crisis broadly welcomes the introduction of UC as a way to simplify the benefits system and improve work incentives. However, we have significant concerns around some of the detail of how the new system will work and believe that there are some issues which will cause real problems and hardship and may prevent UC from operating successfully and adequately responding to the needs of all those who require it.

1.3 We are particularly concerned about the impact on the most vulnerable claimants who most need stability, support to get back to work and who are the most likely to be in non-standard circumstances.

1.4 We are concerned about the speed of the changes and that there are still details of UC to be decided and finalised, which is very worrying this close to implementation.

1.4 In our response we will address the issues that the committee is particularly interested in followed by other areas of Universal Credit which we would like to highlight for the committee’s attention.

2. The proposed arrangements for claims and payments and the provision of support and advice for claimants

2.1 We are concerned that the 4 week assessment period in addition to the 7 days to process claims represents too long a time for a payment to be made. Some claimants could be without any source of income during this time and could be at...
serious risk of rental arrears, or struggle to pay bills and meet basic needs. This will be a particular concern for those who were paid weekly in their previous job, as is the case with many low paying or casual jobs, as they may not have any source of income during this time. It is welcome that short term benefit advances will be available during this period; it will be critical that all claimants who need these payments, especially the most vulnerable such as those who have been homeless or who have mental health problems, are supported to apply for them.

2.2 The stated intention for UC payments is that they should mirror the monthly wages people receive in work and therefore be made on a monthly basis. We are concerned that this fails to recognise that many employees are paid on a weekly or fortnightly basis, especially in low paid work. People used to receiving more regular payments may struggle to manage their finances across a month long period.

2.3 It could also be an issue for vulnerable claimants, such as those with drug or alcohol problems, who may have difficulties with managing their finances across that long a time period and for whom it may be a risk receiving a large sum of money in one instalment. It is vital that support is in place for these claimants and that more regular payments are available for those who need them. It is welcome that the DWP is looking at ways to address this issue and we look forward to seeing more detail on their plans.

2.4 We have concerns over the way claimants are expected to communicate with the DWP. The intention that the vast majority of claims should be made online will be problematic for vulnerable people who may be not be able to make a claim online themselves and those who are unable to access the internet.

2.5 It is welcome that a phone line will be available for people who are unable to make their claim online. However, the number should be free from all mobile networks so that people on very low incomes will be able to make use of it.

2.6 Some people will always need face to face support to help them make a claim. We are pleased that the DWP has recognised this and is running pilot projects to identify and support these people. We look forward to seeing the results of these pilots and urge the DWP to take on board their findings.

2.7 We are also disappointed that the ability to backdate payments has been greatly restricted. There are a range of reasons why people may not be able to make a claim on the day they first become entitled that should be taken into account, such as if they were homeless or had recently experienced domestic violence. We do not believe that the 1 month time limit will provide enough protection for claimants to access the benefits they should have received previously. We believe the DWP should keep the ‘good reason’ test to determine eligibility and extend the time limit for backdating. We are also concerned that advance payments will be abolished in virtually all circumstances under UC. These are often used by homeless people when moving on from supported housing and can help ease the transition to independent accommodation.

3. Areas where more information is needed, including progress with developing the necessary IT systems to administer Universal Credit

3.1 There are a range of areas of UC where it appears the DWP has yet to finalise policy design. It is concerning that we do not yet know how significant parts of the system will work under UC or how our clients will be affected. This is exacerbated by
the fact that the DWP has failed to properly engage and keep informed all relevant stakeholder organisations.

3.2 We are concerned that there is still a risk that the IT systems necessary to administer UC may not be ready in time for the proposed implementation. Given the scale of the changes to the benefit system and the IT system’s centrality to the operation of UC it is essential that it is fully developed. This is a particular concern given that it appears that there are still policy decisions to be made about the operation of UC and how elements of the benefit system will work.

3.3 One major area on which there is still no clarity is how the Government plans to treat exempt and supported accommodation under UC. Supported housing plays a major role in helping homeless people make the transition to independent, settled accommodation. It is difficult for providers to plan for the future when they do not yet know how housing support for supported accommodation will be calculated or paid. Likewise, they do not yet know how eligible service charges will be defined or if they will be able to make third party deductions for service charges.

3.4 There is also currently no clarity over how Temporary Accommodation (TA) will be treated under UC. This is a particular concern as there is no planned exemption from the benefit cap for households in TA. We are concerned that this could lead to repeat homelessness if households are not given the housing support they need to pay their rent in full. The Government gave assurances throughout the progress of the Act that they recognised the problems with TA and the benefit cap and would consider how best to approach the issue. However, we are yet to see any detail as to what they plan to do.

3.5 It also remains unclear how Council Tax Benefit will interact with UC. The UC taper does not take account of the rate at which Council Tax Benefit will be withdrawn. This means that in practice many working age claimants who enter work will see their total benefit entitlement withdrawn at a higher rate than the intended 65%. This risks undermining work incentives and the smooth transition into employment that UC aims to facilitate.

3.6 Crisis is concerned about plans to pay housing support directly to tenants in the majority of cases. There needs to be recognition that vulnerable claimants may need safeguarding and there should be mechanisms in place to deal with arrears. We welcome that the Government intends to retain direct payments in some circumstances and that these will be laid out in guidance. However, far more detail is needed about what these circumstances will be and how eligibility for direct payments will be defined.

3.7 We are disappointed by the approach of the DWP towards stakeholder engagement. We feel that the department has failed to engage and involve all appropriate stakeholders and that as a result we have not been fully consulted nor had meaningful opportunities to input into policy design.

3.8 Whilst there appear to be a wide range of forums about elements of UC, their remit is not always clear and we do not believe that the right organisations are necessarily always in attendance. When engagement does take place, the information available is often incomplete and officials are not always able to respond to what are some fairly straightforward questions about UC and its implementation.

3.9 Additionally the timeframe in which decisions are to be taken is not clear and it is therefore difficult for us to have a good understanding of the progress being made.
towards implementation. The stakeholder engagement process has been a missed opportunity for Crisis and other organisations with significant expertise to explore the implications of UC and what it will mean for single homeless and other vulnerable groups.

4. The proposed arrangements for the “claimant commitment”, sanctions and hardship payments

4.1 We raised concerns throughout the course of the Act about the new system of conditionality and sanctions. We still believe that the proposed high-level sanctions of up to three years are far too long and will lead to serious hardship for those affected. We oppose the recovery of hardship payments as this will lead to debt and to claimants facing reduced levels of UC for considerably longer than the length of their sanction.

4.2 We are concerned that the Claimant Commitment will not be sufficiently flexible to meet the individual needs of each claimant and will not set out the support that the DWP is expected to provide. For the Claimant Commitment to be an effective way to support claimants into work it must be tailored to individual needs and clear in the support the claimant can expect to receive as well as their responsibilities.

5. Impact monitoring

5.1 It will be important for the DWP to ensure that robust and transparent monitoring mechanisms are in place to evaluate the impact that UC will have. If it is shown that details of the new system are causing serious problems for claimants or are undermining any of the principles of UC it is vital that the DWP makes the necessary adaptations and improvements.

5.2 We have previously raised concerns about the LHA caps, changes to the way that LHA is calculated and the extension of the Shared Accommodation Rate with the select committee and it is disappointing that these changes are being brought forward into UC. We believe that this will cause serious problems for recipients and is likely to lead to a rise in homelessness. The impact of these changes should be monitored along with other elements of UC.

5.3 During the course of the Welfare Reform Act, Crisis argued strongly against plans to uprate housing costs by CPI, rather than with reference to local rents. Because rents tend to rise faster than CPI there is a risk that this will lead to large areas of the private rented sector becoming unaffordable to UC claimants. As rents rise at different rates in different areas there is the real danger that the areas which will become unaffordable first will be those with higher growth, where employment opportunities are likely to be concentrated. Research by Shelter and the Chartered Institute of Housing warned that a third of local authorities could become very unaffordable – with less than 10% of properties available to benefit recipients - after ten years.¹

5.4 We believe that the impact of CPI uprating should be monitored and the method of uprating the housing element of UC amended if it proves to have a detrimental impact on the affordability of accommodation. An amendment tabled by Baroness

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¹ Shelter and CIH (2011) The Impact of Welfare reform Bill measures on affordability for low income private renting families
Hollis and supported by Crisis at Report stage of the Welfare Reform Act in the House of Lords led to a commitment from the Government that they will reconsider the method of uprating if housing support and average rents become out of sync.\textsuperscript{2} The Government must stand by this commitment. Such monitoring could be undertaken as part of the Government’s \textit{Monitoring the impact of changes to the Local Housing Allowance system of housing benefit research}.\textsuperscript{2}

6. Non Dependent deductions

6.1 Crisis is very concerned about proposed changes to the way non-dependant members of a household are treated for the housing element of UC.

6.2 Currently, deductions are made at different levels based on the non-dependant’s income and therefore their ability to contribute towards housing costs. There are a number of cases where no deductions are made, including where non-dependents are aged under 25 and in receipt of JSA or ESA (assessment phase). Under UC, exceptions will be more limited than currently and a flat rate deduction of £15 per week will apply to households.

6.3 We have long called for reform of the NDD system. It can cause serious problems for households, leading to rent arrears, and hardship if the non-dependent is unable to make the contribution they are expected to. It can cause family tensions and the breakdown of relationships resulting in the non-dependent leaving the family home, often in an unplanned and chaotic manner. Relationship breakdown is the biggest single cause of youth homelessness.

6.4 We are therefore particularly concerned that under UC, households with a non-dependant aged between 21 and 25 who are in receipt of the standard allowance of UC will in future be subject to a deduction. Since young people receive a lower rate of benefit they are less able to contribute towards housing costs. At a time of very high youth unemployment this is particularly concerning and is likely to lead to an increase in youth homelessness.

6.5 If more young people leave the family home and need to make a claim for the housing element of UC in their own right then this clearly has a cost implication. It will also increase the pressure on the limited supply of shared accommodation; and/or result in an increase in the use of costly hostel places. This instability is also likely to undermine young people’s preparations to enter or return to work.

6.6 We believe that this change will unduly penalise young people. It is also particularly regressive, with those on the lowest rate of benefits expected to make the highest contribution in relation to their income.

6.7 We are also concerned at the stricter criteria under UC in order for a household not to be subject to a deduction. For example it is proposed that where the claimant is part of a couple both members of the couple will have to meet a qualifying condition. This means that a household would only be exempt if both the main claimant and their partner each fell into an exempt category, such as being registered as blind or in receipt of attendance allowance. This seems a particularly pernicious move and could undermine family arrangements for providing care.

\textsuperscript{2}Hansard cm 1325, 14 December 2011
7. Loss of existing protections of housing support for households who have been bereaved or who face redundancy

7.1 We are very concerned by the changes that have been made to the way housing support is protected upon bereavement. The current system is intended to protect the bereaved household from a reduction in housing support that could put their home at risk at a time when they are facing great stress and upheaval.

7.2 The UC regulations state that in the future, existing UC claimants will continue to receive their full UC payment for just 13 weeks after the death of a household member. This is less generous than the existing system where eligible rent is protected for up to 12 months. Additionally, there will be no protection of rent for households who are not already claiming UC. We believe it is wholly unacceptable for recently bereaved families to lose out on this important protection and strongly recommend that the existing bereavement protections should be continued under UC.

7.3 We are concerned that the 13 week protection for people who could formerly afford their accommodation is being lost. In the current system, claimants who have been able to meet their rent liability without claiming housing support for 52 weeks and the need for recourse to Housing Benefit are entitled to a 13 week protection during which time their rent is met in full. This typically affects those who have been made redundant. It is an important protection as it allows an opportunity for the claimant to look for employment without struggling to meet their rent (due to insufficient housing support) and having to seek alternative accommodation.

7.4 The loss of this protection is likely to make it more difficult for people who lose their job to move back into employment as they may instead be concerned with finding alternative accommodation. This risks claimants being reliant on UC for longer periods and being less able to move into work. This is contrary to the stated aim of UC to incentivise work, as well as the Government’s deficit reduction agenda. At a time of high unemployment with more people facing the risk of redundancy this is a particularly important protection and the Government should ensure it continues.

About Crisis
Crisis is the national charity for single homeless people. We are dedicated to ending homelessness by delivering life-changing services and campaigning for change. Our innovative education, employment, housing and well-being services address individual needs and help people to transform their lives.

As well as delivering services, we are determined campaigners, working to prevent people from becoming homeless and advocating solutions informed by research and our direct experience. Crisis has ambitious plans for the future and we are committed to help more people in more places across the UK. We know we won’t end homelessness overnight or on our own but we take a lead, collaborate with others and, together, make change happen.

17 August 2012
Written evidence submitted by Grandparents Plus

Introduction

1. Grandparents Plus is the national charity (England and Wales) which champions the role of grandparents and the wider family in children’s lives, especially when they take on the caring role in difficult family circumstances. We run a peer support network and an advice and information service for grandparents and other family members who are bringing up children when parents cannot.

2. We welcome the opportunity to respond to the Select Committee’s inquiry. This response focuses on the impact on Universal Credit on grandparents and other relatives (kinship carers) who are bringing up children who are not their own.

3. In the UK there are an estimated 200,000 kinship carers (grandparents, older brothers and sisters and other family members) who have taken on the full time caring role for children because parents are unable to do so because of serious family difficulties such as parental death, drug or alcohol misuse, serious illness or disability and child abuse or neglect. Many of the children they are looking after would be in care in their relative had not stepped in.

4. A high proportion - around six in ten - give up work or reduce their hours when children move in, sometimes at the request of children’s services, with around a third reporting living on very low incomes (below £350 a week). Kinship carers encounter significant hurdles to re-enter the labour market whilst also dealing with the multiple challenges of isolation, stigma, and a lack of support from children’s social services and the risk of poverty.

5. A recent survey by Grandparents Plus found that 73% of the carers were working before children moved in, compared with just 36% after taking on this caring responsibility. One in four kinship carers who give up work become dependent on welfare benefits for their main source of income and just one in eight re-enter the labour market. Only a minority are provided with (discretionary) financial support from local authorities.

6. Grandparents Plus welcomes the Government’s decision to exempt kinship carers from conditionality requirements (except work focussed interviews) for the first year after children move in, in order to give them time to settle children who may have experienced major trauma. We remain concerned however that kinship carers will be disproportionately affected by changes to benefits introduced under Universal Credit and that vulnerable children will suffer unintended consequences as a result.

This response focuses on:

Changes to disability benefits for children
Universal credit for couples where one is over pension credit age
Benefits for older people raising children
The Benefit Cap
Conditionality
Free School Meals

Changes to Disability Benefits for Children

7. DWP has previously announced that the amount of support for disabled children other than those on the high rate care component of DLA, or those who are severely visually impaired,
will be substantially reduced (the maximum rate is to be cut by £28 per week) as a result of the introduction of Universal Credit.

8. A recent survey conducted by Grandparents Plus found that almost half of kinship carers are raising a child with a disability or special needs. For example, 10% are raising a child with Asperger’s syndrome or autism, and 15% have a learning disability. These carers will be disproportionately affected by cuts to disability benefits for children.

9. **We believe the Government should reconsider cuts to support for disabled children, and provide a disabled child element within Universal Credit which is equivalent to that currently provided by the disability element of child tax credit.**

**Universal Credit for kinship carer couples where one is over Pension Credit age**

10. The introduction of Universal Credit will change the way that couples are treated where one is a pensioner and the other is of working age - ‘mixed age couples’. Currently as long as one partner in a couple has reached Pension Credit age they are treated as a pensioner couple for the purpose of means-tested benefits. Those already receiving Pension Credit will continue to be entitled but in the future mixed age couples will need to claim Universal Credit.

11. Under Universal Credit mixed aged couples will not be entitled to Pension Credit until the younger person in the couple reaches Pension Credit age. We are concerned that this change will have a disproportionate impact on older grandparents and other kinship carers. As previously referred to a high proportion of kinship carers leave the labour market when they take on the full time care of children. Especially when they are older and have continuing caring commitments for children, they find it very difficult to re-enter work. Mixed aged kinship carer couples raising children who claim benefit in the future are likely to have lower income under Universal Credit.

12. Age UK estimate that mixed age couples where neither is working could end up with £100 a week less than under the Pension Credit system – the current standard Pension Credit guarantee rate for a couple is £217.90 whereas it is just £111.45 for ESA or Jobseeker’s Allowance (JSA). We do not yet know what the impact will be on those with children.

13. **A high proportion of kinship carers are caring for an adult with a disability as well as bringing up children.** Whilst there will be additional carer and disability elements within Universal Credit these are unlikely to compensate for the loss of Pension Credit.

14. Older kinship carers with a younger partner will also miss out on other support intended for older people such as Cold Weather Payments and may be affected by localisation of council tax support and Housing Benefit restrictions for social tenants considered to have more bedrooms than they need. In both these policy areas the Government said it would protect pensioners. However it appears they will not receive this protection if they have a younger partner because they will be redefined as working age.

15. **Grandparents Plus is concerned that older kinship carers could be put in a position where they would be better off living alone, particularly where the young person in the couple is unable to find a job because of their caring responsibilities.** There is also a risk that older people who are currently working will have a perverse incentive to stop working before Universal Credit is implemented to prevent them being adversely affected after the changes have been introduced.
Older people raising children

16. We are concerned that older people above state pension age raising children should not be disadvantaged by the introduction of Universal Credit. We would welcome clarification on how payments for children being brought up by people of pension age will be determined in future.

Universal Credit and the Benefit cap

17. We believe kinship carers should be exempted from the benefit cap where they have stepped in raise vulnerable children who cannot live with their birth parents. They will be disproportionately affected by the cap because they often take on sibling groups and may have children of their own living with them, and often have to give up work to provide care. The introduction of the cap is likely to create a major disincentive to kinship carers stepping in to bring up children and result in more children being taken into care, and to result in severe hardship for children who are often extremely vulnerable.

Conditionality

18. We are concerned that the introduction of much harsher conditionality penalties under Universal Credit for kinship carers who have been looking after a child for more than a year and are not working will further disadvantage vulnerable children.

19. A high proportion of kinship carers are older women (of working age) who are bringing up children on their own. One example of how kinship carers may be harshly affected by tougher conditionality is under new draft regulations under Universal Credit which stipulate that a responsible carer should have up to 48 hours to attend an interview taking into account alternative childcare arrangements. The current regulations allow up to one week, which is reasonable adjustment when a responsible carer may need to organise formal childcare in order to attend an interview. Reducing the additional amount from one week to 48 hours is overly restrictive and that it is unrealistic to expect a carer to be able to organise childcare with only 48 hours’ notice. Failure to find childcare in 48 hours could result in a higher level sanction for non-compliance.

20. We are also concerned that there are no explicit proposals for limiting work search requirements under Universal Credit where a child has been excluded from school or there is no affordable appropriate childcare available during the school holidays.

21. A high proportion of children in kinship care have emotional and behavioural problems arising from trauma or the difficulties they experienced when living with their birth parents. Dealing with the consequences of a school exclusion or complying with a parenting order can be time consuming and stressful. It is important that in these circumstances a responsible carer can focus on their family without the additional pressure of fulfilling work search requirements.

22. Finding and paying for childcare in the school holidays is a significant problem. Childcare coverage is not universal, and is particularly problematic for kinship carers bringing up a child with disabilities, or who live in rural areas. We not believe that kinship carers should
face a payment sanction for failing to comply with work search requirements when childcare is not available during the school holidays.

23. Free School Meals

24. We are concerned that vulnerable children growing up in kinship care will be disproportionately affected by proposed changes in eligibility criteria for free school meals.

17 August 2012
Written evidence submitted by Centrepoint

Summary

- While Centrepoint welcomes the increased simplicity and more transparent taper that Universal Credit will bring, we are very concerned about the impact that some of the measures could have on vulnerable people.
- We therefore welcome the Committee’s focus on this issue, as we believe that there remain significant questions about how Universal Credit will be implemented to ensure that the most vulnerable do not lose out.
- For example, there is no mention in the draft regulations of how supported accommodation will be treated under Universal Credit. We understand that DWP is still working on this policy area, but we believe it is vital that clarification on this issue is provided urgently given the extent of the impact on vulnerable groups.
- Centrepoint is extremely concerned about plans to pay the housing element of Universal Credit to claimants rather than the landlord in most instances. While we understand that vulnerable claimants will be exempted, there is still a lack of detail on which groups will receive an exemption. It is vital that the criteria used are sufficiently broad to catch all those that need additional support, and that these are published in good time to help the sector prepare.
- We are concerned that the clauses of draft regulations on sanctions allow too much flexibility for the government to change the policy intent at a later date. Ministers have stated that they do not plan to sanction the housing element of Universal Credit, but the way the regulations are currently drafted leaves them open to raise sanctions in future uprating exercises to a level where it would impact on their housing element.

Introduction

1. Centrepoint is the leading national charity working with homeless young people aged 16 to 25. We are a registered social housing provider, a charity enterprise and a company limited by guarantee. Established 40 years ago, we provide accommodation and support to help homeless young people get their lives back on track.

2. Centrepoint welcomes the Committee’s inquiry into Universal Credit, as there remain a number of significant questions following the publication of the draft regulations about how the system will work for the most vulnerable.

3. We strongly support the core principles of Universal Credit, including the simplification of the benefits system and the more transparent and gradual withdrawal of benefits when a claimant moves into work. We are, however, extremely concerned that the draft regulations do not include sufficient safeguards to prevent the most vulnerable from losing out.

The proposed arrangements for claims and payments

Direct payments
4. Centrepoint is extremely concerned about the impact that paying the housing element of Universal Credit to tenants could have on our clients. Many young people will simply not be able to manage this responsibility and will subsequently build up arrears and risk being evicted and becoming homeless. We therefore welcome DWP’s commitment to continuing direct payment to landlord for the most vulnerable, but we are very concerned about the lack of detail available on what factors will be considered in determining vulnerability.

5. Centrepoint is concerned by the concept of a screening process, as set out in the explanatory notes to the draft regulations. It suggests that young people will need to pass a tick box test before their wider vulnerabilities are considered. Depending on what categories are used in this screening process, this could lead to young people’s claims bring rejected before even being assessed by a human decision maker.

6. As the DWP has indicated that there will be no blanket exemption and direct payments will be decided on a case-by-case basis, Centrepoint will need to do an individual direct payment application for every young person who comes into our services. This will lead to an additional administrative burden that will be extremely difficult to meet at a time of tightening budgets and increased demand.

7. Given the serious concerns raised above, Centrepoint would like to see an automatic exemption for supported housing tenants. At the very least, being a supported housing tenant should be included as a factor accruing a high number of points in both the screening and human decision maker criteria.

8. Even if we are able to secure an exemption for supported housing tenants, we fear that young people will be vulnerable to arrears and eviction when they move on from our services. We therefore believe that young people should be entitled to direct payments to their landlord for at least a year after they leave supported housing to help them manage the transition and give them a better chance to avoiding repeat homelessness.

Monthly payments

9. Centrepoint strongly supports the principle of encouraging young people to develop better budgeting skills, and provides intensive financial capability support to young people to take responsibility for their own finances. We are very concerned however that paying all young people their benefits monthly could cause severe hardship towards the end of the month as many young people will simply not be able to effectively budget their money across the period. This is likely to be a particular problem for young people who have no experience of independent living or managing their own money. Many young people will be able to develop these skills over time but will need a grace period to help do so.

10. In the same way as direct payments, Centrepoint would therefore like to see supported housing tenants exempted from monthly payments. This will give them a chance to develop better budgeting skills over the period of their stay.
Direct deductions

11. Centrepoint welcomes plans to continue to allow rent arrears payments to be directly deducted from benefits claims in order to protect claimants from eviction. It is essential, however, to ensure that young people still have the ability to meet their basic costs after any deductions are made. We fear that the suggested threshold of 40% of standard allowance is too high for young people as they are on a lower rate of standard allowance. Based on current benefit rates, they would only be left with £33.75 for food, utilities and all other costs after a 40% deduction had been applied. This is unlikely to be sustainable and could lead to severe hardship.

12. We also understand that it will no longer be possible for young people to request that their personal service charges be deducted directly from their benefits and sent to Centrepoint. This is very concerning for those with complex needs. While Centrepoint works closely with young people to help them develop budgeting skills, some will simply not be able to handle this when they first arrive. Direct deductions can therefore provide an important stepping stone to help them pay their service charge until they have developed the necessary skills to pay this themselves. If they fail to pay this, they will quickly build up arrears that will make it much harder for them to find move-on housing as even social housing providers often refuse to let to people with arrears. Direct deduction of service charges is only available where the young person is recognised to be vulnerable so does not undermine the concept of encouraging responsibility among the wider claimant population. But for those involved it will be very significant, with many as 65% of residents in some services on direct deductions. Centrepoint would therefore like a similar discretionary system to be available under Universal Credit to protect the most vulnerable.

Backdating of claims

13. Many young people at Centrepoint rely on backdating when they run into unforeseen problems with their claims. Backdating can provide a useful lifeline to help young people pay off arrears that they have accrued during a period of transition or crisis. This is particularly important in emergency services where young people often do not have the necessary information and identification to make a claim when they first arrive. For example, it can take time for services to support young people to get a copy of their birth certificate. Limiting young people’s ability to backdate, except in very distinct circumstances, could make it harder for young people to access emergency accommodation in the future if services do not think that they will be able to make a prompt claim and pay the rent.

14. Centrepoint would therefore like to see the limitations on circumstances removed from backdating rules. Claimants can only claim for a period that they are entitled to support for, so it is fair that they should be able to recoup the money for this time. If this is not possible, there should at least be scope to backdate in other circumstances if it can be demonstrated that the claimant
is vulnerable. We also believe that there should be discretion to backdate by more than a month in certain circumstances.

Advocates’ access to claim information

15. We would like confirmation from DWP that support services such as Centrepoint will be able to get rights to receive copies of benefit notification letters or access young people’s online accounts so that we can continue to advocate on their behalf. We currently have good relationships with local housing benefit offices that liaise with us about our clients’ claims and this is crucial in helping us support them to manage their tenancies.

16. It would be illegal for us to use a young people’s own sign in details without them present, and unfortunately the chaotic nature of some young people’s support needs mean that it is simply not possible to get them to manage their own claim. Third party notifications and advocacy access to online accounts will therefore be vital to aid services to support vulnerable clients.

The proposed arrangements for sanctions and hardship payments

Sanctions

17. Centrepoint is concerned about the way that the section of the regulations about sanctions is drafted. Lord Freud has stated that it is not his policy intention to sanction claimant’s housing element, but the regulations appear to leave it open to do so in the future. The explanatory notes state that the maximum sanction will be 100% of an individual’s standard allowance (which excludes the housing element), but the regulations provide figures for how much will be deducted from the ‘award’. These figures can then be uprated later, theoretically to more than the standard allowance, and thus encroach on the housing element.

18. To prevent this, Centrepoint would like to see the wording of the regulations amended to more closely match the stated policy intention. We believe that the regulations should state that sanctions will never exceed 100% of an individual’s standard allowance.

Hardship payments

19. It is very concerning that claimants will only be able to access hardship payments if they are complying with Jobcentre requirements as the most vulnerable may not be able to meet these conditions and could therefore be left completely destitute. Centrepoint would therefore like to see safeguards in place so that the most vulnerable claimants can be exempted from these requirements.

Impact monitoring

20. Centrepoint welcomes the Committee’s focus on impact monitoring as it will be vital for DWP to assess how Universal Credit affects claimants’ ability to meet their basic costs, and in particular how it affects the most vulnerable.
Below, we set out groups that we believe need to be particularly carefully monitored.

**Supported housing tenants**

21. Supported housing accommodates some of the most vulnerable groups in the country. However, the regulations give no detail about how supported accommodation will be treated under Universal Credit. This is very concerning as we do not feel that the vulnerabilities of supported housing tenants are properly reflected in the current draft.

22. We understand from DWP that supported housing tenants’ claims will be treated differently to some extent but this is not set out in the regulations. To ensure that an appropriate system is put in place for supported housing, we would like to see this set out in the next draft. Alternatively, if this will be set out in separate regulations, we would like details of when this will happen. The uncertainty is very damaging for the sector as it hinders our planning for the introduction of Universal Credit, and of how we can best support our clients under the new system.

23. We would be particularly concerned if supported accommodation was subject to the very limited list of eligible service charges included in the regulations. Following a consultation last year, we understand that DWP has still not made any final decisions about the future of supported accommodation housing benefit rules. However there is no detail in the regulations stating that supported housing will be treated differently under Universal Credit. We must therefore work under the assumption that, as a registered social housing provider, the regulations on service charges will apply to us. If this was the case, this would seriously impact on our financial ability to safely accommodate the homeless young people we support as the stated list of eligible services does not include many of the costs involved in operating supported accommodation services for vulnerable groups.

**NEET 16 and 17 year olds living at home**

24. We are very concerned that the current draft of the regulations do not include provision for young people who are living at home and are not in education, employment or training (NEET), meaning they will not be entitled to anything under Universal Credit. Their parents will not receive a child element for them if they are NEET, and they will not be entitled to benefits in their own right if they are not estranged. Some of these young people will have additional needs or be facing crises that make it impossible for them to engage with education, work or training. At present they are able to claim JSA hardship payments if they can demonstrate that they are destitute. Not giving them recourse to any benefits will cause severe hardship for those whose parents are not able to support them, because 16 and 17 year olds will not be entitled to hardship payments under the new system. It is crucial that the regulations are amended to give this group resource to some support, either through their parents or directly, to ensure they can meet basic costs such as food. The numbers of young people involved is very small – there are currently only
around 4000 16/17s on JSA hardship payments and many of these will be estranged meaning the number affected will be even lower. Securing support for this group will therefore not represent a large expenditure but will be crucial to the welfare of the individuals involved.

**Young people over 21 living at home (non-dependent deductions)**

25. While Centrepoint recognises the need to simplify benefit rules, we believe that the proposal to flat-rate non-dependent deductions puts a disproportionate burden on the poorest. The existing progressive system recognises the relative ability of different individuals to commit to the household’s housing costs. For many, the flat rate of £65 per month is a cost that they simply will be unable to meet after other basic costs such as food and travel are taken into account.

26. We welcome the fact that under 21s will be exempted from the charges, but we are very concerned about the impact that this could have on 21 to 25 year olds who are living at home. This policy lies in stark contrast to other messages from the Government about the importance of young people staying at home for longer. We fear that this measure could lead to an increase in youth homelessness in the long-term but making it harder for low-income young people to remain in the family home. Requiring adult children to commit such a high proportion of their income to the family’s housing costs – a cost which some will fail to pay – is likely to put increased strain on family relationships, and could push difficult relationships to breaking point.

27. We would therefore like to see this flat-rate system removed from the regulations and replaced with a progressive system in line with the current non-dependent deduction rules.

**Conclusion**

28. While Centrepoint supports the simplification of the benefits system that Universal Credit will create, this must not come at the price of harming the most vulnerable. Centrepoint is fully committed to supporting young people to become financially capable and independent, but our experience shows that this is often not possible for young people when they first enter homelessness services. If proper safeguards are not put in place this could therefore lead to large numbers of young people building up significant arrears. Particularly in light of significant cuts to our funding in other areas and the potential scale of the cost, these are debts that we will simply not be able to write off. These arrears are therefore likely to act as a yolk round young people’s necks for many years to come, making it hard for them to find independent accommodation and significantly increasing their chances of repeat homelessness.

17 August 2012
Written evidence submitted by Institute of Revenues, Rating and Valuation (IRRV)

The Institute of Revenues, Rating and Valuation (IRRV) is pleased to provide the following submission to the Inquiry into the implementation of Universal Credit.

The IRRV is the professional body concerned with all aspects of local benefits administration and local taxation in the United Kingdom and has members within both the private and public sectors. Institute members are engaged in local authority benefits administration, local tax administration, valuation of property for taxation, the appeals process and financial management in local government. The Institute represents the professional interests of its members who work within this broad church.

The Institute is the only professional body in the United Kingdom that specialises in the law and practice of local authority revenues and local taxation collection together with the income related benefits that support these processes.

Summary

- We are concerned about the level of support that will be available to the more vulnerable customers, who may not have the access or skills to claim electronically in the ‘digital by default’ process.

- Little is known of the government’s intention regarding local government’s role in providing support and advice in UC delivery. Late LA involvement in the process will hamper local authorities in both resourcing and delivery terms; and it may impact on customer service.

- Current reductions in local authority staffing numbers may lead to reduced capacity to deal face-to-face with customers under UC.

- Bringing the majority of claimants round to the use of electronically managed claims may be more resource intensive than originally estimated.

- The UC IT solution in general and the interface with RTI systems for PAYE in particular need to be extremely well designed, planned and executed in order for UC to work. Timescales may prevent adequate full system testing and evaluation.
• Localised council tax support is being introduced over too short a timescale and its financial impact on various client groups and local authorities themselves, particularly when considered in conjunction with the raft of other forthcoming benefits changes, cannot be adequately assessed at this stage.

• There is a genuine concern that the loss of high calibre staff will affect performance targets and service delivery of legacy benefits and/or any UC role.

Body of Response

*The proposed arrangements for claims and payments and the provision of support and advice for claimants*

1. We are concerned about the level of support that will be available to more vulnerable customers who may not have access or skills to claim electronically in the ‘digital by default’ process. Local authorities (LAs) would be ideally suited to provide client-facing support for UC. However, little is known of the government’s intention regarding local government’s role in support and advice. Late LA involvement in the process will hamper them in both resourcing and delivery terms – and it may ultimately impact on service delivery to those who are least able to cope with the system changes. We are concerned that current reductions in LA staffing numbers may lead to reduced capacity to deal face-to-face with customers under UC.

2. More generally, the take-up of electronic claiming has not had an impressive track record. In our view bringing the majority of claimants round to the use of electronically managed claims may be more resource intensive than originally estimated.

3. Commissioning the face-to-face role via an application process will add complexity to the process. Adequate data sharing arrangements will be key to ensuring partnership arrangements work efficiently.

4. Monthly budgeting is a key theme under UC, but it will throw up difficulties for many who have long coped with more frequent payments. There is little give in the system for those who may have difficulties dealing with this change of approach –
and the impact of erratic finances could be felt family-wide, not just by the claimant themselves.

*Progress with developing the necessary IT systems to administer Universal Credit, including the real-time information (RTI) system for PAYE taxation being developed by HM Revenue & Customs.*

5. Our observation here is that the UC IT solution in general and the interface with RTI systems for PAYE in particular need to be extremely well designed, planned and executed in order for UC to work. Our concern is that the timescales will prevent the necessary full system testing and evaluation being conducted prior to and during the pathfinder phase, from April 2013.

*The impact of the changes on local authorities, including budgets, staff and support for claimants. The changes include those to Housing Benefit; the introduction of the benefit cap; and localisation of council tax support.*

6. A shared sentiment amongst practitioners is frustration regarding the uncertainty about both UC implementation delivery and the role that LAs may or may not play in the delivery process. There is a marked lack of definition of the LA role. This is played against a background of having to operate a range of changes to legacy benefits from April 2013 in the run up to UC, in respect of the benefit cap, the new Council Tax Support Scheme and the size criteria in the social rented sector.

7. Localised council tax support is of major concern. In our view this major change is being introduced over too short a timescale and its financial impact on various client groups and local authorities themselves, particularly when considered in conjunction with the raft of other forthcoming benefits changes, cannot be adequately assessed at this stage. The uncertainties may impact on budget setting.

8. We already are seeing what impact these cumulative changes are having on staffing, in terms of significant staff concerns about employment prospects, staff leaving LA employment and the pressures of working in an information vacuum regarding the LA delivery role. It is difficult to estimate what the overall workload will be as a
result of these cumulative changes, but there is a genuine concern that the loss of high calibre staff will affect performance targets and service delivery of legacy benefits and/or any UC role.

17 August 2012
Written evidence submitted by City West Housing Trust

Introduction

The consultation covers an number of areas of which two are particularly relevant to us:

- The proposed arrangements for claims and payments and the provision of support and advice for claimants; and
- Impact monitoring.

Arrangements for claims and payments and the provision of support and advice for claimants

1. City West Housing Trust is a key service provider for the community we serve. Our role takes many forms from the more traditional ones of maintaining, developing and improving an attractive and safe environment to emerging roles in developing the local economy and employment opportunities. Supporting our customers through the changes of the Welfare Reform Act and the challenges it presents is central to this role.

2. The introduction of Universal Credit is an opportunity for us and the wider housing industry to build on our role as a community champion. City West Housing Trust provides initial support and advice to claimants. We have a strong presence in the local community as City West Housing Trust with an extensive network of locally based offices. We are able to access our customers homes and speak to people around difficult issues. Given the local reductions in specialist debt and welfare rights advice provision, we aim to act as a benefits ‘triage’ either by directly providing IT facilities and helping customers complete forms online or by signposting them elsewhere for further specialist support and advice. Through customer insight, we have some understanding of our tenant’s household circumstances and income we have already made contact with customers who are going to be affected by the changes. In line with recent learning from the demonstration projects, however, we recognise that:

- we do not hold or have access to currently, the data required to assess claimants readiness for direct payment and the need for support;
- although we have very strong existing links with support partners, resource is going to be an issue, particularly migrating claimants with support needs on to direct payments – the demonstration projects have shown that resources demands have been managed at the expense of services outside the project scope;
- coordinated activity between housing providers and the DWP on communications is key due to the ongoing lack of general awareness of reform and its impacts on individual households – there are good examples of communications activity in the early learning summary; and,
• even with infrastructure and IT in place, the length of lead in time and preparation for implementation will be crucial to the success of UC, with a period of 6 months being required to engage with, assess and prepare a selection of 2000 claimants being noted in the demonstration projects.

3. In the early days of Universal Credit failure demand and avoidable contact will be high. A poor experience will increase claim handling costs, lead to claimants failing to claim benefits to which they are entitled, leave customers vulnerable and increase frustration for all those involved. City West Housing Trust and other Registered Providers (RP’s) are well placed to diminish this. As mentioned earlier our customers that we believe will be affected by the changes have already been encouraged to contact us for advice and support. Not only does this include advice on changes to their benefit entitlement but also on their options should, for example, their Housing Benefit award no longer cover the cost of their rent because of the under occupation of their home. Take up remains slow, however, and demonstrates that even with existing positive relationships, many claimants may not act until the change is upon them without individual, face to face intervention that is prohibitively resource intensive.

4. Our customers have traditionally accessed benefits either in a face-to-face basis or over the telephone with written documentation sent to the claimant to complete and confirm claims and awards. Moving towards greater digital inclusion is clearly beneficial for our customers social and economic opportunities, and City West Housing Trust support this progress. Tenants of all RP’s have been shown to have low levels of internet access but we can ease this. City West Housing Trust area offices are ‘on line’, and we can easily make terminals available for our customers to pursue their claims in a supported and confidential environment. Our estate based staff have mobile IT and we can further support claimants in their own homes.

5. A key element of the success of this approach will be funded training, aligned to the current verification framework which will enable a high level of quality control and reduce central administration workloads and claim failures and make sure our staff are using their knowledge appropriately. This will also help us in dealing with what has the potential to become an increasing drain on resources – the pursuance of rent payments and the recovery of arrears.

6. The change to a monthly payment process for people who have barely managed on very low incomes on a fortnightly basis for some time will be challenging. This is a shock to household budgeting for those migrating into employment already and will be an experience shared by those moving to UC. We would welcome a supported and gently phased movement to monthly payments. If the change happens quickly people will find it difficult to manage and there is a likelihood of some overspending and finding themselves short towards the end of the month. We are concerned that this will drive many to expensive ‘pay day’ loans or door step lenders and loan sharks and permanent or increasing indebtedness.

7. With regard to the payment to one person in the household we would prefer that an element of the Universal Credit payment is made direct to the main carer, reflecting the practice of Child Tax Credit and the childcare element of Working Tax Credit. We are concerned that budgeting by the main carer (commonly a female lead
household member) will be compromised if only one Universal Credit payment is made to the main claimant (usually the male partner). Less money going to the main carer could lead to more hidden poverty within families. There are concerns that the ‘wallet vs purse’ impacts of a single household payment could exacerbate or initiate financial abuse within troubled households. Experience and general acceptance of the procedures adopted with Child Tax Credit and the childcare element of Working Tax Credit provides substance for our concerns around this.

8. Presently we are not in a position to provide advice and support to all people living in our communities. The service would have to remain restricted to those who are our ‘customers’, that being tenants and their household and people who are applying to live in our accommodation. We do consider ourselves well placed to serve the wider population but would need support in doing this.

9. IT systems

10. To date, we have had no involvement in contributing to the development or design of IT infrastructure. We have a long standing relationship with our local authority for the exchange of data essential to the smooth administration of Housing Benefit, much of which (including changes to households and changes in rent charges) will remain relevant under UC and we would welcome discussion on how this is intended to be managed in the preparation for implementation.

11. Vulnerability and support needs

12. Given a low level of understanding of claimants financial confidence support needs, including ownership and use of financial services and products, we would welcome early discussion of proposals to identify (before implementation) of claimants that require support before migrating to direct payments. We think it would undermine the success of the scheme to identify these claimants after implementation.

13. Furthermore, we would welcome an impact assessment of proposals for DHPs to cover benefit restrictions relating to, for example, foster families and those looking to downsize for who alternative accommodation is not currently available. Although the budget for DHPs is increased, we are concerned that this will be either exhausted early in the financial year or will be necessarily so tightly controlled that some financially vulnerable customers will find themselves in debt.

Impact monitoring

14. We are conscious of the negative outcomes the tax/benefit regime has brought to our some of our customers. Long term reliance of out of work benefits is an issue on our estates and many of our customers are the target audience in respect of return to work initiatives. We would welcome closer joint working on responding to this. Equally, we continue to work hard to ensure we are making best use of our stock and part of this is addressing the under-occupation of properties. The ongoing tension between households’ relationships with the properties which have become their homes and the affordability of maintaining rent payments will become worse from April 2013 onwards and we believe we will face increased demand for stock
from existing customers, demand which already cannot be met. We have advertised 743 properties to let in the period January to July 2012 that attracted over 31,000 bids.

15. We would differ as to the causes of this and the most effective means of addressing these issues. We would prefer an approach that involved more ‘carrot’ and less ‘stick’ but nevertheless we will continue to work with all agencies in securing the most preferable outcomes for our communities. In this, we are confident of sharing a common aim.

16. The changes are aimed directly at our customers and our communities and we are uniquely placed to record the impact in detail. Again, no other agency can report the change in benefit claimants lives like RP’s. Uniquely we can report on the number of our customers who have sought alternative accommodation, been subject of a possession order or changed their household composition because of the changes in their benefit award. Possibly, more importantly we can comment, in partnership with the local authority, on the impact it will have on our communities through such things as an increase in voids and rent arrears and movement between tenures.

17. We would welcome dialogue on developing shared aims around impact monitoring and the development of ongoing structures to discuss responses to emerging intelligence.

18. Universal Credit is also about cultural change and this is less easy to measure. The notion carried by some, that tenants of social housing see claiming benefits as a form of career and that living on social housing estates creates a mind set that makes it difficult for people to leave them, are all issues RP’s are well placed to comment on. These are issues, which are played out nationally, and it will be interesting to see how benefit claimants, who are also tenants of RP’s, fare in different areas of the country where economic conditions differ. We would suggest that a series of selected RP's around the country recording change can produce a detailed 'in the round' picture of the impact of Universal Credit on a national basis.

17 August 2012
Summary

1. Citizens Advice has long stressed the need for the social security system to be more simple for the claimant and we have welcomed the objectives of universal credit to simplify the system and to make work pay.

2. We have however identified some clear risks that the Government will have to tackle if they are to meet their own objectives and we have made some recommendations on how best we think they can be tackled.

3. Over four years around eight million households will be transferred onto universal credit during which time there will be effectively three parallel systems in place (existing and new claimants and those with transitional protection). This could lead to the potential for people to not get the support they are entitled to and DWP, local councils and MPs constituency offices being flooded with people seeking help.

4. The Government needs to commit extra resources to Citizens Advice and the wider independent advice sector and to train advisors on the new system so that people get the right information and advice every time.

5. The new universal credit system will be ‘digital by default’ which risks causing difficulties to the 8.5 million people who have never used the internet and a further 14.5 million who have virtually no ICT skills1.

6. This is a bold move using a brand new system, pushing people to use internet when they may not feel comfortable, secure or equipped to do so. Our bureaux network will need support to give the help and reassurance people will need to deal with this change. The Government will also need to extend provisions for face to face support so that those with pronounced needs are not defined by narrow criteria such as those already in contact with adult social care.

7. Citizens Advice has conducted detailed economic modelling which demonstrates that disabled people are more likely to lose significant amounts under universal credits than any other group.

8. Severely disabled adults with no carer will lose up to £58 a week (over £3,000 a year), disabled adults who are fit for work but are unable to earn enough to support themselves fully will lose significant amounts with many losing around £40 a week and families with disabled children will lose £29 a week (around £1,500 a year). If the Government wants to protect the most vulnerable disabled people they need to either demonstrate clearly that they have investigated the impact of these changes and are satisfied that these people will not be adversely affected by this reduction in financial support or change these aspects of UC to protect them from the worst impact of the cuts.

9. Sanctions will not work if DWP do not take account of a claimants situation and the claimant does not understand what is required of them.

10. Claimants need to be fully involved in discussions with DWP to agree their claimant commitment. This will help ensure that work search requirements fully reflect their experience.

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1 ONS Statistical Bulletin Internet Access - Households and Individuals, 2011
http://www.ons.gov.uk/ons/dcp171778_227158.pdf
skills, and any barriers and make it clear to both parties what they need to do to avoid any sanctions and what support is available to them. DWP also need to proactively seek to find out if there is a good reason why a claimant had failed in any part of their commitment before sanctions are imposed rather than leave it up to a vulnerable client to explain their situation.

11. The Government’s proposals to simplify the policy on earnings disregards have actually made it much more complex for some claimants to ensure that getting more work will actually pay, particularly low income home owners, parents of large families and some groups of disabled people.

12. DWP need to rethink their changes to maximum and minimum disregards so that it will be clear to claimants that they will earn more by taking on more work.

13. An uncoordinated approach across departments to passported benefits is likely to mean that universal credit will fail to deliver on the Government’s aim that work should always pay.

14. DWP need to take the lead across government departments to ensure that passported benefits such as free school meals support the objective of making work pay as well as meeting each department’s own objectives such as for example, ensuring the poorest children get a healthy school meal. They need to make the universal credit system is flexible enough to adapt to ensure that their aims are met.

15. The Secretary of State has described the introduction of universal credit and the accompanying reforms to the social security system as the biggest shake-up of the welfare system since the 1940s. With these massive challenges facing the policy we are firmly of the view that these changes need to be implemented properly, given time to work and their impact assessed before any further reductions in entitlement to means tested benefits are considered.

Introduction

16. Citizens Advice welcomes the opportunity to submit comments to the Work and Pensions Select Committee’s inquiry into Universal Credit.

17. The Citizens Advice service provides advice from over 3,500 outlets throughout England and Wales. We provide advice from a range of outlets, including GPs’ surgeries, hospitals, community centres, county courts and magistrates courts, and mobile services both in rural areas and to serve particular dispersed groups.

18. The service has two equal aims:
   - to provide the advice people need for the problems they face
   - to improve the policies and practices that affect people’s lives

19. In 2011/12 the Citizens Advice service helped over 2m clients with 7m enquiries including 2.3m benefits enquiries. In the last year we provided advice to 700,000 individual clients regarding a benefits query. Ninety per cent of these were of working age and therefore will be affected by the forthcoming changes to the benefits system following the Welfare Reform Act.
20. Benefits is now our main enquiry area, replacing debt advice for the first time in many years. A third of all our advice given is about benefits.

21. As well as giving advice, the majority of Citizens Advice Bureaux deliver financial education initiatives to their community. In 2011/12 there were 280 Citizens Advice Bureaux that delivered financial capability services. Collaborating with other agencies through the network of financial capability forums, bureaux and forum members deliver initiatives that benefit a quarter of a million people a year.

22. Our work with benefits claimants makes a difference – a snapshot of our client records in February 2011 found bureaux had helped 142,000 clients to claim £748 million in benefits they were entitled to in 2010/11 but could otherwise have missed out on, either because they did not know what they were entitled to or could not navigate the system.

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**Specific comments**

**The proposed arrangements for claims and payments and the provision of support and advice for claimants**, including the presumption of a predominantly online, self-service claims process; monthly payment to one person in the household; and arrangements for providing telephone and face-to-face support and independent advice for claimants who need it.

23. As the Secretary of State has said the changes introduced under the Welfare Reform Act 2012 represent the biggest shake-up of the welfare system since the 1940s. As by far the largest provider of independent advice on welfare we are expecting a massive increase in the demands for our service as 12 million people are moved onto the new universal credit system. We are conducting a fundamental review of how we are going to cope with the increased demand and the need to retrain advisors throughout the country so that they can ensure that they are giving the correct advice.

24. In the long run universal credit will have the potential to be simpler for both clients and advisors but up until 2017, but there will be four years over which migration will take place. It is vital that during this transition period when there will be three parallel systems (existing and new claimants and those with transitional protection) in place, that DWP work with us to ensure that the advice sector have the right resources to rise to this challenge.

25. This demand has to be set within the context of the Citizens Advice Bureaux facing funding cuts of 21.2% in the last two years and more cuts expected in the coming years. **We have identified a number of key risks which we believe DWP need to consider in this area:**
   - Many claimants will feel a high level of stress and anxiety moving onto a new system. Clients will make ‘so-called’ unnecessary contacts with the DWP service worried about the process and the changes, causing increased demand and unnecessary costs

26. Citizens Advice will be able to help negate this problem if clients are able to make contact with our service to help them understand the impact of any changes and to see that work can pay for them.
   - There is significant potential for error and confusion in the transfer period for both claimants and front line workers dealing with a number of different systems. This could lead to people missing out on what they are entitled to and major difficulties for DWP advisers.
27. Citizens Advice will need to have adequate resources to ensure that throughout our network we are ready to deal with the new system from the start of the complex change over period including ensuring our advisors are properly trained.

- A change from several payments at different intervals in a month to different partners in a couple, to one monthly payment to one person in the household carries with it huge risks. Clients who are dealing with tight budgets with little experience of monthly pay packets risk getting into debt with and there is potential for abuse in situations such as for those in domestic violence situations.

28. DWP said that they wanted to introduce monthly payments as it would prepare people for the world of work. While it is true that most employees in professional positions are paid monthly, according to DWP’s own figures around half of all low earners do not receive monthly pay packets².

29. DWP have already agreed that there will be exemptions for people who will have difficulty caused by the payment system and we welcome steps by them to set out when payments should be made more frequently or directly to a landlord. However, it makes no sense to wait for someone to get into financial difficulty before DWP decide to make them an exception. The assessment process needs to proactively assess whether a different payment system would be more suitable in order to prevent debt and financial hardship.

- There are fundamental issues in delivery by an online process – i.e. low levels of literacy, numeracy and digital skills, along with issues such as learning difficulties and mental health. There are 8.5 million people who have never used the internet and a further 14.5 million who have virtually no ICT skills³.

30. While the system may be digital by default, DWP need to make significant provisions for people for whom a purely online access system will prove to be unworkable. The system cannot assume that everyone is going to have constant access to a computer when there are 5.7 million households without internet access⁴. Even if someone is able to access a public computer to fill in an online form they are unlikely to be able to receive emails to let them know how their applications are being processed or if they need to do anything else.

31. The support required by those who cannot access or use online systems is a complex area. The Government Digital Services team recognises that these needs can only ever be addressed by partnership working - as no one organisation can cover everyone’s needs. There will be a high number of people who will need permanent support in using or accessing online Government services, especially universal credit. That means factoring in support needs for the longer/permanent term as well as the transition period.

32. DWP have said in meetings with the advice sector that arrangements for face to face support is going to be based on those with pronounced need, for example, who already have contact with adult social care. This is too narrow and excludes those who may have chosen not to engage

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² DWP Universal Credit Policy Briefing Note 2 The payment proposal [http://www.dwp.gov.uk/docs/ucpbn-2-payment.pdf](http://www.dwp.gov.uk/docs/ucpbn-2-payment.pdf)
with adult social care as well as others whose vulnerability is not defined by access to social care.

**Progress with developing the necessary IT systems to administer Universal Credit**, including the real-time information (RTI) system for PAYE taxation being developed by HM Revenue & Customs.

**Making sure the IT system does not stop people being able to access advice**

33. Access to the universal credit system will be via the online channel whether the client self serves, phones DWP for them to input to the online system or gets face to face help to complete online. Clients will have to pass through identity assurance processes to access the universal credit system. This is likely to be through first logging into their bank or utility company account.

34. It is not yet clear how intermediaries such as advisers in a bureaux will be able to access the universal credit system on behalf of clients without having to first pass through the clients personal security information. It is vital that a secure access route is available for advisers from day one.

35. When contacting DWP on behalf of a client now (via telephone), using implicit consent, an adviser is able to get information about a client’s claim on their behalf. When contacting HMRC a bureaux can set up authority for them to represent a client through the use of a form of authority that is then set up on the system so they can call on a claimant’s behalf.

36. DWP must urgently work with the advice sector to design an alternative method of access to ensure that Citizens Advice Bureaux and other advice and representative organisations can give clients the support that they vitally need.

**Making sure IT works, is user friendly reliable and interactive.**

37. Getting the IT right is unquestionably vital. It is unthinkable that there could be a repeat of the introduction of the tax credits system – IT errors led to calculation errors, duplicate payments or payments stopping without warning or explanation. In the first eighteen months of operation HMRC made 21,000 compensation payments.

38. Award notices lacked information sufficient to enable a claimant to understand their entitlement or how any overpayment has arisen or how it was being recovered and what changes of circumstances they were required to report when.

39. The IT design approach meant that faults once spotted could not be corrected, or improvements implemented for many months.

40. Lessons must be learned to ensure IT failure does not cause huge administrative problems; information on award notices – printed as well as online must be clear with access to further information about entitlement accessible.

41. We therefore welcome the DWP’s use of agile design for universal credit. We hope that user testing at the design stages should ensure that it is accessible at the start but the agile approach should clearly make it easier to correct or adapt processes as necessary.

42. One of the key benefits of universal credit is the fact that claimants will not need to report changes of circumstances several times to several different Government departments – and
specifically will not need to report earnings at all because HMRC will pass this data to DWP through the RTI system. For self-employed claimants it is not yet clear how this will work.

43. IT must be user-friendly – particularly for claimants who will for the first time have to report childcare costs every month regardless of whether they have changed since the previous month – far more frequently than they currently have to report. DWP must consider ways to prompt claimants through text as well as email alerts.

The proposed arrangements for the “claimant commitment”, sanctions and hardship payments. The proposed arrangements for the “claimant commitment”, sanctions and hardship payments.
- The claimant commitments must be drawn up with the claimant, ensuring skills, experience and any relevant circumstances are recorded. Enabling DWP to provide the right support to the claimant and preventing inappropriate sanctions.
- A claimant charter is needed to set out minimum standards of support and treatment for claimants.
- Safeguards must be put in place to prevent inappropriate hardship and debt.
- The impact of sanctions on well-being and labour market activity needs to be monitored. Monitoring and evaluation of claimants’ work and earnings progression should separately identify the impact of sanctions and support.

The claimant commitment
44. The claimant commitment could be a really useful tool in increasing understanding of both claimant and DWP of responsibilities and requirements. The Citizens Advice service deal with over 8000 JSA sanctions and hardship enquiries every year. Commonly clients express that they did not know why they had been sanctioned and had little or no warning in advance of it being applied. Many clients are vulnerable, with health problems, disabilities or literacy needs, were unable to comply with the requirements and appear to have had little support to find work.

45. For those in-work and receiving universal credit, we hope that the claimant commitment will improve understanding that leaving work or reducing hours below the conditionality threshold will result in a sanction. The commitment also requires claimants to provide accurate information and report changes of circumstances in a timely fashion.

46. The Welfare Reform Bill provides that the Claimant commitment be completed by the Secretary of State and updated as he sees fit. We believe that this should be a two-way process with the claimant fully involved in discussions with DWP to ensure that the work search requirement fully reflected their experience, skills, and any barriers to work. This would increase the likelihood of a claimant finding work and getting any appropriate support required. We would like to see clear guarantees that there will be a significant change from how things operate now.

Effectiveness of sanctions
47. If a sanction is to be fair and effective, the claimant must understand what is required of them and they must be able to meet that requirement. Once referred for a sanction the claimant must also understand why, in order to be able to prevent it from happening again.

48. Research has found little evidence to support the effectiveness of sanctions in moving claimants closer to the labour market. JRF review of sanctions research found claimants who have been
sanctioned are more likely to experience low wages and high job churning. New Deal claimants who had been sanctioned and experienced hardship were much less likely to be in employment than those who had not been sanctioned and those who had been sanctioned but had not experienced hardship.

49. We are concerned that the effectiveness of a sanction may be limited by the fact that it will remain in place even when a claimant finds work. Plans to make hardship payments recoverable also mean that the impact of the failure to comply will last for many months – three for the first low level sanction and then several months after for the recovery of the hardship payment. Whilst the plan to suspend and potentially write off the recovery of hardship payments for claimants who have found sustained work is welcome, this is just a small step in the right direction.

50. Evidence from our CAB advisers question the effectiveness of sanctions in increasing the motivation and commitment to jobsearch.

An East Midlands bureau recently helped a man in his early twenties who was struggling to meet his financial commitments due to sanctions for ostensibly not showing enough commitment to work. The bureau believed that despite a few failures to comply with requirements he was genuinely looking for work and that the sanctions had only served to interrupt his jobseeking as he was frequently thrown into crisis situations and having to focus on trying to reinstate his benefits and manage a growing debt problem. The approach appeared to be punitive rather than supportive and in the bureau’s view completely counterproductive.

He left a job in April 2011 and applied for JSA but was sanctioned for six months for not having a good enough reason for leaving work. Before his sanction had expired he was given a second six month sanction for failing to apply for one of the jobs identified for him. During this time the client was placed on an Employment programme but though he attended all subsequent sessions, he failed to attend the first one and was sanctioned again. He had been told that his housing benefit and council tax benefit would stop unless he provided details of his benefit income, which he couldn’t do whilst appealing. He had significant rent arrears and utilities debts and his energy supplier was threatening to fit a pre-payment meters for his fuel.

Protecting vulnerable claimants from hardship

51. The system for sanctions as it is currently proposed will make it very hard to protect the most vulnerable from serious hardships. Sanctions can mean a claimant losing out on all the adult rate of their universal credit for three months for the first failure, six months for the second and three years for the third.

52. The Government has said it will consider good cause or good reasons for non-compliance prior to sanction. They will however only visit those with limited work-search requirements if there is a good cause or reason for their non-compliance. This needs to be extended to other groups if they are to prevent the vulnerable from unnecessarily suffering hardship by relying on them to provide evidence un-prompted. As the most vulnerable are likely to find it hard to express good

Griggs J and Evans M, Sanctions within conditional benefit systems; a review of the evidence, December 2010

cause you can’t assume that just because a claimant has not given a good reason that there is not one.

53. Citizens Advice evidence shows that the most common reason for sanctions was a claimant’s failure to apply for specified jobs. Evidence from advisors show that most claimants in this situation have not understood that it was a ‘direction’ rather than a suggestion. So when there was a good reason why they didn’t apply – for example finding on receipt of more details for example that they did not have the necessary qualifications or experience, they did not tell their jobs seekers office and were hit by a heavy sanction.

54. Currently regulations do not require that the claimant commitments should note any relevant health condition or disability that would affect a claimant’s ability to comply with specific work-related requirements. This has meant that many claimants have had benefits taken away from them because they did not apply for a job which would have been unsuitable for them because of their situation. Cases below illustrate:

A bureau in the South West recently saw a man who was sanctioned with no notice for failing to apply for a 40 hour a week job. This is despite the fact that his Jobseeker's Agreement gave discretion for him to limit his hours to 24 as he was a full time carer for his disabled partner and their six children, two of whom were seriously disabled.

A Yorkshire client went to sign on and was told that he had not been doing enough to seek work. The client had been using job points and looking for jobs in the local paper. He is also doing an ESOL course which includes working towards writing a CV. His Jobcentre Plus adviser told him that this was not enough but did not tell him what else he should be doing. The letter refers him to a form to apply for a hardship payment but the form was not given to him and hardship was not discussed with him. He lost his JSA, HB and CTB for two weeks. He had no heating or water and was getting food from his local church.

In the South of England a vulnerable young client who suffered from depression, and a speech impediment that made it difficult for him to communicate over the phone turned to his local Citizens Advice Bureaux for help. He had been sanctioned for failing to attend an anger management course that he couldn’t get to by public transport and struggled to phone to explain – he was sanctioned again for failing to attend a job interview when facing a crisis at home.

Changes in the income entitlement of disabled people under Universal Credit, including those who may receive less income under Universal Credit than at present.

55. Support for disabled people is being restructured under universal credit. Citizens Advice, The Children’s Society and Disability Rights UK have recently published a report, Disability and Universal Credit which uses a series of scenarios, to unpick some of the complexity of who will lose or gain. It is available on our website and goes into to more detail than is possible here.

56. The Government has said that any savings from the reductions outlined below will be used to increase the means-tested addition for claimants in the Employment and Support Allowance support group. However, we do not believe the current proposals meet their objective of supporting those with the greatest needs and explain why below.

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7 [http://www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)

8 Currently £49 a week (single person), £57 (couples) to an eventual £80 a week
57. Whilst couples with someone in the support group will gain from this restructuring, those in the support group who live on their own and do not have a carer will be worse off under universal credit.

58. DWP has not presented any evidence that disabled people in the support group who live on their own will be able to cope with the significant cuts they are going to face. We have therefore made recommendations to help this group which we believe could fit easily within the universal credit structure and would also meet the Government’s other objectives of simplifying the system and improving work incentives – we think that with these in place the support component could then be increased when money allows.

59. There are three changes which are likely to lead to significant losses for some groups of disabled people:

- **There is to be no equivalent of the severe disability premium (SDP) in universal credit.** Under the current means tested system severely disabled adults for whom no one claims carers allowance and who live on their own, live only with dependent children, or with another disabled adult, are eligible for the SDP worth £58. This recognises that they are likely to have extra costs (such as needing help with small household jobs) which someone with the same level of impairment but who has a partner or carer, won’t face. They are eligible for this premium whether they are in or out of work. For disabled lone parents, receiving the premium can help reduce the pressure on their children, often of school age, to care for them. Under universal credit households with an adult carer will be eligible for the carers addition (£33) even if they are working fulltime. **We recommend that either the SDP is retained or if this is not possible, a ‘self-care addition’ be paid at the same rate as a carer’s addition for severely disabled adults who have no-one in receipt of the carer’s addition.**

- **No equivalent of the disability element of working tax credit (WTC) for those found ‘fit for work’**. The regulations make clear that the only extra means-tested support disabled adults will receive in universal credit will be through the work capability assessment (WCA). Many people who have extra costs in work and would be eligible for the disability element of WTC would be found fit for work under the WCA and so will receive no more financial support in universal credit than someone without a disability. Yet, they will have extra costs in work which will not be covered by “access to work” (such as needing to pay a cleaner because their condition means they haven’t energy for both work and chores). **We recommend that the WCA has an extra stage whereby someone who is found fit for work but still has a significant level of functional impairment, would be eligible for the disability earnings disregard (worth an extra £18 for someone in work).**

- **Reduced disabled child additions.** At present, families with a disabled child may be entitled to receive support through the disability element of child tax credit, currently worth £57 a week. Under universal credit, families with a disabled child will see this extra support reduced to £28 per week unless the child is receiving the higher rate of the care component of disability living allowance (DLA) or is registered blind. There are two key groups who will be most affected by this reduction in support:
  - **Families where no-one can work because of their caring responsibilities.** **We recommend that the disability additions for children remain at their current rate.**
For those who can work, the picture is much more complicated, but many of these households are also likely to be particularly adversely affected by the cuts to support for childcare for those on a low income and living in rented accommodation\(^9\). Parents of disabled children are more likely to have to use formal childcare, the childcare is frequently more expensive and is often needed for more years than for a non-disabled child. **We recommend that 80% of the childcare costs for disabled children be paid rather than the 70% of childcare costs which is to be paid for other children.**

**The impact of the changes on local authorities**, including budgets, staff and support for claimants. The changes include those to housing benefit; the introduction of the benefit cap; and localisation of council tax support.

60. Local authorities are grappling with future resource requirements coming out of welfare reform in order to deliver the flexibility needed to manage peak demand and mitigate the impact on quality and levels of service delivered to claimants. Advice services provide a way of extending local authority capacity around welfare benefit advice and support through existing specialist expertise found within the community. Offering a cost effective, resilient and more sustainable solution that taps into local civic resources, trained volunteers are able to bolster the local authority’s own welfare benefit support.

61. Citizens Advice Bureaux as existing partners to most local authorities across England and Wales are well placed to help develop effective, client-centred responses to the following challenges for local authorities:
   - delivery of the new localised support for council tax
   - supporting people in need from a new localised welfare assistance budget (replacing crisis loans and community care grants).
   - the introduction of both a housing benefit and overall benefits cap
   - supporting people forced to move from accommodation that is no longer affordable
   - administering benefits for displaced families in receiving councils
   - increases in rent and council tax arrears (prevention and early interventions)
   - providing advice and support to help people understand and deal with the new processes surrounding welfare application, support and payment arrangements.
   - working to address perceived unfairness of variations in localised support for council tax

62. Many bureaux are already working with their respective local authorities on the aforementioned issues, to develop new ways of working that respond to the local challenges that come with welfare reforms.

**The level of the earnings disregards**

63. The Government have recently made two ‘simplifications’ to their policies on earnings disregards which will in fact make it much more complex for a claimant to know whether work will pay and how much.

**Maximum and minimum disregards for housing costs**

64. Everybody has a maximum amount of universal credit they are eligible for depending on their circumstances. The essential requirements for understanding whether work will pay is knowing

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\(^9\) 70% under UC, 95% under current system (70% through WTC & 25.5% through increased HB&CTB)
what that maximum level of universal credit is and how much money you can earn before you start losing any of your maximum amount of universal credit (your earnings disregard).

65. The original proposal by DWP was to have a maximum disregard for someone who has no housing costs included in their maximum universal credit and then to taper the disregard depending on the amount of housing costs until a minimum level for the disregard was reached. This produced a very fair system as it meant that those with low or no housing costs received the same level of help with their personal costs at someone else with housing costs at the same level of earnings.\(^{10}\) This made it slightly complex to work out your personal disregard level but once given that by DWP, it would be possible to work out for any change in earnings, what your net income would be.

66. The Government are now planning to take this taper away and instead apply a lower disregard for a household who has any housing costs included in their universal credit award. This makes it superficially simpler but actually introduces significant new levels of complexity.

67. Under the new proposal at low levels of earnings, a claimant would be better off having their housing costs included in their maximum universal credit. However, for those with low housing costs, once their earnings become higher, they will be better off by not having their housing costs included because they would be pushed onto the lower earnings disregard.

68. However, it will be very difficult for a claimant to know whether they would be better off with a higher disregard and no housing costs included, or the lower disregard with their housing costs included. This will be an ongoing problem. As their earnings fluctuate there will be a change in the rate of gain for different levels of earnings – and a point at which they should request their housing costs to be included or excluded - a much more complex series of calculations to work out.

69. We believe the Government need to reinstate their original proposals to have a maximum and minimum disregard floor and gradually taper the maximum level to a minimum level by 150% of the amount of housing costs.

Number of children

70. The other ‘simplification’ from the original proposals, was to set the same earnings disregard for all families, regardless of the number of children in a household. This will make it more difficult for larger families to make work pay, as the impact of losing free school meals at a particular income point will be greater. They are also likely to face higher childcare costs and therefore need a higher earnings disregard in order to make work pay. As it becomes less certain whether work will pay then better off calculations become more necessary and more complex. Under the current system, households with more children get a higher earnings disregard in the housing and council tax benefit rules – as child benefit is in effect disregarded twice\(^{11}\).

71. We believe that under universal credit, higher disregards for larger families remain necessary to support the principle that work should always pay.

Eligibility for and operation of passported benefits

\(^{10}\) The tax credit system by having a disregard of £123 a week achieves the same so not having a maximum and minimum level would make it less fair

\(^{11}\) Once by inclusion in the applicable amount and then again as a straight forward disregard
72. DWP need to take a proactive lead working with other Government departments to ensure that entitlement to different passported benefits does not undermine the aims of making work pay and protecting the most vulnerable.

73. If it proves impossible for other departments to design their passported benefit schemes in ways that do not undermine DWP’s objectives for universal credit, DWP must commit themselves to reassess aspects of universal credit regulations to ensure that work will still pay and the incomes of the most vulnerable are protected.

74. Passported benefits such as free school meals are an important financial benefit for families on low incomes. How entitlement to these benefits are set will have a huge impact in determining whether the universal credit system will succeed or fail in providing work incentives.

75. With universal credit available to families in an out of work, the Department of Education is most likely to set it’s criteria for free school meals at an income or earnings threshold. However, this would have a massive impact on work incentives and family budgets around this threshold. If a family with two children increased their earnings to just one pound over the threshold, they could find themselves losing around £20 a week in free school meals. A point highlighted by the NAO in their recent report on means-tested benefits.¹²

76. This will make work incentives worse under universal credit than the current system. Families currently lose entitlement to free school meals with moving into work and claiming working tax credits. Whilst this considerably reduces the gains from working, most families are still better off in work because of the working tax credits that become available at this point.

77. DWP has currently asked all departments to consider the impact on work incentives when setting their entitlement criteria for their passported benefits. However, with the current financial restraints and without any adaptations within the universal credit system, this is likely to prove impossible. It is therefore crucial that DWP take a more proactive role in co-ordinating and work more closely with other Departments and not just leave how work incentives are considered up to them.

78. As free school meals are one of the most significant passported benefits, we believe one possible solution would be for all families on universal credit to qualify for free school meals. The Government could recover some of the extra costs of this policy by reducing earning disregards for families.

79. Whilst setting criteria for benefit entitlement remains the responsibility of different Government departments, DWP must keep an abreast of the impact of their criteria on work incentives. If necessary tapers and disregards should be amended to ensure that incentives to work are maintained.

80. Several passported benefits such as partial help with dental or optical treatment require a claimant to give full details of their financial circumstances to a different department in order to access this help. Under universal credit, all these financial details will already be held and have been checked by DWP – it therefore makes sense for DWP to pass on to other departments details of which claimants will be eligible for these benefits. As well as simplifying the system

¹² NAO, means testing, HC 1464SesSion 2010–2012 14 September2011
for claimants, DWP taking the lead also offers the chance of making significant administrative savings for the Government.

**Impact monitoring:** what the DWP’s priorities should be for monitoring the impact of the transition to Universal Credit.

81. When changes to the welfare system go wrong, Citizens Advice see the impact straight away as people come to CAB offices looking for help. We therefore understand the importance of DWP having a robust system to monitor the transition to universal credit.

82. The most important group that DWP needs to consider is the two million who would be worse off under the new system, particularly as those in the bottom two income quartiles are the most likely to lose out. They especially need to consider the 200,000 who lose more than £50 a week. The transitional protection will help but DWP need to monitor how this has an impact on behaviour as people try to avoid changing their circumstances in case they face a sudden loss and the added complexity to the system.

83. In particular we believe DWP should monitor:

- Overall better off/worse off picture. DWP should look at impacts as a whole. i.e. consider overall gains and losses for households including free school meals.
- Increased/reduced earnings and hours of universal credit recipients from the point of transition i.e. does universal credit create work incentives?
- Debt – monitor numbers/proportion of households who have faced debt or money problems within the first six months of transition to universal credit.
- Quality of communications – what do people understand about the changes and how they impact them?
- The simplicity test – ask people what they understand in terms of reporting requirements and what factors impact their entitlement.
- Impact on advice services – what do people seek advice about – is it needing help to claim, to understand entitlement, or has something gone wrong?
- Ability of claimants to manage their claims online
- All monitoring should break down by those who win/stay the same against those who will have lower benefit entitlements under universal credit.
- Are there a significant number of “missing claimants” who have been cut out by the online system?

84. Citizens Advice can support DWP with their impact assessment. We record information on every enquiry across England and Wales by specific enquiry type and personal profile, regional breakdowns etc. We are able to provide a massive amount of quantative and qualitative data to help DWP with monitoring of impact of the introduction of universal credit and we are very keen to work with them to help them achieve the aims of making work pay and protecting those who need support the most.
Written evidence submitted by Stockton District Advice and Information Service  
(Stockton CAB)

Stockton District Advice and Information Service is the Citizens Advice Bureau for the Borough of Stockton-on-Tees.

We are the main provider of advice in the Stockton area dealing with 35857 new issues a year of which 33% relate to welfare benefits.

**SUMMARY OF RECOMMENDATIONS**

<table>
<thead>
<tr>
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</tr>
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1. Claims

1.1 Financial and digital inclusion

We are concerned that the infrastructure proposed to support claimants and the expectations placed on them are unreasonable.

The insistence of making the provision “digital by default” including the presumption of a predominantly online system is likely to lead to difficulties.

We believe that there has been insufficient investment put into providing claimants with the expertise and means to manage an online system.

We note the view of Lord Freud\(^1\) that 74% of claimants had a broadband connection but this figure masks the fact that certain groups of claimants have far less access. The same DWP research\(^2\) demonstrates that 32% of JSA claimants, 35% of ESA/SDA/DLA claimants and 42% of Income Support claimants do not have access. Over 50% of claimants in the survey had no experience of online banking or said they did not want to use this facility\(^3\) and 58% said they had not or would not make claims online.

Though the aim of digital inclusion and indeed financial inclusion is laudable it is suggested that some individuals will still need some help (e.g claimants with significant learning disabilities) and this will create more calls on support organisations and groups. Though we note that there “will still be face to face and telephone support in place … this support will be geared towards helping people to use the online channel.”\(^4\). It is our experience that this will not be enough. As well as there being claimants whose ability to access internet based media will result in long term problems SDAIS have found, over the years that telephone access to decision makers and clerical staff at the DWP can quickly resolve benefit payment and entitlement problems that would have, otherwise, resulted in protracted letter contact. The retention of third party contact should therefore be maintained in order that staff time can be saved.

It is also suggested that, if the majority of correspondence will be electronic, there should be some clear system for identifying receipt of communication such as automatic read receipts, not least of all since failure to report changes in circumstances could, from 01/10/12, result in a civil penalty.

SDAIS recommends that resources be made available to encourage digital and financial inclusion but that long term support and telephone routes for the resolution of problems remain (at least for third party contact)

1.2 Need for advice

Comparatively few problems arise from problems between means tested benefits at the moment. Issues tending to focus on entitlement issues (e.g. if a claimant qualifies), status

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\(^2\) P. 69 Work and the welfare system: a survey of benefits and tax credits recipients by Trinh Tu and Steven Ginnis, Department for Work and Pension Research Report No 800 (2012)
\(^3\) P. 70 ibid
issues (e.g. Limited Capability for work assessment), information needs (e.g. failure to appreciate the need for certain evidence), understanding rules or delay issues. Thus we would not expect any major change to the core requirements for advice.

Unfortunately we suspect that there will be additional work both at a general contact level (especially surrounding transitional protection issues and due to inevitable teething troubles) and at a specialist level (considering case law issues). It is of concern that this extra workload is being introduced at time of uncertainty over funding and in particular reduced legal aid provision. It is noted that concessions to retain legal aid to cover first tier tribunals regarding points of law and in respect of Upper Tribunals have yet to be progressed. We are concerned that the sector in danger of loosing expertise to undertake these complex areas of law, due to delay in implementation.

We are also disappointed that arrangements for the distribution of the £40M over two years to partially compensate for loss of legal aid funding appear does not to have progressed at this point. It is suggested that the advice sector requires notice to effectively implement the provision.

It is suggested that sufficient provision for legal advice and assistance for claimants needing help with benefit issues should be put in place as soon as practicable

1.3 Payment

We also have concerns regarding payment of benefit. For people on low incomes small week on week variations in income can have significant impact on claimant’s budgets. Where benefit is paid monthly this problem is exacerbated. We can also foresee situations where payment to one individual in the household will not be in the best interests of the all the members of the household (e.g. where there is domestic violence). Given the concentration of payments into one benefit, carers for children will no longer be able to rely on receipt of child tax credit during relationship breakdown.

We suggest that there should be the discretion to be flexible regarding payment and splitting payments of Universal Credit
2. **Sanctions, claimant commitment, and hardship payments**

2.1 **Claimant Commitment**

We are concerned that there appears to be no provision to challenge or amend the claimant commitment. We would also like to see clarification that decisions regarding work requirements would be subject to an appeal process. This would empower claimants to seek appropriate support into employment.

| The contents of the Claimant Commitment should be subject to amendment and challenge and there should be a clear right to appeal or amend decisions regarding work requirements |

2.2 **Domestic violence exemption**

We feel that the domestic violence provisions need amendment. It is suggested that it is not appropriate to place a limit on requalifying for the domestic violence exemption and that the evidence requirement is arguably too strict. It is noted that it is the nature of some abusive relationships that victims can return to violent partners on several occasions before gaining the confidence to make the final break.

| The conditions surrounding the exemption from work-related requirements for victims of domestic violence should be removed |

2.3 **Recovery of Hardship payments**

SDAIS submits that Hardship payments should only be recoverable in very limited circumstances. Many of our clients (especially those with debt) have little or no surplus income and to reduce this further will place this client group into greater problems.

| SDAIS submits that Hardship payments should only be recoverable in very limited circumstances. Many of our clients (especially those with debt) have little or no surplus income and to reduce this further will place this client group into greater problems. |

2.4 **EU migrants**

We are also concerned that requirement in regulation 83 that all persons including family members of workseekers are required to meet all work related requirements under s. 13 – 25 of the Act, regardless of circumstances. It is suggested that this together with the restrictive nature of draft regulations 7 and 8, which do not appear to be compatible with directive 2004/38, would be contrary to the European law and caselaw.

We are anxious that costly caselaw be avoided in this area and that clarity of the law in this area be maintained.

| We suggest that the position of spouses of EU migrants should be no different to that of family members of UK residents |
3.0 Changes in the income entitlement of disabled people under Universal Credit and the level of the earnings disregards.

3.1 Help for people with more significant disabilities

The level of support for adults and children with more profound disabilities is apparently reduced under UC. The absence of the equivalent of the Enhanced Disability Premium/Element and Severe Disability Premium/Element appear likely to hit claimants who have more restrictive levels of disability.

It is suggested that the Limited Capability for Work Related Activity (“Support”) Element (LCWRAE) would need to be much higher than under current legislation to make up for the loss of premiums. To simplify entitlement it is also suggested that either Enhanced rate of PIP (or its equivalent under DLA) should passport claimants on to the Support Element since this would reduce unnecessary duplication and provide more support to people who have significant difficulties but obtain full time work.

Many people who have complex and multiple problems are likely to have high levels of transitional protection, which would be prone to being lost if circumstances change.

Consideration should be given to a passporting arrangement between Enhanced PIP and entitlement to the support component.

Consideration needs to be given to premiums for LCW to be substantially higher than current provision to ensure that more severely disabled people are not disproportionately worse off.

It is recommended that claimants with disability should be exempt from loss of transitional protection on change in circumstances (in these cases it would be reasonable to reduce the TP only to the level which would have been paid if the circumstances had changed before the transfer to UC)

3.2 Implications for local services

It is of concern that the reduced income for disabled people on benefit would be likely to disadvantage local services.

In particular if income reduces this may mean that households will be able to contribute less to community care needs such as domestic assistance and the costs of managing the shortfall are likely to fall on hard pressed social services departments.

It is proposed that additional funding be provided to ensure that Community Care provision be maintained in the circumstances detailed above.
3.3 Disabled students taking time out of courses

Regulations miss out on an opportunity to resolve a significant discrimination in the existing rules. Within draft regulations the current position that a person is deemed to remain on a course until they abandon it or are dismissed from it is maintained. This is inherently discriminatory to individuals who are temporarily incapable of undertaking a course due to ill health.

Under current rules some (though far from all) in this situation can qualify if entitled to Disability Living Allowance. Given the longer duration of disability expected under PIP and the fact that claimants with less severe disabilities (though significant enough to prevent studying) would be less likely to qualify than current claimants.

CASE STUDY

21 year old client had to suspend her university course as she has a combination of health problems. These problems mean the client needs assistance with her daily activities. While away from university she was unable to claim any benefits without entitlement to DLA. Lack of income would have left her in financial hardship.

3.4 Problems for disabled workers

Under current rules claimants can qualify for Disabled Workers Element through a number of routes if working 16+ hours per week.

To satisfy the criteria for help due to disability under Universal Credit, a claimant would only be entitled to any disability element if she would otherwise have qualified for the equivalent of the WRAC (i.e. ESA) … which is quite a high test for someone who is working.

The difficulties can be demonstrated in the case of one of our clients who works in a supportive workplace and commutes back and forth to the workplace in a taxi. She is not able to mobilise on unfamiliar routes alone due to a high level of anxiety but is okay at work and in the taxi. She qualifies for DLA but it is not clear that she would qualify for PIP and would not satisfy the requirements for the Work Related Activity Component on ESA.

It is noted that, at the moment, the cost of taxis would not be prohibitive

It is suggested that there should be multiple routes to qualify for the health related addition for workers or that the disability disregard from earnings should have a wide basis for qualification

21 August 2012
Written evidence submitted by the Community Housing Cymru Group

About Us

The Community Housing Cymru Group (CHC Group) is the representative body for housing associations and community mutuals in Wales, which are all not-for-profit organisations. Our members provide over 136,000 homes and related housing services across Wales. In 2010/11, our members directly employed 6,500 people and spent over £800m in the Welsh economy. Our members work closely with local government, third sector organisations and the Welsh Government to provide a range of services in communities across Wales.

Our objectives are to:
- Be the leading voice of the social housing sector.
- Promote the social housing sector in Wales.
- Promote the relief of financial hardship through the sector's provision of low cost social housing.
- Provide services, education, training, information, advice and support to members.
- Encourage and facilitate the provision, construction, improvement and management of low cost social housing by housing associations in Wales.

Our vision is to be:
- A dynamic, action-based advocate for the not-for-profit housing sector.
- A ‘member centred’ support provider, adding value to our members’ activities by delivering the services and advice that they need in order to provide social housing, regeneration and care services.
- A knowledge-based social enterprise.

In 2010, CHC formed a group structure with Care & Repair Cymru and the Centre for Regeneration Excellence Wales (CREW) in order to jointly champion not-for-profit housing, care and regeneration.

We welcome the opportunity to respond to this consultation. Welsh housing associations provide homes to some of the most vulnerable members of the community and according to the Cuts Watch Cymru report, Wales on the Edge, more than two thirds of benefit claimants live in socially rented accommodation. We support the Government's commitment to reforming the benefits system to increase work incentives and to ‘make work pay’ through the Universal Credit.

Response
Our response to the proposed arrangements for claims and payments and the provision of support and advice for claimants, including the presumption of a predominantly online, self-service claims process; monthly payment to one person in the household; and arrangements for providing telephone and face-to-face support and independent advice for claimants who need it.

1. The presumption of a predominantly online self-service process is concerning since it is our experience is that a large percentage of people lack not only the knowledge and accessibility to make on-line claims but also the confidence. It is insufficient to simply provide on-line accounts for claimants and assume immediate and automatic take-up; we cannot underestimate the level of face-to-face support required for those claimants who are not digitally included and / or have literacy issues and other disabilities which may prevent them from accessing online services.

2. We know that a large percentage of social housing tenants do not have access to the internet at home, for example, in 2010 Tai Calon, a housing association based in Blaenau Gwent found that 42% of their tenants have access to the internet. Blaenau Gwent remains the most digitally excluded area in Wales.

3. A percentage of those who are not online will also have mobility issues and be unable to leave their homes. We need reassurances about how these claimants in particular will be supported. There are also huge concerns that those living in rural areas will be unable to access face to face support due to lack of provision and poor public transport and also digital exclusion which is associated with rural areas.

4. There is further concern that many claimants will be unwilling to divulge personal information over the internet particularly amongst older people who may worry about the security of divulging personal information over the internet.

5. CHC is currently working with Wales Cooperative Centre to get a clearer picture what digital services and support Welsh housing associations are providing not only for their tenants but also for their staff.

6. With regards to general financial capability, one housing association has provided us with evidence that over 70% of their tenants are in receipt of full or partial housing benefit. The ability of tenants to budget effectively has yet to be tested and a large increase in rent arrears due to non-payment of rent will have a significant impact on this organisation’s ability to deliver its commitments to its tenants.

7. Evidence suggests that whilst housing associations are working with tenants at pre-tenancy stage to collate bank account details/ direct debit information, there is a reticence from new tenants to share this information until Universal Credit/ direct payments are actually introduced. Some members, for example Tai Calon, are reviewing their rent collection policies as presently only 701 out of 6000 of their tenants pay their rent via direct debit. Tai Calon have made a commitment to support tenants through the introduction of Universal Credit, however, many smaller housing associations will not have the resources to offer such support.
8. There is a lack of clarity in Wales as to where independent advice can be sought on Universal Credit. Citizens Advice Bureaux are already inundated and welfare benefit enquiries have now overtaken debt enquiries in number. The future of independent advice will become even more uncertain with the planned cuts to funding for advice services.

9. The move to monthly payments to one person in the household could lead to hardship for those in the household who do not receive payments. Those who are accustomed to fortnightly payments will no doubt find it difficult to budget with such a large amount of money. There are also concerns that the single payment could go to a member of the household who is least likely to be able to cope with it, for example, an individual suffering from an addiction.

10. Furthermore, those who are forced to wait 37-38 days after their first claim before receiving a payment will be hugely disadvantaged and we have grave concerns that this could lead to a spiral of debt and severe financial hardship. It is imperative that financial support is available to bridge this gap and help households avoid getting into debt at such an early and crucial stage in the new Universal Credit implementation. If households get into debt at this point they will doubtless spend many years in poverty “playing catch-up”, which is surely contrary to the overall aims of the new system. Moneyline Cymru is a not-for-profit responsible lender which was set up by Welsh housing associations to help tackle doorstep and illegal money lending. The sector has strong evidence to suggest that this type of lender might seek to exploit this financial “low-point” with aggressive marketing campaigns.

11. Under the new system, a household ceases to be entitled to benefit for any part of a month they will be treated as not being entitled for the whole period. For example, if a household becomes ineligible for to receive Universal Credit for 2 days at the end of a month, they will lose benefit for the whole of the month. This does not in any way reflect the way a wage earner would receive their salary if they were to hand in their notice and for that reason it seems completely incongruous with the objectives of the Universal Credit system. Households cannot be expected to budget for such an occasion and we therefore ask that this is reviewed and revised accordingly.

12. The third party arrangements such as jam jar accounts and credit union schemes which most landlords will be forced to take up in order to continue receiving their rent will attract fees and will therefore negate the expected benefit of welfare claimants, which is to improve their financial capability. It is therefore expected that a cut of the Welfare Benefit budget will be sacrificed by landlords and paid directly to financial institutions to manage these accounts, which offer no security whatsoever to the landlord who might still not receive their rent payment. The cost of working with third parties plus the potential for huge increases in rent arrears could render social landlords unable to provide services to the most vulnerable in our communities.
13. Housing associations, particularly in North and West Wales are concerned about the provision of services in Welsh. The ability to communicate in Welsh must be built into all aspects of the new service, for example, contracts with third parties such as Citybank. Members often receive complaints from tenants who are unable to conduct their business in their first language, for example, AllPay do not use Mutual Exchange services as the IT interface is not available in Welsh and tenants are therefore unable to conduct their transactions in Welsh. It is vital that claimants are able to conduct their business via the medium of Welsh if they should choose / need to do so.

Our response to the proposed arrangements for the “claimant commitment”, sanctions and hardship payments.

14. Housing associations generally feel that sanctions for failure to comply with the “claimant commitment” are too harsh and could lead to housing related benefits being used for living expenses. This would inevitably leads to homelessness and place great strain on local authorities who will be under a duty to re-house such households.

15. In particular, the proposal for fining applicants for non-disclosure of changes in circumstances is very worrying, especially in the context of the move towards “digital by default” and the level of digital exclusion amongst the most vulnerable. The timeframe for advising of such changes must be carefully considered and flexibility and discretion exercised if we are to avoid a spiral of debt and poverty due to unrealistic fines.

Our response to the changes in the income entitlement of disabled people under Universal Credit, including those who may receive less income under Universal Credit than at present.

16. There is concern among Welsh housing associations that those households with a disabled child who are not in receipt of the higher rate of Personal Independence Payment will be on a lower income under Universal Credit as they will become ineligible to receive the disabled child element. This is likely to be even more widespread since it is becoming harder to qualify for the higher rate PIP. This reduction in income will directly impact on the household’s ability to provide appropriate care for the child and parents could be forced to use benefits which are intended for housing payments for the purposes of caring for their child. This will increase arrears and could potentially have a huge impact on local authority housing services.
17. There has not been any confirmation of whether there will be a severe disablement premium under Universal Credit but the Severe Disablement Fund will cease to exist in 2015. This fund currently supports 2,000 severely disabled people in Wales and the impact this will have on them will be catastrophic in terms of their quality of life.

Our response to the impact of the changes on local authorities, including budgets, staff and support for claimants. The changes include those to Housing Benefit; the introduction of the benefit cap; and localisation of council tax support.

18. Welsh housing associations are greatly concerned about the potential loss of the close relationships that have been forged over many years with housing benefit departments in individual Local Authorities. This will undoubtedly have an impact on the way that possession cases have previously been dealt with as it may not be possible to find out the details of the tenant’s award as efficiently.

19. Under the new system, housing costs and housing benefit backdates are to have a statutory limit of one month rather than a maximum of 26 weeks. A full length ‘good cause’ backdate can often result in the household remaining in their home instead of being evicted. This means of preventing homelessness will no longer be available and landlords will be forced to issue possession proceedings, thus placing severe pressure on Local Authorities and the Court system.

20. There will be significant pressures on council tax departments in administering council tax with at least 10% less funding although it is expected that it could be as much as 15%. The indications are that Local Authorities do not have systems in place to administer the new scheme and there are concerns about inconsistencies and therefore the potential for unfairness across Wales. For example, it is anticipated that council tax benefit claimants in Blaenau Gwent could be paying as much as 20% of the council tax due, whereas this could be lower in some areas depending on how Local Authorities administer the scheme.

21. When coupled with other potential reductions in income due to welfare reform, households who are expected to pay the shortfall in Council Tax Benefit will now be at risk of prison due to non-payment of Council Tax. The strain on the Court system will increase and create a huge resource issue which will negate any saving made by cutting benefit entitlement.

22. We would like to see proper consideration given to the huge resource pressure these changes present to the legal system and on Local Authorities. We believe the only outcome is that of a “false economy” and that overall, the cost of dealing with these changes will be far more costly to the taxpayer’s purse. We would like to see a system which is efficient, fair and consistent across Wales.
Our response to the level of the earnings disregards.

23. There are concerns that the taper which is imbedded in Universal Credit has been set at 65%, rather than the 55% which was originally advised by the UK Government. Although this still represents some incentive to claimants to be gainfully employed, along with the earnings disregards, which are considerably higher for people with housing costs, this is going to cause more hardship than was originally thought.

24. We would like the disregards reviewed and a fairer system implemented to ensure that homeowners who have finished paying their mortgages do not benefit the most.

21 August 2012
Written evidence submitted by the Council of Mortgage Lenders (CML)

This submission includes points previously made by the CML in response to the Social Security Advisory Committee’s call for evidence on draft Universal Credit and related regulations. The move to Universal Credit is one of the most significant challenges for social housing providers, their funders/investors and tenants themselves which has been brought forward by government in many years. For this reason, we feel it is important to re-state our concerns to the Work and Pensions Committee.

Introduction

1. The Council of Mortgage Lenders (CML) welcomes the opportunity to submit evidence to the inquiry by the Work and Pensions Committee on progress towards the implementation of Universal Credit.

2. The CML is the representative trade body for the UK residential mortgage lending industry. Its 112 members currently hold around 95% of the assets of the UK mortgage market. In addition to lending for home ownership, the CML members have also lent over £138 billion for buy-to-let mortgages to support a private rental market.

3. Over £60 billion UK-wide has been lent by CML members to housing associations for new build, repair and improvement to social housing. This has enabled significant improvement in the condition of existing homes and communities as well as delivering new affordable homes without increasing the use of public money.

4. At the time of the passage of the Welfare Reform Bill, the CML together with the National Housing Federation and professionals across the housing association sector expressed concerns about the potential impact on the viability of housing association businesses of rent direct, the new social sector size criteria (under-occupation/ “bedroom tax”) and the overall benefit cap. We have been encouraged by Lord Freud’s publicly stated commitment that welfare reform should not be implemented in a way which undermines the financial viability of the sector.

5. Notwithstanding this commitment, we continue to be concerned that the combined effect of these changes could be to destabilise landlords’ income streams with consequential impacts on lender and investor confidence in the sector, particularly small to medium sized associations.

6. The move to Universal Credit is, therefore, of particular interest to CML members who lend to and invest in the housing association sector.

7. We have responded on the areas where the Committee is interested in receiving evidence:

   Proposed arrangements for claims & payments and the provision of support and advice for claimants, including the presumption of a predominantly online, self-service claims process; monthly payment to one person in the household; and arrangements for providing telephone and face-to-face support and independent advice for claimants who need it.

8. **Arrangements for payments:** The CML remains concerned by the slow progress in ensuring key elements are in place. In particular we are concerned that there might be insufficient financial products available to support direct payment to claimants; we are concerned that claimants might be unlikely to opt for banking products which could assist them in household budgeting and making e.g. rent payments promptly to their landlords. We would support calls from others in the sector that the DWP should prioritise work with the retail banking sector and other providers (such as Credit Unions) to ensure that UC does not fail because claimants cannot receive funds for onward transmission.

9. **The “digital by default” presumption:** We agree this is a worthy aspiration, but caution that it is likely to take some time to achieve. Not all claimants will have the skills to make an unassisted claim online; not all will be able to access an internet connection or afford one at home. For this reason, more conventional methods of making and processing claims should be maintained until full digital inclusion is achieved; government should commit to maintaining these channels where they
continue to be needed. Telephone and face-to-face assistance is likely to be an on-going requirement particularly for disadvantaged and vulnerable groups including those who are homeless. There are also practical considerations about how a claimant will be supported if they cease to be online during the period of a current claim (e.g. are disconnected owing to financial hardship).

10. **Monthly payments to one person:** we are aware that concerns have been expressed about equalities issues here, and the potential for financial abuse of vulnerable people including those who may already be suffering domestic violence. We are confident the committee will give these concerns due weight and urge the DWP to take them on board in their preparations for the move to UC.

11. **Support and advice:** we are aware that most housing associations are gearing-up their arrangements to support and advise their tenants in preparing for and managing the transition to UC, and this is welcomed. The CML is concerned, however, about the additional costs and overheads associated with the provision of this support, and the extent to which it represents yet another cost of the move to UC which landlords will be expected to bear. We are concerned that intensive and prolonged requirements for advice and support could present a drain on landlords’ cash flows, in addition to the widely-expected increases in rent arrears many could face as a result of rent direct and under-occupancy deductions. We suggest that government and others including the Money Advice Service should have a clear role in supporting and advising claimants, backed with appropriate financial commitment.

**Progress with developing the necessary IT systems to administer UC, including the RTI system for PAYE taxation.**

12. The Real Time Information system is currently in development and testing phases. The administration and payment systems for transmitting funds direct to benefit recipients are similarly in development. Although the CML is not involved in these aspects of preparing for implementation of UC, we observe that many other large government IT projects have been plagued by difficulties, and we would urge the Committee to probe readiness and robustness as deeply as possible so as to minimise the potential for failures such as have been seen in the past. It will be fundamental to the roll-out of UC that these core systems are ready on time and able to cope with the demands placed upon them. The payments system should operate in a swift and flexible way. In terms of rent direct, the system should be sufficiently agile and responsive to quickly switch payments back to a landlord if a tenant has built up rent arrears over a defined period. We support in principle proposals which could allow landlords flexibility in determining the switch-back period, and would wish to be engaged with DWP on development of any such proposals.

**Changes to housing benefit; the introduction of the benefit cap; and localisation of council tax support**

13. As we have said previously, we believe the DWP does not have a coherent and complete picture of the overall effect of the interaction of key elements of UC – particularly rent direct, the under-occupation measures and the benefit cap. Adding into the mix the proposals for localisation of council tax support makes the picture even less clear. This is very concerning – particularly as lenders and investors to the sector expect clarity and known/ quantifiable risk. We are also concerned about the lack of information about regional differences in the impact of these changes – for example the effect of the benefit cap in London or of the under-occupation measures in the North, where much of the housing stock is larger, with few homes available for tenants wishing to downsize.

**The level of earnings disregards**

14. We welcome Lord Freud’s recent announcements about rental income from a tenant’s sub-letting of a spare room being disregarded entirely – we believe this could help to alleviate financial hardship which might arise from under-occupancy deductions. This could help to sustain tenancies and mean that tenants might not have to move.

**Eligibility for and operation of passported benefits**

15. We have no particular comment on this at this stage other than to observe that we are now beginning to see different approaches in different parts of the country – for example, with the Scottish Government’s Bill on passported benefits which seeks to mitigate against some of the stronger
impacts of the move to UC. Lenders and investors tend to operate across national borders, and this difference of approaches could make assessment of credit risk in the sector as a whole more complex.

Impact monitoring: what the DWP’s priorities should be for monitoring the impact of the transition to Universal Credit.

16. The impact of the transition to UC and rent direct on housing association businesses will take some time to manifest; it will be extremely difficult to disentangle, for example, the effect of rent direct on arrears levels from that of the benefit cap and the under-occupation measure. There appears to be, within the DWP, no clear strategy for monitoring and evaluating the overall effect of these changes not only on housing association businesses, but on lender/ investor confidence in the sector.

17. Although the government is currently running a series of rent direct “demonstration projects” across the country until June 2013, to be closely followed by a UC Pathfinder project, the CML is concerned not only that these projects are running in a self-contained way (not looking at the interacting effects of under-occupation or the benefit cap), but also that the learning from these projects and pathfinders will emerge after the arrangements for the UC system (regulations; payments systems etc) have been set. While we note and accept that the rent direct projects are running on an “active learning” basis, we remain sceptical of their ability to influence any major changes to UC if that is what the learning suggests is required.

18. The CML is pleased that, as part of the work to evaluate the projects being undertaken by Sheffield Hallam University, a short series of interviews is being arranged with key lenders and investors to the sector to gather qualitative evidence about their perceptions and understanding of the potential impacts of the move to direct payment. We remain concerned, however, that there still appears to be no empirical measure by which the impact of this change (and the success of the projects) will be judged. From a DWP point of view, we understand “success” will maximise the number of claimants in receipt of direct payments; but there is still no measure of the impact (successful or otherwise) of this change on arrears levels and how they translate through into bad debt, voids and then further, over time, into the overall risk and credit worthiness of the sector.

19. We note that the Communities and Local Government Committee recently recommended in its report on financing of new housing supply that government should set out clear criteria by which the success of the rent direct demonstration projects will be judged, and that it fully involve social housing providers and lenders in the process.

20. We suggest that government should undertake further work to define the success criteria for the rent direct demonstration projects in the context of the impact of rent direct on lender and investor confidence in the sector. Further, we suggest that both DWP and DCLG should undertake longer-term monitoring and evaluation of the move to UC and, in particular, the interacting effects of key elements including rent direct, under-occupation measures and the benefit cap; and that it should be receptive to any emerging findings which suggest the system should be changed to protect the long-term financial viability of the sector and maintain its strong credit rating and attractiveness to investors.

17 August 2012
Introduction
The Centre for Economic and Social Inclusion (Inclusion) is the leading not-for-profit organisation dedicated to tackling disadvantage and promoting social inclusion in the labour market.

We support the Government's objectives in introducing Universal Credit, and believe that it has the potential to significantly simplify the design and delivery of the benefits system, improve returns from work and promote financial independence. However as the Committee identifies, there are a number of areas where the detailed design of Universal Credit could work against these goals. The system will remain complex for claimants, advisers and the wider public; there will be less choice in how benefits are claimed and managed; and it is not yet clear what support will be available locally, whether systems and processes will be ready for roll-out, and how Universal Credit will fit with other provision (from free school meals to localised Council Tax Benefit).

This response addresses in turn the eight specific areas identified by the committee. In addition, Inclusion’s response to the Social Security Advisory Committee’s recent call for evidence on the Universal Credit draft regulations is also attached.

Claims and payments and the provision of support and advice

Universal Credit presents a unique opportunity to address many of the factors that have undermined access to benefits in the past: complex claims systems, duplication of information requirements, and involvement of multiple agencies\(^1\). Therefore the creation of a single benefit has the potential to significantly improve access to benefits.

However, Universal Credit will also serve to reduce the channels through which individuals can claim benefit. As the draft regulations make clear, online claiming will be the only option available to claimants unless they fall “within a class of case for which the Secretary of State accepts telephone claims or where he is otherwise willing to do so.” On the latest data just 19.6% of new JSA claims were made

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online\textsuperscript{2}, while ONS figures show that almost a quarter of households have no internet access and that the rate of internet use decreases in line with income.\textsuperscript{3}

The Department therefore needs to ensure that it has in place:

• A coherent strategy to ensure that those who can claim online do so;

• A digital inclusion strategy to ensure access to digital channels, and support to use them, for those who are currently excluded;

• The right support for disadvantaged claimants who may face barriers in claiming – we welcome the Government’s proposed pilots to test local approaches to providing face-to-face support\textsuperscript{4}; and

• In our view, the right for any claimant to opt in to claim by telephone – at least in the early stages.

The Government has not yet set out its plans for how labour market support will be delivered under Universal Credit. Currently, support for jobseekers is overwhelmingly face to face, and previous trials of moving to telephone-based and other systems have found that the negative impacts as a result of fewer people leaving benefit more than outweighed any positive impacts in reduced administrative costs\textsuperscript{5}.

In our view, labour market support cannot be “digital by default” – it must be face to face, personalised, and delivered by high quality, professional advisers. We would therefore welcome a commitment from the Government that support for those in the full conditionality group will be underpinned by regular, face-to-face, professional adviser support.

**Developing the IT systems to administer Universal Credit**

Inclusion is not in a place to comment on the readiness of DWP and HMRC’s IT systems. However, we would make two observations.

First, we would reiterate that maladministration, delays and complexity can significantly undermine claimant confidence and ultimately the willingness to return

\textsuperscript{2} DWP (2012) Proportion of new claims to Jobseeker’s Allowance submitted online
http://www.dwp.gov.uk/docs/jsa-claims-online.pdf

\textsuperscript{3} Office of National Statistics (2012) Internet Access Quarterly Update, 2012 Q1, 16 May 2012


to work. DWP research on the administration of Housing Benefit found that perceived maladministration acted as a barrier to claimants taking up work due to concerns around losing the “safety net” of rent support. Universal Credit will smooth the transition between out-of-work and in-work support - but it will depend on the link between the HMRC “Real Time Information” system and DWP’s Universal Credit system. It is not clear that there are contingencies in place if that link is not ready or breaks down. This needs to be a top priority for the Department.

Secondly, it is imperative that DWP has learnt from previous major reforms to claims and payment systems. The 2004-6 Child Support Reforms were a case in point. While much of the blame for the failure of these reforms was placed on the procurement of the IT system, as the National Audit Office made clear there was a far greater catalogue of errors - including management failures, ineffective risk controls, and issues with staff readiness and culture. The “agile” system being used for Universal Credit, although essentially untested, should serve to mitigate some of these risks but it will not mitigate all (in particular, risks around staff preparedness).

The “claimant commitment”, sanctions and hardship payments

The claimant commitment and out-of-work conditionality

The proposals for a claimant commitment build largely on the current system of Jobseeker’s Agreements (for those on JSA) and action plans (for those on other benefits). There is limited information so far on how commitments will be drawn up. However the implication from the regulations is that this will be a commitment by the claimant to the adviser/ DWP, rather than an agreement between the two. The distinction is important - in our view, the claimant commitment should set out the actions that the claimant will take to prepare or look for work, and the support that they can expect in return.

This agreement should also be underpinned by a clear statement of the level of support that claimants can expect in different conditionality groups. This should learn from the “Service Guarantees” used in Australia, which set out claimant responsibilities but also service standards, including a commitment to receiving

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assistance with preparing a CV, advice on how to look for work, information on suitable job opportunities, advice on skills, and other suitable support.⁸

For those in the “full conditionality” group, the Government has stated that jobsearch should be a full-time activity (that is, that jobseekers should spend as many hours looking for work as their claimant commitment sets out that they can spend in work). As we set out in our SSAC submission, the evidence suggests that effective jobsearch and quality adviser support are what matters⁹. Evidencing 35 hours of jobsearch a week would likely be unworkable and arguably disproportionate. Indeed the Regulations themselves make provision for the Secretary of State to waive the requirement where he is satisfied that “all reasonable steps” have been taken.

In our view, the current proposals should be reframed around taking all reasonable steps to look for and prepare for work, as agreed in the claimant commitment.

**In-work conditionality**

As set out in our SSAC response, we recognise that claimants with low earnings and high Universal Credit awards should be expected to take appropriate steps to increase their earnings. However this will inherently introduce new complexity to the how the benefits system is designed and then applied.

In particular, we are concerned that the current proposals appear to put the emphasis for in-work conditionality on “obtaining paid work” – i.e. taking steps to look for other jobs and being available at short notice for interviews. This could have the unintended consequence of actually making employers less likely to employ claimants of Universal Credit – as those employees will be required to continue looking for work, to be available for interviews at 48 hours’ notice and to continue to report to Jobcentre Plus.

We consider that the approach needs to be far more flexible, personalised and targeted at providing support to those who are most at risk of remaining in low-paid, part-time work. In particular, we would recommend defining the objective of in-work conditionality around increasing earnings (which could come through higher pay or longer hours), rather than simply obtaining more work.

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**Conditionality and contracted provision**

The Committee may also want to consider how this new conditionality regime will be applied within contracted employment programmes. Currently, for JSA claimants in the Work Programme, providers do not have a role in monitoring compliance with the Jobseeker’s Agreement. Instead jobseekers maintain their Agreement with Jobcentre Plus (including fortnightly signing) while separately agreeing an action plan with their Work Programme provider.

There are therefore two issues:

a) Will the claimant commitment, for those out of work in the “full conditionality” group, continue to be defined around full-time jobsearch?

b) And for those in work, will the commitment be defined around searching for additional work for those below the conditionality threshold?

If claimants face the same conditionality requirements on contracted provision as they do outside it, then this could create significant complexity for Jobcentre Plus, providers and claimants themselves.

In our view, claimants on contracted provision should be deemed to be taking “all reasonable steps” to look or prepare for work. In other words, their “claimant commitment” to Jobcentre Plus would be to take part in the programme, rather than to undertake a fixed number of hours of activity per week.

**Sanctions**

Sanctions are clearly important in providing a warning to claimants that failing to undertake agreed actions will have consequences. However that deterrent effect will only work where those consequences are understood, clearly communicated and fairly applied. The evidence\(^\text{10}\) suggests that awareness of sanctions is low – even among those who have been sanctioned – and sanctions are more likely to be applied to already disadvantaged groups.

The Department therefore needs to ensure that under Universal Credit there is a greater focus on using the warning of sanctions to encourage compliance, with sanctions a last rather than first resort.

Where sanctions are applied, a comprehensive study for the Joseph Rowntree Foundation\(^\text{11}\) found that while there appear to be generally positive short-term impacts on employment, these appear to be associated with lower-quality work,

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\(^{11}\) Ibid.
often negative impacts on earnings, and negative impacts on children and families. The increased level of Universal Credit sanctions, and the fact that in couple households effectively both claimants will be penalised when one is sanctioned, could serve to exacerbate these negative impacts.

**Changes in the income entitlement of disabled people under Universal Credit**

As the Committee will have noted, Universal Credit will significantly reduce support for some claimants and particularly for disabled people who:

- Would previously have qualified for the additional premia in the tax credits and benefits system or to higher premia for disabled children; and
- Have caring responsibilities - through the inability to claim both the Carers Element and Limited Capability for Work/ Work Related Activity element.

This has been set out particularly clearly in joint work by the Children’s Society, Citizens Advice Bureau and Disability Rights UK\(^\text{12}\). We like others would strongly support bringing these elements in line with the current system.

**The impact of the changes on local authorities**

As noted above, the Government has announced its “long list” of local authorities that will pilot approaches to providing additional support to claimants. However while this is welcome, the impact of Universal Credit on local authorities will be wide-ranging – affecting their structures, staffing, the services that they provide, their supply chains, and how they work with partners.

We understand that the Department is currently conducting a “business change impact analysis” to understand the full impact on local authorities\(^\text{13}\). This is welcome, and we would ask that this is conducted in an open and transparent way, and in particular that it engages the range of organisations (suppliers, stakeholders, voluntary and community sector partners) that local authorities currently work with to support delivery of benefits and welfare. It should also assess the impact on local partners as well as local authorities themselves.

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\(^{12}\) *Disability and Universal Credit*, Children’s Society, Citizens Advice Bureau and Disability Rights UK; July 2012

In addition, we would recommend that the Department conducts an urgent analysis of the interdependencies between Universal Credit and other major welfare reforms affecting local authorities. In particular, this should focus on the links with:

- **Localisation of Social Fund** – as the Communities and Local Government Committee found\(^{14}\) there are significant concerns that the level of funding to Local Authorities will not be sufficient to meet the costs of establishing new schemes, that social services functions will not be best placed to deliver local schemes, and that the lack of ring-fencing could lead to further reduced support. We are currently conducting research on local authorities’ plans for replacement schemes and have found a mixed picture. Getting the links right between local replacement schemes and Universal Credit will be critical, particularly given the move to monthly payments of benefit under Universal Credit.

- **Localisation of Council Tax Benefit.** We agree with the Institute for Fiscal Studies\(^{15}\) that localisation of Council Tax Benefit will undermine the benefits simplification that Universal Credit will bring, and that it has “the potential to reintroduce some of the extremely weak work incentives that Universal Credit was supposed to eliminate.” Timescales are also extremely tight, with local authorities required to adopt local schemes by January 2013. We would favour the integration of Council Tax Benefit in Universal Credit. But assuming localisation goes ahead, the Government needs urgently to assess the implications for claimants of Universal Credit in terms of simplicity, ease of administration and improving work incentives.

### The level of the earnings disregards

We have set out in our SSAC response that we consider that earnings disregards should:

a) Enable those that may face additional costs in moving into work to keep more of their earnings (parents with care, disabled people); and

b) Provide a stronger cash incentive to move into work for particular groups (for example the longest-term unemployed or those furthest from work).

Therefore we are supportive of the Government’s proposals to set higher disregards for claimants with children and claimants with a disabled person in the household. However we would define disability as any work-limiting disability - not, as the Department proposes, only those assessed as having a Limited Capability for Work.

\(^{14}\) Communities and Local Government Committee Fifth Report: Localisation issues in welfare reform; HC 1406; October 2011

\(^{15}\) Adam S, Brown J (2012) Reforming Council Tax Benefit, IFS
The Department is also proposing to set lower disregards for those that receive a housing award in Universal Credit. There are arguments for and against this approach. In particular, for claimants without a housing award but with a mortgage, a higher disregard would improve returns from work and could significantly boost income at low hours or earnings. However it also increases complexity, particularly for those who may be entitled to a small housing award but at low pay could find themselves worse off by claiming it.

The Department has not set out what the disregard levels will be under its current proposed approach nor any assessment of the impact on different groups of claimants. We would urge them to do so, and to set out the impacts of alternative approaches. On balance, we would favour the same level of disregard for those with and without a housing award, as long as impacts on work incentives and incomes for those without the housing element but with housing costs (i.e. mortgage holders) can be mitigated through higher disregards for children or disability.

Finally, we are concerned that the Department’s decision to abolish the In-Work Credit and Return to Work Credit will undermine financial incentives for those furthest from work. Research by *Inclusion* found that In Work Credit acted as a strong incentive for a small but significant group of lone parents: those who had spent long periods on benefit and had “patchy work histories”\(^{16}\). These findings are consistent with other studies of what works\(^{17}\). Removing In Work Credit and Return to Work Credit could weaken incentives for those who are furthest from work and have spent the longest periods on benefit.

We would therefore urge the government to introduce a higher disregard for those with caring responsibilities or disability and who have been out of work and on benefit for more than two years.

**Eligibility for and operation of passported benefits**

As SSAC have made clear in their comprehensive report\(^{18}\), there are no straightforward ways to replicate current passporting arrangements within Universal Credit – and the timescales are too short to fundamentally reform passported benefits. We agree with them that the Government should take this opportunity to take a longer-term look at the structure and operation of passported benefits.

\(^{16}\) Sims L, Casebourne J, Bell L and Davies M (2010) *Supporting lone parents’ journey off benefits and into work: a qualitative evaluation of the role of In Work Credit*, DWP Research Report 712 by Lorraine Sims, Jo Casebourne, Laurie Bell and Malen Davies


\(^{18}\) “Universal Credit: the impact on passported benefits: Report by the Social Security Advisory Committee and response by the Secretary of State for Work and Pensions, March 2012
In the short term however, we would support SSAC’s recommendation that the Government introduces a “run on” of up to a year for claimants that lose entitlement to free school meals.

Impact monitoring

We understand that the Department is developing a full evaluation strategy for Universal Credit, which is likely to include qualitative and quantitative research, economic impact assessment, and a review of its implementation. We would strongly support this approach. The phased rollout of Universal Credit also means that there should be scope within this evaluation to measure the additional impacts of Universal Credit – for example on movements into and out of work, earnings growth, debt/financial security, housing choices.

As well as evaluating the impact of Universal Credit, the Department will also need to have sophisticated systems in place to monitor impacts in live running. This will need to include impacts on Local Authority services, housing providers (in particular social landlords’ receipts), providers of employment and skills support (for example Work Programme providers), employers, and claimants themselves.

21 August 2012
**Written evidence submitted by the Chartered Institute of Housing (CIH)**

The Chartered Institute of Housing (CIH) is the professional body for people involved in housing and communities. We are a registered charity and not-for-profit organisation. We have a diverse and growing membership of over 23,000 people, both in the public and private sectors, living and working in over 20 countries on five continents across the world. We exist to maximise the contribution that housing professionals make to the wellbeing of communities. Our vision is to be the first point of contact for, and the credible voice of, anyone involved or interested in housing.

**Introduction**

CIH has long called for reform of the welfare system and has supported the principal of a universal credit to simplify benefits. However, we continue to have concerns about the implementation of universal credit as the welfare reform programme progresses.

This response draws on the experience and expertise of members and officers across CIH, including Scotland, Wales and Northern Ireland. CIH delivers a range of services and tools to help landlords and tenants prepare for changes to welfare benefits, and a great deal of our knowledge and understanding of impact and implementation comes from this work.

Some of our concerns about the administration of universal credit have already been raised in our written evidence to the Communities and Local Government Select Committee (Ev w58) and the Social Security Advisory Committee inquiry, and during the passage of the Welfare Reform Act.

We note the Select Committee’s interest in receiving evidence on specific aspects of progress towards implementation of universal credit. Our response focuses on those areas that are relevant to our members and where we have particular knowledge and expertise:

- Proposed arrangements for claims and advice
- Impact of changes on local authorities
- Impact monitoring.
Summary of key points

One of CIH’s priorities for the welfare system is that it provides an effective system of help with housing costs. Central to an effective system are:

- Provision of sufficient funds for the claimant to secure suitable accommodation (size, quality, location)
- Certainty for claimant and landlord
- Transparency
- Speed
- Accuracy.

As universal credit implementation progresses, we continue to assess whether the housing aspects of the system will create an effective system of help with housing costs.

The process of designing and implementing universal credit poses a number of strategic and operational risks to provision of an effective system. At this stage we are still looking for assurance that these risks will not occur, because of their potential impact on both the ability of lower income households to secure appropriate housing and on the ability of landlords to provide it.

Our current concerns are that:

1. People and businesses that will be affected by the introduction of universal credit do not have enough information about its detail and operation, or about when this information will become available. This means that concerns about risks and design cannot be allayed, and that those affected find it difficult to schedule and deliver preparations for the impending changes. Perceived risks worthy of particular mention are that:
   - The IT system will not be reliable and simple to use, or there will be insufficient capacity in the system, which in turn will affect speed of claim administration, liaison with claimants, accuracy of decisions, and fraud
   - The intention to reform multiple aspects of the welfare system and simultaneously cut expenditure will lead to the benefit available not covering tenants living costs, pushing people into hardship and potentially affecting their lives quickly and severely and also potentially requiring further public/third sector expenditure
   - The scale of change, and the reduced likelihood that there will be a period of ‘steady state’ benefit operation, will make impact assessment complex and possibly lack value.
2. There are significant implementation costs outside of the DWP budget i.e. the time and financial cost of activities which landlords, tenants, and advice services have to undertake to prepare for and deal with the changes. The costs of transition borne by third parties are likely to be high and are unlikely to be rewarded with an equal return to them once steady state operation of universal credit is reached.

3. It is very unlikely that the new benefits system will be and stay simple. The continuing focus on further reforms and cuts (e.g. proposed £10bn further reductions, changes in eligibility for under 25s) creates a risk that the objective of creating and running a simplified system could very quickly be undermined. There are no safeguards in the universal credit system to prevent the type of tweaks and additions which have caused the current system to become so complex and unwieldy.

4. The links between different parts of the implementation programme (e.g. the universal credit pathfinders and the direct payment demonstration projects) appear to be weak. This increases the risk that the final system will not work smoothly, and it gives rise to many questions and concerns which hinder preparations for implementation by third parties.

The evidence presented below highlights some priority points which we believe should be addressed as implementation progresses. When taken together, these detailed points have led us to identify the four overarching concerns set out above.

Specific comments

1 Proposed arrangements for payment and claims

Total amount payable
We are still looking for clarification that households receiving benefits to top up income from paid work will be no worse off under universal credit. We have heard the message that people will be better off in work than on benefits, but would like to see a comparison of household income in the 2010 steady state system and the post-implementation system to show that people on low incomes who are already working and claiming will not be worse off.

Work incentives
We are disappointed that there is no provision in the universal credit regulations for extended payments (currently available under housing benefit) when long-term unemployed claimants move into work - the most effective work incentive in the current system. The abolition contradicts the objective to improve incentives for
the long-term unemployed to take up work. We are aware that the Government believes that they are not needed in the universal credit regime because the system will be much more responsive. Nevertheless, claimants value this incentive because it is easy to understand (if the full rent is currently being paid it will continue for a further month) and it helps alleviate some of the anxiety about budgeting – not least because there are often return to work costs for people who have been out of the labour market for some time.

The decision to operate council tax benefit separately from universal credit, and the variability of future benefit under localised systems, will have a negative impact on work incentives. Keeping separate benefits retains the current problem of punitive withdrawal rates as earned income increases, which runs counter to the work-focused objectives of smoothing out withdrawal rates by bringing benefits together. As councils cut council tax benefit expenditure additional burdens falling on the low-income employed will again undermine the work-focused objectives behind wider benefit reforms.

**Payments**

Access to bank accounts to receive universal credit by BACS is a key issue, and we are aware that DWP is working to find solutions for people without a transactional bank account. Awareness of the change to benefits is growing, and claimants need further clarity and information on how these alternative systems work.

Effective and timely payment to claimants is as important as having the ability to make payments, and this needs to be recognised during development of a workable payment system.

It is essential that dialogue between the universal credit pathfinders and the direct payment demonstration projects is established and that information on learning and activity becomes much more freely available so that the lessons can be acted upon in advance of implementation.

**Uncertainty for some providers and claimants**

*Hostels*

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1. [www.24dash.com](http://www.24dash.com) (5 July 2012)
We are particularly concerned about the position of hostels\(^2\) under the proposed rules which threaten the viability of small voluntary sector projects. The draft regulations do not contain any provision for direct payments of ineligible hostel charges\(^3\) (e.g. to cover water and electricity for common areas) to the landlord. This means that the landlord would have to collect the ineligible charges from the claimant. For small landlords these charges – though often small at around £8-10 per week – can come to significant amounts. Without a mandatory direct payment of the housing element, it would be difficult to obtain those costs from the hostel residents. Many hostels currently rely on these rules to ensure their financial viability and some do not have the option to cross subsidise any loss from other housing stock.

Under the proposed UC regulations, landlords would need to provide evidence of vulnerability to secure direct payment. This is particularly problematic when dealing with residents who, by definition, have a chaotic lifestyle. Verification of vulnerability would be practically impossible to provide if the resident leaves after only a few days. Government has said it intends to apply verification on a risk basis, and we would welcome clarification of the intended approach.

*Change of circumstances*

There is concern regarding the date from which an award of benefit is adjusted because of a change of circumstances. The main UC regulations and claims and payment regulations appear to say that if a change of circumstance occurs part way through an assessment period then the award of UC is adjusted from the date the next new assessment period starts (which is consistent with the principle that UC is a ‘surrogate wage’). If the claimant has a change of circumstances resulting in an increased award they lose out and have to address the shortfall themselves. Nearly all tenants experience an annual rent increase (often from 1\(^{st}\) April or the first Monday in April), which would mean that unless their rent increase occurred on the same day as the start of their assessment period they would not receive sufficient benefits to cover their changed housing costs. Each year there would be shortfall between the UC award and the rent payable: this is an issue where aiming for the principle of administrative simplicity undermines the effectiveness of the system.

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\(^2\) Hostel has a specific definition in the current HB and IS regulations. Broadly it only applies to the not-for-profit sector with non self contained premises provided with meals or shared facilities for preparing food. See HB regulations regulation 2(1).

\(^3\) For the current rules the Social Security (Claims and Payments) Regulations 1987, schedule 9 paragraph 4A. Equivalent provision, if being made would appear in schedule 5 of the claims and payments regulations.
Claims

CIH does support the broad aim that the claims process should be digital by default, not least because in a highly centralised system this appears to be the only way the required rate of decision making can be achieved without a backlog developing.

A move to online claims will be a big change for a lot of tenants, many of whom do not have internet access. Moving people rapidly towards greater digital inclusion is beneficial for their social and economic opportunities, but we are concerned that the big bang shift to online claiming could cause exclusion rather than inclusion.

A number of problems may arise from online claims:

- Benefits claims and advice are aided through personal support in completing documentation, e.g. face to face or telephone contact. A shift to online claiming would remove those support features
- Vulnerable people may be put off completing an online claim form
- Poor broadband coverage in rural areas, lack of access to libraries and a feeling of insecurity or lack of knowledge about open access on non-secure public machines could limit people’s ability to claim and manage claims in a timely manner.

The potential benefits of claiming online will not simply emerge, even with the increased government investment in internet provision and the promise of some high-street support for the new benefit system. Clarity on the resources that government will provide to the most excluded would be welcome – a good solution will help build capacity for local authorities, housing providers and claimants around provision of advice, support, and skills building.

2 Impact of changes on local authorities

Our comments here focus on the indirect impacts on local authorities: homelessness duties and discretionary payments. We are concerned about the challenges of running a dual system as HB is phased out and universal credit phased in, and about the localisation of council tax, but we have not focused on these here.

We expect that the housing minister will soon introduce the ability for local authorities in England to discharge their homelessness duty in the private rented
sector. Private landlords’ confidence in the operation of the universal credit will be central to councils’ ability to use this new power.

The universal credit embeds many of the recent cuts to housing benefit, along with the risk that households will face financial difficulties meeting housing costs under the new system. In England, Wales and Northern Ireland we anticipate that there may be an increase in the number of private and social tenants seeking financial advice or homelessness services from local authorities. In Scotland, where homelessness duties require assistance to be provided in a wider range of circumstances, there is an expectation that both private and social tenants will be affected, but there is pressure on social landlords not to evict tenants who run up arrears. We are concerned that social landlords in Scotland will have to carry more of the negative financial impact than elsewhere in the UK.

In Northern Ireland, administrative and legislative arrangements for benefits are significantly different from in Great Britain. We are concerned that there are distinct and significant issues around implementation and impact of welfare reform in Northern Ireland that are not reflected in the process, and that the process will not allow sufficient flexibility for NI variations. We would like to explore this issue in more depth with the Committee.

Under the universal credit regulations, once the cap is in place any money over and above the cap will be reduced from the housing costs element - some households could in theory find their entire housing award reduced to zero. Although the discretionary payments system can be used to help households adversely affected by the reforms, we expect that because of the very high shortfall that will apply to people affected by the cap most authorities will be reluctant to award a DHP because of the very high attrition rate it will place on the DHP budget. This will initially present problems around rent arrears, and then potentially around homelessness as households are unable to fund any accommodation – problems which local authorities are likely to have to pick up.

We believe that the cap will undermine arrangements local authorities have made to secure temporary accommodation for homeless households (over 70% of which are families with children4) in and around London – because the leases are at a higher price than mainstream rents and so much more likely to be affected by the cap. We are also dismayed that the benefit cap regulations have been published

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4 DCLG (2012) Table 780. First quarter 2012 out of 13,130 applications where a duty was accepted 9,410 had dependent children – although there is no further breakdown by family size.
before the review of the HB subsidy rules for temporary accommodation has been completed.

3 Impact monitoring

We are keen to see thorough impact monitoring of universal credit introduction for two reasons. Firstly, we support many of the aims for the reforms, and we want to see that positive social impact has been delivered by the widespread changes. Ongoing impact monitoring should show progress towards these aims, and enable changes to be made if it their achievement is not on course. Secondly, we are concerned that some of the risks identified above will transpire – these are serious risks to households and businesses, and it is important to identify and respond to any serious problems emerging.

We would want to see a mix of quantitative (from administrative data) and qualitative monitoring to give a rich picture, and would be particularly interested to see:

- Impact on household income and ability to maintain a settled lifestyle
- Impact on landlord cashflow, and on investor confidence in the sector
- Perspectives of claimants, landlords, and relevant agencies
- Impact of universal credit on different groups of people, especially single parents, BME and disabled households
- Analysis by region, household size and type
- User journey for claims
- Changes in attitudes about employment
- How many online claims are made, and where from (public computer, advice agency premises, home etc).

Whilst this might require a high level of time in terms of data preparation, cleansing and analysis, we would estimate the resources already available within existing government departments. One of the advantages of housing benefit is that it provides a data rich source of information so enabling effective long term monitoring and analysis. Universal credit is unlikely to be any different.

Government already runs a number of surveys (e.g. the Family Resources Survey, English Housing Survey, and Labour Force Survey). These long running surveys are could be used to aid monitoring of the impact of universal credit, due primarily to their wide sampling base which is likely to include the types of households affected. These surveys also enable the insertion of new questions, which could specifically focus on universal credit.
It is puzzling to see sporadic amendments to data collection whilst the universal credit system is still in development. These make it hard to understand what will be collected overall, which in turn make it difficult to see whether impact assessment will be possible and meaningful. A particular concern is the current DWP proposal to cease collecting data on benefit takeup which, without an outline of overall universal credit monitoring plans, seems to undermine ability to track the impact of the council tax benefit reforms.

Finally, government has recently shown itself unwilling to consider or fully present independent analysis of the likely impact of universal credit and welfare reform. This is unfortunate and does not create the impression that government wishes to properly monitor the impact of policy change. We hope to see a change of approach to impact monitoring in the near future, building confidence in the accuracy and transparency of reporting as policy implementation moves forward.

22 August 2012
Written evidence submitted by the Local Government Association (LGA)

The Local Government Association (LGA)

The LGA is the national voice of local government and our mission is to support, promote and improve councils.

We work with councils to achieve our shared vision for local government by focusing our efforts where we can have real impact, being bold and ambitious, and supporting councils to make a difference, deliver and be trusted.

This response has been agreed by the LGA’s cross party Finance Task and Finish Group which is responsible for local government finance matters at the LGA.

Introduction

1. The LGA welcomes this opportunity to offer written evidence to the Department of Work and Pensions Select Committee inquiry into progress on the implementation of Universal Credit (UC).
2. The LGA supports the principles behind UC of simplifying the benefits system and improving work incentives.
3. It is essential, in helping to achieve successful implementation, that central government and local government work closely on the issues which we detail in our submission.

Summary
4. The Local Government Association supports the principles behind UC to simplify the benefits system and improve work incentives. However, the LGA has concerns, that are backed up by early observations by councils, that fall into three categories of challenge:

4.1. **Time/timeline:** Achieving a predominantly online service, achieving cultural change, putting effective IT in place and enacting the required regulations being enacted all present challenges to councils.

4.2. **Costs:** Rent collection, staff, systems, overheads, contractual and transitional costs, against a backdrop of 10% saving on council tax benefit councils are expected to deliver.

4.3. **Social issues:** IT literacy and digital access, face-to-face support, direct payments to one person in household posing risks impacting on equality and financial abuse and to rent collection.

**Evidence**

The proposed arrangements for claims and payments and the provision of support and advice for claimants, including:

**The presumption of a predominantly online, self-service claims process**

5. Councils welcome the opportunity to migrate customers to online systems due to cost benefits and ease of access for customers. However, the customer base for Universal Credit is the group amongst which internet access is at its lowest. The varied availability of high speed broadband connections, particularly in social housing and rural areas, means that internet access can be unreliable.
6. Applications for welfare support have a degree of complexity which will exclude many from carrying them out online due to basic literacy and language issues. Councils are concerned that, although they will migrate a significant number of customers to online systems, those with the most complex needs will continue to make a direct demand on their resources.

7. Assisted completion of on-line forms will continue to be a service councils offer via face to face appointments, over the phone and through the provision of onsite IT facilities. Work by Lewisham council has shown that only 1% of tenants wanted to make direct contact online due to concerns about making mistakes when completing on line forms, and the impact that could have on household finances. There is no clarity as to how councils can fund this provision in the future. It is also unclear whether the DWP will be offering any direct support to customers.

**Monthly payment to one person in the household**

8. There is general agreement that monthly payments require a level of budgeting skills which are not prevalent across the Universal Credit customer group. Claimants who have been out of work for a long period of time often lack the budgeting skills to manage their money in the required manner. Councils have recognised this issue and many are preparing to provide assistance to pass on these skills to their customers.

9. However, further thought needs to be given to the financial pressures which will occur at the first transition to the payment of Universal Credit. Any sort of delay could make claimants susceptible to taking out a Pay Day loan. There will be ongoing issues for customers around balancing UC payments with the need to pay rent especially at Christmas and the beginning of the school term.

10. The intention to pay Housing Benefit direct to tenants through Universal Credit will introduce a significant new burden to Councils and Social Housing landlords. Currently this benefit is automatically applied to rent
accounts, which is an efficient and well understood system. Moving to direct payment to tenants brings real risks of increased rent arrears leading to a rise in rent collection costs and fluctuations in housing providers’ cash flow and overall financial position. This is a specific issue for stock owning local authorities.

11. The key concern around single payments to a household is the possible impact on equality and financial abuse. There is a concern that this will disproportionately affect women and children.

Arrangements for providing telephone and face-to-face support and independent advice for claimants who need it.

12. Local government already provides a significant level of advice to claimants over the phone and face to face. Although internet based options are on offer, experience has shown that people in need of this level of support prefer to deal with someone face to face. In preparation for Universal Credit most councils are developing a “triage” model allowing them to offer a broader level of assistance around housing, debt advice or employment in conjunction with their partners.

13. Most councils already offer One Stop shops or combined services where they have co-located partner organisations such as Job Centre Plus, Social Landlords and Credit Unions. This work is being expanded across local government in preparation for Universal Credit and will be highlighted through the work of the Universal Credit Local authority pilots. However, this type of high level customer care is resource intensive and will come under continued pressure as council budgets are tightened.

Progress with developing the necessary IT systems to administer Universal Credit, including the real-time information system for PAYE being developed by HM Revenue & Customs.
14. It is very clear that full and timely exchange of accurate data between councils and Job Centre Plus is going to be a key requirement for the implementation of universal credit, the benefit cap, localised support for council tax and the social sector size criteria regulations. It is understood that DWP intend to use the ATLAS system as the vehicle for this exchange.

15. Councils, however have some concerns over ATLAS, particularly whether it will have the capacity and resilience to support the administration of the Benefit Cap. Some councils have reported difficulties coping with an overwhelming volume of information produced by the system. This has required manual intervention by council staff and lead, in some cases, to delays in payments.

16. Councils have real concerns both with the ability of IT suppliers to update their IT systems in time to enable the administration of new localised council tax support schemes and with the potential associated costs. With 326 billing authorities in England all potentially with different schemes and most vying for the simultaneous attention of the three main IT suppliers, there is a real risk that councils will not have fully operational IT systems ready to deliver localised support for financial year 2013/14. There is also a real risk that the central government Universal Credit IT systems will not be ready on time. We are concerned that key assumptions enabling an “Agile” systems development approach to meet the government’s ambitious timescale for Universal Credit are not grounded in reality and that if plans are not revisited now, additional costs will be incurred not just by central government, but also by councils which will incur the increased costs in dealing with and supporting UC claimants. In addition to this, the commencement of UC payments halfway through the 2013-14 financial year will further increase complexity for councils at a time when central government is cutting local authority benefits administration grants.

The impact of the changes on local authorities, including budgets, staff and support for claimants. The changes include those to
Housing Benefit; the introduction of the benefit cap; and localisation of council tax support.

17. Impact on Staff. The full impact on councils will depend on the role councils are to have in the face to face delivery of UC and on whether council staff are going to be eligible for protected employment rights (under the TUPE Regulations) enabling them to be transferred into Job Centre Plus to join the DWP UC delivery teams. DWP have written to council chief executives expressing the view that there will be no TUPE rights for council staff. The LGA is questioning this. If councils are only going to have a limited role in the delivery of UC and there are to be no TUPE rights, councils will face a very significant and costly redundancy and pension burden. Additionally the central government teams processing Universal Credit claims will have no staff with expertise in Housing Benefit, many aspects of which will be carried forward into Universal Credit.

18. Impact on overheads. In small councils the administration of revenues and benefits represents a significant sector of council business. If councils have no or only a limited role in the delivery of UC, these councils will face a major reduction in revenue, with overheads having to be shared across a smaller base leading to a marked increase in unit costs. The ability of some councils to stand alone may be called into question. This uncertainty is compounding the difficulty of the planning for the future for all councils.

19. Benefit cap. With the benefit cap being delivered in the first instance by councils through housing benefit, councils and other social housing providers are concerned that they will see an increase in rent arrears from capped households with commensurate increases in the costs of rent collection. This is likely to be exacerbated in the social rented sector when combined with direct payment of UC. London Councils are particularly concerned that the benefit cap combined with reforms to the local housing allowance (LHA) will lead to demographic migration from high cost areas
of London and lead to a breakdown of London’s mixed communities and a concentration of poorer families in smaller parts of London.

20. Localised support for council tax. Councils have concerns over the Parliamentary timetable for approving regulations. Some have questioned whether any consultation they undertake before the regulations have been enacted will meet legal requirements, although they have been assured by DCLG that it will. Others worry that the schemes they are consulting on, based on draft regulations, could prove invalid when final regulations are approved in the autumn once the Local Government Finance Bill has received royal assent.

21. All councils are concerned at the compressed timescale for devising, consulting and delivering plans by 31 January 2013. They also have concerns over the impact on the working poor of the statutory protection of pensioners in localised schemes and the 10% saving on council tax benefit they are expected to deliver even when combined with other adjustments to council tax discounts they could make. Councils would like to see greater freedom in the Local Government Finance Bill over existing council tax discounts where the law currently allows no local discretion. The 25% discount for single person occupiers is the most significant example. With discounts such as this protected by legislation, a 10% cut across the entire population of CTB recipients, actually becomes a much greater burden on the smaller cohort that councils can actually make the saving from, and these people are, in the main, the working poor. Precisely the people that we should not be dis-incentivising to stay in work.

22. Future funding. Councils are being hampered in their planning for the delivery of the reforms by a lack of clarity over future funding.

23. Although councils know that there will be a 10% cut in funding for their localised support schemes, they are worried that, because the 10% saving is to be based on forecast rather than current council tax benefit (CTB) expenditure, the reduction will in effect be more. DWP is currently
forecasting a downward trend in the need for support over the next year, a conclusion that is totally out of line with many councils’ current experience of significant growth in numbers of council tax benefit claimants.

24. Councils with a high proportion of pensioners in their CTB cohort are concerned that their localised support grant allocation won’t recognise this, thus leaving the working poor to take a bigger share of the burden.

25. It is the local government view that the early impact of the migration from Housing Benefit (HB) to UC will be minimal, but that managing the implementation of the benefit cap and measures around under occupancy in the social sector could prove resource intensive. In order to conduct their budget planning, councils will need some certainty on the HB allocation they will receive for 2013/14 and 2014/15 and would like a very early decision to maintain HB admin subsidy levels at the current level until at least March 2015. This is on the basis that councils will face increased levels of demand for support from UC claimants in the short to medium term which will significantly outweigh any savings from a reduced number of HB claims.

26. Housing. Councils are seeking more clarity on the UC model and how varying types of housing costs – particularly those in respect of supported and exempt and temporary accommodation - are to be treated. There is concern that the housing element of UC will only apply to the following:

26.1. charges for services necessary to maintain the fabric of the dwelling
26.2. charges for cleaning of communal areas
26.3. charges for cleaning of exterior windows where neither the claimant nor any member of his extended benefit unit is able to clean them.

27. This is a significantly narrower description than is currently the case in the Housing Benefit regulations. The LGA shares the concern of housing
providers that the draft UC regulations take insufficient account of the implications of its proposed change of approach to service eligibility; that the list of eligible services is defined in very general terms; and that the proposals do not adequately reflect the range of practice in the sector about services and charging. We understand that discussions with DWP are continuing.

Local housing allowance (LHA) reforms

28. While the picture across the country appears to be mixed, London Councils in particular is concerned that the rent reductions the government hoped would occur, once both increases in and size of LHA awards were restricted, is not materialising due to a high demand for private rented properties and overall lack of churn. With increases in LHA to be restricted to no more than CPI there is a real risk that this situation will get worse making more and more parts of London and other major cities unaffordable for poorer families.

29. In areas where this happens, it could be expected that some families seeking to absorb the impact of the benefit cap and restrictions on LHA will move to accommodation that is legally overcrowded with all the associated negative educational and health outcomes. London Councils is also concerned that with a lack of availability of affordable temporary accommodation in London, families will need to be housed in cheaper areas away from the city.

30. Where migration driven by the welfare reforms takes place there are real cost implications of service delivery for councils receiving the migrants with no funding in place to address it. Failure to respond quickly and provide additional resources for countering the additional service pressures will have repercussions for service delivery particularly in London.

31. Families impacted by the benefit cap and LHA reforms will sometimes be those also being supported through the Troubled Families and Work
programmes. For these programmes to be successful, measures will need to be put in place to ensure that participants can be tracked effectively and transferred between providers. If these measures are not put in place there will be implications for payment by result providers including councils.

32. Social housing size criteria. Combining the delivery of the social housing size criteria regulations with implementation of the benefit cap represents a significant challenge for councils. It is by no means clear that social housing providers have a clear picture of occupancy of their properties or indeed a method of tracking occupancy as family situations change.

33. For some councils implementing the size criteria will be hampered by an insufficient supply of the right size of accommodation. Theoretically, where there is insufficient social housing of the right size for people to move into, it should be possible to move into the private sector. But this assumes that:

33.1.1. there is sufficient affordable capacity in the private sector
33.1.2. there are sufficient numbers of families in private sector housing to move into empty social housing
33.1.3. RSLs are not going to be left with larger empty properties they can’t let, because of low demand.

34. There are also costs associated with increased levels of mobility in the social housing sector both to the tenant and to councils and housing providers.

35. New burdens. The costs associated with the benefit reform, including staff, systems, contractual and transition costs, should be fully met by Government under the new burdens doctrine, in order to prevent those costs becoming an additional pressure on council tax. The LGA and advisers have been involved in an assessment but this has not yet been completed and councils retain some level of concern about the
conclusions that the government may reach. Assessing new burdens will need to be an ongoing process covering the full period of UC implementation to ensure that councils are fully compensated for any hidden or unforeseen costs arising from the changes.

**Eligibility for and operation of passported benefits.**

36. Councils are still awaiting information on government intentions for passported benefits.

**Impact monitoring: what the DWP's priorities should be for monitoring the impact of the transition to Universal Credit?**

37. The LGA considers that DWP priorities for impact monitoring should be:

- Tracking demographic movement
- Speed of processing claims and tracking backlogs
- Accuracy of claims processing (right first time) and fraud levels
- Costs to councils
- On line v face to face assisted transactions (bearing in mind that some on line transactions could have been with council assisted face to face transactions)
- Impact of direct payments on claimants, councils and housing providers (including rent arrears, evictions, homelessness)
- Increase in number of people who can manage money on a monthly cycle and have access to bank accounts
- Universal credit take up levels
- The number of enquiries and contacts, through DWP, Councils & Social Landlords in relation to Welfare Reform & Universal Credit.
- Work related statistics (Is the change impacting cultural behaviour and welfare dependency as envisaged?)

*22 August 2012*
Written evidence submitted by Jamie Black

Introduction

1. Jamie Black carried out a piece of independent research for the All-Party Parliamentary Taxation Group (APPTG) culminating in a report entitled ‘PAYE at the Crossroads’. He has since left his position as Head of Research to become a Fellow at The Tikvah Fund in New York. Jamie will continue with the APPTG in an informal advisory capacity.

2. This submission is based on the research undertaken between December 2011 and July 2012 on behalf of the APPTG, particularly in relation to interviews that were conducted with HMRC and DWP officials. It reflects the views of Jamie Black in a personal capacity, rather than on behalf of the APPTG Taxation. It is also submitted with the permission of Ian Liddell-Grainger MP, Chairman of the APPTG.

3. This submission is narrow in scope. Its sole objective is to demonstrate the essential role of accurate and timely earnings information to the delivery of Universal Credit’s policy objectives and therefore highlight the fundamental importance of HMRC’s PAYE Real Time Information (RTI) programme to this end.

Universal Credit and Earnings

4. The policy ideas underlying the Government’s welfare reform programme - Universal Credit - were developed prior to the 2010 General Election under the stewardship of Iain Duncan Smith (now the Secretary of State for Work and Pensions) and Dr Stephen Brien (now an Expert Advisor at DWP) through the Centre for Social Justice. The policy was originally conceived as ‘Dynamic Benefit’ and its fundamental feature is that benefits are dynamic - i.e. responsive to earnings in order to provide financial incentives for working. Now Universal Credit, to this end, the DWP stated that ‘the key mechanisms for making work pay will be a single taper to withdraw support as earnings rise’.

5. Universal Credit’s policy objectives rest on the DWP’s ability to withdraw benefit according to earnings in a timely and accurate manner. A taper that is not responsive in terms of time or inaccurate in terms of the benefit withdrawn will not provide Universal Credit’s intended financial incentives for work. This is because the dynamicity of taper has a direct effect on the delivery of Universal Credit’s objectives. The more dynamic the taper, the more

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1 APPTG (2012), PAYE at the Crossroads.
3 DWP (November 2010), Universal Credit: Welfare that Works, p. 14
successful the policy will be; and therefore, the accuracy and timing of earnings information provided to DWP is absolutely fundamental to Universal Credit. Without accurate and timely earnings information the policy objectives cannot be delivered.

**Universal Credit and Reform of the PAYE System**

6. In the build up to the 2010 General Election, the Conservative party began thinking about the implementation of Dynamic Benefit (i.e. Universal Credit). Its requirement for timely and accurate earnings information was problematic as the government only receives this information once a year. The government has been historically limited in its ability to deliver earnings related benefits, which is well illustrated by the delivery of tax credits: as they’re based on the previous year’s earnings; with highly levels of fraud and error; and are highly inefficient to administer.

7. Separate to this, the PAYE Improvement Team in HMRC had been looking at radical ideas for improving the PAYE system since 2005 and had developed the idea of using the payments infrastructure to reform the PAYE system in a way that would provide live and accurate earnings information to government. Their preferred model (later known as Centralised Deductions) would also allow the government to automatically reconcile benefits with tax deductions at the source of payment.

8. In opposition, the Conservative Party realised that PAYE reform would be necessary for welfare reform. Therefore, in June 2010 almost immediately after the Coalition Government was formed, it was announced the PAYE system would be looked at. This statement was followed by an HMRC discussion document entitled ‘Improving the Operation of PAYE’ in July 2010 and a consultation in December 2010.

9. The result of the consultation was RTI. Under RTI employers will submit information to HMRC every time they pay an employee, at-or-before the point of payment (i.e. in real time). Information will be submitted to HMRC via payroll software. The Government made it clear from the outset that RTI would be used to facilitate Universal Credit by providing a feed of earnings information to DWP. Moreover, RTI’s implementation timetable was designed to facilitate Universal Credit by October 2013 and HMRC has delivered RTI through the Interim Solution in order to meet this timetable.

**Universal Credit and Self-Reporting**

10. Separate to RTI, DWP will use a self-reporting regime to determine earnings for claimants in self-employment and employees under PAYE who’re experiencing problems with their
RTI returns (i.e. as a backup method of reporting). Self-reporting was not covered as part of the research for ‘PAYE at the Crossroads’ and the precise interaction between RTI and self-reporting is also unclear.

11. However, self-reporting is an inherently weaker form of reporting. It is a generally accepted principle of tax withholding that third parties report income more accurately than first parties, as there is considerably less of an incentive to understate income and therefore minimise tax liability (or in this case understate income to maximise benefit receipt). Universal Credit could in theory be implemented using only self-reporting, but it is highly unlikely that earnings information would be accurate or timely on a macro scale and therefore it would not be dynamic.

**RTI**

12. The timing and accuracy of earnings information provided to DWP through RTI is absolutely essential to the delivery of Universal Credit. However, the APPTG’s report ‘PAYE at the Crossroads’ raises significant concerns about the accuracy of earnings information under RTI’s Interim Solution.

13. HMRC initially proposed that employers would send RTI to HMRC using the payments infrastructure (known as the Strategic Solution), as an RTI file would be attached to the payment instructions. Tying the two together into a single process and channel is essential from a compliance perspective, as the information would be attached to a payment instruction and therefore, the timing and accuracy is virtually guaranteed.

14. However, HMRC decided that it did not have sufficient time to implement RTI using the Strategic Solution and opted for an Interim Solution. However, the Interim Solution is problematic because it splits apart the RTI file from the payment instruction, which HMRC has previously asserted is ‘fundamental to the RTI concept’\(^4\). As a result, there is no guarantee that an RTI file will be sent to HMRC at-or-before the point of payment and the RTI file cannot be instantly corroborated by the payment instruction. Separation of the two allows a host of possible scenarios that are problematic for compliance.

15. Under the Interim Solution, HMRC will be able to cross-reference data from an RTI file with the relevant payments. It will allow HMRC to check that the RTI file is timely and accurate. The cross-reference consists of a hash included in an RTI return and a random string inserted into the Bacs payment instruction. However, the payments information will be delivered seven days later, which means that HMRC can either pass unchecked data on

\(^4\) HMRC (December 2010), *Consultation* p. 9.
time to the DWP or pass on checked data at a minimum of a week later. Therefore, under Interim RTI, HMRC cannot pass on timely and checked data to DWP.

16. HMRC has been piloting RTI since April and released figures shortly after the RTI pilot began showing a matching rate of 96%. However, this figure was comprised of RTI returns that were filed by a small number of employers with a high level of assistance from HMRC. The amount of data HMRC has received since the 96% figure has increased dramatically and could provide more of an indication of the level of accuracy and timeliness of the data that DWP could expect. HMRC is yet to publish this data.

**Strategic Solution**

17. The Strategic Solution is essential for delivering accurate and timely earnings information for Universal Credit. Therefore, from a DWP perspective the Strategic Solution is essential, where as from an HMRC perspective a move to the Strategic Solution is less pressing. HMRC have already delayed the implementation of the Strategic Solution on two occasions and under the current position it will not be implemented until after April 2016. However, HMRC’s current position on the Strategic Solution is unclear and contradictory. On the one hand, HMRC’s ‘long term goal remains to introduce the strategic solution’;\(^5\) whilst on the other hand ‘no decisions have been made yet’.\(^6\)

22 August 2012

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\(^5\) Gauke, David (Exchequer Secretary to the Treasury), Letter to Bernard Jenkin (Chairman, Public Administration Select Committee), 07.03.12.

\(^6\) Mark Holden (12.07.12), Letter to Ian Liddell-Grainger MP.
Written evidence submitted by Northern Ireland Welfare Reform Group

1. About the Welfare Reform Group
The Welfare Reform Group is an umbrella grouping of organisations that campaign for positive changes to policy, service provision and legislation for those in receipt of social security while also providing advice and support to other advice giving organisations and disadvantaged persons in their capacity as individual members of the Group.

The Group supports an equality and human rights-based approach to the provision of social security which demonstrates an understanding of and focus on the needs and choices of all in receipt of benefits. In this paper we outline the significant equality issues likely to be presented by implementation of the draft Bill in Northern Ireland.

This response has been prepared by the following organisations:

Action for Children
Advice NI
Belfast Unemployed Resource Centre
Carers NI
Citizens Advice NI
Council for the Homeless NI
Disability Action
Housing Rights Service
Irish Congress of Trade Unions
Mencap
Niamh Wellbeing
Law Centre NI
Causeway Women’s Aid
Women’s Resource and Development Agency
Introduction:

The NI Welfare Reform Group welcomes the opportunity to comment on the progress towards implementation of Universal Credit. This response addresses some UK-wide matters arising from the introduction of Universal Credit and also focuses on specific Northern Ireland issues.

The NI Welfare Reform Group welcomes the principles of Universal Credit to simplify the benefit system and to make work pay. We remain unconvinced, however, that the introduction of Universal Credit and the additional changes under Welfare Reform Act 2012 will in effect protect the most vulnerable within society.

We are concerned that the level of benefit remains to be set at this late stage in the policy and legislative process. Unquestionably, the base levels must be viewed in tandem with the £18 billion of savings already announced from 2010 and the intention to making further substantial savings from 2015/2016 onwards.

We provide further insight into our thoughts below.

Northern Ireland Circumstances

Northern Ireland presents particular circumstances with regards to welfare reform and arrangements to move people into employment. Crucially there are specific Northern Ireland issues that need to be examined, including the lack of a childcare strategy and infrastructure, a higher extent of health problems in particular mental health problems, proportionately larger numbers of benefit claimants in receipt of Incapacity Benefit, Employment and Support Allowance and Disability Living Allowance, the projected longer time of economic recovery and that Northern Ireland is the only part of the United Kingdom with a land border with another EU member state. As a result co-ordination of social security systems for cross-border workers is essential and classification of Universal Credit for European Law purpose is particularly important. While the Department for Social Development is unlikely to move away from the major welfare reform proposals, it is possible that a different approach may be taken to conditionality, contracting out of the employment programme and a number of the other initiatives contained within the Welfare Reform Act 2012.

Claiming online

The NI Welfare Reform Group is concerned about the over reliance on on-line claiming which could leave claimants bereft of benefit if the system were to break down, as has occurred in the past with large scale Government IT projects. The use of ‘real time data’ for employees and the amalgamation of benefits for adults, children and housing costs heightens the risk of destitution
should a failure occur. We are concerned that there is no provision in the draft regulations for situations where the system breaks down.

In addition, the proposed system assumes a certain level of IT literacy whereby claimants should be able to initiate and manage their Universal Credit claims, which ignores the fact that many vulnerable people who will be utilizing the system may not have the capability to do so. A claim made online is not instigated until the form is fully completed and submitted. This process may be complicated further by the need to submit additional evidence with the application. In order to safeguard this process, the DWP computer system for recording communication and providing notifications must be clear and provide for system failures, human error and problems with software.

Moreover, the Continuous Household Bulletin found that only 71% of adults in Northern Ireland had access to the internet in 2010/11, while this fell further to 66% of adults with access to the internet at home.¹ Figures also show significant differences between the socio-economic status of head of households.² The most recent UK wide report in relation to internet access is the Internet Access Quarterly Update 2011.³ This report found that internet use is linked to various socio-economic and demographic characteristics, such as age, disability and location. Groups of adults who were more likely to have never used the Internet included people over 65, people who have been widowed and people with a disability. The region where women were least likely to have used the Internet was Northern Ireland, where 28.6 per cent had never done so.

**Delivery Issues**

It is of particular concern to the NI Welfare Reform Group that Universal Credit will be paid as a single payment to a nominated person in the household. It is estimated that in 80% of cases the nominated person will be the man for most claiming families⁴. This proposal will impact on women’s economic autonomy. Furthermore, substantial evidence exists demonstrating that particularly in low income households money spent via the purse is spent on children’s needs compared to money spent from the wallet.⁵ For women who live with domestic violence and abuse, reduced economic autonomy is a further barrier in trying to remove themselves (and children) from unhealthy and dangerous relationships. We strongly contend that Universal Credit should therefore be paid to the main carer in the family. Another solution would be to

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¹ See http://www.csu.nisra.gov.uk/First%20Release%20Statement%201011.pdf
³ Internet Access Quarterly Update 2011, Q1, Office for National Statistics, May 2011
allow split payments between joint claimants so that payments for children could go to the main carer, usually the mother, and payments for housing costs to the person principally responsible for the rent and liable for debts accrued (where there is a joint tenancy).

We are also concerned that Universal Credit incentivises work for the primary worker (more likely to be a man) in workless households and in many circumstances weakens the work incentive for the second earner (more likely to be a woman). 6

We understand that options for the future treatment of the rates element of Housing Benefit are still being considered by the Northern Ireland Executive Sub-committee on Welfare Reform. We hope, however, that a decision will be made in the near future in order to clarify details of the replacement scheme. We are also awaiting the outcome to the call for evidence by the Department for Work and Pensions on Supporting Mortgage Interest (which closed on 27 February 2012) but which is expected to confirm that the maximum amount of Universal Credit will include an amount for housing costs, including mortgage interest.

**Universal Credit Awards**

As we understand, a lone parent under 25 will receive the same standard allowance as a single claimant without children. We believe that this constitutes a significant cut for lone parents and their children which will have a detrimental impact on their income. At present lone parents aged 18 or over receive the same personal allowance as single claimants without children aged 25 or over.

**Earnings Disregards**

We do not support the rationale for giving a lower disregard to claimants with Universal Credit housing costs. Having minimum and maximum disregards will only add complexity to the calculation of Universal Credit despite the aim of simplification. Lower disregards for those with the housing element may also act as disincentive for those claimants to work. Furthermore, will a claimant’s earnings disregards be upgraded during a dispute about eligibility for housing costs and will a recoverable overpayment arise if housing costs are restored? We believe further clarification is needed in this regard.

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6 Mike Brewer, James Browne & Wenchao Jin., *Universal Credit: A Preliminary Analysis* Institute for Fiscal Studies
Abolition of the Severe Disability Premium.

The NI Welfare Reform Group is strongly opposed to the Government’s decision to reduce eligibility for Personal Independence Payment (PIP) by 20%. Reductions of this size will compromise the dignity and independence of disabled people and those with long-term conditions who are able to live independently. In addition to clear implications for disability poverty, the extent of these reductions will undermine disabled people’s quality of life and the Government’s objectives to promote independent living. Furthermore, migration from Incapacity Benefit to Employment and Support Allowance and stricter conditionality under PIP will result in disabled persons moving into areas of the social security system which they have not previously been present. We would, therefore, welcome sensitising of the operation system and enhanced staff training as to the difficulties that persons with disabilities might have understanding and navigating the system.

The NI Welfare Reform Group is concerned at the proposal to abolish the severe disability premium (SDP) and the enhanced disability premium under Universal Credit. Disability premiums recognise the extra cost associated with a disability. The severe disability premium is currently worth £58 per week, while the disability element of Working Tax Credit is worth about £54 per week. Together with the introduction of PIP of which 500,000 less people will qualify, these changes will impact on many disabled claimants in contradiction of the government’s stated aim of protecting the most vulnerable.

Young carers looking after disabled lone parents will also lose under with these new measures. The payment of SDP to lone parents where there is no non-dependant in the household helps to address the current unfairness that children and students are not entitled to receive any Carer’s Allowance for looking after a disabled person. We believe that the SDP should be replicated within Universal Credit, in order to ensure that those households in which disabled people have no other adult to look after them are able to receive support towards the additional costs that this creates. We are concerned that the transitional protection provided will not sustain sufficient long term safeguard.

The Welfare Reform Act 2012 also replaces the disability element of Child Tax Credit with a ‘disability addition’ for children. While we welcome the change for severely disabled children to receive a slight increase from current rates, the majority of children with disabilities could end up receiving less than half of their current rates under Universal Credit. A Contact a Family Report in 2012 found that 41% of parent carers responding to their survey in Northern Ireland.

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had taken out a loan to help with expenses and 54% had fallen behind with bill or mortgage payments.

**Introduction of a capital limit for in work claimants**

Despite combining both the Tax Credit and Income Support systems, Universal Credit will use the capital rules for Income Support, meaning that households with savings in excess of £16,000 will lose all entitlement to support. This will render it difficult for many working families to save, e.g. for a deposit for a house. The capital rules will also penalise savers who are currently entitled to substantial tax credit awards, such as working parents with substantial childcare costs. It is likely that older working age claimants are most likely to be affected by this change and that it runs counter to the government’s desire to encourage saving for retirement.

**Childcare**

Parents of disabled children often struggle to find affordable childcare which is suitable for their children’s needs. Whilst Universal Credit will include a childcare costs element, we believe that Universal Credit should include a higher disabled children’s childcare element to recognize the additional costs of childcare for disabled children.

**Direct Payments**

The NI Welfare Reform Group is concerned by the proposal for the housing element of Universal Credit to be paid directly to tenants. Unlike in GB, In Northern Ireland direct payments for Housing Benefit to landlords are made in the majority of cases and we would support the continuance of this method. Direct payments to landlords are crucial for the viability of many social housing schemes, and where there are rent arrears in private and social tenancies.

While we welcome the commitment in the explanatory notes of the draft regulations to continuing direct payment to landlords for the most vulnerable, we are concerned about the lack of detail available on what factors will be considered in determining vulnerability. DWP has indicated there will not be blanket exemption and that direct payments will be decided on a case-by-case basis. Will this include those assisted through Supporting People? We would welcome further clarification on this matter.
Monthly payments

While the NI Welfare Reform Group supports the principle of financial capability and developing budgeting skills, we are concerned that claimants will experience difficulties budgeting on a monthly basis. We note the government’s rationale for the move to monthly payment to reflect the typical payment periods of earnings for working households. This, however, is not the case for a substantial number of families on lower incomes who are often paid weekly or fortnightly. Stretching low income budgets over four weeks could exacerbate budgeting problems and potentially lead to increased debt levels amongst those who are financially vulnerable. Benefit recipients are often financially excluded from access to mainstream financial services and affordable credit which also precludes the reality of people’s lives regarding budgeting options. This could cause them to become more exposed to other lenders.

Furthermore, monthly payments could also disempower many women and remove safeguards that payments for children and housing costs are used for purpose, where one partner in a couple acts irresponsibly. We would welcome more detailed provision in the regulations for variance from default monthly payments to the household, rather than reliance on the discretion of decision-makers.

The Consumer Council for Northern Ireland published a study in 2007 which reported that people in Northern Ireland have lower levels of financial capability than consumers elsewhere in the UK. Yet, currently there is no financial inclusion and capability strategy in Northern Ireland and this will require commitment from the Northern Ireland Executive in order to resource initiatives which aim to raise financial capability levels in the region.

Conditionality & Sanctions

The Welfare Reform Act 2012 reduces the point at which single parents will be required to seek work still further to when their youngest child reaches their fifth birthday. We are very concerned that compelling single parents to seek and take up any job, as soon as their child enters school will actually limit their long-term career prospects and ability to increase their income through work; in particular because the opportunities for skills development once on Jobseekers Allowance are quite restricted.

Northern Ireland lacks developed childcare infrastructure in place to facilitate the large-scale movement to work as envisaged by DWP. The significant progress made over the past fifteen years in Britain has not been mirrored in Northern Ireland. Unlike in England Wales, where the

Child Care Act 2006 imposes a statutory duty on local authorities to identify and meet childcare needs, Northern Ireland has no corresponding childcare legislation and there is no statutory obligation on local or public authorities to provide high quality and affordable childcare and still no agreed childcare strategy or even a Department with a lead responsibility on this issue. The barrier this places on parents’ ability to enter the workplace cannot be underestimated. Much of the welfare reform proposals for both lone parents and working age couples are underpinned by the assumption of sufficient readily accessible and affordable childcare. Universal Credit will fail to get the targeted people into work in Northern Ireland if these barriers to the workplace are not effectively broken down.

The Work Programme was launched in Great Britain in June 2011 and has faced multiple challenges, for example, with concerns over sanctions for young people who leave a ‘voluntary placement’ early. The Department for Employment and Learning’s new employment programme *Steps2 Success* was published on 23rd July and is currently out for consultation, with any equivalent not expected to happen until at least October 2013. A recent report published has worryingly found it ‘feasible but very tight’ for the new Northern Ireland Employment Programme to start at the same time as Universal Credit.\(^\text{10}\)

In addition, we anticipate that there will be a substantial number of appeals against sanctions and loss of income forcing many to obtain advice, evidence and representation from advice organizations or other professionals. At present advice services are under exceptional pressures as a result of the welfare reform changes and this will undoubtedly continue during the parliamentary passage of the Northern Ireland Welfare Reform Bill. This is all happening at a time when the voluntary and community sector is experiencing funding cuts. We are concerned that the voluntary and community advice sector will not have the capacity or resources to provide claimants with advice due to the large caseload.

**Carers**

The NI Welfare Reform Group believed that the development and introduction of Universal Credit was an opportune time in which to improve resources for carers that was not wholly utilised.

We welcome the Government’s decision to replicate the carer premium in the means-tested Universal Credit; with a ‘carer element’ for recipients with ‘regular and substantial caring responsibilities’. In addition, we welcome the decision to enable Universal Credit claimants to qualify for the carer element without having to make a claim for Carer’s Allowance. For carers who would be entitled to the carer element, but not for Carer’s Allowance, this will remove the

\(^{10}\) Centre for Economic and Social Inclusion *'A new employment programme for Northern Ireland - Feasibility study'*
confusing bureaucratic necessity of applying for a benefit they are not entitled to receive in order to gain access to other support which they are entitled to receive.

We are disappointed, however, that under Universal Credit, claimants will only be able to receive either the LCW/LCWRA element or the carer element which is overly restrictive. This means that claimants will either not be entitled to recognition of their disability or of their caring responsibilities. The fact that a claimant has LCW or LCWRA does not necessarily preclude their regular and substantial caring responsibilities. In fact, analysis of the 2001 census shows that people caring 50 or more hours per week in Northern Ireland are twice as likely to suffer from poor health as non-carers (20% against 9%). In addition, those providing 50 hours or more care per week are more than twice as likely to be ‘permanently sick or disabled’ as those not caring (11% against 5%).

In particular, carer’s incomes could be significantly affected by the carer/LCW elements being exclusive and the loss of the severe disability premium which will not be replicated in Universal Credit

**Self Employed**

The monthly reporting requirement of income and expenditure is unnecessarily onerous and does not recognize the way many small self employed businesses work. As the Minimum Income Floor will be introduced after 12 months and the Start Up period can only be availed of once, these too will also create undue barriers to pursuing self employment as many small businesses take more than 12 months to become fully viable. Moreover, an initial business failure should not automatically preclude a grace period before the MIF applies again.

**Young People**

The NI Welfare Reform Group welcomes the inclusion of young people who are estranged from their parents as a group entitled to Universal Credit. As a vulnerable group the provision of support is vital to ensure their transition into adulthood.

We are concerned, however, that clarification is required about the conditionality and sanctions that will be applied to these groups of 16 and 17 year olds. Under the current Income Support rules young people are required to do 12 hours per week of further education but there is no detail in the explanatory notes of what it will be under Universal Credit. We would welcome further clarification on this matter.

**Impact Monitoring**

We believe that the rights of children have been overlooked and will be severely compromised by the provision of the Welfare Reform Act 2012. It is estimated that there will be a substantial
increase in the number of vulnerable families with children between 2010 and 2015 as a result of the changes in tax and benefits, spending cuts and the ongoing effects of the economic downturn. Research estimates that the incidence of several vulnerabilities will increase by 120,000 more worklessness families, 100,000 more families living on a low income, 25,000 more families in material deprivation and 40,000 more families living in poor quality or overcrowded housing.\(^\text{11}\) Furthermore, in a recent report by the Northern Ireland Children Commissioner, it was predicted that at least 6,500 children in Northern Ireland alone would be affected by the benefit cap.\(^\text{12}\)

**Conclusion**

The NI Welfare Reform Group welcomes the opportunity to respond to this consultation. We trust you will find our comments helpful. If there is any further way in which we could contribute to this process we would welcome the opportunity to do so.

*23 August 2012*

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\(^{11}\) Howard Reed., *In the Eye of the Storm: Britain’s forgotten Children and Families* A research Report for Action for Children, The Children’s Society and NSPCC pg 9

Law Centre NI is pleased to respond to the Work and Pension Select Committee inquiry of progress towards implementation of Universal Credit. This response addresses some UK-wide matters arising from the introduction of universal credit and also focuses on specific Northern Ireland issues.

About the Law Centre NI

Law Centre (NI) is a public interest law non-governmental organisation. We work to promote social justice and provide specialist legal services to advice organisations and disadvantaged individuals through our advice line and our casework services from our two regional offices in Northern Ireland. It provides a specialist legal service (advice, representation, training, information and policy comment) in five areas of law: social security, mental health, immigration, community care and employment. Law Centre services are provided to over 400 member agencies in Northern Ireland.

Our ability to respond to this consultation is severely limited by considerable gaps in the comprehensiveness of the information provided within the draft Universal Credit regulations. We look forward to the publication of additional information to further inform the secondary legislation of the Welfare Reform Act 2012. We remain concerned that the level of benefit has yet to be confirmed, nevertheless, the base levels must be viewed in tandem with the £18 billion of reductions already announced from 2010 and the intention to making further substantial savings from 2015/2016 onwards.

Northern Ireland Circumstances

As Northern Ireland is not referred to in the Terms of Reference, it seems fair to assume that that the circumstances in Northern Ireland have not informed this inquiry. Northern Ireland presents particular circumstances with regards to welfare and arrangements to move people into employment. In Northern Ireland, the approach to social security, training and employment programmes is divided into two government departments: the Department for Social Development (DSD) is responsible for social security benefits including benefit sanctions whereas the Department for Employment and Learning (DEL) is responsible for training and employment programmes. This is in contrast to GB, where both areas are handled through the Department for Work and Pensions (DWP).

A recent report by the Institute of Fiscal Studies found that, after London, Northern Ireland, will be the hardest hit by the tax and benefit cuts announced and to be implemented under the Bill
between January 2011 and April 2014/15.¹ This is for two reasons: the high numbers of those in receipt of Disability Living Allowance (DLA), especially for mental health disorders, and the greater proportion of larger families who will be adversely affected by cuts to social security.²

Northern Ireland is the only part of the United Kingdom that has a land border with another European member state. As a result, the co-ordination of social security systems for cross border workers is imperative and classification of Universal Credit for European Law purposes is particularly important. The proposal to treat Universal Credit as a whole as social security assistance goes against the grain of European Law cases and will have significant implications for people on low pay living in Northern Ireland, but working in the Republic of Ireland.

**Delivery Issues**

It is of particular concern to the Law Centre NI that the Universal Credit payment for child related costs may not go to the main carer of the children due to single payments for joint applications. It is likely that the nominated person will be the man for most claiming families. This will limit the economic independence of women and could have a negative impact on children as money going into a family via the mother is more likely to be spent on the children. Evidence suggests that the payment of support for the costs of children to the main carer can help to ensure that the payment of such support is more likely to ensure the support is used for the children.³ A possible solution would be to allow split payments between joint claimants so that payments for children could go to the main carer, usually the mother, and payments for housing costs to the person principally responsible for the rent. Another option would be to pay childcare costs to the main carer.

**Making a claim**

Law Centre NI has reservations about the over reliance on on-line claiming. Whilst the new system aims to increase simplicity, a single benefit with one claiming route which continues as someone enters work and then tapers off this too can present problems. Claimant’s personal circumstances are not always simple which will require added complexity to be incorporated into Universal Credit to reflect this. The IT system underpinning payment will be new and if it does not function efficiently from the start will result in families relying on benefit experiencing hardship as it is smoothed out.

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¹ James Browne.,  IFS Briefing Note 114 The Impact of Tax and Benefit Reform to be introduced between 2010/11 and 2013/14 in Northern Ireland pg 4
² Ibid
Much reliance is to be placed on the real time data system for employees but there is no provision in the regulations or guidance for situations where the system breaks down. We fear that the effect of an IT malfunction, as has happened in the past, will be exacerbated by the amalgamation of payments for adults, children and housing. In addition, proof of delivery will be crucial in disputes about claims and notifications.

We remain unconvinced about the Government’s assumption that the vast majority of claimants will be able to claim and manage their claims online. We welcome assurance from the Department that there will be alternative means of face to face communication. We would welcome further clarification about eligibility for this channel of claiming.

‘Claimant Commitment’,

The regulations state that the claimant commitment needs to be signed by both members of a joint couple claim otherwise there will be a ‘cooling off period’ after which the couple will not be entitled to Universal Credit. We are unconvinced as to the practicality of this condition where there is for example, a relationship breakdown, short of the couple splitting thus jeopardizing benefit entitlement for the entire family. We would welcome assurance from the government that there will be an alternative procedure, recognizing relationship breakdowns and situations where one partner does not wish to commit, to enable payment to the member that does sign. The alternative process could, for example, allow the partner committing to receive the single rate of Universal Credit plus appropriate additions. The claimant commitment is personal to the claimant and those partners (and children) of a joint claim that commit should not be unduly punished for the actions of others that do not.

Monthly Payments

Law Centre NI supports the principle of encouraging and developing financial capability. We are concerned however, that the move to monthly payments will result in claimants experiencing difficulties budgeting. We note the government’s rationale for the move to monthly payment to reflect the typical payment periods of earnings for a substantial number of working households. This, however, is not the case for most families on lower incomes who are often paid weekly or fortnightly. Stretching low income budgets over four weeks could exacerbate budgeting problems and potentially lead to increased debt levels amongst those who are financially vulnerable.

Furthermore, monthly payments could also disempower many women and remove safeguards that payments for children and housing costs are used for purpose, where one partner in a couple acts irresponsibly. We would welcome more detailed provision in the regulations for variance from default monthly payments to the household, rather than reliance wholly on the discretion of decision-makers.
The Consumer Council for Northern Ireland published a study in 2007 which reported that people in Northern Ireland have lower levels of financial capability than consumers elsewhere in the UK. Yet, currently there is no financial inclusion and capability strategy in Northern Ireland which will require commitment from the Northern Ireland Executive in order to resource initiatives which aim to raise financial capability levels in the region.

Awards

It appears that a lone parent under 25 will receive the same standard allowance as a single claimant without children. Currently lone parents aged 18 or over receive the same personal allowance as single claimants without children aged 25 or over. This appears to be a retrograde step and will constitute a significant cut in income for young lone parents and their children.

Introduction of a capital limit for in work claimants

Despite combining both the Tax Credit and Income Support systems, Universal Credit will use the capital rules for Income Support, meaning that households with savings in excess of £16,000 will lose all entitlement to support. This will render it difficult for many working families to save, e.g. for a deposit for a house. The capital rules will also penalise savers who are currently entitled to substantial tax credit awards, such as working parents with substantial childcare costs. It is likely that older working age claimants are most likely to be affected by this change and that it runs counter to the government’s desire to encourage saving for retirement.

The level of earnings disregards

Improving work incentives is predicated on the 65% taper rate, enhanced earnings disregards and stricter conditionality and sanctions. The unified taper rate represents little change for many existing claimants, and there is little evidence that it will significantly influence the behaviour of claimants, compared with labour market factors such as the local availability of jobs, rates of pay and the availability and cost of child care. In this respect the continuation of the cut in maximum child care support from 80% to 70% into Universal Credit could be particularly detrimental to work incentives. The more generous earnings disregards are welcomed but we do not understand the logic for reduced disregards for claimants getting Universal Credit housing costs.

Having minimum and maximum disregards will only add complexity to the calculation of Universal Credit despite the aim of simplification. Lower disregards for those with the housing element will act as disincentive for those claimants to work. Furthermore, will a claimant’s earnings disregards be upgraded during a dispute about eligibility for housing costs and will a

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recoverable overpayment arise if housing costs are restored? We believe further clarification is needed in this regard.

**Conditionality & Sanctions**

Evidence to support the effectiveness of sanctions in moving claimants closer to the labour market is far from conclusive. A recent review of the evidence by the Joseph Rowntree Foundation found that current research was limited and while there were cost savings to be made from people exiting the benefit system, amongst this group there was an increased likelihood of low wages and job churning. 5 The report also highlighted that research into the New Deal claimants found that those who had been sanctioned and experienced hardship were much less likely to be in employment than those who had not been sanctioned and those who has been sanctioned and not experienced hardship. 6

We are concerned that the regulations do not specify how many days an individual has available to them to show good cause. Currently an individual has a period of 5 days in which to do so before losing benefit entitlement. We believe that as the sanctions are being increased to 3 months, 6 months and 3 years respectively that so too should the time period allowed for showing good cause, for example in the case of bereavement, sickness or a claimant with a mental health and learning disability.

The Welfare Reform Act 2012 reduces the point at which single parents will be required to seek work still further to when their youngest child reaches their fifth birthday. We are very concerned that compelling single parents to seek and take up any job, as soon as their child enters school, will actually limit their long-term career prospects and ability to increase their income through work; in particular because the opportunities for skills development once on Jobseekers Allowance are quite restricted.

Northern Ireland lacks developed childcare infrastructure in place to facilitate the large-scale movement to work as envisaged by DWP. The significant progress made over the past fifteen years in Britain has not been mirrored in Northern Ireland. Unlike in England Wales, where the Child Care Act 2006 imposes a statutory duty on local authorities to identify and meet childcare needs, Northern Ireland has no corresponding childcare legislation and there is no statutory obligation on local or public authorities to provide high quality and affordable childcare. The barrier this places on parents’ ability to enter the workplace cannot be underestimated. Much of the welfare reform proposals for both lone parents and working age couples are underpinned by the assumption of sufficient readily accessible and affordable childcare.

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6 ibid
Universal Credit will fail to get the targeted people into work in Northern Ireland if these barriers to the workplace are not effectively broken down.

The Work Programme was launched in Great Britain in June 2011 and has faced multiple challenges, for example, with concerns over sanctions for young people who leave a ‘voluntary placement’ early. The Department for Employment and Learning’s new employment programme Steps2 Success was published on 23\textsuperscript{rd} July and is currently out for consultation, with any equivalent not expected to happen until at least October 2013. A recent report published has worryingly found it ‘feasible but very tight’ for the new Northern Ireland Employment Programme to start at the same time as Universal Credit.\textsuperscript{7} In addition it appears to fail to address the challenges to the programme presented by the implementation of Universal Credit.

We anticipate that there will be a substantial number of appeals against sanctions and loss of income forcing many to obtain advice, evidence and representation from advice organizations or other professionals. At present advice services are under exceptional pressures as a result of the welfare reform changes and this will undoubtedly continue during the parliamentary passage of the Northern Ireland Welfare Reform Bill. This is all happening at a time when the voluntary and community sector is experiencing funding cuts. We are concerned that the voluntary and community advice sector will not have the capacity or resources to provide claimants with advice due to the large caseload.

**Disability**

In relation to the government’s objective of maintaining protection for the most vulnerable claimants, we are concerned about the detrimental impact of reductions in entitlement for disabled claimants by the removal of disability premia, in addition, to the replacement of Disability Living Allowance with Personal Independence Payment. Reductions of this size will compromise the dignity and independence of disabled people and those with long-term conditions who are able to live independently. In addition to clear implications for disability poverty, the extent of these reductions will undermine disabled people’s quality of life and the Government’s objectives to promote independent living.

Young carers looking after disabled lone parents will also lose under with these new measures. The payment of severe disability premium (SDP) to lone parents where there is no non-dependant in the household helps to address the current unfairness that children and students are not entitled to receive any Carer’s Allowance for looking after a disabled person. We believe that the SDP should be replicated within Universal Credit, in order to ensure that those households in which disabled people have no other adult to look after them are able to receive

\textsuperscript{7} Centre for Economic and Social Inclusion ‘A new employment programme for Northern Ireland - Feasibility study’
support towards the additional costs that this creates. We are concerned that the transitional protection provided will not sustain sufficient long term safeguard.

The Welfare Reform Act 2012 also replaces the disability element of Child Tax Credit with a ‘disability addition’ for children. While we welcome the change for severely disabled children to receive a slight increase from current rates, the majority of children with disabilities could end up receiving less than half of their current rates under Universal Credit. A Contact a Family Report in 2012 found that 41% of parent carers responding to their survey in Northern Ireland had taken out a loan to help with expenses and 54% had fallen behind with bill or mortgage payments.

**Carers**

The NI Welfare Reform Group believed that the development and introduction of Universal Credit was an opportune time in which to improve resources for carers that was not fully exploited.

We welcome the Government’s decision to replicate the carer premium in the means-tested Universal Credit; with a ‘carer element’ for recipients with ‘regular and substantial caring responsibilities’. In addition, we welcome the decision to enable Universal Credit claimants to qualify for the carer element without having to make a claim for Carer’s Allowance. For carers who would be entitled to the carer element, but not for Carer’s Allowance, this will remove the confusing bureaucratic necessity of applying for a benefit they are not entitled to receive in order to gain access to other support which they are entitled to receive.

We are disappointed, however, that under Universal Credit, claimants will only be able to receive either the LCW/LCWRA element or the carer element which is overly restrictive. This means that claimants will either not be entitled to recognition of their disability or of their caring responsibilities. The fact that a claimant has LCW or LCWRA does not necessarily preclude their regular and substantial caring responsibilities.

In particular, carer’s incomes could be significantly affected by the carer/LCW elements being exclusive and the loss of the SDP which will not be replicated in Universal Credit

23 August 2012

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The impact of the changes on local authorities

As outlined above, Northern Ireland presents particular circumstances with regards to social security and welfare reform. Moreover, Housing Benefit arrangements in Northern Ireland are different from those in the rest of GB. There is no equivalent to Rent Officers; instead all arrangements are made by the Northern Ireland Housing Executive (NIHE). LHA is also administered differently in Northern Ireland, with the continuation of direct benefit payments to landlords in approximately 25 percent of cases.10

Law Centre NI is concerned by the proposals default position to be for the housing element of Universal Credit to be paid direct to tenants. While we welcome the commitment in the explanatory notes of the regulations to continuing direct payment to landlords for the most vulnerable, we are concerned about the lack of detail about what factors will be considered in determining vulnerability. DWP has indicated that there should not be a blanket exemption and that direct payments should be decided on a case by case basis.

We understand that options for the future treatment of the rates element of Housing Benefit are still being considered by the Northern Ireland Executive Sub-committee on Welfare Reform. We hope, however, that a decision will be made in the near future in order to clarify details of the replacement scheme. We are also awaiting the outcome to the call for evidence by the Department for Work and Pensions on Supporting Mortgage Interest (which closed on 27 February 2012) but which is expected to confirm that the maximum amount of Universal Credit will include an amount for housing costs, including mortgage interest for those not in work. We remain concerned, however, with proposals to stop help with mortgage interest for claimants taking even a small number of hours work as this will act as a disincentive to claimants taking mini-jobs.

Self Employed

The monthly reporting requirement of income and expenditure is unnecessarily onerous and does not recognize the way many small self employed businesses work. As the Minimum Income Floor will be introduced after 12 months after 12 months and only applied once will also create undue barriers to pursuing self employment as many small businesses take more than 12 months to become fully viable. Moreover, an initial business failure should not automatically preclude a grace period before the MIF applies again.

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10 Email statistic from Northern Ireland Housing Executive. Copy held on record at Law Centre (NI), Policy Unit. Received 30/07/09
Impact monitoring

The White Paper talks of no one losing in cash terms at the point of change, yet many claimants will be affected by proposals already announced and implemented before the introduction of Universal Credit in October 2013. It is vital that the government ensures robust safeguards for vulnerable people who will need support with this transition and long term protection.

We believe that the rights of children have been overlooked and will be severely compromised by the provision of the Welfare Reform Act 2012. It is estimated that there will be a substantial increase in the number of vulnerable families with children between 2010 and 2015 as a result of the changes in tax and benefits, spending cuts and the ongoing effects of the economic downturn. Research estimates that the incidence of several vulnerabilities will increase by 120,000 more worklessness families, 100,000 more families living on a low income, 25,000 more families in material deprivation and 40,000 more families living in poor quality or overcrowded housing.11 Furthermore, in a recent report by the Northern Ireland Children Commissioner, it was predicted that at least 6,500 children in Northern Ireland alone would be affected by the benefit cap.12

Conclusion

Law Centre welcomes the opportunity to provide evidence to the Committee. We trust you will find our comments helpful. If there is any further way in which we could contribute to this process we would welcome the opportunity to do so.

23 August 2012

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11 Howard Reed., In the Eye of the Storm: Britain’s forgotten Children and Families A research Report for Action for Children, The Children’s Society and NSPCC pg 9
1. The Women’s Resource and Development Agency (WRDA) is a regional organisation whose mission is to ‘to advance women’s equality and participation in society by working to transform political, economic, social, and cultural conditions’. The organisation was established in 1983 and works with women’s groups from all traditions in the most severely disadvantaged communities, and from urban and rural areas of Northern Ireland. We work from the grass roots to the highest levels of policymaking and politics, providing advocacy and lobbying support. WRDA is a membership organisation with over 400 members comprised of Women’s Groups, Organisations, and individual members.

2. WRDA welcome the opportunity to respond to the inquiry into the progress being made towards the implementation of Universal Credit. The specific area that we are particularly concerned with is “The proposed arrangements for claims and payments and the provision of support and advice for claimants”

3. There are two key issues we would raise; the payment to one person in the household and the proposed monthly payment of Universal Credit. Both of these will disproportionately and unnecessarily impact upon women. In 2011 WRDA published a report entitled “The Northern Ireland Economy: Women on the Edge?” which includes a chapter on Welfare and Welfare Reform. This report gives a background analysis of the current position of women in Northern Ireland.

4. It is estimated that in 80% of cases Universal Credit will be paid to the male partner in the household. This is not surprising - the societal default situation, in relation to couple households, is that the ‘male head of household’ will be nominated as payee. This is a hugely retrograde step in terms of progressing gender equality and, we would contend, tackling child poverty. We are very concerned about the transfer of resources from the purse to the wallet and the backward step in terms of enabling women’s financial autonomy. Tax credits are typically paid to the person having the main caring responsibilities - in 80% of cases the mother. Chris Warburton Brown states, ‘...a substantial proportion of the income of lower income

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families, as much as one third of the total household income, is paid directly by the State to the mother.\(^{3}\)

5. There is a Government assumption that financial resources equally benefit individuals in a household unit. Extensive research would point to the contrary. There is a gender difference in the distribution of money within a family unit and it does matter ‘who’ the money is paid to. Jan Pahl reports, *‘When money is short and making ends meet is hard, women typically manage finances on behalf of the household. At higher income levels, employment status becomes important.’*\(^{4}\)

6. There is a wealth of research to show that money going to the family via the purse rather than the wallet is targeted more effectively on families and particularly children’s needs.\(^{5}\) Women will more readily spend their income on their children and on household essentials\(^{6}\). The link between spending from the purse and the alleviation of child poverty cannot be ignored. With the various benefits being rolled into one payment, many women will lose direct access to any financial resources.

7. Government’s rationale to pay Universal Credit to a nominated person is to simulate wage earning. However, many working families have either two wages, or there is a main earner and the other person receives child benefit and often tax credits. One person holding all the income for a family does not reflect the reality of parental expenditure and will leave many women and children in vulnerable positions, most notably if there are abusive relationships at play.

8. We strongly contend that Universal Credit should therefore be paid to the ‘main carer’ or ‘second earner’ in the family. Another solution would be to split payments between joint claimants.

9. Universal Credit is to be paid monthly in order to resemble a salary. However, jobs can be paid weekly, fortnightly, or monthly. As Universal Credit is to subsume the majority of benefits and is to be paid to one person, monthly payments will not be compatible with low-income families’ way of budgeting.

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\(^{3}\) ibid


\(^{6}\) Stotsky, J (2007) “Budgeting with Women in Mind” Finance & Development 44(2)
Women in receipt of benefits are struggling to budget with weekly/fortnightly payments. The WRDA report states

a. “Considerable opposition to monthly payments was expressed by young women and lone parents during this project who said even fortnightly payments made budgeting difficult to manage. There was a universal plea to return to weekly payments. Weekly payment of Child Tax Credit was mentioned by many as the lifeline that helped them to survive and there were plenty of examples of women who moved back to parents towards the end of their payment period as they had completely run out of money until their next payment came through.”

10. Within low-income families, the woman is typically responsible for the day-to-day budgeting. Often mothers will tend to go without themselves in order to provide for their family. A monthly payment will impact harder upon these women as it is one thing to go without for a day at the end of a week but another to go without for several days at the end of a month. It will impact adversely upon women’s emotional and physical health.

11. With monthly payments, there is some concern regarding the ability of the system to respond to changes in circumstances. As it is one payment rather than a number of benefits as at present, any problems with payments, delays, and appeals could have extensive and severe consequences.⁸

12. WRDA would strongly urge the Department to reconsider the proposed frequency of payments. Claimants should have the choice of being paid weekly or monthly to enable them to take responsibility for their income.

13. In conclusion, we would reiterate that firstly, Universal Credit be paid to the ‘main carer’ or ‘second earner’ in the household. At the very least payments should be split. Secondly, claimants should have a choice regarding payment frequency.

14. Both main concerns raised within this submission relate to ‘operational’ aspects of Universal Credit and are thus relatively easy to implement. The

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rationale to do so is overwhelming.

24 August 2012
Written evidence submitted by the Centre for Social Justice

About the Centre for Social Justice

1. The CSJ was founded by the current Secretary of State for Work and Pensions, the Rt Hon Iain Duncan Smith MP.

2. Through its analysis and policy recommendations the CSJ has led a debate about worklessness in Britain. The CSJ reports Breakthrough Britain and Dynamic Benefits have heavily influenced the Coalition Government’s reform agenda.

3. This response considers the progress toward the implementation of Universal Credit. Universal Credit, developed by the CSJ, is a programme to simplify the benefit system and improve work incentives. Our research shows that it will help to reverse social breakdown in our most deprived communities by making work pay.

4. This submission is to clarify our position on the progress toward implementation. This follows CSJ involvement in media coverage of the Work and Pension Select Committee enquiry into this topic.

5. We would be delighted to provide further assistance to the Select Committee if required, or to give evidence in person to the commission.

General Implementation Challenges

6. Universal Credit is a radical recasting of the benefit system, shaping it into a system that supports positive decisions in the lives of recipients. These decisions include in particular the decision to move into work, to progress in work and to take steps toward independence.

7. Our understanding is that the principles of Universal Credit retain cross-party support, the support of welfare rights groups and of the majority of the British public, particularly those with experience of the current welfare system.

8. It is critical that the implementation of Universal Credit is properly scrutinised. A change on the scale of Universal Credit will undoubtedly raise concerns and create uncertainty. People will want to know how it will affect them. Alongside this, there will undoubtedly be difficulties in the implementation of Universal Credit, and questions raised about the decisions that were made along the way.
9. However, we firmly believe that these are challenges to be overcome. They should not derail a fundamental reform of the benefit system that is long overdue.

10. There is time to develop solutions to the challenges raised, and not all of these solutions should come from central government. One of the reasons for complexity in the current system is that the welfare system has tried to tackle the symptoms of a range of problems, when the root causes are better tackled elsewhere.

11. One aspect of Universal Credit is to make receiving income from benefits similar to income from work. We found that difficulty in managing the transition from benefits to work acted as a barrier to employment.

12. Universal Credit pilots have begun to try ideas and find evidence based solutions to overcome these challenges. Our evidence to the commission is based on research for our report ‘Dynamic Benefits’, and on time spent independently with over forty local authorities on the implementation of welfare reforms.

13. The CSJ’s aim is to help build a constructive dialogue between government and all stakeholders to work together and transform our dysfunctional benefit system into a system that supports people into work.

**Specific Implementation Challenges**

14. This response focuses on three specific challenges to the design and implementation of Universal Credit:

- **Online claims:** The government is designing the system so that the majority of Universal Credit claims are made and managed online.

- **Payment of Universal Credit:** Universal Credit will be a paid monthly and on a household basis, into a single account managed by the household.

- **Involvement of stakeholders:** Universal Credit will have an impact on a range of stakeholders, including local authorities, housing associations and employment advisors.

15. We would be pleased to respond with our views on a range of other challenges facing the implementation of Universal Credit, including the IT and system risks, the challenges in
ensuring core policy objectives are not undermined prior to launch, and the readiness of delivery agencies including Jobcentre Plus and local authorities.

Online claims

16. The Government has an aspiration to have 80 per cent of Universal Credit claims managed online. The CSJ believes that this is a sensible aspiration, and achievable over the longer term. It also recognises that at least 20 per cent of claimants will need alternative methods to make, manage and authenticate claims.

17. Access to the internet is growing through home internet access, mobile phones, tablet computers and through internet service points such as libraries. Online claims provide automated verification reducing both fraud and error and local authorities have managed to achieve significant increases in online uptake and faster processing through online housing benefit and council tax benefit claim forms.

18. It is our understanding that the DWP implementation team and local authorities through the Universal Credit pilots will be testing alternative pathways to make Universal Credit claims. The DWP will have telephone support available and local authorities are looking at options including ‘assisted claims’, where the claim is made online, but with the help of an adviser.

19. For example, Manchester City Council developed a relationship with registered social landlords and other providers. This helped many people that required additional support to make claims and provide the necessary evidence.

Monthly payments

20. CSJ visits across the country have shown that a majority of low-income households manage their finances well, making small sums stretch incredibly far. The majority of UC recipient households will be in work and will be able to manage monthly payments without any problems.

21. There will also be households that struggle to manage the shift from fortnightly to monthly payments. However, it is important to understand how big a problem this is for households, and how best this problem can be overcome. We await the findings of the direct payment pilots.
22. A part of Universal Credit is to make receiving income from benefits similar to income from work. If people have difficulty managing their budgets on benefits, then they are likely to also struggle to manage their benefits in work. Our evidence for Dynamic Benefits found that difficulties in managing the transition from benefits to work included budgeting, and that this could act as a barrier to employment.

23. Where households do struggle to manage a monthly budget, changing the frequency of payments gets to root of the problem.

**Single household payment**

24. A major problem of the current benefit system is that it has multiple benefits, all with different rules. Some, such as housing benefit are paid on a household basis, while others such as Jobseekers’ Allowance are paid on an individual basis.

25. CSJ evidence found that claimants want consistency. A choice must be made over whether Universal Credit payments are made on a household basis or on an individual basis.

26. The CSJ believe that the benefits of a single household payment outweigh the disadvantages, which can be mitigated.

   26.1. The welfare system exists in large part to meet household costs such as rent and utility bills. A majority of the claimants we spoke to said that household payments would be easier to manage for this reason. Evidence from the Personal Finance Research Centre at the University of Bristol appears to reach the same conclusion.

   26.2. Couple households with one partner in work have to be able to manage a single household income and distribute it across all members within the household. If a workless household were to move into work, they would need to overcome the same challenges.

   26.3. Safeguards can (and must) be in place in instances of coercion or of domestic violence. However, if this is the case there are clearly difficulties in the relationship between the couple and these should be tackled through effective relationship support, counselling, or through the criminal justice system, and not through benefit payments.

**Involvement of stakeholders**
27. Deven Ghelani of the CSJ has been working independently with a range of stakeholders on the implementation of Universal Credit and would be pleased to give evidence to the commission in an independent capacity on stakeholders’ preparedness for Universal Credit and their role in overcoming some of the challenges of implementation.

**Concluding summary**

28. The current benefit system acts as a significant barrier to work for millions of benefit claimants. People have grown accustomed to and learned to overcome the many problems it creates in their day-to-day lives, from low levels of take-up, high levels of fraud and error and the overpayment and underpayment from in-work support.

29. Universal Credit is designed to avoid recreating the problems of the current benefit system. The benefits of its design will only realised in its effective implementation.

30. The implementation should also (to the extent possible) avoid creating new challenges for claimants and administering agencies. However, the scale and nature of these new challenges should be considered in the context of the benefit system we have today.

31. Change on this scale will create challenges and problems. Overcoming these challenges will require determined effort from all stakeholders involved in its implementation, and support across two parliaments. However, there is time to learn how to overcome these challenges, in the pilots and as Universal Credit is rolled out across the country in a four year process.

32. The CSJ welcomes the efforts of the scrutiny committee. We would be pleased to give detailed evidence in person if requested to do so by the committee, or give any additional support if required.

13 September 2012
Written evidence submitted by Vanguard Consulting

About Vanguard

1. Vanguard helps service organisations change from a ‘command-and-control’ design to a ‘systems’ design. The Vanguard Method enables managers to study their organisation as a system and on the basis of the knowledge gained, re-design their services to improve performance and drive out costs. Prof John Seddon is the leader of the Vanguard organisations, providing consulting services around the world. He has received numerous academic honours for his contribution to management science.

Previous discussions with DWP

2. This submission follows a series of interactions with DWP ministers and officials in the past two years. In January 2011 I wrote an open letter to the Secretary of State for Work and Pensions and the Minister for Welfare Reform outlining the failings of the proposed design of the Universal Credit, namely that high-variety services cannot be delivered through ‘cheaper’ transaction channels (i.e. through call centres or online). I subsequently met with Terry Moran, Chief Operating Officer at the DWP. I arranged for Mr Moran to visit some large private sector clients who had learnt at first hand the problems with attempting to implement large-scale IT-led changes, and instead discovered that a simpler, systems-based approach was both cheaper and more effective for customers. After these visits took place, a meeting was held with other DWP officials where we offered to run an alternative, back-up design in a local authority setting that could be used as a low-cost insurance policy in case the predicted problems with the government’s proposed design became a reality. The opportunity to experiment with a systems-based design still exists.

‘Digital by default’: command-and-control service design

3. The delivery of the Universal Credit would appear to be based on a simple proposition: take costs out of service provision by putting the provision online and/or in a call centre. Indeed, the government wishes this to be the first major service that exemplifies its ‘digital by default’ mantra. That these ‘access channels’ represent cheaper transactions is not in doubt. However, it does not follow that overall the service will be cheaper to deliver. The crucial factor is the complexity of the service. When what is being delivered is simple and unvarying, moving it to telephone or internet channels may be effective. When it is complex and variable, however, it is an expensive mistake, driving costs up and the quality of service down. We can show many examples to prove this, of which the most relevant is in work with local authority housing benefits offices. Housing benefits are not simple and unvarying; the Universal Credit will be even less so.

4. Many local authorities have studied their housing benefits service as a system and redesigned it, and can now deliver a high-quality service in days whilst realising 30 to 50 per cent efficiency gains as a consequence (Middleton 2010, Zokaei et al 2010). These gains represent the kind of results one might expect from taking the same approach to taxation and benefits.
5. The essence of the new design is i) to provide the necessary expertise at the first point of contact to satisfy all of the predictable ‘value’ demand (I have a claim, I have a change of circumstances); ii) to allow agents to ‘pull’ expertise for the less predictable demand, using measures that relate to the purpose (right money to right people a.s.a.p.); and iii) to switch management’s focus from managing activity to managing the whole system’s achievement of purpose. Using these joined-up principles, benefits offices have subsequently learned another lesson. People’s needs and problems come in a variety of interlocking forms and guises; solving them all at first point of contact offers huge potential (if usually invisible) cost savings since it reduces demand on other services. In contrast with ‘command-and-control’ (Seddon 2003) designs, morale in services organised along these lines is invariably high because people are intrinsically motivated, illustrating once again the old saying that the best way to get people to do a good job is to give them a good job to do.

6. The Universal Credit’s design is unfortunately based on the flawed assumptions of conventional management theory. These assumptions lead to services being designed with the common features of standardisation and specialisation, separated and ‘optimised’ front and back offices, and ‘access channel management’ (pushing customers to transact with the organisation through cheaper channels such as by phone or online). Management is thus primarily concerned with managing activity on the assumption that activity represents cost. To that end, management is focused on what I have described as the ‘core management paradigm’ (Seddon 2008 p51) - they want to know:
   • How much work is coming in?
   • How many people do I have?
   • How long do people take to do things?
   However, studying service organisations reveals that these types of industrialised designs have an unexpected Achilles’ heel: paradoxically, attempts to manage (unit) costs only create greater (total) costs.

7. As a simple illustration, consider what happened when English local authorities were set a target to establish call centres by April 2005. When consultants were hired to help them move ‘telephone work’ from council departments to centralised call centres, call volumes shot up. Why? The increase in call volumes was due to a phenomenon called ‘failure demand’ – ‘demand caused by a failure to do something or do something right for the customer’ (Seddon 2003 p26). The assumption that telephone work can be treated as a specialised activity separate from the core service provision is an example of misplaced faith in scale and centralisation; as a direct result, call centres were besieged by people wanting to know what had happened to their application or enquiry. Installing more IT in the shape of ‘customer relationship management’ (CRM) systems only served to institutionalise this waste, compounding the error. Unfortunately, these ‘solutions’ are aggressively marketed by the major management consultancies which have developed lucrative businesses providing the necessary IT.

8. A study by Advice UK (Advice UK 2008) showed that as much as 60 per of the demand occurring in advice centres comes from citizens, often the most vulnerable in society, trying to rectify mistakes or find ways around the failure of
DWP and HMRC to provide a proper service. Costs imposed on advice centres by these failures are conservatively estimated to be £500m a year. The costs to DWP/HMRC of re-work and legal appeals (most of which are won by the appellant) will be much higher. This is before the imposition of the new ‘digital by default’ Universal Credit.

**IT and standardisation: that way disaster lies**

9. Under current proposals, the Universal Credit will take many years to deliver. The plans are for massive investment in IT and standardisation. This is a hopeless formula for absorbing variety and will - as it always does - generate massive amounts of failure demand, citizen dissatisfaction and cost. By contrast, if what constitutes the Universal Credit could be defined today, housing benefits offices redesigned using systems principles could provide it quickly and efficiently tomorrow - guaranteed. Furthermore, to ensure that the Credit is fit for purpose, these housing benefits offices should be used to develop the rules, taking risk out of the solution.

*17 September 2012*

**References**

Advice UK 2008 ‘It’s the System, Stupid! Radically Rethinking Advice’ AdviceUK: London


About Consumer Focus
Consumer Focus is the statutory consumer watchdog for the postal and energy markets for England, Wales, Scotland and (for postal consumers) Northern Ireland. We work to secure a fair deal for consumers across the economy.

Our remit encompasses a statutory responsibility to monitor the Post Office network across the United Kingdom, ensuring it continues to meet the needs of consumers and delivers quality goods and services, of social and economic interest, to local communities throughout the UK.

1 Executive summary
1.1 In October 2013, the national rollout of Universal Credit will begin. While the Department for Work & Pensions prepares for implementation of Universal Credit, Consumer Focus has sought to identify the scope and scale of the challenges consumers will face with the proposed changes to the administration and payment of benefits, as well as solutions which may help mitigate any adverse impacts.

1.2 Research we have conducted highlights that the proposed changes present two main challenges: digital delivery and the risk of budgetary disruption. It also identifies consumer preferences and attitudes towards a range of tools and products, providers and method of delivery, which could help benefit recipients mitigate the risks and manage the challenges associated with Universal Credit.

1.3 Face-to-face support will be needed to satisfy demand from benefit recipients unable or unwilling to complete an online application or manage an online account for Universal Credit, or demand from those whose identity cannot easily be verified without providing supporting, paper-based documentation. Our research demonstrates why the Post Office network is ideally placed to provide the face-to-face services that will be required.

1.4 Proposed changes to benefit payment frequency and composition pose a range of potential risks. Our findings suggest that ‘jam jar’ budgeting accounts should be made more widely available, in order to support benefit recipients who will be affected by the introduction of Universal Credit, and reinforce findings from previous research that the provider of such accounts will be key to their success. Building on previous work exploring transactional banking solutions for low-income consumers⁴, a report detailing our complete findings and recommendations will be published later this year.

2 Consumer Focus research
2.1 Consumer Focus has conducted two waves of research in an attempt to identify the consumer interest and perspective in relation to the delivery of Universal Credit:

- A survey of 647 recipients of benefits that will be incorporated into Universal Credit²;
- 20 in-depth, face-to-face interviews and four focus groups conducted with recipients of relevant benefits³.

2.2 Findings from our research⁴ suggest that there are two main challenges for affected benefit recipients arising from the move to Universal Credit:

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¹ Opportunity Knocks, Consumer Focus, January 2010; available at www.consumerfocus.org.uk/publications/opportunity-knocks
² Research carried out for Consumer Focus, February 2012, by GfK Group, due to be published in a forthcoming report;
³ Research carried out for Consumer Focus, February – March 2012 by TNS BMRB, due to be published in a forthcoming report;
⁴ GfK Group, 2012 and TNS BMRB, 2012;
Digital delivery – how able and willing consumers will be to apply for and manage Universal Credit claims and accounts online, given the assumption that it will be delivered ‘digital by default’;

Budgetary disruption – how the individual and cumulative changes to the way in which Universal Credit is to be paid may disrupt consumers’ ability to budget effectively.

2.3 Our research⁵ also sought to identify banking and budgeting solutions that may help recipients in managing the challenges associated with the changes to the benefit system. In particular, we looked at the potential for the Post Office to assist in the delivery of Universal Credit.

3 Universal Credit administration – digital by default

3.1 Government policy is for the Universal Credit application process and account management to be undertaken on a ‘digital by default’ basis; with the expectation that 80 per cent of claims will be managed online by the end of the four year migration window⁶. Government has also identified that some recipients are likely to encounter difficulties in carrying out these activities online and will therefore need face-to-face assistance during the initial set-up and on an ongoing basis⁷.

3.2 Our research⁸ highlights that many benefit recipients feel able and are willing to set up and manage their Universal Credit claims and accounts online, with 36 per cent of those we surveyed happy to do so at home, and seven per cent at work or in another public place. Among those who were comfortable using the internet, there was a sense that moving to online forms and account management was a positive development, with claimants able to complete these forms at a convenient time and location.

The challenges

3.4 However, our findings also demonstrate that a sizeable minority of benefit recipients will need some degree of face-to-face assistance. Nine per cent of those surveyed were unable to use the internet at all, and seven per cent neither had access to the internet at home, nor would be comfortable using the internet at work. Additionally, one in five (21 per cent) of those surveyed who had internet access would not feel comfortable applying for or managing their benefits online with 29 per cent expressing a preference to be able to apply for and manage their benefits face-to-face. A further 12 per cent would be happy with online application and account management but only if they had face-to-face assistance available while doing so.

3.5 Results from the focus groups and in-depth interviews⁹ illustrate a worrying lack of confidence by consumers in their own ability to fill in complex forms online without making mistakes – the perceived consequences of these mistakes identify this as a significant barrier to applying for benefits online.

3.6 Some participants also reported a lack of confidence in the security of the internet and were worried about identity theft, hacking and fraud – particularly where their children’s information was being provided. These concerns were further exacerbated where the respondent did not have internet access at home and would have to go online in a public place, such as a library or internet café. Using a computer at work was seen as more secure but there were some privacy concerns expressed with financial issues and benefits

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⁵ Ibid;
⁶ Ministerial response to Parliamentary Question, 26 June 2012; available at www.publications.parliament.uk/pa/cm201213/cmhansrd/cm120626/text/120626w0003.htm;
⁸ GfK Group, 2012;
⁹ TNS BMRB, 2012;
claims considered personal matters, and consumers anxious about employers or work colleagues gaining access to this information.

3.7 In addition to benefit recipients’ ability and willingness to apply for and manage their benefits online, our research also suggests that almost two-thirds (64 per cent) of benefit recipients exhibit characteristics which may lead to difficulty in having their identity verified e.g. lack of bank account with a high street bank; lack of credit card or other credit arrangements such as a mobile phone contract; no entry in the electoral register. These claimants may need to present supporting, paper-based, documentation in person in order to have their identity verified. Our research\textsuperscript{10} shows that 86 per cent of those who have said that they would not be comfortable applying for or managing their benefits online may need to go through this additional process to have their identity verified.

3.8 While many Universal Credit accounts will be managed online, our research suggests that Government’s assumption, that 80 per cent will be managed online, is perhaps more ambitious than the evidence warrants. Adequate face-to-face provision must be available to support benefit recipients who are unable or unwilling to go online; require assistance to go online; and those who will need to verify their identity in person.

Potential solutions

3.9 Our research also asked a cross section of benefit recipients how important and convenient it would be for them to be able to access face-to-face services in a number of outlets including the Post Office; local benefits office; and Jobcentre Plus. The Post Office was identified as both the most important and most convenient place to access face-to-face services when making a Universal Credit claim by 69 and 77 per cent of respondents, respectively. The Post Office scored slightly ahead of the local benefits office in importance (66 per cent) and convenience (60 per cent), and even further ahead of the local Jobcentre Plus which was identified by 58 per cent of respondents as an important place to be able to access face-to-face services when making a claim and 56 per cent of respondents who identified it as a convenient place.

3.10 Benefit recipients displayed similar preferences when asked about updating personal details linked to their Universal Credit claim\textsuperscript{11}, and presenting supporting documents, where necessary.\textsuperscript{12} In all cases, the Post Office was considered the most important and convenient location for face-to-face services. These results show a healthy appetite among benefit recipients to access face-to-face services, associated with their Universal Credit application and account management, at the Post Office.

Why the Post Office?

3.11 The Post Office offers a convenient point of access for consumers to a variety of essential social and economic services. With 90 per cent of the population living within one mile of the nearest Post Office outlet\textsuperscript{13}, consumers are more likely to be nearer to a Post Office branch than to a local benefits office or Jobcentre Plus. Only 20 per cent of research\textsuperscript{14} respondents lived less than one mile from the nearest Jobcentre Plus and only 16 per cent less than one mile from the nearest local benefits office. In addition to geographical coverage and convenience, our research\textsuperscript{15} also indicates that consumers trust the Post Office (85 per cent) and would prefer to provide supporting documents face-to-face at the Post Office, rather than send them in the post (79 per cent).

\textsuperscript{10} GfK Group, 2012;
\textsuperscript{11} 68 per cent thought it was important, and 76 per cent that it would be convenient to be able to do this at the local post office;
\textsuperscript{12} 76 per cent thought it was important, and 78 per cent that it would be convenient to be able to do this at the local post office;
\textsuperscript{13} The Post Office network is underpinned by minimum access criteria to ensure fair access for all. The five access criteria that apply can be found in Securing the Post Office Network in the Digital Age, Department for Business, Innovation & Skills, Nov 2010; available at: www.bis.gov.uk/policies/business-sectors/postal-services/post-office-network/future-strategy;
\textsuperscript{14} GfK Group, 2012;
\textsuperscript{15} Ibid;
Universal credit payment – the risk of budgetary disruption

4.1 The introduction of Universal Credit heralds a fundamental change in the way in which benefit payments are administered. The three key changes proposed, the move to monthly payment; the move to a single household payment; and the removal of direct rent payments to landlords, pose new risks for benefit recipients and considerable challenges for the successful implementation of Universal Credit.

4.2 Our research\textsuperscript{16} suggests that, in all likelihood, the majority of benefit recipients will be able to adjust to the changes over time with greater concern expressed about adapting and coping in the short term during the transition period.

The risks consumers face

4.3 When asked how they thought the change to monthly payment would affect them, 36 per cent of benefit recipients reported that that they would be affected for the worse by the change with only 5 per cent reporting that monthly payment would have a positive impact for them\textsuperscript{17}. Those who budget weekly were more likely to feel they would be acutely affected by the move to a monthly payment as, in the short-term, these recipients will need to alter the established budgeting routines that give them a sense of comfort and security. Many of the benefit recipients we spoke to in the depth interviews reported that the changes were also likely to disrupt their established budgeting practices, such as ring-fencing where each benefit is allocated for payment of a different expenditure or bill.

4.4 Benefit recipients were also concerned about the potential consequences of the change in payment frequency. 27 per cent of those who said they would be worse off reported that they would be likely to run out of money before the end of the month and 11 per cent reported that they would be more likely to need to borrow money. Some depth interview participants, who budget weekly, reported that they often spend a day a week without money at the end of the budgeting cycle. These recipients anticipated having to manage the last four or five days each month without money for essential items and utilities, even if they budgeted well, as a result of the move to monthly payment. Some also indicated that the false sense of wealth likely to be created at the start of the monthly budgeting cycle would lead to irresistible temptation to spend money on non-essential items.

4.5 30 per cent of benefit recipients reported that they would be worse off as a result of the proposed changes to Housing Benefit payments – with only three per cent reporting a positive impact from the changes\textsuperscript{18}. Our qualitative research found that having Housing Benefit paid to them, rather than their landlord, was expected to exacerbate the false sense of wealth felt by recipients at the start of the monthly budgeting cycle. Some also questioned whether they would have the discipline and restraint to ring-fence the money for rent, given regular pressures on their budget, and voiced concerns that rent money may be used as a way to boost finances if there was an unexpected cost to deal with – which could, in turn, lead to a repetitive cycle of rent money being spent on more immediate essentials.

4.6 Some 17 per cent of benefit recipients stated that they would be worse off as a result of the move to a single household payment\textsuperscript{19}. While this change may adversely affect a smaller number of recipients than other proposed changes, the move to a household payment may have a greater adverse impact on those who are affected. Specific concerns were expressed about cases where households had adult children also receiving benefits, with a great deal of anxiety reported about how to divide the payment and the impact this may have on the family if disputes arose. Some recipients also expressed concern about the move to a single household payment further disrupting their current budgeting practices, especially in situations where each individual recipient in a household took responsibility for the payment of specific expenditures.

\textsuperscript{16} GfK Group, 2012 and TNS BMRB, 2012;
\textsuperscript{17} GfK Group, 2012;
\textsuperscript{18} Ibid;
\textsuperscript{19} Ibid;
5 **Budgeting accounts**

5.1 Our research\(^{20}\) tested a range of tools that could potentially help benefit recipients mitigate any adverse impacts from the changes proposed in Universal Credit payment. We specifically sought to ascertain views on whether particular attributes and features of a transactional banking account would aid budgeting and money management. The results from this research, combined with findings from previous detailed research\(^{21}\), suggest that many low income consumers place a particular premium on those attributes and features which aid control.

5.2 Of the account features tested, ring-fencing facilities that could be used to shelter money needed to pay bills was considered the most useful. This ‘jam jar’ type facility could aid self-discipline, with sums clearly allocated for essential bills, and assist with management of the longer budgeting cycle.

**Account provider is a significant factor**

5.3 It is essential that accounts aimed at low-income consumers, and designed to encourage transactional banking, are offered by a trusted provider. While many currently receive benefits in to an account with a high street bank, our research\(^{22}\) suggests that low-income groups often lack trust in these banks – usually as a result of a previous bad experience. The same research highlights that the Post Office is considered as trusted by 83 per cent of low-income consumers.

5.4 Credit Unions and Post Office Ltd could work highly effectively together, within the framework of the DWP strategy for supporting expansion of Credit Unions, to offer budgeting accounts to Universal Credit recipients. Our recent report, *Credit where credit’s due*\(^{23}\), highlights the benefits that offering credit union services through the Post Office could bring, especially for the reported 1.7 million people who do not have a transactional banking account, the four million who incur bank charges and the up to seven million who use sources of high cost credit\(^{24}\).

18 September 2012

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\(^{20}\) GfK Group, 2012 and TNS BMRB, 2012;

\(^{21}\) *Opportunity Knocks*, Consumer Focus, January 2010; available at [www.consumerfocus.org.uk/publications/opportunity-knocks](http://www.consumerfocus.org.uk/publications/opportunity-knocks);

\(^{22}\) Ibid;

\(^{23}\) *Credit where credit’s due*, Consumer Focus, May 2012; available at [www.consumerfocus.org.uk/files/2012/05/Credit-where-credits-due.pdf](http://www.consumerfocus.org.uk/files/2012/05/Credit-where-credits-due.pdf);

\(^{24}\) *Credit Union Expansion Project – Project Steering Committee Feasibility Study Report*, Department of Work & Pensions, May 2012; available at [www.dwp.gov.uk/docs/credit-union-feasibility-study-report.pdf](http://www.dwp.gov.uk/docs/credit-union-feasibility-study-report.pdf);
Dyslexia affects around 10% of the population, but it is likely that dyslexia is disproportionately represented among benefit claimants. Small scale studies have indicated that up to 40% of the unemployed may have dyslexic difficulties.

Many claimants may have neither a home computer nor the necessary computer skills to complete an online application. Some may live in non-broadband enabled areas. With the closure of local libraries, access to a computer may be further limited.

Reading on-screen is less easy for everyone, and for dyslexic people there may be particular visual issues. Filling in an online application form requires accurate reading and comprehension skills, organisation and sequencing skills and visual tracking skills. All these may present significant challenges for the dyslexic claimant.

The British Dyslexia Association Helpline has received complaints from benefit claimants who struggle with hard copy forms. Dyslexia affects people across the ability range, but many may still have difficulty with forms; a minority may be barely literate. Unfortunately there have been discriminatory attitudes displayed by some Jobcentre staff and a lack of consideration and support. Not everyone has a family member or friend to help and many would be embarrassed to ask.

An online application process would be completely beyond many dyslexic claimants. Further, it would be expected that all Jobcentre staff should receive mandatory training in understanding and sympathetically supporting this common area of disability as a Public Equality Duty under the Equality Act.

24 September 2012