

Report To:	OVERVIEW AND SCRUTINY COMMITTEE	Date:	25 SEPTEMBER 2019
Heading:	SCRUTINY REVIEW: IMPACT OF UNIVERSAL CREDIT		
Portfolio Holder:	NOT APPLICABLE		
Ward/s:	ALL		
Key Decision:	NO		
Subject to Call-In:	NO		

Purpose of Report

The purpose of this report is to present Members of the Overview and Scrutiny Committee with further information requested at both the last formal meeting of the Committee on July 18 and the informal working group held on August 7. This includes Universal Credit payment methods, support offered, and food and fuel poverty.

Recommendation(s)

Overview and Scrutiny Committee Members are recommended to:

- a. Note the information contained in this report.
- b. Give consideration to any further information needed to conclude the review.
- c. Discuss potential recommendations with a view of concluding the review at the next formal meeting of the Overview and Scrutiny Committee in November.

Reasons for Recommendation(s)

Impact of Universal Credit was approved as a topic for review to the Scrutiny Workplan 2019/20 in June 2019.

Alternative Options Considered

No alternative options have been considered at this stage of the review process.

Detailed Information

Informal Working Group – 7 August 2019

An informal working group was held on the 7 August 2019, with attendance from Members of the Overview and Scrutiny Committee, Nicky Moss, Service Manager – Housing Management & Tenancy Services, Peter Curry, Housing Management Advisor, Craig Scott, Service Manager – Revenues and Benefits, and Sue Fielding, Senior Employment & Partnership Leader – Department for Work and Pensions.

The working group provided an opportunity for Members and Council Officers to discuss the working relationship between the Council and the Department for Work and Pensions regarding Universal Credit, and what payment and support processes are in place. Members and Officers discussed the following at the informal working group:

- The process of applying for Universal Credit
- The Council's Universal Credit case load management
- Universal Credit payment processes such as:
 - Third Party Deductions
 - Managed Payments
 - Advanced Payments
- The Help to Claim service
- How Council Tax has been impacted by Universal Credit
- Information sharing between the Council and the DWP
- Food and Fuel Poverty

At the conclusion of the informal working group, Members agreed that the Scrutiny Review: Impact of Universal Credit should explore the different payment processes available through Universal Credit, and how the introduction of Universal Credit has impacted food and fuel poverty nationally and in Ashfield.

Universal Credit

Advanced Payments

Through Universal Credit, advanced payments are available if a claimant needs help to pay their bills or cover other costs while waiting for their first Universal Credit payment. For example, if a claimant cannot afford to pay rent or buy food.

An advanced payment is paid back through future Universal Credit payments, or other means such as wages or other benefit payments. A Universal Credit help adviser assesses the advanced payment application, and if agreed, informs the applicant of when the first repayment is due, and the monthly repayment amounts.

Deductions are made from a claimant's monthly Universal Credit payment, and up to 12 months can be taken to repay the advance. In exceptional circumstances, this can be delayed for up to three months if the repayments are unaffordable.

Some criticisms of the advanced payments system have been a lack of flexibility in repayment options and a lack of adequate affordability and repayment assessments.

Third Party Deductions

Due to difficulties managing money, some claimants may struggle to pay household bills and can get into arrears.

In some circumstances, the DWP can deduct money from Universal Credit payments and pay it direct to the organisation that is owed, such as a landlord or utility supplier. Third party deductions can be taken without the claimant's consent and are often for things like:

- Rent
- Fuel costs
- Council Tax
- Fines
- Child maintenance

Only three third party deductions can be taken from a claimant at any one time. A claimant is notified through their Universal Credit Journal when a third party deduction is made. A third party deduction is a fixed percentage that cannot be changed

Financial Hardship

If a claimant is experiencing financial hardship, a financial hardship decision can be requested to reduce the amount of debt they are currently repaying. A financial hardship decision can be considered by the DWP if the claimant has deductions being taken from their Universal Credit payment for the following:

- Tax credits debt
- Benefit debt
- Social fund loan
- Rent arrears (if the deduction for rent arrears is being taken at a rate greater than 10%)

If the DWP makes a decision to reduce a claimant's deductions, the new reduced deduction rate will be applied automatically to their next Universal Credit assessment period.

Alternative Payment Arrangements

If a claimant is experiencing financial difficulties, such as being behind on their rent, the claimant or their landlord may be able to apply for an alternative payment arrangement.

This alternative arrangement can be:

- To have rent paid directly to a landlord
- To get paid more than once a month
- To receive split payments, if part of a couple

Alternative payment arrangements are applied for through a claimant's work coach.

Help to Claim

Help to Claim is a service provided by Citizens Advice aimed at supporting claimants in the early stages of their Universal Credit claim, from the application through to the first payment. It is a

confidential, independent, and free service with trained advisers assisting claimants on how to gather evidence for an application, and how to prepare for jobcentre appointments.

Help is tailored to the individual, and is available face-to-face, over the phone, and through an online web chat service. The Help to Claim service is funded by £39 million from the Department for Work and Pensions.

Fuel Poverty

The Energy and Utilities Alliance is a not-for-profit trade association that provides an industry voice to help shape future policy direction within the energy sector. *Fuel Poverty: Ending the Vicious Cycle of Vulnerability* is a 2018 report prepared by the Energy and Utilities Alliance explores the state of fuel poverty in the United Kingdom.¹

The issue of fuel poverty is worsening in the United Kingdom, with England experiencing the second highest rates of fuel poverty in Europe. As of January 2018, it is estimated that around 10 to 12% of households in the country are fuel poor.²

The issue has been worsened by policy changes and welfare reforms, particularly with the introduction of Universal Credit. Universal Credit leaves households waiting for up to six weeks for the first payment, pushing more people towards making dangerous decisions regarding the heating of their homes – the ‘heat or eat’ dilemma. Such high levels of fuel poverty has significant consequences, being a significant contributor to the 28,584 excess winter deaths that occur in England and Wales each year.³

Food Poverty

The Trussell Trust is a national anti-poverty charity supporting a network of food banks nationwide, providing emergency food and support to people locked in poverty, and campaigning for change to end the need for food banks in the UK.

The Trussell Trust has over 1,200 food bank centres in their network, estimated at around two thirds of all food banks in the UK. Trussell Trust food banks gave 1.6 million emergency food supplies to people in crisis in 2018/19.

As the largest welfare reform in a generation, the Trussell Trust has been monitoring the introduction of Universal Credit, and how it has impacted food poverty. As part of this monitoring, the Trussell Trust has released a series of reports exploring the impact of the introduction and design of Universal Credit on claimants and food banks.⁴

In *The Next Stage of Universal Credit*, the Trussell Trust explores the links between Universal Credit, financial hardship, and foodbank use.

The key findings set out in this report are:

1. When Universal Credit goes live in area, there is a demonstrable increase in demand in local Trussell Trust foodbanks. On average, 12 months after rollout, foodbanks see a 52% increase in demand, compared to 13% in areas with Universal Credit for 3 months or less.

¹ Energy and Utilities Alliance, *Fuel Poverty: Ending the Vicious Cycle of Vulnerability*, January 2018.

² *Fuel Poverty: Ending the Vicious Cycle of Vulnerability*, 2018.

³ *Fuel Poverty: Ending the Vicious Cycle of Vulnerability*, 2018.

⁴ The Trussell Trust, *The Next Stage of Universal Credit: Moving onto the New Benefit System and Foodbank Use*, April 2018.

This increase cannot be attributed to randomness and exists even after accounting for seasonal and other variations.⁵

2. More detailed foodbank referral data show that benefit transitions, most likely due to people moving onto Universal Credit, are increasingly accounting for more referrals and are likely driving up need in areas of full Universal Credit rollout. Waiting for the first payment is a key cause, while for many, simply the act of moving over to a new system is causing hardship.⁶

Left Behind: Is Universal Credit Truly Universal? sets out findings from a survey of people referred to 30 Trussell Trust food banks in areas of full Universal Credit roll-out, between February and March 2018.⁷

Key findings explored in this report include:

1. The wait for a first payment had severe and immediate consequences. 70% of survey respondents found themselves in debt, 57% experienced issues with their mental or physical health, and 56% experienced housing issues. Ultimately, the wait for a first Universal Credit payment had severe financial and other implications.
2. There was little statutory support available during this waiting period. 63% of respondents were offered no help, and the most likely form of help offered was a food bank voucher. Advanced payments proved helpful for some, while others said they were too little, or unaffordable to repay.
3. Only 8% of people surveyed by the Trussell Trust said their full Universal Credit payment covered their cost of living. This was even less for disabled people, or people with ill-health.
4. Poor administration of the Universal Credit process was a persistent concern outlined in the surveys. 35% had waited, or were waiting, longer than six weeks for their first payment. A third of those surveyed had experienced poor communication. Over and underpayment were particularly rife amongst claimants in work.

The outcomes of the surveys conducted by the Trussell Trust led to a series of recommendations:

1. Local authorities should provide a true Universal Support service which supports people transitioning onto the benefit or making a new claim, and expands support for people with the greatest need.
2. People should have longer to repay advanced payments, and more frequent payments and payments direct to landlords should be offered to all in financial risk or need.
3. Benefit payments should be uprated in line with inflation.
4. An urgent inquiry is needed into poor administration within Universal Credit and its effects.
5. More flexibilities for requirements should be introduced particularly for disabled people and people with ill health.

⁵ *The Next Stage of Universal Credit*, 2018.

⁶ *The Next Stage of Universal Credit*, 2018.

⁷ The Trussell Trust, *Left Behind: Is Universal Credit Truly Universal?* March 2018.

Using their findings, the Trussell Trust has suggested numerous ways in which adverse side effects following the introduction of Universal Credit could be mitigated.⁸

1. **Universal Support:** More information about the shape and form of Universal Support locally would bring welcome clarity to food banks.
2. **Six week wait:** A reduction of the initial six-week waiting period for Universal Credit would make a significant difference to a claimant's ability to cope with no income.
3. **IT & Flexibility:** Increased flexibility in the administration of Universal Credit is needed to support people moving onto the new system.
4. **Conditionality:** Continued monitoring the impact of conditionality, which has been linked to increased food bank usage.

The Trussell Trust has further advocated for a pause in the full roll-out of Universal Credit across the country, better availability of affordable advanced payments, and changes to the cost of calling the Universal Credit helpline. It is clear from the research and exploration carried out by the Trussell Trust that use of and reliance on food banks has increased with the introduction of Universal Credit.

Next Steps

Members are requested to consider what further information is required to conclude the review at the next meeting of the Overview and Scrutiny Committee scheduled for 7 November 2019. This would allow the presentation of a final report on the review to Cabinet later in the month.

⁸ The Trussell Trust, *Early Warnings: Universal Credit and Foodbanks*, April 2017.

Implications

Corporate Plan:

This review is focused on the following Corporate Plan Priorities:

- Community and Customer Focused
- Putting People First
- Collaborative Working
- Commitment to Residents

Legal:

Any legal implications relating to the introduction and subsequent impact of Universal Credit will be considered as part of the scrutiny review process.

Finance:

Any financial implications relating to the introduction and subsequent impact of Universal Credit will be considered as part of the review process.

Budget Area	Implication
General Fund – Revenue Budget	None.
General Fund – Capital Programme	None.
Housing Revenue Account – Revenue Budget	None.
Housing Revenue Account – Capital Programme	None.

Risk:

Risk	Mitigation
None at this stage of the review.	None at this stage of the review.

Human Resources:

None at this stage of the review.

Equalities:

Any equalities implications will be considered as part of the scrutiny review process.

Other Implications:

None.

Reason(s) for Urgency

None.

Reason(s) for Exemption

None.

Background Papers

- Department for Work and Pensions, *Universal Credit Test and Learn Evaluation: Families*, September 2017.
- Energy and Utilities Alliance, *Fuel Poverty: Ending the Vicious Cycle of Vulnerability*, January 2018.
- The Trussell Trust, *Early Warnings: Universal Credit and Foodbanks*, April 2017.
- The Trussell Trust, *Left Behind: Is Universal Credit Truly Universal?* March 2018.
- The Trussell Trust, *The Next Stage of Universal Credit: Moving onto the New Benefit System and Foodbank Use*, April 2018.

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