HOUSE OF COMMONS LIBRARY

DEBATE PACK

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The roll-out of Universal Credit

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Contents

Summary

There will be a Westminster Hall debate on the roll-out of Universal Credit on 22 March 2017 at 14:30. The debate will be led by Catherine McKinnell MP.

Universal Credit (UC) is a new benefit which is to replace means-tested social security benefits and tax credits for working-age individuals and families. 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.

UC was first introduced for a small subset of new claimants in certain areas in 2013, and is gradually being rolled out to new claimant groups. The benefit is not expected to be fully introduced until 2022.

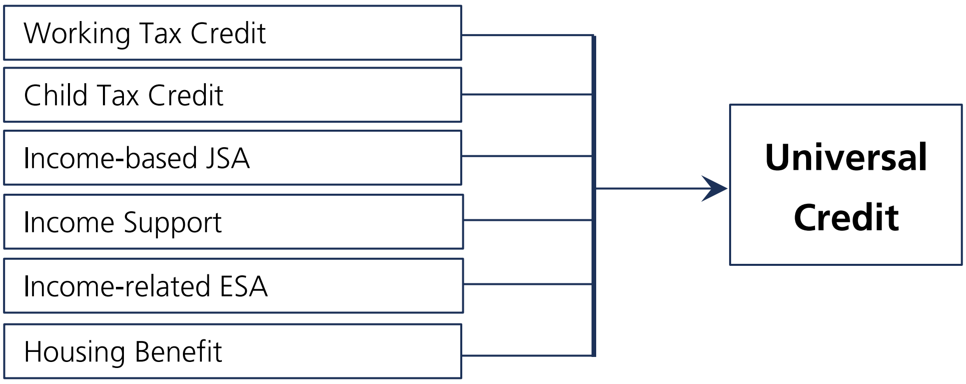
The Work and Pensions Select Committee re-launched its inquiry into Universal Credit in February 2017 following the receipt of "compelling evidence of the problems in the rollout of Universal Credit." Landlords have been particularly concerned that UC is resulting in tenants' accruing rent arrears.

The Employment Minister, Damian Hinds, wrote to the Committee on 1 March 2017 saying that "any arrears of rent associated with UC are likely to be of short duration, cleared relatively quickly and should not present an insurmountable obstacle to landlords over the lifetime of the tenancy." The Committee Chair, Rt Hon Frank Field, said in response that "it is flabbergasting that the Government continues to keep its head in the sand."

1. What is Universal Credit?

Universal Credit is a new benefit which will replace a range of existing means-tested benefits and tax credits for working-age households.

'Legacy' benefits and tax credits replaced by Universal Credit



The aim 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 disability, 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** – ie income from employment or self-employment – will reduce the UC award at a constant rate of 65 pence for each pound of net earnings (this is known as 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. From April 2017 the taper rate will be reduced to 63 pence for each pound of net earnings.

Families already get means-tested assistance through tax credits, but while tax credit awards are based on annual income Universal Credit 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 PAYE, the "**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.

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, 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. The aim of "Universal Support – delivered locally" (previously known as the Universal Credit Local Support Services Framework) is to establish a "joined-up, holistic service, particularly for vulnerable claimants and those with complex needs, helping the claimant move from welfare dependency," providing help with, for example, understanding the new system, getting online and managing a monthly budget.[1]

Calculating a household's Universal Credit award

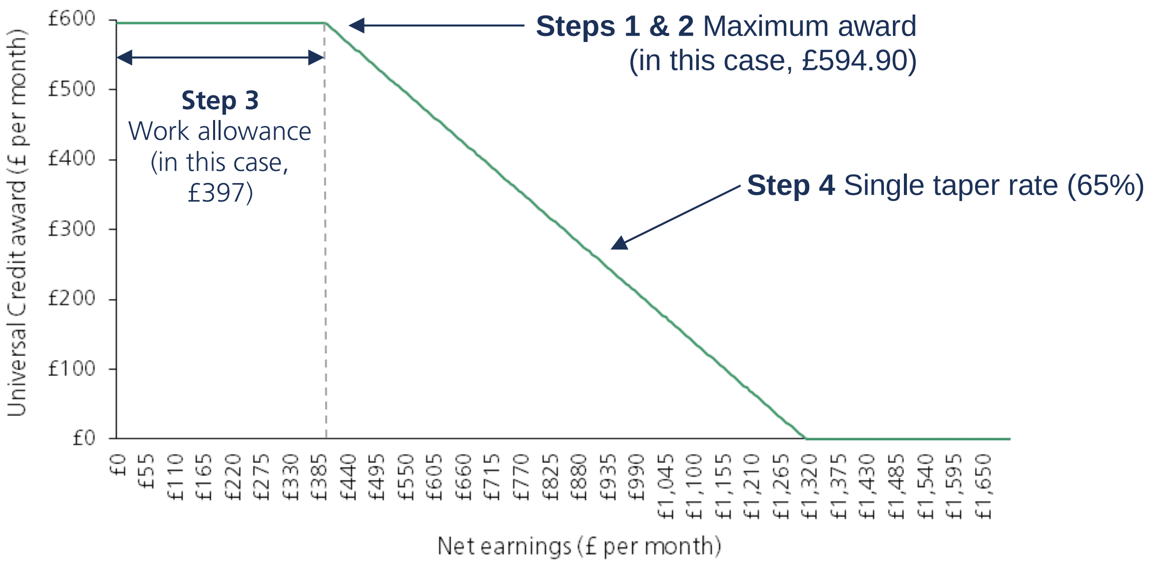
Awards will be claimed on a household basis, where a "household" is a single person or couple along with any dependent children.

Figure 1 (overleaf) shows, in summary, how a household's award is calculated via a series of steps. Note these calculations are for an in-work household; calculations for an out-of-work household would stop after step 2.

1 DWP, Universal Credit at work, October 2014, p15; see also the speech to the Local Government Association by Lord Freud, Universal Credit and Universal Support, on 12 January 2015

Figure 1 Universal Credit award of a lone parent household with one child

Working on the NLW, 2016-17, no housing costs



Step 1 - A household's **maximum amount** is calculated by totalling the Universal Credit allowances and elements for which they are eligible.

A household's **"maximum amount"** is comprised of any of the following allowances and elements for which the household is eligible:

- **Standard allowance:** The basic allowance for all. Amount depends on whether the claimants live alone or has a partner. Lower rates apply for those under 25
- **Child element:** An additional 'Child Element" is paid for each child or qualifying young person. Further additions are payable for disabled and severely disabled children
- **Childcare costs element:** For working parents paying for registered childcare. Note that the benefit received via the childcare element does not count towards the household benefit cap
- **Limited capability for work elements:** For those who satisfy a Work Capability Assessment[2]
- **Carer element:** For those with regular and substantial caring responsibilities for a severely disabled person
- **Housing costs element:** For those who pay rent or have a mortgage

Step 2 - Any **unearned income** is deducted from this maximum amount.

Any **unearned income** is then deducted from this maximum amount. "Unearned income" is income other than from employment or self-employment; it includes most income replacement benefits such as contribution-based Jobseeker's Allowance.

[2] From April 2017, the "limited capability for work" element – and the corresponding Work-Related Activity Component for Employment and Support Allowance claimants – is to be abolished for new claims. For further details see CBP-7649, [Abolition of the ESA Work-Related Activity Component]

Step 3 - A household's **work allowance**, dependent on their personal circumstances and whether or not they receive the housing costs element of Universal Credit, is identified.

A household's **work allowance** is the amount they are allowed to earn before their maximum Universal Credit award starts to be reduced. The work allowance varies according to household circumstances and whether the household is in receipt of the Universal Credit housing costs element.

Step 4 - The household's award is **tapered away** by 65p for every £1 over which the household's **net earnings** exceed their **work allowance**.

If a family has **earned income**, their remaining award is then tapered away by 65p for every £1 over which the household's **net earnings** exceed their **work allowance.**

From April 2017, the taper rate will reduce to 63p for each £1 of net earnings – see below.

2. Recent and forthcoming changes to UC

For in-work UC claimants, as outlined above the amount they actually receive depends on their family circumstances and two further factors:

- **The work allowance.** This is the amount a claimant can earn before their maximum award starts to taper off; and
- **The taper rate.** This is the rate at which awards taper off once the claimant is earning in excess of their work allowance.

Cuts to UC work allowances (Summer Budget 2015)

The Government announced cuts to UC work allowances at Summer Budget 2015, in effect from April 2016. This change was expected to affect almost all in-work claimants. Although the impact varies according to household circumstances, overall the changes mean a reduction in the generosity of Universal Credit.

The table below shows annual work allowances in 2015-16 and, following the reductions, 2016-17. Note that for purposes of this table "disabled" indicates a limited capability for work. Also note that different work allowances apply to claimants with and without housing costs.

Universal Credit work allowances
£ per year

	Without housing costs			With housing costs		
	2015-16	2016-17	*Change*	2015-16	2016-17	*Change*
Single or couple: no children (not disabled)	£1,332	£0	*-£1,332*	£1,332	£0	*-£1,332*
Lone parent (adults not disabled)	£8,808	£4,764	*-£4,044*	£3,156	£2,304	*-£852*
Couple with children (adults not disabled)	£6,432	£4,764	*-£1,668*	£2,664	£2,304	*-£360*
Single or couple: one or both are disabled	£7,764	£4,764	*-£3,000*	£2,304	£2,304	*£0*

Note For purposes of this table "disabled" indicates the presence of an adult with a "limited capability for work". Also note that different work allowances apply according to whether the household is getting help with Housing Costs.

The change in the work allowance (indicated in red in Figure 3) **is not** the change in the household's Universal Credit award. It is the change in the amount the household can earn before their maximum UC award begins to taper off.

The actual impact on a household will depend on its level of earnings, but for those whose earnings affect their UC entitlement a £1 reduction in their work allowance can result a reduction in their Universal Credit award of up to 65p.

Sections 5 of the Library briefing paper Universal Credit changes from April 2016 provides worked examples on the impact of UC work allowance cuts on a range of example families. Section 7 summarises the reactions of other commentators to the cuts, including commentary from the Social Mobility and Child Poverty Commission, the Institute of Fiscal Studies and the Resolution Foundation.

Change to UC taper rate (Autumn Statement 2016)

At Autumn Statement 2016 the Government announced a change in the UC taper rate from 65% to 63. The announcement means that, from April 2017, instead of losing 65p in UC for every £1 of net earnings above their work allowance families will instead lose 63p.

The Government states that 3 million households will benefit from the reduced Universal Credit taper – though note, however, that while most low income working families still getting tax credits the change will have no immediate impact. Once families do eventually move onto UC, for many any gain from the reduced taper will be more than outweighed by losses as a result of the work allowance cuts and other changes announced at the 2015 Summer Budget (although some may benefit from transitional protection so that they do not lose out in cash terms at the point of transfer).

The Library blog Universal Credit: jam tomorrow? provides detailed case studies examining the impact of UC work allowance and taper changes on a range of example families.

3. How and when is Universal Credit being rolled-out?

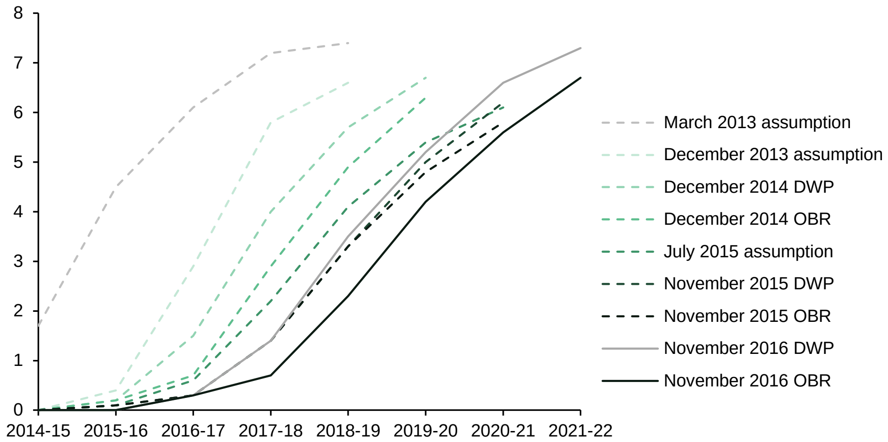
Universal Credit was first introduced for a small subset of new claimants in certain areas in 2013. DWP's initial efforts **targeted claimant groups whose claims were comparatively simple to manage**, such as single, childless, out-of-work adults. Having learnt from these initial experiences, the Department intends to expand the scheme by **rolling out to successively wider areas and more complex caseloads**. Roll-out has, however, been "**substantively delayed**" several times.[3]

Universal Credit roll-out forecasts

Figure 2 shows successive revisions to the DWP's 'Universal Credit roll-out assumption', and to the Office for Budget Responsibility's own assumptions about future roll-out up to that point.

Figure 2 Successive revisions to the Universal Credit role out assumption

Average caseload, millions



Source
OBR Economic and Fiscal Outlook, November 2016, Chart 4.7, table 4.25

A Commons Library Second Reading blog, Universal Credit: where are we now? (17 March 2017) covers the latest statistics on UC receipt.

3 Autumn Statement 2015: Policy Costings; pg. 33

Development delays and the 2013 reset

The roll out of Universal Credit involves not simply the creation of a new benefit but **development of entirely new administrative systems** to support it. This includes development of the **Digital Service**, the online IT system via which claimants and DWP will manage awards, and training staff to administer a **new conditionality and sanctions regime** that imposes requirements on in-work as well as out-of-work 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, 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."[4]

DWP **reset** the Universal Credit programme in February to May 2013 following serious concerns expressed by the Major Projects Authority.[5]

Since this time DWP has been developing and rolling out Universal Credit using a **'twin-track' approach**. This involves rolling out Universal Credit using **IT systems developed prior to the 2013 reset (the "Live Service")** while, simultaneously, DWP develops 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 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.[6] It accepts the Committee's recommendations and sets out a number of commitments including:

National Audit Office reports

Universal Credit: early progress (September 2013)

Universal Credit: progress update (November 2014)

Welfare reform – lessons learned (May 2015)

Public Accounts Committee reports

Universal Credit: early progress (November 2013)

Universal Credit: progress update (February 2015)

Universal Credit: progress update (February 2016)

Universal Credit and fraud and error: progress review (November 2016)

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

5 National Audit Office; Universal Credit: progress update; 26 November 2014. The MAP has since merged with Infrastructure UK to form the Infrastructure and Projects Authority

6 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

- 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 are being enabled to engage in testing and learning processes and to feedback concerns

The latest schedule

Universal Credit is now available in all Jobcentres across Great Britain, but in most areas is only available for new claims from people with relatively simple circumstances. This should change with the roll-out of the "**Full Service**" (formerly the Digital Service), when UC will expand to all claimant groups and new claims for existing benefits and tax credits being replaced by UC will no longer be possible. Once this is achieved, the remaining benefit and tax credit claimants will be moved onto UC by "managed migration." The latest final end date for the introduction of UC is now March 2022.

In summary, the latest plans are as follows:

- **"National expansion"** of Universal Credit was completed by Spring 2016, so that Universal Credit is available in all Jobcentres in Great Britain – although initially for new claims only, for select claimant types. In most areas UC is still limited to new claims from single unemployed people (or people with very low earnings) satisfying the "gateway conditions"
- **Roll-out of the Full Service**, starting from 2016. Initial trials started in Sutton, Croydon and Southwark. Where the Full Service has been introduced UC claims will be taken from all claimant groups.
- In his Written Ministerial Statement on 20 July 2016, the new 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, which involves:
  - 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.

- Information on **when the Full Service is due to be rolled out in each local authority in Great Britain** is available on GOV.UK – see Universal Credit transition to full service (last updated 16 November 2016).
- As the Full Service is rolled out, new claims for "legacy" benefits – the benefits UC is replacing – will be progressively closed down so that under the latest timetable, **by September 2018 UC will be available to all claimant groups across the country**, and no new claims for working-age means-tested benefits and tax credits will be possible.
- The **final "managed migration" stage** when the remaining legacy benefit and tax credit claimants are moved over to Universal Credit. The Written Ministerial Statement on 20 July 2016 announced that there would be a new "contingency" period following the achievement of national roll-out of the Full Service, before the commencement of managed migration. Managed migration is now expected to start in July 2019, and **to be completed by March 2022**.

Further information on the Government's latest UC roll-out schedule, and what is expected to happen at each stage, is given in section 2 of the Commons Library briefing Universal Credit changes from April 2016. See also Universal credit: Who can claim Universal credit at the Revenue benefits website.

Details of the UC implementation schedule in Northern Ireland are on the nidirect website – see Introduction to Universal Credit.

4. UC: claimant experiences

The Work and Pensions Select Committee re-launched its inquiry into Universal Credit, saying it would take evidence up to 20 March 2017, following the receipt of "compelling evidence of the problems in the rollout of Universal Credit."[7] The Committee invited written 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?[8]

The Committee Chair, Rt Hon Frank Field, said:

> Huge delays in people receiving payments from Universal Credit have resulted in claimants falling into debt and rent arrears, caused health problems and led to many having to rely on food banks. It is bad enough that UC has a built-in six-week wait between someone applying and them receiving their first payment, but we have heard that many have to wait much longer than this. The adverse impact on claimants, local authorities, landlords and charities is entirely disproportionate to the small numbers currently claiming UC, yet Lord Freud has told us he thinks it will take decades to optimise the system. We have therefore felt compelled to investigate UC yet again. We will examine what its impact is on claimants and those local bodies which deal with them, and what Government needs to do to ease the pressure on those worst affected.[9]

The Committee took oral evidence on 23 January 2017 from witnesses representing the Halton Housing Trust, Resolution Foundation, Child Poverty Action Group (CPAG), and Gateway and Welfare in the London

[7] Universal Credit roll-out: inquiry relaunched, 21 February 2017
[8] Ibid.
[9] Ibid.

Borough of Croydon. Martin Williams of CPAG responded to a question about the time it is 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.[10]

Mr Williams said that advance payments for claimants suffering hardship are not well advertised.[11] Mark Fowler of Gateway and Welfare in Croydon (a full service area) commented on claimants' experiences in that area:

> Just to pick up on the point of those more vulnerable groups that were identified, under Universal Credit for single people under the age of 35, they were previously receiving a one-room rate of £155 a week. Under Universal Credit it is shared facilities at £72. Now, bearing in mind what Martin was saying about the duration, we have seen at Croydon on average it is about 12 weeks before any form of payment is awarded, which is creating considerable pressures, as you can understand.
>
> […]
>
> What we have also found is that people in emergency accommodation—so people who are unlikely paid, incredibly vulnerable, fleeing domestic violence, mental health issues, single parents, English not their first language—are particularly hit by the approach to Universal Credit. One example is that in emergency accommodation without shared facilities we obviously want to move people on within the six-week window, otherwise you are in trouble with the Ombudsman and it is not appropriate. To receive housing costs from Universal Credit, you have to be in the property for six weeks. That is immediately obvious of where the policy is contradictive one side to the other.[12]

He reported that rent collection rates amongst vulnerable households in temporary accommodation had fallen in Croydon, Sutton and Southwark from 90% to between 42% and 59%.[13]

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10 HC 898, Oral Evidence, 23 January 2017, Q8
11 Ibid.
12 Ibid., Q18 & 20
13 Ibid., Q24

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.[14]

Mark Fowler confirmed that payment concerns related to UC were feeding through to private sector landlords.[15] The Residential Landlords Association (RLA) supported research carried out by Sheffield Hallam University in 2015 which, inter alia, sought the views of RLA members on Universal Credit and their experiences of it. The research found:

- Of those landlords with tenants in receipt of UC, 25% said that they were in arrears. This supports the concerns raised by former Welfare Reform Minister, Lord Freud, and is consistent with what he told the Work and Pensions Select Committee that UC was having an "effect" on rent arrears for around a quarter of claimants.
- As a result of UC claimants being in arrears, 34% of landlords said that they had requested that payment to cover rents be made directly to them (known as Alternative Payment Arrangements or Landlord Managed Payments) which can be put in place where a tenant gets into two months of rent arrears. Just 38% of these said that they had been successful in achieving this.
- In seeking such arrangements, 61% of landlords found the process either "tricky" or "very difficult". The same proportion found that the Department for Work and Pensions was not very helpful in dealing with their concerns or queries.
- The removal of the housing element of UC from being paid to 18-21 year olds has made 76% of landlords less likely to rent to those in this age group because of worries about whether the rent will be paid or not.[16]

The 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 and subsequently move home.[17]

The RLA is also seeking a way of gaining "Trusted Partner Status" for private landlords in line with that enjoyed by social landlords.[18]

Witnesses to the Work and Pensions Committee identified that some aspects of the roll-out were identified as working well:

> The job coaches are working in a positive way, the relationship we have at a local level is broadly positive. As long as people are

[14] Ibid., Q36
[15] Ibid., Q44
[16] RLA, Changes needed to Universal Credit to give confidence to tenants and landlords, March 2017
[17] Ibid.
[18] Ibid.

> continuing in role and there are not too many changes; that is good. If we could share information in a more joined up way and that was slightly more open and transparent, that would certainly support that initial enthusiasm that you all saw when you kindly visited us. Equally, I have to be honest, the size and the scale of the rollout and the timing of that is considerable. That brings pressures and pressures on resource and people and their understanding. In short, it is at odds with the enthusiasm. I think it is fair to say that is the case, at the moment.[19]

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 are experiencing and cautioned against taking the rent arrears figures on face value as some tenants had moved onto UC with pre-existing arrears:

> The figures that you saw, that 86% is not what it appears, as I say is because you already have 79% anyway. However, when I left in December I was looking at figures that show that there was a problem and there was a proportion of people, probably around a quarter, where UC was having an effect on the arrears. The Department is obviously really concerned to sort that. The issue is around how long does it take to work out what the right rent is to make those payments? There is an element about getting the right data and the speed of processing. They need to and are working on speeding up and then accuracy of data—one of the things that has happened in the social housing sector is people find it quite difficult to know what their rent is because of the way that it is worked so getting accurate information about the rent is something that you need to liaise three ways between the Department, the tenant and the landlord.
>
> Now, that process needs to be improved and I know they are working on that improvement. They are looking at a portal—[20]

Lord Freud pointed to the development of Universal Support:

> …what we did is look at something that we call Universal Support, which is a partnership between the Department and the local authorities. We have now got an agreed partnership agreement signed with every single local authority to help with the barriers that some people will find. Currently we are only dealing with two or three barriers: digital, competence and budgeting support. But there is no reason why that system should not expand to handle other barriers.[21]

Lord Freud confirmed the roll-out completion date as March 2022.

A report prepared for and considered by East Lothian Council in December 2016 recommended that the DWP should "carry out an urgent investigation into the impact of Universal Credit in East Lothian on claimants and on the local authority and other social landlords" and ask "the UK Government to suspend the housing cost element of Universal Credit until this investigation has taken place."[22]

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19 Ibid., Q55
20 HC 898, Oral Evidence, 8 February 2017, Q106
21 Ibid., Q114
22 Report for East Lothian Council: Update on welfare reform and Universal Credit, 20 December 2017 (opens in word)

5. The Government's response: 1 March 2017

The Work and Pensions Select Committee published a letter on 16 March 2017 in which the Employment Minister, Damian Hinds, responded to several issues raised by the Committee on the UC roll-out, 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.[23]

The full contents of the letter can be found online: Response from Minister for Employment Damian Hinds. The letter lists Government action to improve how UC operates for people claiming the housing costs element.

The Chair of the Committee, Rt Hon Frank Field issued the following response:

> Despite a growing body of evidence about the very real hardship the rollout of Universal Credit is creating for some, often the most vulnerable, claimants - and the struggles it is creating for local authorities trying to fulfil their responsibilities – it is flabbergasting that the Government continues to keep its head in the sand.
>
> 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.[24]

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23 Response from Minister for Employment Damian Hinds, 1 March 2017
24 Work and Pensions Select Committee, Universal Credit: "Government has its head in the sand", 16 March 2017

6. Parliamentary material

Parliamentary papers, inquiries and consultations

- House of Commons Work and Pensions Committee, Universal Credit update inquiry – see in particular the oral and written evidence submitted so far
- Scottish parliament, Universal Credit roll-out inquiry
- Scottish Government, Consultation on Universal Credit (Claims and Payments) (Scotland) Regulations 2017, January 2017
- House of Commons Public Accounts Committee, Universal Credit and fraud and error: progress review, HC 489 2016-17, 4 November 2016
- 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

Debates

- DWP Policies and Low-income Households (HC Deb 17 January 2017 cc873-907
- Universal Credit (HL Deb 21 December 2016 cc1696-720)

Statements

Written statement on 13 March 2017 (HCWS528)

[…] This means any correspondence – letter, email, or telephone enquiries – from MPs on behalf of a constituent relating to Universal Credit will be answered directly, without a requirement to seek explicit consent from their constituent. This will ensure consistency and clarity for MP offices, no matter what benefit the enquiry is about.

Extending this support for MPs and their constituents will continue to help enable the successful delivery of this key welfare reform programme.

This statement has also been made in the House of Lords: HLWS530

Written parliamentary questions

Universal Credit

Asked by: Onn, Melanie | **Party:** Labour Party

To ask the Secretary of State for Work and Pensions, what steps he is taking to ensure that recipients of universal credit do not fall into rent arrears while waiting to receive payments.

Answering member: Damian Hinds | **Party:** Conservative Party | **Department:** Department for Work and Pensions

Arrears are an important and complex issue. There are many factors at play and arrears can arise not only because of failure to pay rent but also through the charging policies of landlords that can create "book" arrears from the outset of a tenancy. Distinguishing between these two effects is not straightforward and we are undertaking work to investigate the issue of rent arrears in Universal Credit, aiming to understand the true level of rent arrears and what is causing them. It is also important to note that many people are coming into Universal Credit with pre-existing arrears. For example, recent research by the National Federation of ALMOs showed that over three-quarters of their tenants were already behind with their rent before their Universal Credit claim started.

We have taken a number of steps to support claimants from falling into arrears:

First, improving our processes for verifying housing costs so that claimants get their housing costs taken into account in their payments at the end of the first assessment period. We have centralised and streamlined the management of emails from Social Rented Sector Landlords to speed up the verification process and we continue to improve the support given to our work coaches so that they can identify and resolve housing issues as they arise in jobcentres.

Secondly, whilst Universal Credit promotes personal responsibility and expects the majority of tenants to manage their finances, including their own housing cost, we recognise that some people may need help with this, so we can provide budgeting advice and benefit advances if appropriate. Claimants can apply for an advance of up to 50 per cent of their indicative award (including housing costs). Once people have successfully transferred to Universal Credit direct payments, they do generally succeed in managing their finances effectively, paying their rent and reducing their arrears. In Universal Credit we increased the recovery rate for rent arrears, from a maximum of 5%, to 20% and our research shows that after four months, the proportion of UC claimants who were in arrears at the start of their claim, fell by a third.

Thirdly, we recognise that for some people, payment of rent is best made direct to the landlord and we have speeded up the process for Social Rented Sector landlords so that they can now apply for them at the same time as they verify rent and we have provided guidance to our work coaches to help them identify circumstances in which this would be appropriate.

We continue to work closely with landlords, Local Authorities and other organisations to identify further improvements to ensure claimants are fully supported.

02 Mar 2017 | Written questions | Answered | House of Commons | 65157

Universal Credit

Asked by: Onn, Melanie | **Party:** Labour Party

To ask the Secretary of State for Work and Pensions, what steps he is taking to reduce the length of time it takes for working families to receive universal credit payments.

Answering member: Damian Hinds | **Party:** Conservative Party | **Department:** Department for Work and Pensions

The Universal Credit assessment period and payment structure is a fundamental part of the design; it helps reduce welfare dependency and support people into employment by mirroring the world of work, where 75% of people are paid monthly. It is not possible to award a Universal Credit payment as soon as eligibility is determined.

We have a number of safeguards in place to help claimants transition to Universal Credit including Advances and Budgeting Support. Claimants can apply for an advance and can receive up to 50 per cent of their indicative award. Personal Budgeting Support is also discussed at the claimant's initial work search interview to gauge their potential support needs and can include money advice.

We continue to work closely with landlords, Local Authorities and other organisations to ensure claimants are supported.

28 Feb 2017 | Written questions | Answered | House of Commons | 65160

Pupil Premium

Asked by: Lord Storey | **Party:** Liberal Democrats

To ask Her Majesty's Government what assessment they have made of whether the number of pupils eligible for pupil premium funding will change following the completion of the rollout of Universal Credit.

Answering member: Lord Nash | **Party:** Conservative Party | **Department:** Department for Education

The Department for Education is working closely with the Department for Work and Pensions and other government departments to consider new criteria for determining entitlement to benefits-related free school meals as the rollout of Universal Credit progresses. We will communicate our proposals in due course.

Schools currently receive pupil premium funding for each child registered as claiming benefit-related free school meals at any point in the last 6 years. There are no plans to change this criterion.

22 Feb 2017 | Written questions | Answered | House of Lords | HL5337

Universal Credit: Young People

Asked by: Healey, John | **Party:** Labour Party

To ask the Secretary of State for Work and Pensions, what his policy is on removing the automatic entitlement to the housing element of universal credit only for 18 to 21 year olds who are out of work.

Answering member: Caroline Nokes | **Party:** Conservative Party | **Department:** Department for Work and Pensions

The Government has committed to reforming housing support for 18 to 21 year olds as stated in the Manifesto and Budget announcements. This policy is about stopping young people slipping straight into a life on benefits and brings parity to a society where an employed young person may not be able to leave the family home whilst an unemployed young person can.

We are on track to deliver these changes in April 2017.

09 Feb 2017 | Written questions | Answered | House of Commons | 62996

Universal Credit: Housing

Asked by: Baroness Thomas of Winchester | **Party:** Liberal Democrats

To ask Her Majesty's Government what action they are taking to ensure that there is adequate support for vulnerable Universal Credit claimants who do not have housing support staff.

Answering member: Lord Henley | **Party:** Conservative Party | **Department:** Department for Work and Pensions

The Universal Credit service is designed to support the needs of those claimants whose often complex, sometimes multiple, barriers and conditions are preventing them from finding and staying in work, or risk them struggling to engage independently with Universal Credit and the opportunities it offers.

For example, as part of the first Interview, the Work Coach and the claimant will discuss the claimant's ability to manage their monthly payment and pay bills on time. Where appropriate, the Work Coach will refer the claimant for Personal Budgeting Support including money advice. Health, disability and other personal circumstances may also be discussed.

The Work Coach will also determine if an Alternative Payment Arrangement is needed. Alternative Payment Arrangements can include managed payment of Universal Credit housing costs to their landlord, more frequent payments; and split payments within a household in exceptional cases.

As we continue to deliver the full Universal Credit service, with its expanded claimant base, we are continually reviewing and developing the current vulnerable claimant customer journey, including how vulnerable people are identified and how they are supported both internally and via referral to local services delivered in partnership activity.

30 Jan 2017 | Written questions | Answered | House of Lords | HL4742

Oral parliamentary questions

Universal Credit (HL Deb 9 March 2017 cc1467-70)

Baroness Sherlock

To ask Her Majesty's Government what assessment they have made of the impact on claimants of the time taken between applying for Universal Credit and receiving payments.

The Parliamentary Under-Secretary of State, Department for Work and Pensions (Lord Henley) (Con)

My Lords, the universal credit assessment period and payment structure is a fundamental part of its design, reducing welfare dependency by mirroring the world of work. Safeguards are in place to help the minority of claimants who are in genuine need to transition to universal credit. This includes advances and budgeting support. We continue to work closely with landlords, local authorities and other organisations to ensure claimants are supported.

Baroness Sherlock (Lab)

My Lords, if only it were that simple. In 2013 the Government introduced a rule that when you first claim benefit you are not entitled to any money for the first seven days. The problem is that universal credit is paid monthly in arrears so it means you get no money at all for six weeks. That does not sound very long, but the typical family in social housing has only £200 in savings and some people are in debt. Social landlords are now saying that tenants are getting into big arrears and people are turning to payday lenders and even loan sharks. Even the noble Lord, Lord Freud, recently told the Work and Pensions Select Committee that the seven-day waiting period should be dropped. Please can the Minister not be complacent about this. Will he go back to his department, look again at the evidence and please take action before anyone else is pushed into debt?

Lord Henley

My Lords, I repeat what I said in my original Answer. It is a fundamental part of the design. That argument was put forward by my noble friend Lord Freud during the passage of the Bill and was debated at great length. We recognise that this does not necessarily suit everyone. That is why I again made clear in the second part of my Answer that there are safeguards in place. We introduced universal credit advances for new claimants. Claimants can apply for an advance immediately if they are in need and can receive up to 50% of their indicative award soon afterwards. To go back to the original point, it is important to make sure that we mirror the world of work where 75% of employees are paid monthly.

The Lord Bishop of Oxford

My Lords, in the last three months I have visited a large number of food banks across the diocese of Oxford in seemingly affluent communities, building on my experience of food banks in the diocese of Sheffield. All have underlined to me that the most common reason why people access food banks is delay in accessing welfare payments. It is clear from the Government's figures that too few people are aware of, or receiving, the emergency payments intended for them. Will the Minister please outline what steps the Government are taking to improve communication of and access to short-term benefit advances for existing benefits and to ensure that lessons learned from this are applied to the operation of universal credit.

Lord Henley

My Lords, the right reverend Prelate is right to draw attention to the problems some people have in knowing how the system works. He will find that how work coaches explain the administration of universal credit to people coming to them is completely different from how it used to operate. I recommend that the right reverend Prelate takes an opportunity to visit one of his local jobcentres to see how it works in practice. He might find that things have moved on a great deal since, say, his time in the diocese of Sheffield. If he wishes to take up my offer I will be more than happy to make the arrangements.

Lord McKenzie of Luton (Lab)

My Lords, is it not the case that it is not just the architecture of universal credit that is creating problems but its administration, as the Select Committee in the other place determined? I understand that, when asked about the sometimes fractious relationship between the DWP and the Treasury over universal credit the noble Lord's predecessor said that,

"there were times when one's view about the Treasury was totally unprintable".

Does the current Minister have any such inhibitions?

Lord Henley

My Lords, we have all on occasions had moments when we have had doubts about what goes on in the Treasury, but I shall not go into that at the moment. I shall go back to what the noble Lord said about the administration of the benefit. From my experience some 25 years ago in the old Department of Social Security, seeing how things are operating now in the DWP with universal credit, I think that there is a very real change taking place. It is important that noble Lords get a look at what the work coaches are doing and how they are getting this over to claimants who are coming to them. The offer that I made to the right reverend Prelate is one that I repeat to the noble Lord.

Baroness Bakewell of Hardington Mandeville (LD)

My Lords, it is a fundamental design of universal credit that people have to wait a month for their benefits to mirror what happens in real life, but that is not actually what is happening. Many families are experiencing delays of up to 12 weeks in the payment of universal credit, forcing them to use food banks and borrow from loan sharks. I have heard what the Minister says about the mechanism placed to prevent it from happening, but is he aware that it is just not happening?

Lord Henley

My Lords, we were grateful for the support of the Liberal Party as part of the coalition Government in the passage of the Bill and in reaching that appropriate design, whereby we were looking for something that mirrors the world of work. That is what we are doing. That is why we also built in, as I made clear in my original Answer, the safeguards that we have. That is why, for example, I have stressed that there are universal credit advances for certain individuals who are having problems coping with that four-week waiting period.

Baroness Hollis of Heigham (Lab)

My Lords, I am sure that all of us in this House want universal credit to work, but it is not. There have been pilot schemes showing how people are being plunged into debt through no fault of their own. There are three simple administrative changes, as my noble friend on the Front Bench mentioned, that would transform the easy delivery of UC and prevent people spiralling into deep debt from which many can never recover. The first is to get rid of the seven-day waiting period; the second is to pay people fortnightly as well as monthly in advance, if they so wish; and the third is to pay housing benefit, if tenants so wish, direct to the landlord. Those three things together would transform the ability of people who are not particularly sophisticated about the benefit system—why should they be—and give them the opportunity to get money that will help them back into the labour market, as we all want, and not have a lifetime of debt hanging over them.

Lord Henley

My Lords, I am very grateful that the noble Baroness offers support for universal credit. Like her, we wish to see it work, which is why, as my noble friend Lord Freud always made clear, we want to see a very slow rollout of universal credit. The noble Baroness, Lady Hollis, will be aware just how slow that rollout has been—deliberately so, before the noble Baroness, Lady Sherlock, giggles too much—so that we can learn as this goes along. I do not necessarily accept the three points that the noble Baroness made, but they can be taken into account as we continue with that rollout as it accelerates over the coming year.

- Universal Credit (HC Deb 20 February 2017 cc765-6)
- Universal Credit (HC Deb 21 November 2016 cc593-5)

7. Press articles & other comment

Press articles

Families could lose up to 16% of income after NIC and benefit changes, **Guardian**, 13 March 2017

Universal credit cuts hit families with children hardest, study finds, **Guardian**, 1 March 2017

MPs launch official inquiry into universal credit as criticism grows, **Guardian**, 22 February 2017

Millions affected by universal credit cuts to be partly compensated by chancellor, **Guardian**, 22 November 2016

Other comment

National Association of Welfare Rights Advisers, Work and Pensions Committee: Universal credit update inquiry: NAWRA Response, March 2017

Contact a Family, Universal Credit and disabled children, March 2017

The Chartered Institute of Housing in Scotland has issued a statement in which it voices concerns about the impact and cost of implementing of implementing Universal Credit, 13 March 2017.

The Chartered Institute of Housing in Scotland – submission on the *Universal Credit (Claims and Payments) Scotland Regulations 2017* 10 March 2017.

Josephine Tucker, The case for Universal Credit is disintegrating, **Prospect**, 7 March 2017

New briefing: What has happened to support for low-income working families under universal credit, **Child Poverty Action Group**, 1 March 2017

Universal Credit - Universal Debt, **National Federation of ALMOs**, 17 January 2017

CPAG Scotland, Findings for the Early Warning System July – September 2016, December 2016 (includes a section summarising the latest findings from CPAG's welfare reform "Early Warnings System" in relation to Universal Credit. Covers issues arising in "Live Service" areas, issues in "Full Service" areas, and issues arising in both types of area. Also gives case studies)

Kirsty McKechnie, "Universal credit full service – early warning", **Welfare Rights bulletin** 255, December 2016 (describes some early examples of problems with the operation of the UC "Full Service", as reported to CPAG in Scotland's Early Warning System)

Neil Couling, Digital welfare (II): transformation through technology, **Reform**, 18 November 2016 (written by the Director General for the Universal Credit Programme, Department for Work and Pensions)

Jane Millar and Fran Bennett, Giving back control? A contradiction at the heart of Universal Credit, **LSE blog**, 22 July 2016

Three in four Universal Credit tenants in arrears,
Social housing representative bodies are calling on the government to review Universal Credit as new research finds more than three-quarters of tenants are in rent arrears. *Inside Housing*, 7 June 2016

Citizens Advice Scotland, Learning From Testing Times: Early Evidence of the Impact of Universal Credit in Scotland's CAB Network, June 2016

Sharon Wright, Peter Dwyer, Jenny McNeill and Alasdair B R Stewart, First Wave Findings: Universal Credit, **Welfare Conditionality Project**, May 2016

Landmark day for Universal Credit as full service is rolled out Jobcentres today, **Resolution Foundation**, 25 May 2016

Joel Reland, Universal Credit: the impact across London Boroughs, Big Cities and Small Cities and Towns, **Policy in Practice blog**, 24 May 2016

Hanna McCulloch, Human rights disregarded in Universal Credit drive: Changes to benefits look ever more likely to cause more harm than good, **SCVO blog**, 16 May 2016

Kirsty McKechnie, "Universal credit: early warnings", **Welfare Rights Bulletin** 249, December 2015 (reports on what is emerging about the experience of Universal Credit through CPAG in Scotland's Early Warning System)

8. Further reading

Department for Work and Pensions

DWP, Official Statistics: Universal Credit: 29 April 2013 to 9 February 2017, 15 March 2017

DWP, Guidance: Universal Credit: In Work Progression Randomised Control Trial, updated 30 September 2016

DWP, Evaluation of the Universal Support delivered locally trials: Final report, ad hoc research report no. 33, July 2016

DWP, Universal Credit Evaluation Framework, updated July 2016 (outlines plans for continuing to develop the Universal Credit evidence base)

DWP, Universal Credit: estimating the early labour market impacts: updated analysis, 6 December 2015 (evaluates the impact of Universal Credit on employment and earnings. It concentrates on the latest data for over 8,000 single unemployed claimants who made a new claim between July 2013 and September 2014 in all of the first 10 pathfinder offices)

DWP, Universal Credit at Work, December 2015 (sets out evidence on the positive impacts of Universal Credit, from published research)

House of Commons Library publications

Commons Briefing papers CBP-7927, Universal Credit and the claimant count, 15 March 2017

Commons Briefing papers SN06473, Housing cost element of Universal Credit: withdrawing entitlement from 18-21 year olds, 8 March 2017

Commons Debate packs CDP-2017-0013, Impact of DWP policies on low income households, 16 January 2017

Commons Briefing Papers CBP-7446, Universal Credit changes from April 2016, 16 November 2016

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