



## Briefing in advance of CPAG in Scotland's Early Warning System Policy Seminar on universal credit

The Early Warning System (EWS) is a framework which has been developed by Child Poverty Action Group (CPAG) in Scotland to collect and analyse case evidence about how changes to the social security system are affecting the wellbeing of children, their families and the communities and services that support them. The cases are enabling us to develop an in-depth understanding of the impact of welfare reform and to identify how policies and services in Scotland can continue to contribute to delivery of better outcomes for children.

### Universal credit

Universal credit is a new benefit being gradually introduced to replace current means-tested benefits and tax credits for working-age people. When the introduction of universal credit (UC) was announced, there was widespread hope that the intended simplification of the benefits system, strengthened work incentives and a more gradual progression into employment would prove beneficial to low income families. The IFS predicted that, overall, UC would help to reduce child poverty (1).

Six years later however, delays, changes to entitlement and reported administrative problems have raised serious concerns that universal credit will have a detrimental impact on some of Scotland's most vulnerable families and contribute to increased rates of child poverty.

### Universal Credit: Winners and Losers

Analysis recently published by the Institute for Fiscal Studies (IFS) suggests that – overall – households are likely to see a reduction in their income as a result of being migrated onto universal credit - though many families will find themselves better off (2).

- Amongst working households, **2.1 million will lose an average of £1,600 p.a.** while 1.8 million households will gain an average of £1,500 p.a.
- Amongst workless households **1.1 million will lose an average of £2,300** whilst 0.5million will gain £1,000 a year.

The precise impact on each households will depend on its particular circumstances and characteristics. Overall, however, the IFS also noted that certain groups are particularly likely to be put at a disadvantage. These include:-

- lone parents,
- couples with children where both parents works,
- owner occupiers

The Resolution Foundation (RF) has concluded that, overall, the introduction of universal credit and related social security cuts announced in the Summer Budget 2015 will result in an increase in child poverty (3). Child poverty was already expected to rise by 400,000 (to 2.7 million) between now and 2020, but the RF has projected that an **additional 200,000 children will be pushed into poverty** as a result of measures including restricted entitlement to UC for larger families, a freeze on the value of benefits including UC and a less generous work allowance.

### UC in practice: EWS case evidence

The introduction of universal credit was intended to simplify the benefits system and improve uptake of benefits by reducing the need to make multiple applications. However, cases gathered through the Early Warning System have highlighted concerns about how the benefit is being administered in practice and the knock on effect this is likely to have on children, families and the services and communities that support them.

## Misinformation and maladministration

UC is being rolled out at varying speed across the UK, with some areas accepting claims for UC from a wider range of applicants than others. As a result, there appears to be extensive confusion about who is eligible to make a claim for UC in a given area and who should be able to claim benefits like JSA, ESA and working tax credits instead.

### Gateway conditions

To ensure the DWP only processed the simplest claims to begin with, a number of “gateway conditions” have been introduced to ensure that vulnerable individuals with complex cases are not yet making claims for UC. Cases collected through the EWS suggest that many people who do not satisfy these conditions are being wrongly encouraged to claim UC. These include homeless individuals, people with complex medical conditions and those without bank accounts.

- The client is single, unemployed, homeless, was told he had to claim UC. He did so but his claim was refused because he has no fixed abode. He does not meet the gateway conditions because he is homeless and should have been advised to claim JSA instead. #6112
- The client tried to claim UC but was knocked back because he has no bank account. He was assisted to claim JSA by Jobcentre Plus staff, but the Benefit Delivery Centre subsequently phoned and told him to claim UC. He should be excluded from the gateway because he does not have a bank account. #4196

The process of claimant identity verification – which could generally be done over the phone for JSA claims – is proving problematic for some claimants.

- One client claimed UC and was given an identity verification interview in Wick, a two hour train ride away. She cannot afford the train ticket but has been told she will only be reimbursed if she can get there. The client had a crisis grant but now run out of money again. #6944

Contributions-based benefits are not included in UC. Despite this, several people who should have been claiming contributions-based JSA have been advised to claim UC.

- The adviser is trying to support a client to claim contributions-based JSA but the DWP's online system won't let them - it keeps directing them to UC. The adviser is adamant that there weren't any filter questions in the process to direct her to contributions-based JSA. #6894

## Calculating entitlement to UC

UC is paid at the end of month ‘in arrears’. The amount payable is calculated on the basis of the claimant’s circumstances during the previous month. If the client’s circumstances change during that month (the ‘assessment period’), the effect of this change will be assumed to apply to the whole month. For example, if a baby is born on the last day of the monthly assessment period, her parents will benefit from the additional child amount for the whole of that month. However, if a tenant moves from one tenancy to another (and the second property has a lower rent), the tenant will receive the lower rent for the whole of that period - even though that will be lower than the tenant’s actual rental liability. This is proving problematic for many claimants who see their income dip significantly and unexpectedly as a result.

- The client made a claim for UC but started full time education the day before his first assessment period was due to end. Because the change of circumstances took place during the monthly assessment period he was not be entitled to any UC at all.

Unexpected variations in UC payments can also make it difficult to cover housing costs.

- The client was receiving UC including an element to cover his private rented accommodation costs. He moved into supported accommodation on the 28th of the month, the cost of which was covered by the local authority housing benefit team. The UC rules treated him as though he had been in supported accommodation (paid for by the local authority) all month - leaving him with 20 days where he received no financial contribution to his housing costs for his private tenancy. #6478

Unexpected payments can cause substantial drops in UC the following month.

- The client is waiting for his first payment of UC. He was advised by a financial adviser to draw down a lump sum from his occupational pension pot to tide him over but was then incorrectly notified by the DWP this means his UC for that period will be reassessed to take account of this income. #6250

## Delays

In general, the first payment of UC will not be made until six weeks after the claim is made (seven day waiting period, plus a month long assessment period). In some circumstances, the individual might be eligible for a short term advance (STA) to cover interim costs. However, EWS cases suggest there may be confusion within the DWP about who is eligible for STAs and when.

- One advice agency received conflicting information about whether an advance payment of UC must be requested within 21 days of the original claim for UC. Research reveals there is no legal time limit and an advance can now be requested at any time during the first assessment period, but it will not be considered if made with three days before the assessment period ends. #6396

## Sanctions

Currently a person claiming JSA, employment and support allowance (ESA) or income support (IS) can be sanctioned for failing to satisfy conditions related to preparing for or finding work. Under universal credit, it will be possible for a person to be sanctioned even though s/he is in employment if it is decided that s/he is not doing enough to earn more money (and therefore reduce the amount of UC they receive). We received a couple of cases in the summer of 2015 which suggested that 'In Work Conditionality' was being trialled in some parts of the country, but have not received any since then.

- The client works between 10 and 14 hours a week and is receiving UC. She is about to be sanctioned for failure to comply with the work related requirements. #4965
- The individual claimed UC when he was unemployed, then began working full time. Despite his earnings from employment he is still be entitled to £15 a week UC. He has received a letter from the DWP threatening to sanction him because he missed a Jobcentre Plus appointment while he was working full time. #Mii63

Because universal credit is paid as a single monthly payment, the application of a sanction can impact a person's ability to cover their housing costs. This was not the case in relation to legacy benefits because housing benefit was a separate payment, often paid directly to landlords.

- A client on UC is having deductions taken in respect of rent arrears. He has been sanctioned but the deductions continue to be made, reducing the housing element and leaving the client with a shortfall to be paid towards his rent. #5291

## Hardship payments

People claiming JSA or ESA can often claim a non-repayable hardship payment if they receive a sanction. A hardship payment is paid at 60% of what the claimants would be receiving had they not been sanctioned. Under universal credit, all claimants will have to wait seven days before they receive a hardship payment. They will also have to repay the hardship payment once their benefits are back in payment.

- A client did not fully disclose her circumstances to the DWP because she was in a violent and financially abusive relationship and feared repercussions. When the client claims UC it is likely she will be sanctioned for the first 13 weeks. If she receives hardship payments these will have to be repaid at a maximum rate of 40%, effectively increasing her sanction period. The client lives in a rural area where bus passes cost £32 a week or £6 a day. The client's reduced income means that it is unlikely that she will be able to travel to comply with job seeking conditions. #6621

## Impact on housing

Under UC, most claimants will receive a single monthly payment of UC and will be responsible for paying their own rent. Some claimants have struggled to budget effectively and ended up in arrears as a result.

- The client's UC claim included his personal allowance and the housing element. He was unaware that part of the payment was intended to cover his rent and therefore did not make payments to his landlord accordingly. He has accrued over £1000 arrears, having never been in rent arrears before. He has now received a notice of eviction proceedings from his housing association but has been supported to make a repayment arrangement. This was one of two identical cases the adviser had seen in a week. #Mii102

A couple of cases raise concern about the arrangements that should allow the DWP to make direct payments to third parties to pay outstanding debts.

- The client had multiple debts, a warrant for his arrest for failure to pay court fines and was facing eviction. The court agreed to lift warrant for arrest if third party deductions were put in place. When it applied for deductions from the client's UC the court was told that systems were not yet in place to allow this. #Mii106

## Moving home

Under housing benefit rules, a person could receive housing benefit for two properties at the same time if there was an unavoidable overlap between their tenancies. No such arrangement appears to exist in relation to UC.

- The client is in receipt of UC is moving to a council tenancy from a private tenancy because it was unaffordable. He signed up to his new tenancy but still has to give a month's notice to his private landlord. #6830

## Discretionary Housing Payments (DHPs)

Historically, claimants have only been eligible for DHPs (help from the local authority to cover housing costs) if they are in receipt of housing benefit. The fact that some people are claiming UC instead of housing benefit has led to some confusion amongst local authorities and prevented some claimants from accessing DHPs.

- A client in receipt of UC, including the housing element, approached the local authority about applying for a DHP to cover the £40 a month shortfall in his rent, but was told this couldn't be paid to individuals in receipt of UC. He is facing court action for eviction over his rent arrears. #5368
- An adviser called the local authority to ask about claiming a DHP for someone who is in receipt of UC and subject to the bedroom tax but was told that they had no idea how this would work as they had not been trained to handle such a scenario. #5269

## Early Warning System Policy Seminar – Friday 11<sup>th</sup> March

CPAG in Scotland's Policy Seminar on Friday 11th March will provide an opportunity to consider the impact of UC on children, families and devolved services in Scotland.

As noted above, headline impacts are likely to include increased child poverty and an increase in the number of families experiencing extended periods of extremely low or no income as a result of delays and a less generous approach to hardship payments.

Some of the areas of devolved policy and service delivery that are likely to be impacted by the introduction of universal credit (given the issues highlighted by EWS cases) include:

- **Housing:** Registered Social Landlords are likely to encounter increased delays with rent payments and arrears as a result of single monthly payments made to the tenant. There may also be ongoing shortfalls as a result of the way in which entitlement is calculated.
- **Childcare / Children's Services:** Changing work incentives might alter patterns of demand for childcare, especially given the fact there will be reduced incentives for both parents in a household to work. Variable and unpredictable income from UC could also result in parents having difficulty covering childcare costs.
- **Crisis Support:** Cases suggest that increased poverty and income crisis will result in increased demand for funds such as the Scottish Welfare Fund, discretionary housing payments and emergency food aid.

### The EWS seminar will provide an opportunity to consider:

- How can devolved services prepare for changes (both positive and negative)?
- What might be done locally and nationally to mitigate any negative impact and improve outcomes for children and families?
- Examples of good practice in terms of what is already being done to cope with UC

Speakers and workshop hosts will encourage participants to focus on three underlying themes for the day. These are:

- Child wellbeing
- Access to information and advice
- Use of future welfare powers

For more information or to discuss the contents of this briefing please contact Hanna McCulloch [hmcculloch@cpagscotland.org.uk](mailto:hmcculloch@cpagscotland.org.uk) 0141 611 7090

## ENDNOTES

(1) [www.ifs.org.uk/publications/5710](http://www.ifs.org.uk/publications/5710) Universal Credit not enough to prevent a decade of rising poverty, Mike Brewer, Institute of Fiscal Studies, 2011

(2) [www.ifs.org.uk/uploads/gb/gb2016/gb2016.pdf](http://www.ifs.org.uk/uploads/gb/gb2016/gb2016.pdf), The IFS Green Budget, February 2016

(3) [www.resolutionfoundation.org/media/press-releases/summer-budget-changes-will-push-up-to-200000-working-households-into-poverty](http://www.resolutionfoundation.org/media/press-releases/summer-budget-changes-will-push-up-to-200000-working-households-into-poverty)