HOUSE OF COMMONS LIBRARY

**BRIEFING PAPER**

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# Universal Credit roll-out: Autumn/Winter 2017

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# Summary

Universal Credit (UC) is a new benefit which is replacing means-tested social security benefits and tax credits for people of working age. The aim is to simplify and streamline the benefits system, improve work incentives, tackle poverty among low income families, and reduce the scope for error and fraud. Around 7 million individuals and families are expected to receive UC when it is fully introduced.

The UC roll-out timetable has been pushed back several times. Following early problems, the entire programme was "reset" in early 2013. In 2016, DWP began rolling out the "Full Service" – the final digital version of UC, available for all claimant groups – using a "test and learn" approach. From October 2017, roll-out of the Full Service is accelerating and under the latest plans it is expected to be operational in all parts of the United Kingdom by September 2018. The remaining benefit and tax credit claimants would then transfer to UC between July 2019 and March 2022.

**Key statistics**

In August 2017:

- Around **590 thousand people were on UC**
- This is **around 8% of the final caseload** forecast by DWP
- **101 jobcentres** (14%) operated the Full Service
- Around **227 thousand people claimed UC via the Full Service**

As roll-out continues this winter:

- **134 more jobcentres** will launch the Full Service by the end of the year
- The UC caseload might **rise by around 370 thousand** by April 2018, **a 63% increase**
- **At least 90 thousand more people** might claim via the Full Service by Jan 2018
- On average **63 thousand people a month** might start a new UC claim till Jan 2018
- Of these 63 thousand new starts, **around 40 thousand (64%) might wait at least six weeks for their first payment** and the remainder at least five weeks

In February 2017, the former Work and Pensions Committee began an inquiry (relaunched by its successor Committee following the General Election) following receipt of "compelling evidence" of problems with the roll-out of the Universal Credit Full Service. Issues highlighted by local authorities, housing providers, charities and pressure groups include claimants experiencing hardship and falling into debt as a result of the minimum 6 week wait before the first payment of UC, and significant increases in rent arrears.

Concerns about the impact of the Full Service have led to calls on the Government to pause the further roll-out of UC to allow problems to be addressed. On 18 September, the Work and Pensions Committee Chair, Frank Field, called on the Government to heed the "unanimous call we are hearing from front line providers" to pause the Full Service roll-out, to prevent a "human and political catastrophe."

Speaking on 2 October 2017, the Secretary of State for Work and Pensions insisted that UC was working and said that roll-out would proceed according to the planned timetable. Guidance for DWP staff has been "refreshed" to ensure that "anyone who needs an advance payment will be offered it up-front." On 18 October the Secretary of State also announced that the UC helpline would change to a Freephone number over the next month, as will all other DWP phone lines by the end of the year.

Ministers also point to statistics showing that showing that 89% of people making new UC claims receive some payment, and 81% receive their full payment, “on time” (i.e. within 6 weeks, or 5 weeks if they do not have to serve “waiting days” at the beginning of their claim). However, these statistics only the cover the period once a claimant has registered their account, submitted details of their circumstances, accepted their responsibilities and made a formal declaration. Statistics are not available on how long claimants take to complete these preceding stages, and on how many accounts are deleted as a result of failures to complete the necessary steps in time.

Following an Opposition Day debate on 18 October, the House of Commons agreed by 299 votes to nil an Opposition motion calling on the Government to “pause” the roll-out of the UC Full Service. All Conservative Members – with the exception of Dr Sarah Wollaston – abstained. In a subsequent emergency debate on 24 October, the Shadow Secretary of State for Work and Pensions, Debbie Abrahams, criticised the Government for failing to issue a statement on what it intended to do in response to the concerns voiced in the Opposition Day debate. She called on the Government to end the 6 week wait for new UC claimants, make alternative payment arrangements available to all, reconsider Jobcentre closures and abolish the two-child limit. The Minister for Employment, Damian Hinds, said that while the Government would “continue an active dialogue” with MPs across the House to listen to concerns and identify where improvements might be made, it would not pause the roll-out of UC in light of the clear evidence of its benefits.

On 26 October the Work and Pensions Committee published a report on the “baked-in” 6 week wait for UC, which it described as a “major obstacle to the success of the policy.” It noted compelling evidence linking it to an increase in acute financial difficulty, adding that most low-income families do not have the savings to see them through the period. While welcoming the increased availability of advance payments, the Committee did not believe these were a solution to a fundamental flaw in the benefit’s design. The Committee recommends that the Government reduce the standard waiting time for a first UC payment to one month.

In further correspondence, the Committee’s Chair, Frank Field, has called on DWP to publish the revised business case for UC, and updated estimates of the employment impact of the benefit. He also describes the lack of data being collected and published on various aspects of UC as “troubling, to put it mildly.”

In advance of the Autumn Budget on 22 November, there have been other calls on the Government to “review and relaunch” the UC system. A report published by the Resolution Foundation on 31 October recommends that, among other things, the Government speed up initial payments of UC, including payment of housing support, allow recipients to opt for fortnightly payments, allow tenants to choose direct payment of the housing element to landlords, and accelerate implementation of the landlord portal. It also recommends boosting work allowances for single parents and introducing an initial work allowance for second earners, and trialling different forms of financial incentive to encourage progression in work such as lower tapers for second earners and single parents, time-limited conditional payments for achieving progression, and additional support with childcare costs for pre-school children.

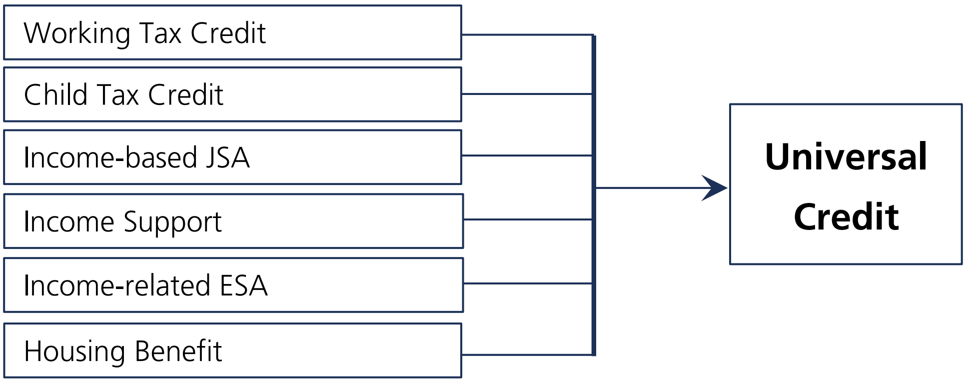
In a report published on 6 November, the Child Poverty Action Group warns that cuts to Universal Credit could put an additional 1 million children in poverty. CPAG argues that if the Chancellor wants to restore Universal Credit’s promise of greater rewards from work and lower poverty, he should reverse cuts to the work allowances and announce a “triple lock” for Child Benefit an the child element of UC.

# 1. What is Universal Credit?

Universal Credit (UC) is a new benefit which will replace a range of existing means-tested benefits and tax credits for working-age households. The Department for Work and Pensions (DWP) refers to the benefits and tax credits UC is replacing as "**legacy benefits**." Spending on these benefits currently totals around £70 billion a year.[1]

Other benefits will continue to exist alongside UC, although in the case of contributory Employment and Support Allowance (ESA) and contribution-based Jobseeker's Allowance (JSA) some of the rules will be brought in line with UC. DWP refers to these versions as **"new style" ESA and JSA**.

**'Legacy' benefits and tax credits replaced by Universal Credit**



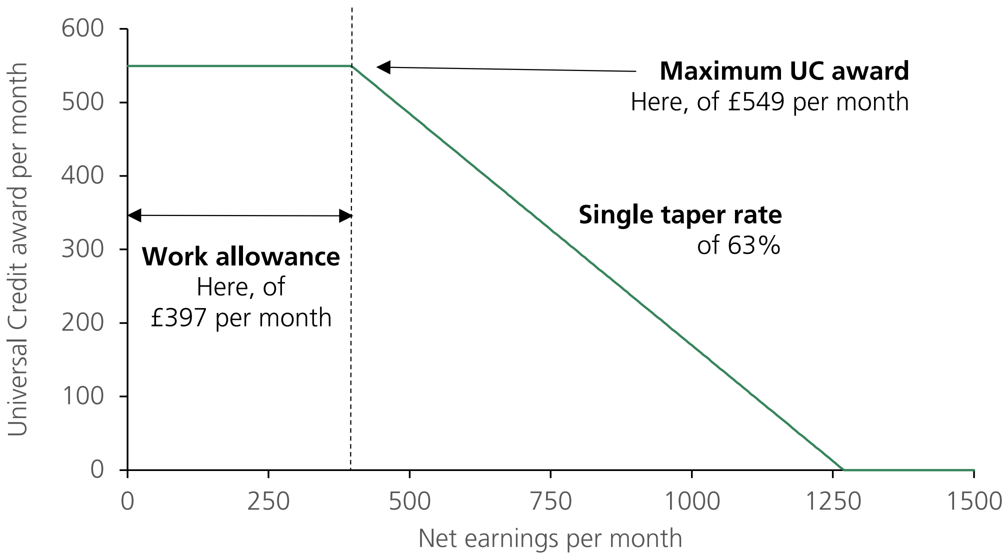

The aim of Universal Credit is to simplify and streamline the benefits system for claimants and administrators, improve work incentives, tackle poverty among low income families, and reduce the scope for fraud and error. UC is administered by the Department for Work and Pensions.

Universal Credit awards comprise a **standard allowance with additional amounts** for children, housing and other needs and circumstances such as childcare and caring. The actual amount a family receives will however depend on its income and savings. **Unearned income** – such as income from certain benefits, or an occupational pension – will usually reduce the maximum UC award on a pound for pound basis. **Earned income** – i.e. income from employment or self-employment – will reduce the UC award at a constant rate (the **single taper**), although families will be able to keep some of their earned income (the "**work allowance**") before it begins to affect their UC. The taper rate was originally 65 pence for each additional pound of net earnings, but from April 2017 it was reduced to 63 pence for each pound.

The example below illustrates how earnings affect a Universal Credit award.

[1] Office for Budget Responsibility, OBR guide to welfare spending, 21 March 2017

**Universal Credit award of a lone parent household with one child**
*Calculations for 2017-18 for a family not in receipt of support for housing*




Families already get means-tested assistance through tax credits, but while tax credit awards are based on annual income, UC is based on current income. UC awards are calculated on an ongoing basis and increase or decrease each month in response to changes in income and other factors. For employees paid through Pay as You Earn (PAYE), HMRC's **Real Time Information** system should allow DWP to automatically adjust their UC award if their wages change. Claimants will however have to notify DWP directly of other changes in circumstances affecting their award as they occur.

The financial support provided by Universal Credit is underpinned by a new "**conditionality**" framework setting out the responsibilities claimants may be required to meet. The level of requirements will depend on the claimants' circumstances. The conditionality framework is backed up by a new "strong and clear" **sanctions** regime for non-compliance.

In "**Full Service**" areas – where the final, digital version of UC operates – claimants will normally be expected to make a claim for Universal Credit online and to manage their claim, including reporting changes in circumstances, via an **online account**.

UC is **paid monthly** in arrears and, unless exceptional circumstances apply, as a **single payment** covering all the household's needs. Couples can choose which partner receives the payment, or nominate a joint bank account.

UC is wholly administered and delivered by the Department for Work and Pensions in Great Britain, but DWP is also working with local authorities, social landlords, charities and other service providers to develop local face-to-face support services to help UC claimants. This is known as "**Universal Support – delivered locally**."

## 1.1 Why is UC being introduced?

Universal Credit was intended to address a number of drawbacks with the existing benefits and tax credits system. The November 2010 White Paper [Universal Credit: welfare that works] observed that for many people on benefits, incentives to work were poor because a high proportion of earnings would be offset by reduced benefits and tax credits – a problem compounded by the complexity of separate out-of-work benefits and in-work support. This led to people becoming "trapped on benefits", with significant social and economic costs for both families and society as a whole.

The DWP's December 2012 [Universal Credit Impact Assessment] summarised the case for change in the following terms (original emphasis):

> **What is the problem under consideration? Why is government intervention necessary?**
>
> Welfare dependency has become a significant problem in Britain with a huge social and economic cost. There are two fundamental problems with the current welfare system: poor work incentives and complexity. As a result the current system hinders rather than helps millions of individuals on low incomes and facing welfare dependency. For people often reliant on benefits, the incentives to move into work or to increase earnings once in work can be very low. In around **1.1 million households, a person would currently lose between 70 per cent and all of their earnings if they move into work of ten hours a week**. The incentives to increase hours once in work are also very weak. **Under the current system around 700,000 individuals in low paid work would lose more than 80 per cent of an increase in their earnings because of higher tax or withdrawn benefits**. The current system of benefits provides targeted support to meet specific needs, but the net effect is a complex array of benefits which interact in complicated ways, creating perverse incentives and penalties, confusion and administrative cost. This has the effect of preventing many in our society from seeing work as the best route out of poverty. It also increases the risk of error and the opportunities for fraud.

The Coalition Government argued that Universal Credit would make the financial gains from work clearer by introducing a smoother and more transparent reduction of benefits when people move into work or increase their earnings. A July 2012 briefing, formerly at the DWP website, [Universal Credit – frequently asked questions], stated:

> Universal Credit simplifies and streamlines the benefits system for claimants by bringing together a range of benefits and credits into a single system. Universal Credit will help ensure that claimants will be financially better off in work, which will help them and their families to become more independent.
>
> The new Universal Credit system aims to:
>
> - improve claimants' incentive to work
> - make it easier for them to move in and out of work
> - be easier to understand than the existing system
> - reduce poverty among people on low incomes

- cut back on fraud and error
- be more cost-effective to run

> Universal Credit claimants will be better off in work including irregular part-time work. This will reduce the incentive for people to fraudulently not declare paid work in case they lose their benefit.
>
> The new system is expected to have a considerable long-term impact on UK society. Increases in the take-up of entitlements that are currently unclaimed, together with the higher entitlements, could see as many as 350,000 children and 500,000 working age adults moved out of poverty.

However, changes to key parameters of Universal Credit since its introduction – including the freezing of UC elements, reductions in the "work allowances" for most claimants[2], and limits to support for children[3] and for adults with "limited capability for work"[4] – cast doubt on the extent to which some of the original aims will be met. Although working families will benefit from the reduction in the taper rate from 65% to 63% (from April 2017), for most, the gain will be more than outweighed by losses as a result of the other changes.[5]

Universal Credit is now expected to be less generous overall than existing "legacy" benefits and tax credits, and according to the Institute for Fiscal Studies (IFS) will reduce government spending by around £5 billion a year in the long-run.[6] The IFS estimates that, together with related tax and benefit measures to be introduced over the next few years, the long-term impact of Universal Credit will be a significant reduction in support for low income working age families.[7] The DWP has not published an update of its December 2012 Impact Assessment for Universal Credit.

Despite changes to Universal Credit since its introduction, the 2015 Conservative Government maintained that, once fully introduced, UC would still deliver significant economic benefits. Ministers also emphasised the potential for the overall Universal Credit package – including elements such as conditionality requirements, monthly payments and online claims – to "transform" lives and reduce benefit dependency by changing behaviour. For example, in a Westminster Hall debate on 19 April 2017 the Minister for Employment, Damian Hinds, explained-

> …the benefits [Universal Credit] brings are many, going far beyond the £7 billion in annual economic benefits and even beyond the advantages to claimants of simplicity, stronger work incentives and personalised support. UC represents a generation-

2 See Commons Library briefing CBP-7446, Universal Credit changes from April 2016, 16 November 2016
3 Commons Library briefing CBP-7935, The two child limit in tax credits and Universal Credit, 10 April 2017
4 Commons Library briefing CBP-7649, Abolition of the ESA work-related activity component, 9 March 2017
5 See Richard Keen and Steven Kennedy, Universal Credit: jam tomorrow?, Commons Library Second Reading blog, 25 November 2016
6 Andrew Hood and Tom Waters, The impact of tax and benefit reforms on household incomes, IFS Briefing Note BN196, 27 April 2017
7 Tom Waters, Budget 2017: Distributional analysis, IFS, 9 March 2017

changing culture shift in how welfare is delivered and how people are helped, creating a system that allows people to break free from being dependent on welfare, to take control of their lives and to move into work. That will have an impact on a large number of people: we estimate that by the time UC is fully rolled out, about 7 million recipients will benefit from the advantages of universal credit.

We must remember that universal credit picks up from a flawed pre-existing system and strives to solve a number of problems that have for some time been thought to be near intractable. In the old system, complexity and bureaucracy had often served to stifle the independence, to limit the choices and to constrain the outlook of its recipients. With UC, we are untangling the bureaucracy, strengthening the incentives and simplifying the system and the signals it gives.

[…]

The design and structure of UC is transformational in its focus on replicating the world of work. UC encourages claimants to take greater responsibility for their finances and incentivises them to earn more and to make progress once in work. A flexible, clear and tailored claimant commitment helps claimants to understand fully their responsibilities, and a work coach provides personalised support, helping people to stay close to the labour market and to overcome whatever barriers they have to work.

Critically, universal credit removes the hours rules and the cliff edges that have long been a feature of our systems, plaguing legacy benefits and tax credits. UC removes the need to switch between different benefits as people move into and progress in work, simplifying the system and ensuring continuity. It provides a consistent taper for claimants as they move into and through work. The recent taper reduction will benefit 3 million claimants once UC is fully rolled out, providing further tangible and visible benefits to making progress in work.

Thanks to the real-time information link, immediate adjustments can be made to the UC award, which is far beyond the blunt mechanism of annual reconciliation. That also means that people can quickly see the effect of the changes they are making. For the first time we now have simple levers to optimise the system, creating a fully dynamic and adaptable welfare system fit for the modern world. Digital is at the heart of the new system. The majority of jobs these days require some computer capability and competency, so it is also right that the system to help people into work is digital, too, as well as more efficient as a result.[8]

8 HC Deb 19 April 2017 cc364-5WH

Concerns about the impact of Universal Credit have led to calls on the Government to reconsider various elements of the system before pushing ahead with roll-out, to restore the original policy intent and to ensure that families and vulnerable groups do not face serious financial risk.[9] Charities, pressure groups and think tanks have called not only for cuts to Universal Credit (the work allowance reductions and the two-child limit in particular) to be reversed, but also for the Government to look again at key aspects of the policy design and implementation. Recommendations made include measures to ensure that work incentives are not blunted for lone parents and second earners, reviewing the UC rules for self-employed people, reducing the taper rate to 55% (as the architects of UC originally envisaged), integrating Council Tax support with UC, and reviewing how passported benefits (such as free school meals) interact with UC.

Other recurring concerns include:

- difficulties with monthly assessment periods and payments;
- inflexible rules on access to Alternative Payment Arrangements;[10]
- complex and bureaucratic rules for those seeking help with childcare costs;
- how to provide practical support to help claimants to progress in work;
- doubts about the accuracy of "Real Time Information" earnings data;
- whether there will be the necessary support for claimants in relation to budgeting and managing online claims; and
- major concerns about the UC claims process, delays before people receive their first payment, and rent arrears.

Sir John Major, 8 October 2017

*"…we must demonstrate a clear priority for the interests of the 'have-nots'. I hope such a programme will include a review of universal credit, which, although theoretically impeccable, is operationally messy, socially unfair and unforgiving."*

Alison Garnham, Child Poverty Action Group Chief Executive, April 2017

*"…it is clear that [UC] is hamstrung by severe funding, policy design and practical problems. Its revolutionary promises have long faded. We now face the very real prospect of a large, single – and flawed – means test bearing down on working-age families. We are running out of time to avert a crash landing."*

## 1.2 Implementation challenges

DWP began to roll out Universal Credit in April 2013. The roll-out was originally due to have finished by 2017-18, but various delivery challenges have meant that the schedule has been pushed pack several

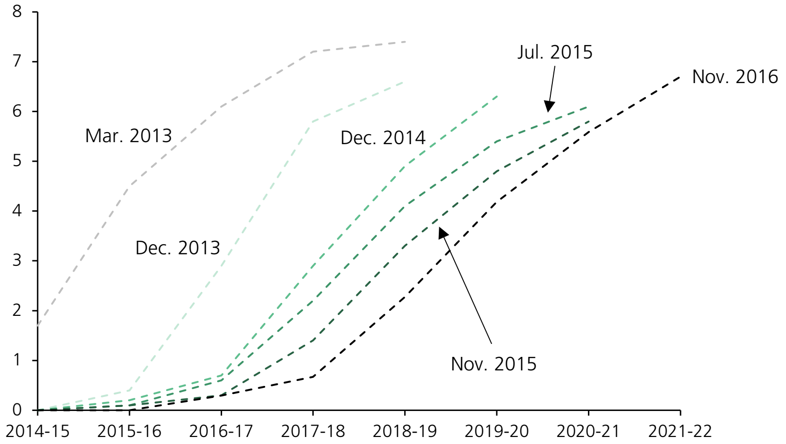
9 For a range of views on the issues that should be addresses see Social Mobility and Child Poverty Commission, State of the nation 2015, December 2015; David Finch, Universal Challenge: making a success of Universal Credit, Resolution Foundation, may 2016; Centre for Social Justice, The Case for Strengthening Universal Credit Work Allowances, October 2016; Katie Schmuecker, Universal Credit: A Joseph Rowntree Foundation briefing, April 2017; Broken promises: What has happened to support for low income working families under universal credit?, March 2017; Beth Foley, Delivering on Universal Credit, July 2017; and Geoff Fimister, Universal Credit – Top Ten Project 2017, IRRV, August 2017; Low Incomes Tax Reform Group, Self-employed claimants of universal credit – lifting the burdens, 30 October 2017; Gingerbread, An impossible bind: requirements to work under Universal Credit, 1 November 2017

10 In Scotland and in Northern Ireland payment flexibilities allow UC claimants to receive payments twice-monthly, and for the housing element to be paid direct to landlords. There have been calls to introduce similar flexibilities for claimants in England and Wales.

times.[11] UC is not now expected to be fully rolled out until 2022 – five years later than originally envisaged.

**OBR Universal Credit roll-out assumptions published at Budgets and Autumn Statements March 2013 to November 2016**

Millions of claimants




The DWP was criticised for its initial handling of the Universal Credit programme. In September 2013, Amyas Morse, head of the National Audit Office (NAO), wrote:

> The Department's plans for Universal Credit were driven by an ambitious timescale, and this led to the adoption of a systems development approach new to the Department. The relatively high risk trajectory was not, however, matched by an appropriate management approach. Instead, the programme suffered from weak management, ineffective control and poor governance.[12]

DWP "reset" the Universal Credit programme in February to May 2013 following serious concerns expressed by the Major Projects Authority.[13]

Since this time, DWP has been developing and rolling out Universal Credit using a "twin-track" approach. This involved completing the national roll-out of UC using the IT systems developed prior to the 2013 reset (the Live Service) while, simultaneously, developing the Digital Service (now known as the Full Service) from which Universal Credit will eventually be operated.

In February 2016, the House of Commons Public Accounts Committee (PAC) acknowledged that Universal Credit had stabilised and made progress since 2013, but added that it still had "a long way to go" and called for greater transparency and a clearer set of milestones for the programme. Following the announcement in July 2016 of yet further delays in the roll-out schedule, the PAC's latest (November 2016) report, while welcoming DWP's acceptance of the need for better contingency planning, stated that the UC programme was "still at a very early stage." It also reiterated the Committee's previous recommendation that the DWP set out clearly how policy and other changes have

David Finch, Resolution Foundation, May 2016

*"The laudable goals of UC have been undermined by successive paring back of its ambition and capacity to support claimants in a rapidly changing labour market. Recent welfare U-turns have been driven in part by unease from the government's own supporters, hinting at a recognition that the deal between the state and low-income working families needs reviewing."*

Neil Couling, DWP Director General for UC, October 2017

*"The criticism I receive from our people is that the roll out isn't coming to them soon enough. They have heard how good the system is and 'feels'. They know that it has lower fraud and error and better work outcomes, relative to JSA, and they want that."*

11 For a detailed analysis of the Universal Credit programme including a timeline of developments, see Nicholas Timmins, Universal Credit: From disaster to recovery?, Institute for Government, September 2016

12 National Audit Office; Universal Credit: early progress; 5 September 2013

13 National Audit Office; Universal Credit: progress update; 26 Nov. 2014. MAP has since merged with Infrastructure UK to form the Infrastructure & Projects Authority.

affected the business case for Universal Credit and the programme's expected costs and benefits.

The Government's response to the latest PAC report was published in February 2017.[14] It accepted the Committee's recommendations and set out a number of commitments including:

- An undertaking to write to the Committee in Spring 2017 setting out the impact of the changes and delays to the UC programme on operational costs, staff and claimants;
- An undertaking to write to the Committee to provide a summary of major changes since the Outline Business Case was made in 2015, and to share the Full Business Case with the National Audit Office in Autumn 2017; and
- Updating the Committee in Spring 2017 on how staff were being enabled to engage in testing and learning processes and to feedback concerns.

The Government's promised update was given in a letter dated 18 October 2017 from the Director General of the Universal Credit Programme, Neil Couling, to the PAC Chair Meg Hillier. This states, among other things, that:

- Despite the changes to Universal Credit since the Outline Business Case, DWP still expects the Net Present Value for Universal Credit in the Final Business Case to be "substantially positive".
- DWP has agreed with the Treasury a timetable whereby the Final Business Case will be submitted "in the New Year, with this process concluding by March 2018".
- PAC will be sent an analysis of the main changes from the Outline Business Case and the Full Business Case, "in the Spring on the completion of the Full Business Case process".
- As regards the impact on the public finances, relative to the Summer budget as set out at Autumn Statement 2016, overall the changes to UC produce net savings of £19 billion through to 2021/22.
- Transitional protection for claimants moved to Universal Credit at the final "managed migration" phase between 2019 and 2022 is expected to cost around £1 billion.
- As regards the speed at which Universal Credit is being rolled out, Mr Couling comments: "The criticism I receive from our people is that the roll out isn't coming to them soon enough. They have heard how good the system is and 'feels'. They know that it has lower fraud and error and better work outcomes, relative to JSA, and they want that."

[14] Treasury Minutes: Government responses to the Committee of Public Accounts on the Twenty Second to the Twenty Fifth and the Twenty Eighth reports from Session 2016-17, Cm 9413, February 2017

# 2. How is Universal Credit being rolled out?

Universal Credit is being introduced in stages over a number of years. When and how it will affect people depends on where they live and their individual circumstances. The situation is further complicated by the fact that two different versions of Universal Credit exist: the "**Live Service**" which uses IT systems developed prior to the programme's Spring 2013 "reset"; and the "**Full service**" – the final, digital version of UC where claims are made and managed via an online account.

The Live Service was extended to all parts of Great Britain by Spring 2016, but it is limited to new claims from (mainly single) people with straightforward circumstances. **Roll-out of the Full Service** began in 2016 and it is expected to be operational in all parts of the United Kingdom by September 2018. When the Full Service is introduced in an area, new claims are taken from **all claimant types** and existing Live Service claimants are moved over to the new system. Existing benefit and tax credit claimants in the area may also be migrated to the Full Service if they have a change in circumstances. The number of people on UC in a particular area will therefore grow significantly following the introduction of the Full Service.

When national roll-out of the Full Service is complete, new claims for "**legacy benefits**" – the benefits and tax credits UC is replacing – will no longer be possible anywhere in the UK. The Government plans to transfer the remaining legacy benefit and tax credit claimants to Universal Credit between July 2019 and March 2022. This final stage is referred to as the "**managed migration**" stage.

## 2.1 Live Service and Full Service

Where Universal Credit has been introduced, the same basic conditions for entitlement, financial conditions, benefit rates and calculations, conditionality requirements and payment arrangements apply, regardless of which service model applies in the area.

However, the Live Service and the Full Service differ in certain key respects, in particular:

- Who can claim Universal Credit; and
- How people make a claim, manage their claim on an ongoing basis, and interact with the DWP

In Live Service areas, Universal Credit is only available for selected claimant types with straightforward circumstances. UC is subject to what are known as "**gateway conditions**" that exclude claimants with certain circumstances from making a new claim. However, once on Universal Credit in a Live Service area, if a person's circumstances subsequently change such that they no longer satisfy the gateway conditions – e.g. they become ill and are no longer fit for work – they still remain on UC (provided they still satisfy the basic rules of entitlement, financial conditions etc). DWP refers to this as the "lobster pot" rule.

The box below summarises the differences between the Live Service and the Full Service.

### Live Service and Full Service compared

| Live Service | Full Service |
|---|---|
| New claims only accepted from **single persons (and couples in certain areas) who are unemployed or have very low earnings**, with straightforward circumstances who satisfy the "gateway conditions".<br><br>**Must** be aged 18-60, be a British citizen, be fit for work, have a bank account and an NI number.<br>**Must not**, among other things, be responsible for a child (except in certain areas), have savings or more than £6,000, be a carer, be homeless or in temporary accommodation, be a homeowner, be self-employed, be in education or training, or live with a member of the armed forces.<br><br>But claimants whose circumstances change and no longer satisfy the gateway conditions remain on UC – the **"lobster pot" rule**. | New claims taken from **all claimant groups**, including people with health conditions and disabilities, people with children, carers and those in work.<br><br>**Existing Live Service claimants** must create an account and attend an initial evidence interview to transfer to the Full Service.<br><br>**Existing claimants of "legacy" benefits and tax credits** may transfer to the UC Full Service following a change in their circumstances. |
| Uses the **original IT system** developed by external providers – no longer being updated. | Uses **new digital system** being developed by DWP using a "**test and learn**" approach. |
| **New claims may be made online**, but **other contact** with DWP (e.g. to report changes) **via phone**. | **Claims made and managed online**. Claimants use an internet-enabled device such as a smartphone, tablet or PC to:<br>• view their claim details<br>• report changes in circumstances<br>• interact with their Work Coach through their online **journal** and **"to-do" lists**<br>• record their work search activity |
| Rolled out in Great Britain **between April 2013 and Spring 2016**.<br><br>**Not introduced in Northern Ireland**. | Roll-out **began in Great Britain in May 2016** (**September 2017 in Northern Ireland**).<br><br>Full roll-out **throughout United Kingdom by September 2018**. |
| Will **cease to exist** when the Full Service is fully introduced. | Will eventually **fully replace the Live Service**. |

Further information:

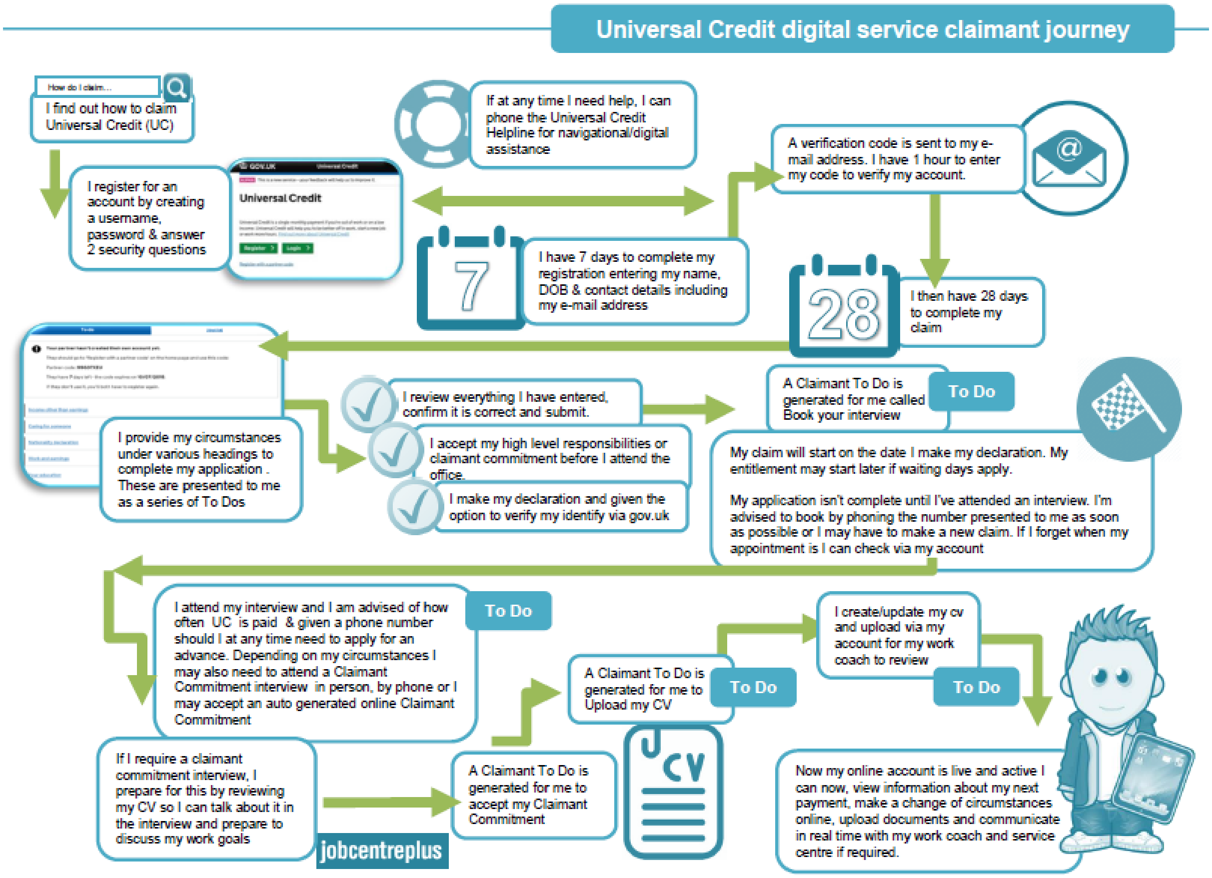
Revenuebenefits, Universal credit: Who can claim Universal credit, updated 17 February 2017

DWP, Advice for Decision Making Chapter M3: Claims for Universal Credit, Gateway conditions

DWP, Universal Credit Full Service Guidance, HC Deposited Paper DEP2017-0556, 19 September 2017

A key feature of the Full Service is that claims are made – and managed on an ongoing basis – via an online account. DWP has produced a YouTube video, Universal Credit full service overview - June 2017. This outlines the claims process in Full Service areas including verification processes, and explains the features of the account including the to-do list and the journal. Further information on the work of the "business unit" developing the Full Service can be found in a blog, Building the Universal Credit Full Service, posted on 11 September 2017 by Lara Sampson, Product Owner for the Universal Credit Full Service (UCFS) in DWP Digital. A related YouTube video is also available.

The chart below – from a DWP presentation – sets out the "claimant journey" in Universal Credit Full Service areas, from the initial steps the claimant has to take through to when their online UC account is fully up and running and their award is in payment.




Universal Credit claims are made online via GOV.UK. To start a claim in a Full Service area the person needs to create an online account using an email address. If a claimant needs support to do this, help is available via the DWP's Universal Credit helpline. Face to face support may also be available from a "partner organisation", in a DWP office or, exceptionally, through a home visit. Further details of the claims process, on the steps necessary to set up an online account, and the information the claimant must provide, can be found in the DWP's Full

Service Guidance on New Claims.[15] If a claimant creates an account but does not complete a claim within 28 days then their account is deleted.[16]

Until the Secretary of State's announcement on 18 October (see below), the position was that calls to the Universal Credit helpline were not free of charge, but had to be made on 0345 numbers. The cost of 0345 calls varies, but from landlines the approximate cost is up to 9p a minute, and from mobiles the costs (depending on the provider) can be between 3p and 55p a minute.[17]

The Government argued that an 0345 number (rather than a Freephone 0800 number) was appropriate for the UC helpline "as the expectation is that claims are made online."[18] Asked by Frank Field whether the Department had plans to phase out the use of an 0345 number for the Universal Credit helpline and replace it with a Freephone number, the then DWP Minister Priti Patel said in a written answer on 7 March 2016:

> DWP have no plans to phase out the 0345 number. The Department is transforming the way it delivers its services embracing new digital channels and technology. The main route to access Universal Credit is online and research shows that around 90% of claimants make their claim online.[19]

Pressed by Stephen Timms on whether DWP would make calls to the UC helpline free of charge, at least until roll-out was complete, the DWP Minister Damian Hinds said in a written answer on 18 July 2017:

> DWP have no plans to introduce a 0800 number for the Universal Credit helpline. If a Universal Credit claimant needs to contact us by telephone, they can call the Universal Credit helpline on a 0345 number. Charges for these calls depend on the service provider, but cost no more than a standard geographic call, and count towards any free or inclusive minutes in a caller's landline or mobile telephone contract. The Department's guidance directs staff dealing with Universal Credit claims to call customers back either if they request it or if they express any concern about the cost of calling.[20]

DWP stated that it "generates no revenue" from calls to its 0345 helplines, but was "unable to comment on revenue generated by other parties."[21]

At the Work and Pensions Committee's evidence session on 18 October the Secretary of State for Work and Pensions, David Gauke, announced that the Universal Credit helpline would change to a Freephone 0800 number "over the next month", and that all DWP's phone lines would move to Freephone numbers by the end of the year.[22]

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15 Version 7, 24 March 2017
16 Ibid
17 See GOV.UK, Call charges and phone numbers
18 PQ 25175, 4 February 2016
19 PQ 29406 [on Universal Credit: Telephone Services], 2 March 2016
20 PQ 4900, 18 July 2017
21 PQ 28133 [on Universal Credit: Telephone Services], 26 February 2016
22 HC 336 3017-18, Q72

## What version of UC exists where I am?

A regularly updated list of Jobcentre areas where you can claim Universal Credit in Great Britain is available on GOV.UK. Full Service areas are indicated by an asterisk (*) in the list of jobcentre areas where couples and families can claim Universal Credit.

The Revenuebenefits website also has a postcode checker that indicates who can currently claim UC in a particular area – see universalcreditinfo - Check whether you can claim universal credit. By entering a postcode you can see which version of UC (Live Service or Full Service) operates, the implications of UC for existing legacy benefit and tax credit claimants in the area, and contact details for local advice agencies.

The Lisson Grove Benefits Program has produced a clickable map that shows where the Live Service is currently available and the claimant groups who may claim UC in each area, the areas where Full Service has already been introduced, and the areas where the Full Service is being rolled out between October 2017 and January 2018.

The DWP's latest timetable for introducing the Full Service in each local authority and Jobcentre area in Great Britain is set out in its Universal Credit Transition Rollout Schedule on GOV.UK.[23]

## How is the Full Service introduced in an area?

The Full Service is being rolled out in Great Britain in a series of tranches. In order for roll-out to begin in an area, a "Commencement Order" must be made listing the dates on which the Full Service will be introduced, and new claims for legacy benefits "switched off", in the relevant postcode areas. To date, Commencement Orders have been made periodically, in advance of the next roll-out tranche. The most recent Commencement Order - *The Welfare Reform Act 2012 (Commencement No. 17, 19, 22, 23 and 24 and Transitional and Transitory Provisions (Modification)) Order 2017* (SI 2017/952) – was made on 28 September 2017 and provides for the roll-out of the Full Service to new areas in Great Britain between October 2017 and the end of January 2018. Commencement Orders can be made at any time up to the expected date of roll-out.

The Commencement Orders are Statutory Instruments made by the Secretary of State under powers in the *Welfare Reform Act 2012* and are not subject to any parliamentary procedure – i.e., they are not SIs subject to the negative or the affirmative procedure. They cannot therefore be "prayed against", and do not require the approval of both Houses of Parliament to become law.

## What happens when the Full Service is introduced in an area?

Introduction of the Full Service in an area where the Live Service operates does not mean that all those who will eventually receive Universal Credit in that area transfer to the Full Service immediately. In

[23] Last updated 16 October 2017

Full Service areas, people move onto Universal Credit in one of three ways:

- By making a **new claim** for Universal Credit, when they were not previously in receipt of a legacy benefit (the benefits/tax credits UC is replacing). New claims for legacy benefits and tax credits are no longer possible – the person will have to claim UC instead.[24] Whereas under the Live Service new claims are only possible from (mainly single) persons with straightforward circumstances, under the Full Service new claims are taken from **all claimant groups**, including people with children, carers, and those with health conditions and disabilities.
- **Existing UC Live Service claimants** will be sent a "call to action" letter by DWP inviting them to create an online account and book an initial evidence interview. Provided they create an account and take the other necessary steps when the Full Service comes to their area, within the necessary timescale, their UC payments should not be interrupted or delayed and their assessment period and payday should remain the same. All Live Service claimants need to transfer to the Full Service from three months after the Full Service has gone live in their area.[25]
- **Existing legacy benefit and tax credit claimants experiencing a change of circumstances**, such that they would have had to make a claim for a different legacy benefit or tax credit. In this situation, the change triggers a move to Universal Credit. For example, if a single person in receipt of income-based Jobseeker's Allowance has a child, they cannot make a claim for Child Tax Credit or Income Support and must claim UC instead. This process for transferring to Universal Credit is referred to by the DWP as "**natural migration**."[26]

Claimants of legacy benefits and tax credits **not** experiencing a change of circumstances as described above, will continue to receive their existing benefits/tax credits until the final stage of the Universal Credit roll-out. This is known as the "**managed migration**" stage and is due to **start in July 2019 and be completed by March 2022**. Precise details of the timetable for the transfer of remaining claimants to UC at the managed migration stage, and the order in which they will be processed, are not yet available.

Where existing claimants migrated to Universal Credit are entitled to less support under UC than they were receiving through legacy benefits and tax credits, they may be entitled to a top-up payment so that they

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24 There are **limited exceptions** to this rule. Until 31 October 2018, claimants who are responsible for three or more children will not be able to claim UC and will be directed to tax credits and legacy benefits instead, unless they have claimed UC in the previous 6 months and are able to make a re-claim for UC or are a single person and were claiming UC with someone else as part of a couple and that claim ended in the last month. See Revenuebenefits, Who can make a claim for UC in full service areas?, last updated 13 October 2017

25 See DWP Full Service Guidance, Transfers from Live Service to Full Service: Work Coach, Version 8, 1 April 2017; and DWP, Freedom of Information response Ref: FoI 3128, 18 August 2017

26 For further information on this process see the Child Poverty Action Group guide, Ask CPAG Online - Universal Credit 'Natural Migration'

do not lose out in case terms at the point of transfer. However, this **"transitional protection" will only be available to claimants moved onto UC by managed migration**. There is no equivalent transitional protection for claimants moving onto UC by natural migration.[27]

## 2.2 The July 2016 roll-out schedule

As explained in section 1.2 of this briefing, the timetable for rolling out Universal Credit has been pushed back several times. The Live Service has been available throughout the whole of Great Britain since Spring 2016. Roll-out of the Full Service began in early 2016, following initial trials in Sutton, Croydon and Southwark.

The Government's latest plans for the remaining stages of the roll-out of Universal Credit were announced on 20 July 2016. In a Written Ministerial Statement[28], the then Secretary of State for Work and Pensions, Damien Green, announced that the Government was "reshaping" the next phase of UC and, accordingly, set out a new plan for rolling out the Full Service that would involve:

- Introducing the Full Service in 5 jobcentres a month to June 2017;
- Expanding it by 30 jobcentres a month from July 2017;
- Following a break over summer 2017, "scaling up" the roll-out of the Full Service to 55 jobcentres a month between October and December 2017;
- Accelerating the roll-out to 65 jobcentres a month by February 2018; and
- Finishing roll-out with the final 57 jobcentres in September 2018.

By September 2018, therefore, the Full Service would be fully rolled out throughout Great Britain and no new claims of legacy benefits and tax credits would be possible.

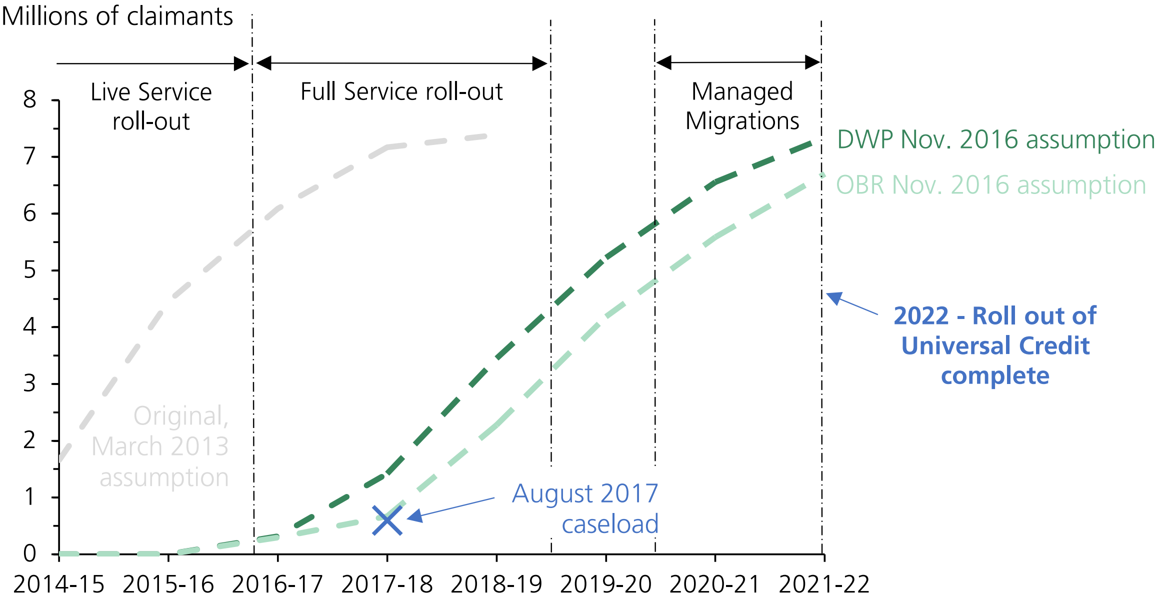
The Written Ministerial Statement also announced a new "contingency" period (i.e. a pause) following the achievement of national roll-out of the Full Service, before the commencement of managed migration. Managed migration would start in July 2019, and be completed by March 2022.

The chart below summarises the Government's latest plans for the Universal Credit roll-out, and how it expects the UC caseload to grow (the original March 2013 caseload assumptions are included for comparison).

[27] For further information on transitional protection see section 6 of Commons Library briefing CBP-7446, Universal Credit changes from April 2016, 16 November 2016
[28] HCWS96

**Roll out of Universal Credit**

Millions of claimants




**Source** OBR Economic and Fiscal Outlook (November 2016); HC Library annotations

In light of successive revisions to the Universal Credit roll-out timetable, the Office for Budget Responsibility (OBR), in its November 2016 *Economic and Fiscal Outlook* report, said that it would continue to assume a further six month delay to the managed migration process and that its forecasts therefore assumed full roll-out of UC would not be achieved until October 2022.[29] OBR's assumption of how the UC caseload will evolve is indicated in the chart.

## 2.3 Northern Ireland

Universal Credit is being introduced to a separate timetable in Northern Ireland, although it envisages the completion of the Full Service roll-out by the same date as in Great Britain. The Live Service was not introduced in Northern Ireland. The dates on which the Full Service is expected to be introduced in the areas served by the benefits offices are given below.[30]

| Date Universal Credit will start | Jobs & Benefits / Social Security office |
|---|---|
| 27 September 2017 | Limavady |
| 15 November 2017 | Ballymoney |
| 13 December 2017 | Magherafelt and Coleraine |
| 17 January 2018 | Strabane and Lisnagelvin |
| 7 February 2018 | Foyle and Armagh |
| 21 February 2018 | Omagh and Enniskillen |

29 OBR, Economic and Fiscal Outlook, Cm 9346 November 2016, para 4.122

30 Department for Communities, Universal Credit

| | |
|---|---|
| 7 March 2018 | Dungannon and Portadown |
| 18 April 2018 | Banbridge and Lurgan |
| 2 May 2018 | Kilkeel, Downpatrick and Newry |
| 16 May 2018 | Bangor, Newtownards and Holywood Road |
| 30 May 2018 | Knockbreda, Newtownabbey and Shankill |
| 13 June 2018 | Corporation Street, Falls and Andersonstown |
| 27 June 2018 | Shaftesbury Square, Lisburn and Larne |
| 4 July 2018 | Carrickfergus, Antrim and Ballymena |
| July to September 2018 | Cookstown, Ballynahinch and Newcastle |

The first Commencement Order to introduce Universal Credit in Northern Ireland[31] was made on 25 September 2017 and provided for the introduction of the Full Service in areas (the No. 1 relevant districts) serviced by the Limavady Jobs & Benefits Office only, from 27 September.

The second Commencement Order – providing for the introduction of the Full Service in Ballymoney from 15 November 2017 and Magherafelt and Coleraine on 13 December 2017 – is expected to be published in the week beginning 13 November 2017. Universal Credit roll out by postcode on the Department for Communities website gives further details.[32]

Further expansion of the Full Service in Northern Ireland will require additional Commencement Orders.

[31] *The Welfare Reform (Northern Ireland) Order 2015 (Commencement No. 8 and Transitional and Transitory Provisions) Order 2017* (SR 2017/190)
[32] 7 November 2017

# 3. Key statistics

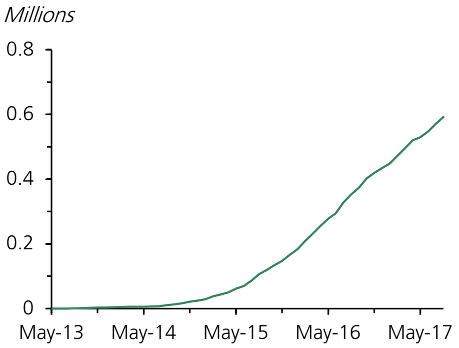
This chapter provides the latest available caseload statistics and estimates for the number of people and jobcentres receiving the Full Service in autumn/winter 2017.

## 3.1 How many people claim UC?

**Around 630,000 people were on the UC system as of October 2017, around 40% of whom (250,000) were in-work.**

As of October 2017, around 21% of UC claimants were in the North West of England, 17% were in London and 10% were in Scotland. The chart below shows how the number of people on UC has increased from 2013 to date.

**People on Universal Credit (Live or Full Service), Great Britain**



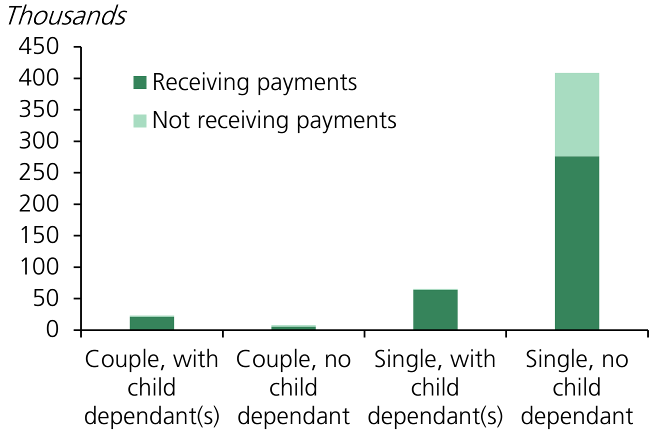

**Source** DWP Stat Xplore; *People on Universal Credit* dataset

However, **not all people on the UC system receive payments**. This is because DWP keeps claimant details on the UC system for a period after a claimant's award ends in case the claimant makes a new claim soon after their previous award ended.

**Around 73% of the 0.51 million households on the UC system in June 2017 were receiving payments.**

Of those receiving payment, 75% of households were single adult households with no child dependent. We might expect the majority of households currently in receipt of UC to be single adult households with no children as "gateway conditions" apply in Live Service areas.

**Households on receipt of UC, June 2017**



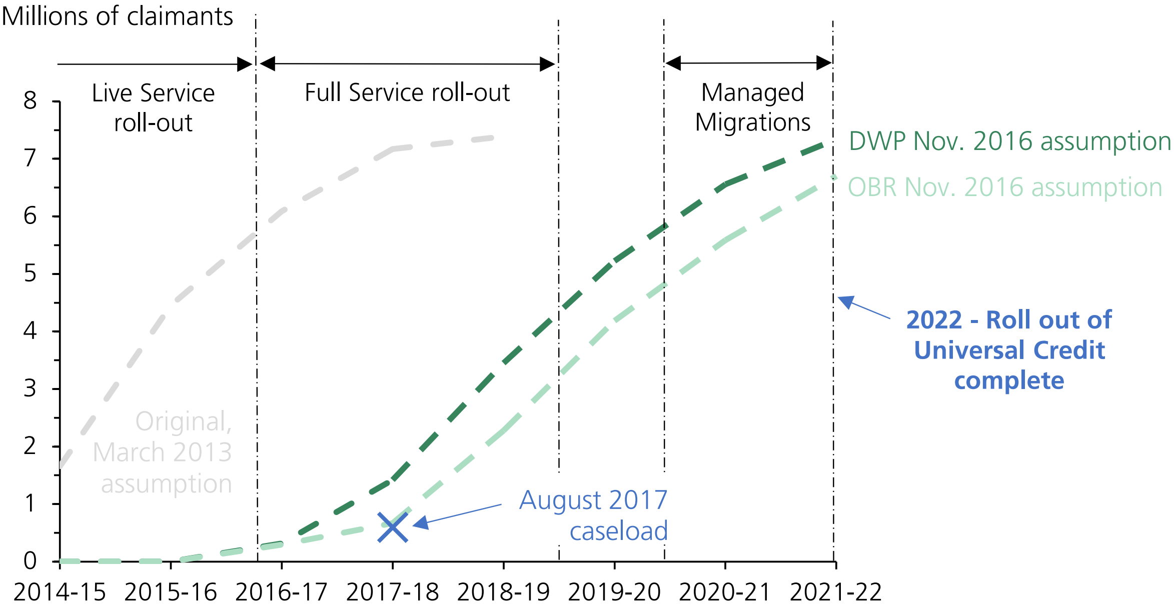

**Source** DWP Stat Xplore; *Households on Universal Credit* dataset

## 3.2 How far has UC roll-out got?

The chart below outlines the three broad stages to UC roll-out: Live Service roll-out (2013-16), Full Service roll-out (2016-18) and Managed Migration (after July 2019). The chart also shows the number of UC claimants now and as forecasted for the future.

**Roll out of Universal Credit**

Millions of claimants




**Source** OBR Economic and Fiscal Outlook (November 2016); HC Library annotations

The number of people on the UC system remains relatively small in comparison to other benefit caseloads.

There were around 0.51 million households on the UC system in June 2017, as outlined above. In comparison, in May 2017 there were around 3.2 million working-age households across GB in receipt of Housing Benefit and, as of April 2017, around 4.1 million families in receipt of Child and/or Working Tax Credits.[33]

According to the DWP, there might be around 7.3 million claimants on UC once full roll-out has been completed (and "legacy benefits" shut-down). Alternatively, the OBR estimates there might be around 6.7 million claimants upon completion.[34] This suggests that:

**The number of people currently claiming UC was around 8% of the final caseload forecast by DWP as of summer 2017.**

We can also take the number of jobcentres operating the Full Service as an indicator of UC's progress. DWP began rolling out the Full Service to selected postcodes as of January 2016.

**101 jobcentres operated the Full Service in September 2017, around 14% of jobcentres in Great Britain.**

Of jobcentres operating the Full Service in September 2017, 14% were in each of London, the South West and Scotland, 13% were in the

[33] (Housing Benefit data) DWP Stat Xplore, *Housing Benefit* dataset; (Tax Credits data) HMRC *Provisional Child and Working Tax Credits statistics April 2017*

[34] OBR Economic and Fiscal Outlook, November 2016

North West and 12% in Yorkshire and the Humber. Roll-out was least progressed in Wales and the East of England, where 5% of jobcentres operated the Full Service.

**Around 227 thousand people, roughly 38% of total claimants, claimed UC via the Full Service in August 2017.**[35]

This total is based on House of Commons Library calculations. The technical annex in the spreadsheet accompanying this research briefing provides further details.

## 3.3 What is happening between now and the end of January?

On 2 October 2017, Secretary of State, David Gauke, stated that, as a percentage of the total expected caseload on UC, the number of households claiming UC is expected to increase from 8% in September 2017 to 13% in March 2018.[36] From this we can deduce that:

**The number of people on UC might rise by around 370,000 between now and April 2018, a 63% increase.**[37]

As of August 2017 there were 0.59 million people on UC, equivalent to around 8% of the total number expected once roll-out is complete.

The Secretary of State's statement implies there will be around 0.96 million people on UC by March 2018 (equal to 13% of the final caseload). This is equivalent to a 63% increase in the number of people in receipt of UC compared to August 2017.

**134 jobcentres are scheduled to start operating the Full Service between October 2017 and December 2017.** [38] **This means that the number of jobcentres operating the Full Service will more than double over the next 3-4 months.**

DWP plans to launch the Full Service in 45 jobcentres this October and around 50 in November and December 2017, following which the UC Full Service will be operating from around 235 jobcentres. This is around 33% of total jobcentres (up from 14%).

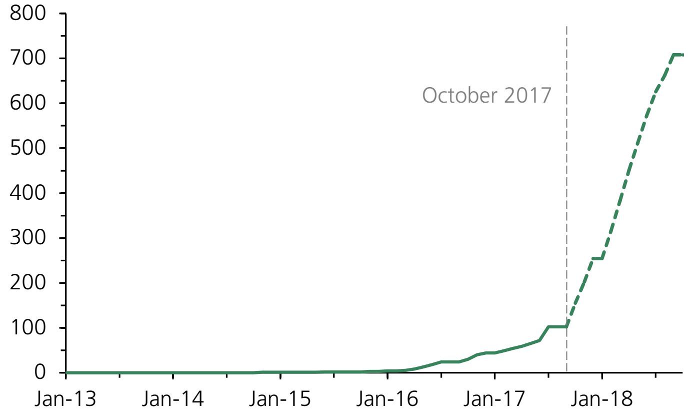
The chart below shows the number of jobcentres in Great Britain due to be operating the Full Service by month, according to DWP's July 2017 *Universal Credit transition to full service* publication.

**At least 90 thousand more people might claim via the Full Service by Jan. 2018 than in Aug. 2017, an increase of 40%.**

This figure is not the same as the number of people who we might expect *to start a new claim* to UC over the next few months. It is an estimate of stocks, not flows. The technical annex accompanying this spreadsheet provides further details.

35 Estimate based on House of Commons Library calculations. See technical annex below for further details.
36 DWP; *Next phase in rollout of Universal Credit confirmed* (2 October 2017. Also see the Secretary of State's conference speech)
37 Ibid.
38 Letter from Neil Couling, Director General for Universal Credit Programme, to the Chief Executives of GB Local Authorities (2 October 2017)

**Number of jobcentres operating the UC Full Service, Great Britain**




**Sources** DWP, *Universal Credit 29 April 2013 to 10 August 2017*, table 4.1; DWP, *Universal Credit transition to full service*

**On average 63 thousand people might start a new claim to UC each month October 2017 to January 2018.**[39]

As explained in section 4.1, claimants new to the benefit system making a new claim to UC have a minimum wait of six weeks before their first payment. However, "legacy" benefit claimants who migrate to UC due to a natural change in their circumstances are, alongside some others, exempt from the 7 day "waiting period" and have a minimum wait before first payment of five weeks.

36% of new UC claimants between May 2016 and June 2017 were not required to serve the 7 day waiting period; 64% were so required.[40]

Therefore:

**We might expect around 63 thousand people might start a new claim to UC and have to wait at least five weeks before their first payment in each month October 2017 to January 2018. Of these, roughly 40 thousand (64%) might wait at least six weeks.**

## 3.4 What's happening in my constituency?

Two spreadsheet accompanying this document online provides constituency level estimates for:

**How far UC roll-out has progressed in your area so far, whether the Live or Full Service is currently operating in your constituency and whether your constituency is affected by Full Service roll-out this autumn/winter.**

This spreadsheet includes our estimates of the number of households in each constituency currently claiming "legacy" benefits that are being replaced by Universal Credit.

[39] Though note that this average is subject to considerable monthly variation.
[40] DWP; Universal Credit Statistical Ad Hoc: Waiting Days (September 2017)

### The number of Universal Credit claims as of August 2017, by when their postcode is scheduled to transition from the Live to Full Service.

With the accompanying spreadsheet, users can calculate:

a) **The current number of UC claimants** The "total UC claimants" column provides caseload data for August 2017. This column is the sum of all other columns.

b) **The current number of Full Service claimants** Claimants in the "already on the Full Service" column were already receiving UC via the Full Service as of August 2017.

c) **The current number of Live Service claimants** The sum total of the "Autumn / Winter 2017-18" and "After Jan. 2018" columns.

d) **The minimum number of people who might be claiming UC via the Full Service once this autumn / winter's roll-out is complete** This is the sum of the "already on the Full Service" and "Autumn / Winter 2017-18" columns.

### The estimated number of people who might start a new claim to UC, either in Live or Full Service postcodes, in October – December 2017 and January 2018.

We can use this data as a proxy for the number of people who might have to wait at least five weeks before receiving their first UC payment.

The technical annex in the spreadsheet accompanying this research briefing provides further details.

# 4. What impact has Full Service roll-out already had?

## 4.1 Submissions to the Work and Pensions Select Committee

Following what it described as "compelling evidence of the problems in the rollout of Universal Credit", the Work and Pensions Committee re-launched its inquiry into UC in February 2017.[41] The inquiry was interrupted by the announcement of the General Election. On 20 September 2017, the new Work and Pensions Committee announced that it would continue the work of its predecessor Committee, and was interested in receiving updates and new submissions on developments since April 2017 and recommendations for policy changes.[42] The deadline for written submissions was 19 October 2017.

The inquiry launched in February 2017 invited submissions on the following points:

- How long are people waiting for their Universal Credit claim to be processed, and what impact is this having on them?
- How are claimants managing with being paid Universal Credit monthly in arrears?
- Has Universal Credit improved the accuracy of payments?
- Have claimants reported making a new claim for Universal Credit, and then found that the system has not registered their claim correctly?
- What impact is Universal Credit having on rent arrears, what effect is this having on landlords and claimants, and how could the situation be improved?
- Would certain groups benefit from greater payment process flexibility and, if so, what might the Government do to facilitate it?
- Does Universal Credit provide people in emergency temporary accommodation with the support they need, and how could this be improved?
- What impact is Universal Credit having on the income and costs of local authorities, housing associations, charities and other local organisations?
- How well is Universal Support working, and how could it been improved?
- What impact has the introduction of full Universal Credit service had in areas where it has replaced the live service?

Oral and written evidence submitted to the Committee pointed to a number of problems being experienced by claimants in Full Service areas, including:

41 Universal Credit roll-out: inquiry relaunched, 21 February 2017
42 Universal Credit roll-out inquiry, 20 September 2017

- financial hardship and distress caused by lengthy waits before the first payment of UC is received, compounded by the 7-day "waiting period" for which no benefit is paid;
- some, particularly vulnerable claimants, struggling to adapt to single, monthly payments in arrears;
- inflexible rules governing Alternative Payment Arrangements such as direct payment of rent to landlords;
- increases in rent arrears, with serious consequences not only for claimants but also for local authorities and housing providers, as a result of exposure to greater financial risk;
- homeless claimants unable to get help with the full costs of emergency temporary accommodation;
- issues with registering and processing claims – e.g. online claims being rejected or "disappearing", awards not including the housing element due to problems verifying rent payments;
- a lack of support from jobcentres for claimants without ready access to a computer or with limited digital skills/capabilities;
- lengthy, repeated and expensive calls to the UC helpline to resolve problems;
- increasing demands on support and advice services from local authorities, housing associations and charities as a result of having to assist UC claimants;
- insufficient funding from the DWP for local authorities and partner organisations providing "Universal Support", such as budgeting advice;
- third parties facing difficulties resolving claimants' problems due to the DWP's insistence that the claimant must give "explicit consent" for an adviser to act on their behalf.

The new Work and Pensions Committee held an evidence session on Universal Credit roll-out on 13 September, at which it heard evidence from local authority representatives, housing providers, foodbanks, and Citizens Advice. The Committee has also received over 40 written submissions, which are available on its web pages.

## 4.2 Citizens Advice findings

In addition to the evidence submitted to the Work and Pensions Committee, other organisations have published evidence which points to problems claimants are experiencing in Full Service areas.

On 6 July 2017, Citizens Advice published a report, Delivering on Universal Credit, which sets out evidence suggesting that the requirement to wait 6 weeks to receive any payment is resulting in people facing serious financial insecurity, with may being forced into debt. The research also identifies a wide range of "administrative challenges", including problems with the online system and long waits for help on the UC helpline, which can make the initial 6 week wait even longer.

The report is based on data gathered from people seeking advice from local CAB offices across England and Wales, qualitative insights from nearly 1,400 cases raised by CAB advisers, a survey of 792 people seeking advice in UC "Full Service" areas up to May 2017, and Universal Credit "journey mapping" carried out with a regionally-representative group of CAB advisers.

The survey of Full service claimants found that:

- Over a third (39%) of people had waited more than 6 weeks to receive their first payment, with 11% waiting more than 10 weeks
- 30% said they had to make more than 10 calls to the Universal Credit helpline during their application process, often having to wait over 30 minutes to get through.
- 3 in 5 (57%) were having to borrow money while waiting for their first payment.
- 40% reported they were not aware they could get an advance payment to help with the initial waiting period for their first payment.

In light of its findings, Citizens Advice warned that failure to address problems with Universal Credit could put up to 7 million households at serious financial risk. It therefore followed others in calling for the Government to "pause" the roll out of UC, until significant problems with it are fixed – see their press release, Citizens Advice calls for Universal Credit rollout to be paused as research reveals people left facing financial difficulty (6 July 2017).

Further evidence on the impact of UC was presented in a report published by Citizens Advice in September 2017, Universal Credit and debt. An analysis of over 50,000 cases where Citizens Advice helped clients with debt problems between October 2016 and July 2017, found that:

- UC clients were more likely to have debt problems than those on legacy benefits. A quarter (26%) of the people it had helped with UC also needed help with debt, compared to 19% for legacy benefits.
- 41% of debt clients on UC had no spare income to pay creditors, compared to a third (33%) on legacy benefits.
- 79% of debt clients on UC had priority debts, compared to 69% on legacy benefits.

As to what was causing or exacerbating UC clients' debt problems, Citizens Advice identified:

> - The 6 week waiting period. Lack of funds during the initial 6 weeks whilst claimants are awaiting their first regular UC payment can cause or exacerbate debt problems, particularly rent arrears.

- Poor administration. Processing delays within DWP, and incorrect information provided to claimants is leading to delays in submitting and paying UC claims.
- Difficulty budgeting. Some UC claimants find it difficult to adjust to monthly UC payments, particularly those in debt, or with fluctuating incomes.
- Difficulty opening a suitable bank account to receive UC payments. UC claimants are required to have a suitable bank account to receive UC. Some are finding it difficult to open one, leading to delays in receiving their benefits.
- Deductions from UC for benefit overpayments and other debts. UC claimants are experiencing financial difficulties due to the amount which can be deducted for other debts or overpayments, which is considerably higher than under legacy benefits.[43]

## 4.3 Foodbank referrals

Figures published by the Trussell Trust on 7 November show that foodbanks in areas where the Universal Credit Full service had been in place for six months or more had seen a 30% average increase of referrals six months after roll-out compared to a year before. This compared to a 12% increase in foodbanks not in Full Service UC areas.

Accordingly, the Trust is recommending that the Government takes urgent action to-

- cut the 6 week wait for the first payment of UC;
- increase the availability of advance payments and delay their recovery by introducing a three month grace period;
- assess and tackle poor administration in Full Service areas, which is leading to delays of more than 6 weeks, loss of documents, over- and underpayments;
- protect claimants moving from legacy benefits to UC by allowing legacy benefits – in particular Housing Benefit – to "run on" until UC is in payment; and
- reassess the current four-year freeze on benefit levels.[44]

Southwark and Croydon Councils, both of whom have given evidence to the Work and Pensions Select Committee, published joint research, Safe as Houses: Stark report findings reveal worrying picture for Universal Credit recipients, on 23 October 2017. This report refers to an increase in foodbank referrals attributed to welfare reform and UC:

> Pecan Foodbank, which operates in Southwark, reports an increase in numbers of referrals of 94 per cent - mainly due to welfare reform and Universal Credit between Q1 2016 and Q1 this year and an even bigger increase among families with children (179 per cent).

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43 Universal Credit and Debt, September 2017, summary; see also Universal Credit expansion is 'a disaster waiting to happen' says Citizens Advice, press release, 11 September 2017

44 Trussell Trust, Foodbank demand soars across the UK, 7 November 2017

> The council's own local welfare fund (Southwark Emergency Support Scheme - SESS) reports a big increase (34 per cent) in the numbers of food parcels issued in Q1 2017 compared with same quarter in 2016. Among those applying online for support during Q1 this year, more than one in ten cited delays in receiving UC payment as the reason for doing so.[45]

## 4.4 Key themes

### First payment of Universal Credit

The length of time people have to wait before they receive their first payment of Universal Credit has been identified as the single biggest issue affecting people moving onto UC. The **minimum** wait before first payment is either **5 or 6 weeks from the point the person's UC claim begins**.

The 5 to 6 week wait is a deliberate policy decision – it is not a result of administrative inefficiency.

The default position is that UC is paid monthly, as a single payment, in arrears. The thinking behind this is that UC should mimic work and receipt of a salary. For example, a DWP memorandum of June 2012 stated:

> Claimants will receive a single household payment to go towards their household needs. This approach reflects the world of work, where 75% of all employees receive wages monthly. Paying in this manner will 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. For example, monthly direct debits for household bills are often cheaper than more frequent billing options.[46]

How much a person/family receives is calculated separately for each monthly "assessment period."

UC will normally be paid directly into the claimant's account within seven days of the last day of the monthly assessment period, or "as soon as reasonably practical" thereafter, if this is not possible. This means that a new claimant would likely have to wait up to one month and a week, for their first payment. In addition, from 3 August 2015 a further seven day "**waiting period**" has applied (with certain exceptions) before people can become entitled to UC. The net effect was to increase the time people will have to wait for their first UC payment to **a minimum of one month and 14 days**.

Where someone claims UC, they must therefore normally wait for-

- the initial 7 day waiting period, unless an exception applies; followed by
- the first monthly assessment period; followed by

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[45] Croydon and Southwark Councils, Safe as Houses, 23 October 2017

[46] DWP, Explanatory Memorandum for the Social Security Advisory Committee: Draft Claims and Payment Regulations for Universal Credit, Personal Independence Payment, Jobseekers Allowance (Contributory) and Employment Support Allowance (Contributory), June 2012, p11

- a delay of up to one week

before they receive their first payment (which will **not** include an amount to cover the 7 day waiting period).

For some UC claimants, the 7 day waiting period does not apply and their first UC payment should cover the whole of the period from the first day of their claim. Claimants exempted from the waiting period include those who are terminally ill, recent victims of domestic violence, care leavers, 16-17 year olds without parental support, and those who have left prison. People moving from existing legacy benefits and tax credits to UC by "natural migration" – i.e. following a change in their circumstances – also don't have to serve the 7 day waiting period – their minimum wait before first payment is therefore **5 weeks**.

**When does the clock start ticking?**

Attention has focused on the 5 to 6 week wait for first payments of UC, but for some claimants the wait before their first payment could be considerably longer. This is because the **5 or 6 week period only starts once the person's claim for UC has been accepted**. As indicated in the flowchart in section 2.1 of this briefing, to reach this point a claimant must complete a number of steps.

Having found out how to claim Universal Credit, the person needs to create an online account, complete their registration and enter a verification code (sent by email) within 7 days. They then have to enter details of their and their family's circumstances including information on things such as housing costs, health conditions, savings and investments, work, education and caring responsibilities; provide bank, building society or credit union account details, accept their "high level" responsibilities for their claimant commitment; and make a formal legal declaration that the information they have provided is correct. If the person fails to complete these steps within 28 days their account is deleted.[47]

It is only at this point that the person's Universal Credit claim begins. If the person is paid "on time", they will then receive their first UC payment around 6 weeks later (or 5 weeks, if they do not have to serve "waiting days" at the beginning of their claim).

There is very limited evidence on individuals' experiences with the full end-to-end claimant journey for new UC claims. Asked by Frank Filed what estimate the Department had made of the (a) shortest, (b) average and (c) longest time taken for new UC claimants to (i) register, (ii) open their online account, (iii) submit relevant information to his Department and (iv) make their declaration, the DWP Minister Damian Hinds said in a written answer on 6 November that the information requested was "not available."[48]

47 See Richard Keen and Steven Kennedy, Universal Credit: how long are new claimants waiting?, Commons Library Second Reading blog, 30 October 2017
48 PQ 110908

## The 7 waiting days

Most new Universal Credit claimants have to serve 7 "waiting days" at the beginning of their claim, for which they do not get paid. The 7 waiting days should not be confused with the overall wait before the person receives their first payment of UC. It is instead a 7 day period at the beginning of the UC claim for which, when the person eventually receives their first payment of benefit, their entitlement is zero.

A 7 day waiting period for new claims for UC was first announced in the June 2013 Spending Round – see Commons Library briefing SN06694, Universal Credit: proposals for a seven day "waiting period" for claims, 31 July 2013. As the briefing indicates, from the outset, welfare rights organisations and pressure groups warned that this could exacerbate the problems faced by those with little or no savings, who could be forced to rely on payday loans, doorstep lenders, or food banks.

On 19 September 2014, the Social Security Advisory Committee (SSAC) launched a public consultation on the Government's intention to introduce a 7 day waiting period. Announcing the consultation, the Committee's Chair, Paul Gray, commented:

> The Committee has previously made plain its concerns about the extension of waiting days for anyone making a claim to Employment and Support Allowance (ESA) or Jobseeker's Allowance (JSA). While these proposals may seem to mirror those on which we have already commented, there are important differences which have the potential to cause significant financial difficulties for some claimants. These warrant closer scrutiny. For example, larger sums of money could be lost as Universal Credit includes an element for housing costs and children whereas ESA and JSA do not. This is further compounded by the fact that Universal Credit is paid monthly so claimants are generally waiting longer for their first benefit payment. We are keen to learn more about the impact of this proposal.
>
> The government has stated that the savings generated (estimated to be over £200 million each year from 2016/2017 onwards) will fund other initiatives designed to help people find work, for example by improving English language skills and providing support to lone parents.

SSAC's Report on the Universal Credit (Waiting Days) (Amendment) Regulations 2015 (S.I. 2015 No. 1362) incorporating the Government's response was published on 11 June 2015.

Presenting the waiting days proposal to SSAC, DWP conceded that it was primarily a cost saving measure, and that savings could be invested in new measures to get people off benefits and into work.[49] However, other justifications were put forward by the Government, including:

- The principle behind a waiting days policy is that benefits are not intended to provide financial support for very brief breaks in employment or periods of sickness.

[49] DWP, Explanatory Memorandum for SSAC on the Universal Credit (Waiting Days) Amendment Regulations 2014, para 8

- Many people come to benefits directly from employment and it is reasonable to expect them to use those earnings to budget for an initial period of unemployment.
- The focus for people during the initial period of unemployment should be on looking for work rather than claiming benefits.

Evidence submitted to the Committee from organisations and pressure groups called into question the validity of all these assertions. SSAC commented:

> The Committee understands that, in general, people will not receive their first payment of UC until six weeks have elapsed. In some cases it may be longer. A Universal Credit Advance may provide temporary relief for some over this initial period, but it is inevitably likely to be a difficult period for a large number of claimants. It is this aspect which has, by some margin, been the main focus of the responses we have received. The first thing that many new claimants want to know is when they are likely to receive their first payment of benefit. Delays in getting the first payment of benefit out, often for perfectly legitimate reasons, has been an issue for many years and was one of the main reasons why short-term benefit advances were originally introduced. With income-related benefits like JSA and ESA (paid fortnightly in arrears) being replaced by UC (paid monthly in arrears), the issue has taken on a heightened significance. Introducing a period of seven days of non-entitlement before an award of Universal Credit commences serves to exacerbate matters further in two ways: first by extending the period of wait; and second by decreasing the initial amount of benefit paid.

In its report, SSAC identified a number of areas where the Government might take action to lessen the impact of the proposal. The Committee concluded, however, that the proposal should not proceed, on the basis that the impact of having to serve waiting days for a benefit that includes other costs, in particular housing, put it beyond reasonable justification. It concluded:

> We carefully considered whether [mitigating] steps would address sufficiently the very serious concerns that were raised in the responses to our consultation, and which we share. We have concluded that they would not. Therefore the Committee's recommendation, based on the persuasive and compelling evidence presented to us, is that that the proposal should not proceed.[50]

The Government did not accept SSAC's recommendation, stating that the policy focused on those "coming from the world of employment" who were "likely to have earnings to fall back on", and that the regulations included "a number of important exemptions to safeguard vulnerable groups who would otherwise be affected by this measure."[51]

Questioned about the minimum 6 week wait for the first payment of UC, the former Minister for Welfare Reform and the chief architect of Universal Credit, Lord Freud, told the Work and Pensions Committee on

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50 Ibid. para 8.1
51 Ibid. p5

13 February 2017: "I think waiting days do not help in the introduction of Universal Credit."[52]

Section 5 below covers more recent developments concerning waiting days.

## How long are people waiting for their first payment?

Evidence from the areas where the Universal Credit Full Service has been introduced so far suggest that some claimants have had to wait even longer for their first UC payment than the standard 5 or 6 weeks, and that even when payments are received, they do not always include all the elements the person should be getting (there appears to be a particular problem getting the housing element in payment).

DWP statistics show an improvement in the time claimants have to wait for their first payment of UC.

DWP published an ad hoc statistical release in September 2017, Universal Credit Statistical Ad Hoc: Payment Timeliness. The Department's the latest estimates for UC Full Service payments due in the week from 11th September 2017 which suggest that:

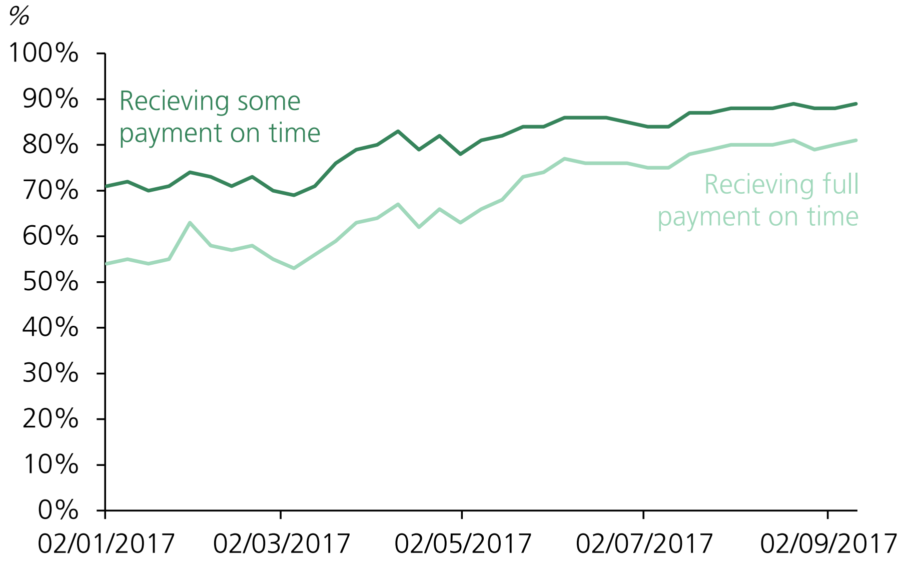
- 89% of new claims to UC Full Service received **some** payment on time; and
- 81% of new claims to UC Full Service received **full** payment on time

However, as explained above (see "When does the clock start ticking?") the statistics only show the proportion of new claims paid within 5 or 6 weeks **from the point the person has registered their claim, submitted details, accepted high level responsibilities and made a formal declaration**.

The DWP analysis suggests that waiting times before the first payment of Universal Credit have fallen in recent months. The following chart from the ad hoc analysis shows the proportion of new claims in Full Service areas paid on time, and the proportion receiving a full payment on time, since the beginning of 2017.

[52] HC 898 2016-17, Q129

**Proportion of new claims to UC via the Full Service that are paid on time**




**Source** DWP, *Universal Credit payment timeliness: January to June 2017*, table A2

## Advance payments of Universal Credit

In response to concerns voiced by welfare rights organisations and others about the likely impact on individuals and families of the wait before first payment of UC, the Coalition government emphasised that, for people in "severe financial need", repayable **Universal Credit Advances** would be available to help tide them over before their first payment.

To be eligible for a Universal Credit Advance, a person has to be in financial need, and be waiting to be paid UC which the DWP think they will be entitled to. "Financial need" is defined as a serious risk of damage to the health or safety of the claimant, their partner, or any child or qualifying young person for whom the claimant is responsible. To demonstrate financial need, the claimant must be able to show they will be unable to manage until their payment of UC is made. DWP guidance states that consideration should be given to the claimant's financial needs and their ability to manage for the whole period from the date of their application for an Advance to the payment of their UC, and that this should take into account the person's normal monthly outgoings. DWP guidance also states that "The claimant should not be expected to incur further debt in order to manage until their first Universal Credit payment."[53]

Claimants can apply for a Universal Credit Advance (for a new claim) at any time up to three working days before the end of their first monthly "assessment period." The maximum award for a Universal Credit Advance for a new claim is 50% of the overall estimated amount, but the amount of the Advance will be calculated taking into account the claimant's ability to repay it.

The maximum repayment period for a Universal Credit Advance for a new claim is six months, but if the claimant experiences a change in

[53] DWP, Full Service Guidance: Advances, Version 4,10 April 2017, p3

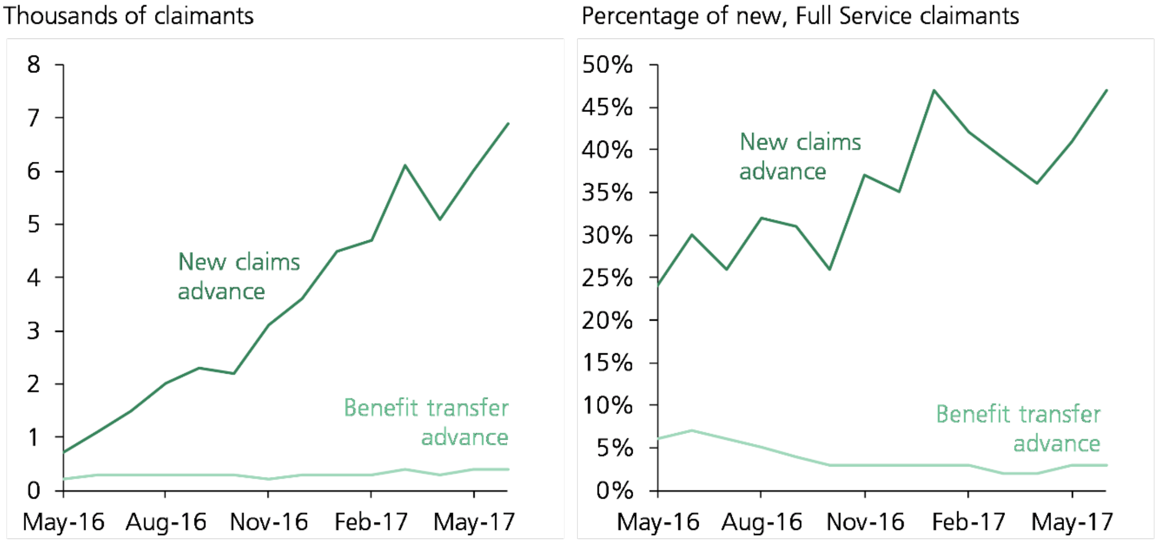
their circumstances such that recovery over six months would cause genuine hardship, a DWP Decision Maker can consider deferring repayments for up to three months. Payments can, however, be deferred in this way only in exceptional circumstances, and full recovery must be completed within 9 months. Where a person has moved from other benefits to Universal Credit, the maximum repayment period is 12 months. DWP recovers Advances by making deductions of up to 40% of the claimant's monthly UC standard allowance.

Welfare rights organisations and pressure groups have long complained that insufficient effort is made by DWP to publicise the availability of UC Advances. Of the people surveyed by Citizens Advice who sought advice in Full Service areas up to May 2017, 27% had received an advance but two in five were not aware of them. Of these, more than half said they would have requested an advance.[54]

DWP statistics indicate an increase in the number of UC claimants receiving an advance payment.

Recently-published DWP statistics – see below – suggest that the proportion of UC claimants receiving an advance has increased. At July 2017, 49% of new claimants in Full Service areas were paid an advance. For those transferring to UC from other benefits however, only 3% received an advance.

**Number and percentage of new, Full Service claimants paid a new claims advance or a benefit transfer advance**




**Source** DWP, *Universal Credit payment advances: May 2016 to June 2017*, table 8

Speaking at the Conservative Party Conference on 2 October, the Secretary of State for Work and Pensions, David Gauke, announced that guidance for DWP staff on Universal Credit advances would be "refreshed", and that people awarded an advance would receive it within 5 working days, or on the same day if in "immediate need."

54 Delivering on Universal Credit, July 2017, p24

Giving evidence to the Work and Pensions Committee on 18 October, the Secretary of State highlighted three points about the Department's changes to its policy on UC advances:

- In "conversations" with claimants, work coaches would be "a little bit more upfront" about advances, so that they are more aware of them;
- In the conversation the claimant would be told what the maximum amount of advance would be, and given an explanation of the usual repayment arrangements; and
- DWP was seeking to increase awareness of advances by putting posters put up in Jobcentres, and contacting organisations like Citizens Advice to make sure that their advisers were talking to people about it.[55]

Mr Gauke said that the proportion of new claimants receiving an advance had risen from 38% to 52%, and that he expected the figure to increase further, although he did not have "a measure of the success that is the optimum level of take-up."

During the evidence session the Secretary of State also said that:

- While DWP was not currently collecting data on why people were refused advances, he was "certainly happily take that away and see whether it is possible to collect information on refusals, on characteristics."[56]
- While he felt that maximum advances of 50% of the claimant's estimated award struck "the right balance between helping people in that first period and not imposing too great a reduction in subsequent Universal Credit payments over the next six months," he was "not hung up on the particular parameters" and that "if the evidence was suggesting that it should be a higher amount or it needs to be a longer period of time, I would happily look at that."[57]

The DWP's Revised guidance on Universal Credit Advances was published on the Work and Pensions Committee's website on 23 October.

The Work and Pensions Committee's subsequent observations about Universal Credit advances are covered in section 5 below.

## Rent arrears

In relation to the housing costs element of Universal Credit, there are significant concerns about the impact of waiting periods and other delays on rent arrears, particularly in regard to short-term temporary accommodation.

As part of its inquiry into Universal Credit roll-out, which was re-launched in February 2017, the Work and Pensions Committee took oral evidence on 23 January 2017 from witnesses representing the

55 HC 336 2017-19, 18 October 2017, Q108
56 Ibid. Q112
57 Ibid. Q114

Halton Housing Trust, Resolution Foundation, Child Poverty Action Group (CPAG), and Gateway and Welfare in the London Borough of Croydon. Martin Williams of CPAG responded to a question about the time it was taking for claimants to receive their first payment of UC:

> Working with claimants waiting for payment, the evidence we see is that they just cannot manage with that sort of wait. This is not a wait that is a delay; it is a designed-in period at the start of a claim. If I deal with the start of a claim first and then with the frequency of payment afterwards, the wait is because for many claimants there is no entitlement during the first seven days anyway, particularly if you come straight from work to UC. You then have an assessment period of one month and you are paid at the end of that and, in fact, it is seven days after the end of that. Assuming it works well as intended, you are looking at at least six weeks to wait.
>
> We already see cases where the housing cost element is not calculated in that time, so there is a further wait for housing costs. I was reviewing case studies and there were two where people were at risk of eviction because the housing cost element had not been calculated.
>
> You have to understand that the vast majority of people we come across— and it is typical of Universal Credit claimants—do not have six weeks' money in hand at the point they make their claim.[58]

Nick Atkin of the Halton Housing Trust said:

> The issue with ourselves and UC is that if you look at the fact that in Halton there are 12,000 tenancies that the four main housing associations have between them, there are just over a thousand of those households are in receipt of UC. 920 of them are in arrears, and if you look at the figures, UC claimants make up just 9% of all our tenancies but they account for 37% of our arrears at the moment.[59]

Mark Fowler, Director of Gateway and Welfare at the London Borough of Croydon, confirmed that payment concerns related to UC were feeding through to private sector landlords.[60]

Lord Freud, former Minister of State for Welfare Reform, gave evidence to the Committee on 8 February 2017. He responded to questions about the level of arrears tenants on UC were experiencing, and cautioned against taking the rent arrears figures at face value on the basis that some tenants had moved onto UC with pre-existing arrears. However, Lord Freud did indicate that claimants in **short-term temporary accommodation** could be removed from UC.[61]

The Committee published a letter on 16 March 2017 in which the Employment Minister, Damian Hinds, responded to several issues raised by the Committee concerning UC. On the issue of short-term emergency accommodation, he said:

> UC is calculated on a monthly basis and this does not easily align with local authority (LA) provision of emergency and temporary

[58] HC 898, Oral Evidence, 23 January 2017, Q8
[59] Ibid., Q36
[60] Ibid., Q44
[61] Ibid., Q130

> accommodation. This has caused some difficulties for LAs, and for tenants who find themselves in emergency or short term accommodation, as Croydon Council has pointed out to you in their correspondence.
>
> The recent consultation on supported accommodation, which closed on 13 February, asked whether the approach of devolving the extra costs for shared accommodation to LAs might also work for temporary accommodation, given the issues and any system of monthly assessment will cause. We are currently considering responses to the consultation.[62]

The letter also responded to several issues raised concerning the roll-out of UC, particularly in relation to the impact on rent arrears. Overall, the Minister said:

> We believe that any arrears of rent associated with UC are likely to be of a short duration, cleared relatively quickly and should not present an insurmountable obstacle to landlords over the lifetime of a tenancy. The early evidence from UC backs up this hypothesis. In 2015 we found that 48% of UC claimants with housing costs were in arrears in the first month of a claim (compared to 31% in JSA), but by month 3 the UC cases in rent arrears had fallen to 33% - very close to the historic JSA position.[63]

The full contents of the letter can be found online: Response from Minister for Employment Damian Hinds. The letter listed Government action to improve how UC operates for people claiming the housing costs element. The Committee's Chair, Frank Field, remained unconvinced:

> There is no urgency in the Government's attempts to solve, for example, the incompatibility between Universal Credit and a council's duties to those in emergency temporary accommodation. This is affecting some of society's most vulnerable people, at a point of crisis, yet the Government appears unwilling to take the action it could to solve this and simply remove these people from the Universal Credit system.[64]

As previously explained, following the 2017 General Election the Committee reopened its inquiry into the DWP's preparedness for the scheduled acceleration of the roll-out of full service Universal Credit from October 2017.  Written submissions can be accessed on the Committee's website.

An oral evidence session was held on 13 September. Councillor Fiona Colley, cabinet member for finance, modernisation and performance on Southwark Council, reported an additional £1.3 million in rent arrears attributable to tenants in receipt of UC. She said that this was primarily due to the time tenants have to wait for a payment.[65] Witnesses from local authorities including Newcastle, Plymouth and Liverpool, argued for more flexibilities in the system, e.g. around verification of rent

62 Response from Minister for Employment Damian Hinds, 1 March 2017, paras 18-19
63 Response from Minister for Employment Damian Hinds, 1 March 2017
64 Work and Pensions Select Committee, Universal Credit: "Government has its head in the sand", 16 March 2017
65 HC 336, 13 September 2017, Q3 and Q5

payments, and for all local authorities to be given "trusted partner" status. A desire for improved communication about the roll-out of full service was expressed. Councillor Colley said that early experiences of the landlord portal had been positive but said it was "just a start" as the information on it is still limited.[66]

There was agreement amongst the local authority witnesses that temporary accommodation presents particular problems and should be taken out of UC altogether.[67]

On 15 September 2017, the DWP published research commissioned from Ipsos MORI, Universal Credit Test and Learn Evaluation: Families, in which delays before first payment of Universal Credit were identified as a key factor behind the accrual of tenant arrears after moving to UC.[68] Data on claim processing times published by DWP on 15 September, Universal Credit payment timeliness: Jan 2017 to June 2017, showed an improvement in the number of claims paid in the first assessment period.

Southwark and Croydon Councils, both of whom gave evidence to the Work and Pensions Select Committee, published joint research, Safe as Houses: Stark report findings reveal worrying picture for Universal Credit recipients, on 23 October 2017. The key findings in relation to rent payments included:

- Rent arrears for those claiming Universal Credit are worse than under the previous housing benefit system. Arrears were greater for those on UC than HB: by week 20, UC tenants were on average £156 in arrears while HB tenants had actually overpaid by 4 per cent of rent due
- Big underpayments and under-payers contributed most to arrears: 69 per cent of the value of underpayments was from those failing to pay more than 75 per cent of rent owed. The top fifth of those in arrears collectively owed over half of the level of arrears
- Arrears accrued early are paid down, but stabilise with time: There is a pattern of arrears accumulating each week for 11weeks. After around week 11 arrears do start to be paid down, but not enough to pay back all arrears accumulated.[69]

On 21 September 2017, Damien Hinds wrote to Frank Field to outline two measures aimed at tackling social landlords' concerns about UC:

> First, we have been developing and testing a Universal Credit Landlord Portal which allows social sector landlords to input information and receive it directly, helping us to further improve rent verification rates and identify those claimants who need direct payments. From October, we will begin by supporting the largest social sector landlords to enrol and engage with the portal, with the intention of covering 80% of tenancies. Eventually, we

The Government is developing a Landlord Portal for social landlords and intends to give them all an opportunity to gain Trusted Partner status.

66 Ibid., Q16
67 Ibid., Q32
68 DWP, Research into families claiming Universal Credit, September 2017; Summary report: Universal Credit Test and Learn Evaluation: Families
69 Croydon and Southwark Councils, Safe as Houses, 23 October 2017

> hope to expand the portal to all social sector landlords and retrofit it to those councils already working with the full service.
>
> Coupled with the rollout of the portal, we intend to offer every social sector landlord the opportunity to become a 'Trusted Partner'. We have been trialling this approach with a range of landlords over the last two years. By drawing on landlords' knowledge of their tenants we can identify those who need to have their rent paid directly to their landlord, which we expect will help minimise the risk of arrears building up.[70]

The National Federation of Housing welcomed the commitment to roll-out the landlord portal and Trusted Partner status to housing associations across the country, saying:

> The Federation has pressed for these improvements and worked closely with members and DWP staff in their development over the last two years.
>
> Trials of the landlord portal have shown that even in a very basic form it improves communication between the DWP and landlords, speeds up the verification of claims and cuts the burden of administration. Being a Trusted Partner allows landlords to make the recommendation for a tenant to have the rent portion of their Universal Credit paid direct to their landlord.[71]

Private landlords would like flexibility over direct payments to landlords and are also seeking Trusted Partner status.

It is a source of concern to **private landlords** that they will not have access to this portal. The Residential Landlords Association (RLA) is pressing for the following changes to UC:

- Allow tenants to choose whether or not to have the housing element paid direct to the landlord.
- A clear route through which landlords can reclaim rent arrears from tenants on UC who subsequently move home.[72]

The RLA is also seeking a way of gaining "Trusted Partner Status" for private landlords in line with that enjoyed by social landlords.[73] Private landlords frequently cite welfare reform, and specifically UC, as a reason for their reluctance to let to claimants who rely on state assistance to pay their rent.[74]

A review of the Trusted Partner pilot has been published (September 2017) and also a Q&A document for social landlords.

Detailed information on the calculation of the housing element of UC and experiences of implementation to date, can be found in the Library briefing paper, Housing costs in Universal Credit (6547).

### Advance payments, APAs, the landlord portal and support for private landlords

The day before the Opposition Day debate on 18 October 2017, the Secretary of State wrote to Frank Field setting out some detail on

70 Letter from Damien Hinds to Rt Hon Frank Field MP, 21 September 2017
71 NHF, Universal Credit update: landlord portal and Trusted Partner programme rollout, 27 September 2017
72 RLA, Changes needed to Universal Credit to give confidence to tenants and landlords, March 2017
73 Ibid.
74 For more information see Library briefing paper: Can private landlords refuse to let to Housing Benefit claimants? (7008)

dealing with housing costs within UC, and developments in relation to advance payments, alternative payment arrangements, and the position of private landlords:

> We know, from internal research, that the housing costs determination is often complex and can be paid, in some cases, after the rest of the UC allowance, much as in the legacy system now, where core JSA entitlements are often paid well before Housing Benefits or Tax Credits claims are finalised. Getting the primacy attached to getting the claims right, rather than at speed has been a feature of the Social Security System since 1998 when you, as Welfare Reform Minister, introduced the change. This is an important principle and one we will look to the Committee for support to maintain.
>
> I hope the Committee will agree that we cannot pay those cases in full (or in instances where identity has not been verified -in part) without risk to fraud and error creeping into the system.[75]

He explained that the guidance on advance payments has been strengthened and that work is underway to increase awareness:

> In my Conference Speech I announced that I was updating the guidance to ensure to ensure that anyone who needs an advance payment will be offered it up-front. I have attached a copy of the updated guidance for your reference. You will see that it says:
>
> *Claimants should be made aware that advances are available to them if they are in financial need. To establish if the claimant has a financial need and requires an advance they should then be asked if they have enough money to live on until the first payment of Universal Credit is due. This might be money from savings, earnings, redundancy payments or support from the claimant or partner's parents, family or friends. If the answer is no, then a claimant should be offered an advance.*[76]

On alternative payment arrangements (APAs), the Secretary of State advised that in "June 2017 34% of Universal Credit (Live and Full Service) households in the Social Rented Sector had housing costs paid directly to the landlord, compared to 6% in the Private Rented Sector."[77]

He confirmed that testing of the landlord portal had received positive early feedback:

> Landlords will be contacted by a DWP Account Manager to invite and support them to enrol on to the landlord portal, usually four weeks in advance of their enrolment date. We will continue to do this in a managed way, testing the portal as more landlords take up the opportunity to use this service. There isn't a roll-out schedule as landlords will not be mandated to enrol on to the Landlord Portal. However, we expect that most will accept the invitation to enrol which will also provide them with Trusted Partner status.[78]

The Secretary of State also provided an update on work with organisations representing private landlords:

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75 David Gauke's letter to Frank Field, 17 October 2017
76 Ibid.
77 Ibid.
78 Ibid.

> Verification of rents in the Private Rented Sector have been consistently over 80%, partly because tenants have a much clearer idea of their rent than in the social rented sector. (The Committee will be aware that rent has not been paid direct to landlords in the PRS, except in cases of arrears, since 2008).
>
> We are in regular contact with organisations representing private landlords and have, in discussion with them, improved the 'Alternative Payment Arrangements' (APA) and other aspects of how UC operates. At a local level, as Universal Credit is rolled out in an area our Partnership Managers work with local landlords, both private and social sector to help prepare them for the changes it will bring. We are currently looking at how we can improve our on-line communications with private landlords, and allow them to share information more quickly with us.[79]

### Opposition Day debate 18 October 2017

The Minister for Employment, Damian Hinds, during the debate, said that the position of residents in **emergency temporary accommodation**, and the process through which **private tenants can secure alternative payment arrangements,** was being looked at:

> My hon. Friend the Member for Waveney (Peter Aldous) talked about emergency temporary accommodation. He has been very assiduous on these matters. We have listened to concerns on this, and we are looking closely at it. We will work with the sector to find a solution. We are also looking at the APA—alternative payment arrangement—process in the private rented sector in order to improve it, and we continue to look at the issues around housing benefit debt recovery.[80]

During the debate, several Members referred to tenants facing an **increased risk of eviction** due to delayed UC payments resulting in the accrual of rent arrears. On the morning of the debate, the Secretary of State and the Director of the Universal Credit Programme at the DWP addressed this issue while giving evidence to the Work and Pensions Select Committee:

> ***Mr Gauke:*** We have seen one case of eight people. There is a pre-action protocol—and Neil can come in on this—that essentially says social housing providers should not be taking eviction measures against tenants where there is a source of income that is coming to them from the state. We are ensuring and improving the system, whereby social landlords can be paid directly through an alternative payment arrangement, which means the money goes straight to the landlord rather than to the tenant. In those circumstances, it is not acceptable for a housing association or a council to evict people simply because they have gone on to Universal Credit and there has been a delay in payment, because they will be getting their rent paid. Neil, do you want to come in on that?
>
> ***Neil Couling:*** Having seen the evidence that the Committee published about the evictions, I was particularly concerned about that, so I have written to the National Housing Federation to ask them to remind social landlords about the pre-action protocol and possession. What the pre-action protocol and possession is is guidance to judges, so judges should not grant possession orders,

79 Ibid.

80 HC Deb 18 October 2017 c952

> ie evictions, unless the social landlord can show that there is no possibility of Universal Credit being paid. Even in the case of a delay, there should not be an eviction in that situation.

Subsequently, David Orr of the National Housing Federation wrote to Neil Couling to confirm that the pre-action protocol is embedded in housing associations' arrears recovery procedures but raised several concerns about the challenges associations face in meeting the intention of the protocol in relation to UC cases, including:

- Difficulties for landlords in getting information from DWP about the status of a claim in time to influence a decision about proceedings.
- Lack of an effective escalation route for Full Service through which urgent cases can be dealt with very quickly.
- Deductions from UC to pay back arrears being set at too high a level for some households resulting in some households not being able to access this method of payment.
- Difficulty in getting errors in decision making corrected.
- Difficulties in landlords obtaining information on APAs, including why they have stopped.[81]

[81] David Orr's letter to Neil Couling, 18 October 2017

# 5. Work and Pensions Committee report and statements

On 26 October the Work and Pensions Committee published a report, Universal Credit: the six week wait.[82] While noting that concerns about the impact of Universal Credit from the evidence gathered as part of its inquiry were wider-ranging, the Committee had decided to concentrate first on the six week wait for UC payments as this was "at the core of many problems highlighted in evidence."

The Committee's report noted the moved DWP had made to make advance payments more readily available, and on a visit to London Bridge Jobcentre it had been impressed at the ease and speed with which advances could now be made. Nevertheless, the Committee observed:

> 10. Advance payments have limitations, however, as a solution to the problem of long waits for a first Universal Credit payment. As payments in advance, they are contrary to the principles of Universal Credit, which aspires to mimic work through payment in arrears. We also heard evidence of practical concerns:
>
> - they are loans, typically repayable over six months via deductions from in-arrears Universal Credit payments;
> - those repayments are made in addition to other deductions, of up to 40% of the standard Universal Credit allowance if claimants have debts such as rent arrears to repay, making them difficult for some claimants to afford; and
> - most problematically, the maximum loan payable for a new claim is half of the expected monthly award—at best, a claimant will receive two weeks' Universal Credit award to get by during the six week wait for a first monthly payment.
>
> Advance payments mitigate some of the unwelcome consequences of the current design of Universal Credit, but they do not address their underlying foundations.

The Committee's main focus was on reducing the minimum six week wait for UC, for which "no proper justification has been offered." While noting that the monthly assessment period was an important component of the design if UC, for the other to weekly components of the wait – the 7 waiting days, and the delay for processing of payments – the policy merits were less clear.

The Committee had been reassured that there was scope for reducing further the period between the end of the first monthly assessment period and the first payment of Universal Credit, and that even in more complex cases the first award could be based on an estimated amount.

The 7 waiting days at the beginning were, the Committee concluded, "purely a money-saving measure":

82 HC 336 2017-19

> 12. Seven waiting days before a claimant is eligible for Universal Credit were announced in the 2013 Spending Round and introduced by statutory instrument in 2015. The purpose of this change was primarily fiscal. The Government estimates that waiting days save the Exchequer £150 million per year, which may rise to around £260 million once Universal Credit is fully rolled out. Waiting days (typically three) have been part of the contributory unemployment benefits system for over 100 years, and have applied to means-tested unemployment benefits since 1996. The extension to housing costs and child elements in Universal Credit is, however, a new development.
>
> 13. We were widely told that waiting days do nothing to further the stated objectives of Universal Credit but contribute to claimant hardship. Lord Freud, the Minister responsible for Universal Credit between 2010 and 2016, told us that the removal of waiting days would be his top priority for any public expenditure on the programme. The Centre for Social Justice (CSJ), a think-tank that worked on the initial design of Universal Credit, similarly prioritised the abolition of waiting days, arguing the system is "supposed to mirror the payment cycle of someone in work, however no-one in paid employment works for the first seven days for free". In its report on the draft waiting day regulations, the independent Social Security Advisory Committee (SSAC) said that waiting days were contrary to the Universal Credit objective of simplicity and expressed particular concern about their effect on claimants' ability to meet housing costs. SSAC recommended, based on "persuasive and compelling evidence", that the increase and extension of waiting days should not proceed.

The Committee recommended that the Government reduce the standard waiting time for a first payment to one month, which it felt would be "entirely consistent with the monthly in arrears philosophy of Universal Credit"

> **14. The baked-in six week wait for the first payment in Universal Credit is a major obstacle to the success of the policy. In areas where the full service has rolled out, evidence compellingly links it to an increase in acute financial difficulty. Most low income families simply do not have the savings to see them through such an extended period. While increased availability of advance payment loans, of up to half the estimated monthly award, are welcome, they are not a solution to a fundamental flaw in the current design. Universal Credit seeks to mirror the world of work, but no one in work waits six weeks for a monthly paycheque. *We recommend the Government aims to reduce the standard waiting time for a first Universal Credit payment to one month.*[83]**

The Government has not yet given its response to the Committee's report, but its response of 7 November to the House of Lords Financial Exclusion Committee March 2017 report, Tackling financial exclusion: A country that works for everyone?, the Government rejected that Committee's recommendation that the 7 day waiting period at the start of a Universal Credit claim should be abolished. It explained:

> 5.51 The Government understands the Committee's concerns about the seven day waiting period in Universal Credit. We

[83] Original emphasis

> recognise that it can be difficult for people who serve waiting days because there is an extra week to wait until their first payment. We are working hard to ensure that payment is made on time and the latest published Departmental statistics for week commencing 19 June show that some 76% of cases were paid in full at the end of the first assessment period.
>
> 5.52 The Government accepts it has a duty to provide available support for those who may find themselves in financial difficulty during the period they are waiting for payment so a package of support has been developed to help them.
>
> 5.53 This includes personal budgeting support and access to specialist help on money matters for all new Universal Credit claimants. For claimants who are in financial need and can't manage until their first payment, an advance of benefit can be quickly accessed during the waiting period and paid to those who qualify. Alternative payment arrangements (APA) can also be considered where appropriate for people with significant budgeting difficulties or high levels of rent arrears.
>
> 5.54 To ensure we provide a vital safety net for vulnerable people and people who are unlikely to have earnings or resources to fall back on, DWP has put in place exemptions for a number of groups from serving waiting days. In particular this includes people who are terminally ill, victims of domestic violence, care leavers, 16-17 year olds without parental support, and prison-leavers as well as people moving onto Universal Credit from legacy benefits and those who have been in receipt of Universal Credit within the previous six months.
>
> 5.55 We feel these exemptions together with the personal budgeting support, availability of advances of benefit and alternative payment arrangements should ensure that waiting days do not place people into hardship and for these reasons are not persuaded of the strength of the case to remove them.[84]

## 5.1 Further evidence on the impact of Universal Credit

On the day following the publication of the report on the six week wait, the Work and Pensions Committee issued a further press release in which its Chair, Frank Field, called evidence submitted to the Committee by the Halton Housing Trust the "most damning" he had ever read on what he described as Department for Work and Pensions "maladministration." An extract from the press release[85] is below:

> **Food bank referrals double**
>
> The Trust has accumulated over £400,000 of arrears as a direct result of the rollout of Full Service Universal Credit. This means that just 18% of its tenants owe 55% of all its arrears. Over the last 12 months the number of referrals the Trust has made to local food banks has more than doubled.
>
> The Trust reports on the frequent wrong categorisation of benefit claimants' eligibility for Advance Payments while Universal Credit is being processed.

84 HM Treasury, Department for Education and DWP, Response to the final report of the Lords Select Committee on Financial Exclusion, 7 November 2017

85 Committee publishes 'damning' new Universal Credit evidence, 27 October 2017

> In a sample of 1,252 tenants the Trust found that the majority of claimants were eligible for a Benefit Transfer Advance as they were moving from a so-called legacy benefit (like Jobseeker's Allowance) onto Universal Credit. This is paid back during the first 12 months of a Universal Credit claim.
>
> **Advance payments issues**
>
> Those claimants who were offered Advance Payments were offered a New Claims Advance that had to be paid back within 6 months: the submission details the even bigger financial problems this caused for families. In addition, the evidence reports:
>
> - The Department refuses to amend the recovery period of the Advance Payment, from 6 months to 12 months, even in the instances where they acknowledge that the claimants should have had a Benefit Transfer Advance.
> - Recovery of the Advance Payment commences immediately with the first Universal Credit payment. This means claimants are continuously playing catch up and are instantly put in debt when the repayment is deducted.
> - As the Advance Payment of either kind are recovered directly from the Universal Credit award, they are being given priority over other essential/actual priority outgoings.
> - When Advanced Payments have been provided there is a lack of any explanation to the customer that this includes a personal allowance and housing cost element. In many cases customers are unsure as to what the money they are receiving is for or what the levels of Advance will be.
>
> **Personal budgeting advice unavailable**
>
> Despite the Department advertising the availability of personal budgeting advice:
>
> - Halton Housing Trust found that this advice was not available to the vast majority of applicants. This is despite it being an essential element for many applicants at the start of the Universal Credit application process.
> - Local Authorities have been awarded funding to offer Personal Budgeting Support. Despite this, the number of referrals made by the Department locally in Halton has been very low.

Commenting on the evidence, Frank Field said:

> It would be difficult to think, in all my period of Chair of the Select Committee, of a piece of evidence that is so damning on the DWP maladministration which is mangling poorer people's lives. This maladministration is throwing Universal Credit claimants' finances into chaos.[86]

## 5.2 The Universal Credit business case and data on UC

Following the Work and Pensions Committee's evidence session on 18 October with David Gauke and the DWP's Universal Credit programme Director General, Neil Couling, the Committee's Chair wrote two

86 Ibid.

further letters[87] to the Secretary of State calling on the DWP to publish the revised business case for Universal Credit, updated estimates of the employment impact of the benefit, and seeking further data on various matters including waiting times and advance payments.

On 8 November the Committee issued a press release[88] drawing attention to the letters, which included the following quote from the Chair, Frank Field:

> "The lack of data being collected and published on Universal Credit is troubling, to put it mildly.
>
> It gives the impression that this mega reform is driven by blind faith rather than evidence of the impact it is having on the lives of the poor.
>
> We hear about the DWP's "test and learn" approach to improving Universal Credit, but how can it hope to learn if it is not testing its most basic effects?"

The press release also included a graphic (below) "illustrating some of the information the Department has been unable to provide in response to repeated requests":

87 Dated 27 October and 1 November respectively
88 Committee presses for Universal Credit business case, 8 November 2017


## 5.3 Universal Credit and self-employed claimants

The Work and Pensions Committee issued a further press release on 14 November, Chair calls for Budget move to stop penalising self-employed. The press release quotes the Committee's Chair, Frank Field, as calling on the Government to announce measures in the Budget "to fix a flaw in the design of Universal Credit (UC) which can leave the self-employed far worse off than employees earning exactly the same annual pay." On 7 November Mr Field also wrote to the Secretary of State setting out the Committee's concerns.

The criticisms relate to the "Minimum Income Floor" which applies to self-employed UC claimants. The press release explains:

> **Self-employed much worse off**
>
> Universal Credit includes a Minimum Income Floor (MIF) for self-employed claimants which kicks in just 12 months after a business is set up.
>
> Under this system, the amount of Universal Credit received is calculated on the basis that they earn at least that amount every month, whether they actually do or not.
>
> For most people the MIF is the equivalent of 35 hours per week at the National Living Wage, or £1,138 a month. Self-employed claimants can lose out in this system because they can have volatile incomes.
>
> For example, those with seasonal incomes, like farmers, can be particularly badly affected. In months when they have relatively high incomes, they are eligible for no or low Universal Credit - their Universal Credit payment is reduced to the same level as for employed claimants earning that amount every month.
>
> In months when they earn little or no money, the system assumes that they earn at least the MIF.
>
> In more lucrative months, this could leave a self-employed single parent of two self-employed workers over £3,500 a year worse off than the equivalent employee with identical annual earnings.
>
> **Stifling entrepreneurship**
>
> In its 1 May 2017 report into self-employment and the gig economy the Committee also found the application of the MIF can have the unwelcome side-effect of stifling entrepreneurship.
>
> The Committee said that ensuring that UC is appropriate for the "large and growing" segment of the UK workforce that is self-employed, required "urgent action" and should be "a priority for the incoming government".
>
> The Committee said the MIF should not apply to self-employed UC claimants until the policy had been independently reviewed, and set out various possible options for MIF reform:
>
> - Extending the Start-up Period, or tapering the MIF up over a longer period than one year to avoid producing a cliff-edge at the end of year one;
> - Applying the MIF on an annual or quarterly basis to help avoid penalising claimants with volatile incomes;
> - Basing the MIF on turnover and evidence of future profit, rather than income; and
> - Removing the MIF altogether. The requirements of claiming UC as a self-employed person may be sufficiently onerous to put off people who might view self-employment as an easy way of avoiding UC conditionality. This would imply that a key purpose of the MIF—discouraging unprofitable self-employment—is redundant.

The press release includes a case study illustrating the differential impact of Universal Credit on self-employed and employed claimants.

The Committee's intervention follows calls from a number of other organisations for the Government to reconsider the UC rules as they affect self-employed people, including the Low Incomes Tax Reform Group (LITRG), which published a report on 30 October, Self-employed claimants of universal credit – lifting the burdens. The report highlights the issue raised by the Committee concerning the impact the Minimum Income Floor, together with a number of other concerns including:

- Substantial differences between the methods for working out self-employed earnings for UC and for HMRC for tax purposes;
- The potential burden on self-employed claimants due to the requirement to report earnings shortly after the end of each monthly assessment period;
- The rigidity of monthly assessment periods means that the UC system cannot accurately account for self-employed claimants who have uneven earnings throughout the year (e.g. farmers), claimants with big expenses falling in a particular month, or periods in which losses are made;
- The 12 month "start-up period" may not be long enough to allow all new businesses to reach their full earnings potential;
- The fact that until April 2018 there will be no recognition in UC for self-employed losses as there is in the current tax credit system; and
- New rules on "surplus earnings" and self-employed losses due to come into force in April 2018 are "some of the most complex rules we have ever seen and we doubt that DWP staff or claimants will be able to fully understand and implement them." Furthermore, LITRG believes that they "erode the concept of monthly assessment periods."

In light of these concerns LITRG is calling on the Government to consider a series of changes to the UC rules including:

- Allowing self-employed claimants with fluctuating income to average their income over a period of up to a year;
- Changes to the calculation of the Minimum Income Floor (MIF) and increasing the start-up period during which it does not apply from one to two years;
- Exceptions to the MIF by way of a 3 month "grace period" in each 12 month period to allow someone to deal with unexpected events or a one-off large expense without any adverse impact, and giving DWP staff the discretion to disapply the MIF in certain situations;
- Greater consistency in definitions of self-employment for DWP and HMRC purposes; and
- More specialist support for self-employed universal credit claimants.

# 6. Other recent reports

## 6.1 Resolution Foundation

On 31 October, the Resolution Foundation published a report by Mike Brewer, David Finch and Daniel Tomlinson, Universal Remedy: ensuring Universal Credit is fit for purpose.

The report presents results from a new analysis which shows what

- Cuts to Universal Credit mean it is set to be almost £3 billion a year less generous than the tax credit system it replaces.
- As a result, working families will on average be £625 a year worse off, but this masks a significant mix of outcomes across family type.
- The net impact on all two parent families in work is broadly neutral, though 1.1 million will lose an average of £2,770 a year.
- Working single parents lose out, by an average of £1,350 a year. Almost twice as many lose (0.7 million) as gain (0.4 million), losing almost twice as much (£2,955 average annual loss, compared with a £1,600 gain).

The report argues that the Autumn Budget and planned pause in UC roll-out in January 2018 provides an opportunity for "getting ahead of the curve and relaunching Universal Credit":

> Rolling out any reform of the welfare state on the scale of UC was always going to be hard. Until recently one of the biggest strengths of the new benefit was the near universal support for the principle underpinning it of a simpler scheme that would improve work incentives and outcomes for low income families. That consensus is now looking seriously strained.
>
> Re-establishing it requires the government to continue making the case for UC, while recognising and addressing its problems – be they already-visible or likely to materialise as the roll-out spreads. These problems cover both the process of UC payments but also, more fundamentally, the size and design of support for working families. The planned break in roll-out in January and upcoming Autumn Budget provide the government with the opportunity to take stock, resolve the design flaws in UC and relaunch the benefit in a way that is unequivocally fit for the challenges of the 21st Century.
>
> This will unavoidably cost money. Some changes require relatively little additional spend, compared to the £60 billion a year set to be spent on UC. For example, investment of £0.2 billion a year would strike seven days off the six week wait. Other necessary changes, for example, matching current system generosity and strengthening the financial incentives to work, will require significantly more but could be done without additional borrowing. The £3 billion needed to restore parity with the current benefit system could be provided **by delaying a range of tax cuts that disproportionality affect the richest**.[89]

The report makes a number of recommendations including:

[89] Ibid. pp12-13, original emphasis

- Speeding up initial payments of UC, including payment of housing support, and removing the 7 waiting days;
- Allowing recipients to opt for fortnightly payments, and allowing tenants to choose direct payment of the housing element to landlords;
- Accelerating implementation of the landlord portal and allowing private landlords to have access to it;
- Allowing self-employed workers to report income annually in arrears, in line with the tax system, and applying the Minimum Income Floor on the same basis;
- Rethinking the design of support with childcare costs, to reduce compliance burdens; and
- Ending uncertainty around free school meals eligibility.

The report also recommends measures to improve financial incentives to enter and progress in work, including:

- Boosting work allowances for single parents and introducing an initial work allowance for second earners;
- A commitment to trialling different forms of financial incentive to encourage progression in work such as lower tapers for second earners and single parents, time-limited conditional payments for achieving progression, and additional support with childcare costs for pre-school children; and
- Gradually reducing the UC taper, once work allowances have been strengthened.

## 6.2 Child Poverty Action Group

In a report published on 6 November, the Child Poverty Action Group warns that cuts to Universal Credit could put an additional 1 million children in poverty.[90] CPAG argues that if the Chancellor wants to restore Universal Credit's promise of greater rewards from work and lower poverty, he should reverse cuts to the work allowances and announce a "triple lock" for Child Benefit an the child element of UC

The research – conducted with the Institute for Public Policy Research – modelled the models the impact of social security changes over the decade. Findings include:

> - Working families stand to lose £930 a year on average from cuts in the tax credit system and £420 a year from cuts to Universal Credit – these are losses across the population, so the losses for tax credit and UC recipients would be much higher.
> - Freezes and cuts to Universal Credit work allowances will leave lone parents worse off by, on average, £710 a year, couples £250 a year.

90 The Austerity Generation: the impact of a decade of cuts on family incomes and child poverty, 6 November 2016

- Work allowance cuts have the greatest impact in cash terms on households in the second and third deciles (the 'just about managing' group).
- While work incentives may have improved for some families, big falls in family income caused by cuts and changes to Universal Credit have left many worse off overall, overwhelming any gains from increases in the 'national living wage', personal tax allowances and help for childcare.
- The poorest 10 per cent will lose 10 per cent of their income (£450 a year) on average compared with what was promised by Universal Credit.
- The average family with three children will be 10 per cent (£2,540 a year) worse off, and the average family with four or more children 19 per cent (£5,000 a year) worse off due to Universal Credit cuts.
- Families containing someone with a disability will be £300 a year worse off due to Universal Credit cuts; families containing someone with a severe disability will be £530 a year worse off.
- Uprating decisions will cost the average single parent family on Universal Credit £710 a year, with the average couple with children losing £430 a year.
- The cuts to Universal Credit would put 1,000,000 children in poverty and 900,000 in severe poverty by the end of the decade, assuming the absence of tax credits.

The report examines possible improvements to Universal Credit to help, among other things, "restore its poverty-reducing potential." It recommends a "full overhaul" of UC including:

- Reversing the cuts to UC introduced since 2013;
- Introducing a second earner work allowance;
- additional funding for disabled children (by increasing the disabled child premium from £28 a week to £57 a week, matching its level in tax credits); and
- additional support for childcare costs (raising the childcare cost ceilings by 50% and increasing the subsidy to 95%).

Speaking on the launch of the report, CPAG's Chief Executive Alison Garnham said:

> "The promise of increased rewards from work made to families with children under the new Universal Credit benefit has been broken. The Universal Credit we see today is not the Universal Credit that was sold to everyone a few years ago. Even after taking into account increases in the minimum wage, rising tax allowances and extra childcare help, working families will be the biggest losers from cuts made to the benefit system. Cuts to Universal Credit have substantially reduced the rewards from work for many families. Cuts and freezes to the work allowances will leave lone parents worse off by £710 a year on average, and couples £250 a year on average, across the population.

"If the government's flagship anti-poverty measure ends up rolling out poverty then it's hard not to see that as a colossal failure of public policy.

"This month's Budget is an opportunity for the Chancellor to mount a full-scale rescue mission for Universal Credit. Child Poverty Action Group was the first to sound the alarm about the 6 week wait for Universal Credit, so progress on that would be very welcome, but this report makes it clear that the problems are more fundamental - the whole point of Universal Credit is being undermined. The Chancellor should restore work allowances, put a stop to the benefit freeze that's squeezing families and pledge to give children's benefits the same protection from rising prices as is given to the basic state pension."[91]

[91] GPAG press release, THE AUSTERITY GENERATION: PROMISE OF GREATER REWARDS FROM WORK BROKEN UNDER UNIVERSAL CREDIT AS FAMILIES WITH CHILDREN HARDEST HIT BY CUTS, 6 November 2017

**BRIEFING PAPER**
Number 8096
16 October 2017