About Policy in Practice

Policy in Practice was founded by one of the architects of Universal Credit to make the benefit system simple for people to understand and organisations to administer.

Our social policy software and analytical services are being used by over fifty local authorities to show the combined current and future impacts of changes in government policy, to track the impact of policy changes on behaviour and outcomes, and to target support to individual households in a fast and engaging way.

We recently brought together 'leading lights' in the field of welfare policy and practice to discuss constructive ways in which the DWP and local organisations could improve the implementation of Universal Credit.

Context for current Universal Credit issues

Universal Credit is intended to:

- simplify the benefit system, making it easier to for people to understand and more efficient for government to administer;
- smooth the transition into and out of work by creating clear work incentives; and
- promote behavioural change - the intention is for recipients to become more self-reliant and, where possible, to enter or re-enter the labour market, and to progress in work.

The DWP is currently rolling-out Universal Credit full service, accepting new claims from all claimants (not just straightforward claims as previously). About 8% of the roll-out has taken place so far, and the intention is that every Jobcentre will be full service by the end of 2018.

There is general consensus that the underlying principles behind Universal Credit are sound. Bringing together six separate benefits/credits is a very worthwhile proposition. But it is not surprising that innovation of such magnitude and complexity presents real challenges for all involved in the implementation of Universal Credit: for DWP, for local organisations and interest groups, for landlords and not least for the recipients themselves. Policy in Practice believes that it is important to build on the consensus around the underlying principles and address, as soon as they arise, any issues which might derail successful implementation.

This paper brings together a range of options, put forward by practitioners, that we believe can help smooth the implementation of Universal Credit, and improve outcomes for low income households.

Measures to improve Universal Credit

Policy in Practice believes that policy can be improved by bringing practitioners into the policy development process. We recently brought together 'leading lights' in the field of welfare policy and practice to discuss constructive ways in which the DWP and local organisations could improve the implementation of Universal Credit.

All the ideas and recommendations in this briefing paper have been informed by practitioners we have spoken to. Although Policy in Practice believes that the urgent priority is to alleviate the problems arising from the six-week period before payment of Universal Credit is made, a number of other potential measures have been brought to our attention by practitioners. We believe that these measures could help make the implementation of Universal Credit smoother.

Summary of recommendations

Eliminating the six-week wait under Universal Credit

- *The accompanying briefing note sets out a range of detailed options that for the DWP to consider that would help to ensure claimants were paid earlier, and ensure Universal Credit is perceived by all as a positive reform.*

Backdating

- *Allow backdating for one month prior to the start of the claim under any reasonable circumstances, with a provision to backdate to up to 3 months in the more limited circumstances outlined in the current regulations.*

Changes in circumstances

- *Take account of a change in circumstances from the date it occurs, to deliver savings alongside more accurate and fairer awards of benefit.*

Self-employed earnings

- *Assess income from self-employment over 3, 6 or 12 months, before applying the minimum income floor, to ensure parity between employed and self-employed claimants.*

Deductions and recoveries

- *Set the standard repayment period for an advance payment to 12 months, with a clearer explanation for deductions via claimant's journals, to help claimants already in debt.*

Discretionary Housing Payments

- *Amend the regulations so that DHPs can be paid when there is good reason to believe that the housing element of Universal Credit will be payable in the near future.*

Private Rented Sector

- *Outlaw the practice of placing restrictions on Buy to Let mortgages that discriminate against tenants in receipt of any type of benefits, including Universal Credit.*

Temporary accommodation

- *Claimants in short-term temporary accommodation should be taken out of Universal Credit until their situation stabilises.*

Job search and claim management

- *Allow a specific amount of time within the claimant commitment for the verification and self-management of the claim, and for basic skills development. The DWP should allow claimants to submit all claim verification online, and accept photocopies as substitutes for originals wherever possible.*

Rapid-reclaim of Universal Credit

- *The DWP should monitor the earnings of claimants that come off Universal Credit due to higher than average earnings, triggering an automatic Universal Credit payment if earnings fall. Universal Credit claimants should be notified when their Universal Credit claim is stopped, with a 'one-click' ability to re-open a claim.*

Local advocacy and support

- *The DWP should continue to improve their own training so that front-line staff have the right information about UC claims, and the skills to interpret them correctly. The DWP can recognise the value of local support by streamlining the consent needed by local organisations so that it is not so specific and time-limited.*

Suggestions to improve Universal Credit from the frontline

Backdating

Universal Credit claims can be backdated by up to one month in certain circumstances but the rules are generally regarded as very restrictive[1]. These rules are seen as particularly harsh when there is evidence that the claimant is facing a crisis, or has been given the wrong information.

We recommend that backdating for one month prior to the start of the assessment period should be allowed in any reasonable circumstances (taking both income and entitlement into account) and that there should be provision to backdate to up to three months in the more limited circumstances outlined in the current regulations.

Treatment of changes in circumstances

Under Universal Credit, changes in circumstances are applied across the whole assessment period during which the change occurred.

This means that people can gain considerably from changes which lead to an increase in entitlement, particularly if the change happens towards the end of the assessment period. Conversely, people can lose out if their change of circumstances leads to a reduction in entitlement.

The outcomes are seen to be arbitrary and unfair. A lone parent with a child born on the 25th day of a 30-day assessment period gains, as they receive support for their child for the full month, while the parent of a child that becomes a non-dependant on the same day loses, as the child element is lost for the entire assessment period. Inevitably, this introduces a perverse incentive to make changes (such as rent increases) at a time which is most beneficial to the claimant. This method of assessing change of circumstances causes a particular issue for councils housing people in very short-term

[1] Backdated claims for Universal Credit:
Backdating will be available in very limited circumstances (as set down in regulations) to protect the most vulnerable claimants who may be delayed in claiming Universal Credit through no fault of their own. This includes claimants:

- who were previously in receipt of Jobseeker's Allowance, Employment and Support Allowance, Income Support, Working Tax Credit or Child Tax Credit and notification of expiry of entitlement to that benefit wasn't sent to the claimant before the date on which entitlement expired
- who have a disability (this includes a physical, mental, learning or language disability)
- who have supplied medical evidence that satisfies the Secretary of State that the claimant had an illness that prevented them from making a claim
- who were unable to make a claim online due to the official computer system being inoperative
- who were previously a member of a joint claim for Universal Credit and the partner who first notifies the separation has to make a further claim to Universal Credit as a single person
- who claim Universal Credit as a single person (following a claim or an award of Universal Credit as a member of a couple) where the couple separated following the other partner's refusal to sign their Claimant Commitment

The above circumstances only apply when a single claimant or both members of a couple meet the criteria. The maximum period a Universal Credit claim will be able to be backdated is up to one calendar month.

temporary accommodation as it can lead to no award of housing element, leaving the council to foot the bill.

Converting changes of circumstances from the date of change, into a monthly award

Universal Credit is paid based on a monthly award, and has no 'daily' component. However, converting a mid-month change of circumstances into a monthly award should be relatively straightforward. For example, if a claimant were to move home seven days after the start of an assessment period that had 30 days, then the housing element would be calculated using the following formula.

- Housing element = (7 / 30 * initial housing costs) + (23/30 * new housing costs)

The housing element would be summed with other elements to total the overall Universal Credit award, and this be withdrawn based on earnings as normal.

We recommend reverting to the previous policy for some benefits of taking account of a change of circumstances from the date it occurs. Although there will be swings and roundabouts, we believe this should lead to savings overall as well as more accurate and fairer awards of benefit. It will also remove perverse incentives and be simpler to understand.

Treatment of self-employed earnings

The number of self-employed people is growing and will form a significant part of the Universal Credit caseload. Their cashflow tends to be very uneven and the interaction with the Universal Credit assessment periods and the minimum income floor policy may leave some claimants with little or no income in certain months.

We understand the arguments for the minimum income floor, and that self-employed people can benefit from lower levels of conditionality. However, low-earning self-employed people do not typically have a business from which they draw cash on monthly basis, and quarterly earnings is arguably more representative of income. The core issue is that employed people with exactly the same pattern of fluctuating earnings over multiple months would receive higher Universal Credit than someone who was self-employed (because of the minimum income floor) and this issue is not resolved by the surplus earnings rule set to come in this April.

We therefore recommend allowing self-employed claimants to average income from self-employment over 3 months, before applying the minimum income floor.

Deductions and recoveries

There is no doubt that when many claimants begin their Universal Credit claim, they are already deeply in debt, often trying to cope with punitive interest rates. There is concern about the high level of deductions from Universal Credit that can be applied, as well as the possibility (under current arrangements) of repaying an advance payment.

We recommend that the standard repayment period for a Universal Credit advance payment should be 12 months.

We also think it would be helpful to provide clearer explanations for deductions via claimant's journals: what the debt is, what it relates to, how much is owed, how long deductions will continue for, and an option to extend the repayment period if this is unaffordable. This would help resolve a problem raised by housing providers whereby rent and rent arrears payments to landlords are paid in multiples of 4 weeks (via a legacy IT system) whereas rent is generally paid to them monthly.

A more radical approach, which could be combined with options to address the 6 week wait, would be to continue to make advance payments (or interest free loans) available to claimants to consolidate their debts.

Greater local flexibility over Discretionary Housing Payments (DHPs)

Local authorities can use DHPs to pay for housing costs, as long as Housing Benefit or the housing element of Universal Credit is payable and the rental liability is not exceeded. However, some of the biggest problems occur when a claim for the housing element of Universal Credit has not been verified.

Local authorities have a responsibility to help vulnerable households, and prevent homelessness. They are well placed to help households that are struggling with housing costs, and often have strong relationships with both social and private sector landlords.

We recommend that the regulations are amended so that DHPs can be paid when there is good reason to believe that the housing element of Universal Credit will be payable in the near future. This will allow awards to be made where serious and perhaps atypical problems have arisen at the beginning of a Universal Credit claim and could help with the transition onto Universal Credit. A small increase in the DHP budget would be helpful in this respect.

Private rented sector

There is growing evidence that private-sector landlords are reluctant to rent to Universal Credit claimants. The DWP response is that this is likely to be sabre-rattling, particularly in areas where benefit claimants comprise a large part of the rental market. Similar protestations were made by landlords after the introduction of Local Housing Allowance in 2008, but the number of private-sector tenants receiving Housing Benefit actually grew thereafter.

The private-rented sector is a valuable and important housing option for many people including those receiving Universal Credit. The concerns about landlords refusing to let to claimants have been raised directly by heads of housing, particularly in areas such as London and the south-east where evidence suggests that landlords have a greater choice of tenants. Landlords have cited the restrictions placed upon them by mortgage lenders and insurance companies, who are imposing restrictions on Buy to Let mortgages with clauses that do not allow them to let to tenants who are in receipt of any type of benefits. *This practice should be outlawed.*

Temporary accommodation

Housing providers, particularly local authorities in London, are very concerned that they are losing substantial sums of money because the arrangements for paying Universal credit to claimants in temporary accommodation are breaking down. Specifically, it is difficult to reconcile the monthly assessment period with the short-term nature of temporary accommodation, particular when claimants stay in bed and breakfast accommodation for a short period of time and then move to cheaper accommodation, move to a different borough or leave the benefits system.

We recommend that until changes of circumstances can be properly accounted for (see option on treatment of changes in circumstances above), claimants in short-term temporary accommodation should be taken out of Universal Credit until their situation stabilises. Meanwhile, a way should be found of automatically making an alternative payment arrangement so that a payment can be made to the landlord which reflects the full rental liability in the period. The landlord portal should help in this respect.

Job search and claim management

Claimants who are capable of work are rightly expected to spend time looking for work and to provide evidence that they have done so. But they also need time to obtain the evidence for their claim, and often are required to take part in other activities, including basic skills development.

New claimants for Universal Credit need to spend a substantial amount of time setting up and verifying their claim. In some cases, for example evidence of childcare costs, they are required to obtain evidence at the time of payment and take this to their Jobcentre. It is often difficult for claimants to find the time to do this, alongside the time that is required to meet the claimant commitment. This is contributing to delays in payment for the claimant and administrative costs for DWP.

We recommend that a specific amount of time is allowed in the claimant commitment to carry out verification and self-management of the claim, and for basic skills development, along with guidance on where to turn to for support. It is acknowledged that this will reduce the amount of time for job-seeking in the first month or so of the claim. We also recommend that the aim should be to submit all claim verification online, or failing that by post, and for DWP to accept photocopies as substitutes for originals wherever possible.

Rapid reclaim of Universal Credit

Universal Credit full service requires claimants to reopen a Universal Credit claim if earnings in a given assessment period reduce the Universal Credit award to zero.

Practitioners have raised this with Policy in Practice, arguing that it is counter to the principles of Universal Credit, intended to smooth the transition onto higher earnings. They argue that it adds unnecessarily to the administrative burden for claimants and the DWP. In addition, Universal Credit claimants paid weekly, fortnightly or four-weekly will have assessment periods where they systematically receive higher earnings, and could lose Universal Credit unwittingly.

We recommend that the DWP consider an automatic 'rapid-reclaim' period, where earnings in the next three assessment periods is monitored. If earnings fall, a Universal Credit payment is triggered automatically. As a minimum, Universal Credit claimants should be clearly notified (e.g. via text message) when their Universal Credit claim is stopped, with a 'one-click' ability to re-open a claim.

Local advocacy and support

We recognise that DWP are making important changes to improve communications such as the landlord portal, and there have been efforts to ensure Universal Support is delivered locally. DWP also invests huge sums in training staff to provide effective levels of customer service.

That said, Universal Credit is wide-ranging and complex and with the best will in the world, it is very difficult for front-line staff to always provide clear and comprehensive advice. Practitioners have consistently raised issues, at 'leading light' events both 18 months ago and more recently, around advisers giving inconsistent information or not being able to answer fairly straightforward queries regarding the claim. It is also difficult to access advice either on the phone or personally.

Many of our clients are keen to make Universal Credit work, and are able to offer professional support locally to Universal Credit claimants, both in handing their claim and more generally in budgeting and IT skills. We believe more could be done to enable these agencies to provide relevant and useful support.

A significant minority of claimants will continue to struggle because they lack both the IT skills needed to make and manage a claim and the budgeting skills needed to manage a monthly budget. They will need to be helped through the claim process and also given further support to improve their skills generally. For local support to be fully effective, the arrangements for claimants giving consent to local organisations to speak and act on their behalf need to be simple and effective.

We recommend that DWP continue to improve their own training so that front-line staff not only have the right information about UC claims but also have the skills to interpret it correctly. One or two specialists within each Jobcentre Plus office would be a practical step forward. We also consider that DWP could do more to build on the goodwill of local organisations, to recognise the value of local support and streamline the consent needed by local organisations so that it is not so specific to a given issue, or time-limited.

Longer term considerations

Universal Credit has the potential to change peoples' lives for the better. But there are some urgent changes to its structure and delivery which ought to be made now. The current difficulties need to be put right if the roll-out programme is to succeed.

Alongside these immediate changes, Policy in Practice has argued for a number of other reforms to the design of Universal Credit that would benefit the pockets and prospects of low-income households on the new benefit.

The rationale for the suggestions below were detailed in our report 'Universal Credit: Towards an Effective Poverty Reduction Strategy'. While the DWP need to prioritise current policy and operational issues to smooth the transition onto Universal Credit and to make it effective for current claimants, we should not lose sight of wider reforms that can be implemented as fiscal and legislative space opens up.

Council tax support and Free School Meals to be included in Universal Credit
Council tax support re-introduces a degree of complexity and uncertainty into the welfare system of the kind that Universal Credit was intended to eliminate, and places an administrative burden on local authorities that could be better directed toward supporting claimants, if it were made an integral part of Universal Credit.

The Government is currently considering an income "cut-off" for free school meal entitlement. Currently, households entitled to Universal Credit are passported to Free School Meals. This potential loss of Free School Meals risks introducing a 'cliff-edge' in work incentives of over £4,500 for a family with three children. They should remain free for all households with children on Universal Credit, unless substantial work allowances are re-introduced.

Invest in work incentives under Universal Credit
Restoring work allowances would immediately improve the take-home incomes of families on Universal Credit, and by themselves make the case for entering work. They support other policy proposals that tackle work incentives and take-up challenges in Universal Credit.

Lowering the withdrawal rate of Universal Credit would help a large number of working households in poverty and on low incomes, improve the 'prospects' of households by letting them keep more of their earnings, and help other policy measures (e.g. lower rates of tax, higher wages) to filter down more to the pockets of low income households.

Consider the wider impact of benefit reforms on the effectiveness of Universal Credit
Policymakers should consider the impact of wider policy decisions on the ability for Universal Credit to tackle poverty. Austerity-driven reforms to the welfare system will more than offset the positive impact that Universal Credit will have. Similarly, using savings from one element of Universal Credit (e.g. cutting the work allowance) to pay for additional expenditure elsewhere (e.g. increased childcare support) are trade-offs that may cancel out, or have a negative impact on poverty overall.

Annex A: Potential issues raised by officials with earlier assessment period and other early payment options

1) **Gaming the system and avoiding conditionality**
"Someone who loses their job might wait before applying for Universal Credit, in order to skip an assessment period and avoid conditionality."

Most people are paid in arrears, so any additional days worked would trigger a final payment that would fall into their assessment period. Anyone that delays making a claim for longer than that would not be eligible for Universal Credit support for that period – but this would be their choice. It is unlikely many people will try to manipulate the system in this way, since there really is no gain to them.

2) **People paid in advance would have a longer waiting period for their UC payment**
"People in work, or those paid in advance, who receive their salary at the beginning of their assessment period month, and who lose their job at the end of the same assessment period would receive a low or nil Universal Credit. They may have to support themselves for two months with their last salary."

The DWP recognise that very few employees are paid in advance. Around half of current new claims come from people leaving work, they would face a similar situation to current UC claimants with the six-week wait period. Those with low earnings would still receive some Universal Credit in the first month, and people in-work are more likely to have savings.

3) **Verification and fraud**

"Will there be enough time for DWP to verify claims, and minimise fraud? How can we ensure that the first Universal Credit payment does not overlap with any legacy benefit payments?"

The DWP have not made clear how long they need to properly verify claims under Universal Credit, but the average time taken to process Housing Benefit is 21 days[2]. The earlier payment still allows three weeks for verification, and adds an incentive to claimants to get claims verified early, in order to receive their full award. Fraud would be dealt with in the usual way. Any overlapping payments could either be treated as income, or ignored and accepted as a small additional cost of the proposal.

4) **Double payments**

"What if legacy benefits had been paid in the month prior to the claim?"

Legacy benefits could either be ignored, taken into account as income in the first payment of UC alongside any other sources of income received in the previous month, or deducted from the UC award.

Often, Universal Credit claims are triggered due to a change in circumstances, and ideally the UC award should date back to this change (see section on backdating, above).

5) The impact on the 'flow' of Universal Credit claimants

"The DWP estimate that around 200,000 households will come onto and leave Universal Credit each month. What is the impact on those coming onto or leaving UC?"

Those coming onto Universal Credit will be paid a little earlier, while the majority of those coming off Universal Credit and entering work will, in reality, remain on Universal Credit. Those earning enough would need to do so for six months before their UC claim was cancelled.

People leaving Universal Credit for other reasons, (e.g. those leaving and returning from overseas) would need to meet eligibility and residency requirements before being able to reclaim Universal Credit.

6) Legislative impact

"The proposals require primary legislation."

We do not believe that any of the proposals require primary legislation. Section 7 of the Welfare Reform Act 2012 states that Universal Credit is payable "in respect of each complete assessment period within a period of entitlement." Helpfully, it goes on to say that

[2] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/632362/hb-speed-of-processing-summary-jan-mar-2017.pdf

"regulations may make provision… about when an assessment period is to start." So the existing primary legislation provides the power to determine assessment periods by amending the appropriate regulations. Section 7 of the Welfare Reform Act also defines period of entitlement as "a period during which entitlement to universal credit subsists".

There is already provision in the regulations to have a first date of entitlement which is before the date of claim. Regulation 21 (1) of the Universal Credit Regulations 2013 defines an assessment period as "…a period of one month beginning with the first date of entitlement and each subsequent period of one month during which entitlement subsists". Importantly, Regulation 21 (5) of the same regulations states that if a claim for Universal Credit is backdated so that the first date of entitlement falls before the date on which the claim is made, "the first assessment period is the period beginning with the first date of entitlement and ending with the day before the date on which the claim is made…"

However, when a claim is backdated what happens is that there is a mini assessment period before the date of claim and then the normal assessment period runs from the date of claim as now. We are not proposing this – we want the assessment period to span the date of claim and run for a month from 14 days before the date of claim. But there is enough in the regulations to convince me that our policy could be put into place by a series of amendments to the regulations.

Regarding our proposal on backdating, the backdating provisions for UC are contained in Regulation 26 of the Universal Credit, Personal Independence Payment, Jobseeker's Allowance and Employment and Support Allowance (Claims and Payments) Regulations 2013. In short, the regulations state that entitlement begins on the date of claim unless the backdating provisions apply (so this bit of the regulation might need to be amended to cater for our proposal). The circumstances in which backdating can happen are set out and defined in the regulations and there is no general catch-all clause. Backdating can be applied for any period up to a month (so backdating for more than one month would require an amendment). Another minor amendment could be introduced to allow for backdating to be applied in any other reasonable or analogous circumstances. This would widen the existing scope and cater for the examples we were given by practitioners.

7) Deliverability of the proposals

"This technical challenges will take many months, and could seriously delay the rollout of Universal Credit"

We believe that Universal Credit is a positive reform that should continue. A reform on this scale will be more successful with public backing. The proposals put forward deal with a genuine concern, would not require pausing the rollout, are technically deliverable, and the necessary changes can be laid down in regulation.

Policy in Practice would be pleased to work with the department to develop solutions to overcome any challenges that are put forward.