



Welfare Reforms

Introduction of Universal Credit

The Coalition Government started to implement the most radical reforms to the UK's welfare benefit system for 60 years when in April 2013, it:

- a) Firstly removed what it calls the "extra room subsidy" (commonly referred to as the "Bedroom Tax") and imposed financial sanctions of 14 and 25% on contractual rents where the tenants were considered to be under-occupying;
- b) Secondly, it introduced the Benefits Cap in 4 London Boroughs, placing benefit ceilings of £500 (couples and single parents) and £350 (single claimants) per week on households;
- c) Finally, introduced Universal Credit, but only on a pilot basis in Ashton-Under-Lyne, Greater Manchester.

Since April, the Benefits Cap has been progressively extended to other parts of the UK, and is ultimately expected to affect around 40,000 tenants with Housing Benefit being either reduced or for all intents and purposes withdrawn, leaving all but 50p to allow claims for Discretionary Housing payments.

Universal Credit will in October be extended to a number of other "Pathfinder" areas in the UK before the scheme is extended, in phases, to the rest of the UK. It's expected to be fully operational by no later than the end of 2017. Whether that happens is now debatable but on completion DWP estimates suggest, around 12 million people will receive Universal Credit.

So what is Universal Credit expected to achieve?

Six DWP administered means tested benefits and HMRC administered tax credits are being abolished and replaced by one integrated benefit - Universal Credit, operated by the DWP.

By taking this bold step, the Coalition Government is hoping to simplify the welfare benefits system; make it inviting and worthwhile for the unemployed and low earners to take a job or increase their hours of work and avoid the current situation where working on low wage can cause very real poverty traps, often making families worse off than they were when unemployed.

Ultimately the Government is hoping that these reforms, in time, will make the administration of the scheme much more streamlined; easier to access; removing barriers to claiming; will improve take-up, and produce significant savings to the massive welfare budget.

So what exactly does it replace?

It replaces the following benefit payments and tax credits paid to claimants normally under pensionable age:

- Income-based Jobseeker's Allowance
- Income-related Employment and Support Allowance
- Income Support
- Child Tax Credits

Universal Credit Advice



- Working Tax Credits
- Housing Benefit
- Parts of the Discretionary Social Fund (budgeting loans)

How will it work?

In order to receive Universal Credit claimants, and their partners (if they have one) will invariably be expected to make a 'Claimant Commitment', a form of contract between the individual and DWP, which will detail all the things they must do to receive their benefit - such as registering for Universal Job-match, the Government's new online jobs posting service, creating a CV, attending skills courses or in the case of partners caring for kids of 5+, keeping in touch with the job market.

Each "Claimant commitment" will be bespoke; taking their personal and family circumstances into account. Making such a commitment is not new to the unemployed who have always had to demonstrate their willingness to seek work. However, much more will now be expected of claimants who are unemployed and able to work, even if it's only to a limited extent because of disability, with DWP warning of "tough new penalties" called sanctions (partial loss of benefit), for those who can work but don't comply.

For those tenants who can't work because they have caring responsibilities or because they have health limiting conditions or severe disabilities, they might still have to make a commitment, but it might be considerably less onerous than those applying to the unemployed.

How will it be claimed?

Ultimately, Universal Credit will be claimed online in the vast majority of cases at www.gov.uk/universalcredit.

However, in the short term, claims will be made partially online but will require to be supported by phone and/or face-to-face interviews where tenants will be expected to make work commitments and produce evidence of their identity and rental liabilities (i.e. tenancy agreement).

At the moment, in the various Pathfinders, only a handful of single unemployed claimants, residing in certain postal districts, without the complications of dependents, disabilities, part-time earnings etc. can actually claim. The Government and DWP anticipate that as the pathfinders develop to other sites more complicated cases will be progressively taken on allowing all types of claims to be submitted.

The stages in the claiming process have been captured by the DWP in a series of short video clips. See the various stages and the example provided of "James" @ <https://www.gov.uk/universal-credit-toolkit-for-partner-organisations>

How much will be paid?

How much each claimant receives will be, as now, very much based on his/her personal circumstances. The starting point in any claim will be to assess whether the claimant is 18 or over; single; married; living as a single parent/couple; does he/she have children(s). Once you establish his/her status the calculation is very similar to the stages in the calculation of Income Support, JSA (Income Based) etc. where you start off by establishing whether they have any capital, income etc. and compare this against a set of prescribed allowances (standard; child elements; ill health/disability; housing costs).

Example 1:

Marie (35) is a lone parent with a child of 4. Currently she pays £200 for child care. She lives in a three bedroomed Housing Association home with a contractual rent of £350 pcm. The child is disabled and



receives DLA Care at the lower rate. She is considered to be over accommodated by 1 bedroom so 14% is deducted from her housing costs. Her Maximum UC would be assessed as follows:

Standard Allowance - £311.55

Child element - £272.08

Disabled Child element - £123.62

Housing Costs (less 14%) - £ 301.00

Child Care costs (70%) - £140.00

Total = £1148.25

From this figure DWP would deduct a proportion of her net earnings; and any other assessable income (JSA, Employment Support Allowance, Carer's Allowance) plus any income arising from capital she may have above a threshold. How much UC is paid is the difference between the maximum £1148.25 and assessable income e.g. £500 = £648.25

Example 2:

Jason & Rahila are a couple aged 35 and 34 with two children under 10. None of the family has health problems. They live in their two bedroom HA home paying £300 per week. They have no childcare costs. The Maximum UC would be calculated as follows:

Standard Allowance £489.06

Child elements £498.75

Housing Costs £300.00

Total £1287.81

Again, from this sum DWP would deduct any assessable income they may have and pay the difference as Universal Credit.

How will it be paid?

Universal Credit will involve one single payment, including housing costs; paid by the DWP to one member of the household, on a calendar monthly basis. Normally payment will be made directly to the claimant via their bank, building society or Credit Union account, but there will be situations where payment will be redirected to the landlord.

Examples would include where it's obvious the tenant is incapable of looking after their financial affairs (mental illness, drug/alcohol addiction, led a homeless and transient lifestyle or perhaps has a track record of repeatedly not paying and maybe has been evicted in the past). There will almost certainly be the facility to apply for redirection where the tenant defaults on handing over his monthly housing payments as well. DWP has promised to confirm these arrangements in the form of "Guidance". This is not ideal as the current Housing Benefit scheme includes both regulations and guidance and a right of appeal for both tenant and landlord if the request for redirect is refused. Universal Credit, as things stand, has excluded what DWP calls "payment exceptions" from the appellate process.

When should Universal Credit start to affect the majority of our tenants?

As explained earlier in this note, at the moment, the only people affected by Universal Credit will be a small number of newly unemployed, single claimants in Ashton-Under-Lyne. Those in the other



pathfinders, starting from July (Warrington, Wigan and Oldham) might also be affected as the weeks pass but the numbers overall will remain small.

As Universal Credit is eventually extended beyond the pathfinders, probably sometime in 2014 to 2017, many more tenants could be affected, especially as the housing element (currently paid by way of housing benefit) is absorbed and tenants are left to make payment themselves. How much of an effect this will have on both the tenants and their landlord's income stream remains to be seen but there is obvious concern amongst Social Landlords that rent arrears will rise alongside the time and cost of taking recovery action for both the rent and property.

What happens until then?

Really very little happens, other than the sanctions arising from "Bedroom Tax" and/or the Benefits Cap. Any tenants currently in receipt of any of the means tested benefits (JSA, ESA, Income Support, Housing benefit) will continue to receive these as now. Tenants should also be warned, well in advance of being migrated to Universal Credit, as the DWP has undertaken to advise the Local Authorities 3 months prior to Housing Benefit being transferred to UC "housing costs". If the tenant's Housing benefit is paid to the landlord just now, the landlord will also be notified in advance.

Anything else I should know?

Universal Credit, as explained above, is designed to ensure "work pays" and that people who make the effort are rewarded by receiving top up benefits to ensure they're better off working than not. The way the benefit is currently structured there is no doubt Universal Credit will be of benefit to some people, especially single people with no "housing cost" responsibilities. Recent research by Joseph Rowntree Foundation and others have started to question Government predictions about the real benefits to families and those that take-on extra hours. Because of transitional protection (TP) no one should be immediately worse off claiming UC but receiving TP, in effect freezes entitlement, until future UC awards ultimately exceed entitlement at the point of change.

Once fully operational, Universal Credit is expected to operate with "real time" data, drawn from the HMRC system, allowing changes in claimant earnings to be adjusted automatically on a monthly basis. Real time information interfaces, such as these, have never been achieved, so it remains in doubt whether this will be happen in the short term. Long term these system refinements are highly critical to the success or otherwise of Universal Credit.

The DWP has set up a number of Universal Credit helplines which are designed to explain the UC process, implementation timetable, the calculation etc. and hopefully relieve the concerns that some tenants currently have. Anyone falling into this category can contact the Universal Credit helpline on **0845 600 0723** or **0845 600 0743** (text-phone).

Universal Credit Advice have recently launched a helpful website <http://www.ucadvice.co.uk> which allows access to the UC legislation, DWP guidance, a calculator and a discussion forum where you can pose questions and receive answers. Alternatively, you can write to bill@ucadvice.co.uk with any queries you might have on UC or related topics.

Bill Irvine

HB & UC Advice & Advocacy

August 2013