



CIH response to the DWP Select Committee's call for evidence on implementation of Universal Credit

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'Shaping Housing and Community Agendas'

CIH evidence to DWP Select Committee

Implementation of Universal Credit



The Chartered Institute of Housing (CIH) is the professional body for people involved in housing and communities. We are a registered charity and not-for-profit organisation. We have a diverse and growing membership of over 23,000 people, both in the public and private sectors, living and working in over 20 countries on five continents across the world. We exist to maximise the contribution that housing professionals make to the wellbeing of communities. Our vision is to be the first point of contact for, and the credible voice of, anyone involved or interested in housing.

Introduction

CIH has long called for reform of the welfare system and has supported the principal of a universal credit to simplify benefits. However, we continue to have concerns about the implementation of universal credit as the welfare reform programme progresses.

This response draws on the experience and expertise of members and officers across CIH, including Scotland, Wales and Northern Ireland. CIH delivers a range of services and tools to help landlords and tenants prepare for changes to welfare benefits, and a great deal of our knowledge and understanding of impact and implementation comes from this work.

Some of our concerns about the administration of universal credit have already been raised in our written evidence to the Communities and Local Government Select Committee ([Ev w58](#)) and the Social Security Advisory Committee [inquiry](#), and during the passage of the Welfare Reform Act.

We note the Select Committee's interest in receiving evidence on specific aspects of progress towards implementation of universal credit. Our response focuses on those areas that are relevant to our members and where we have particular knowledge and expertise:

- Proposed arrangements for claims and advice
- Impact of changes on local authorities
- Impact monitoring.



Summary of key points

One of CIH's priorities for the welfare system is that it provides an effective system of help with housing costs. Central to an effective system are:

- Provision of sufficient funds for the claimant to secure suitable accommodation (size, quality, location)
- Certainty for claimant and landlord
- Transparency
- Speed
- Accuracy.

As universal credit implementation progresses, we continue to assess whether the housing aspects of the system will create an effective system of help with housing costs.

The process of designing and implementing universal credit poses a number of strategic and operational risks to provision of an effective system. At this stage we are still looking for assurance that these risks will not occur, because of their potential impact on both the ability of lower income households to secure appropriate housing and on the ability of landlords to provide it.

Our current concerns are that:

1. People and businesses that will be affected by the introduction of universal credit do not have enough information about its detail and operation, or about when this information will become available. This means that concerns about risks and design cannot be allayed, and that those affected find it difficult to schedule and deliver preparations for the impending changes. Perceived risks worthy of particular mention are that:
 - The IT system will not be reliable and simple to use, or there will be insufficient capacity in the system, which in turn will affect speed of claim administration, liaison with claimants, accuracy of decisions, and fraud
 - The intention to reform multiple aspects of the welfare system and simultaneously cut expenditure will lead to the benefit available not covering tenants living costs, pushing people into hardship and potentially affecting their lives quickly and severely and also potentially requiring further public/third sector expenditure



- The scale of change, and the reduced likelihood that there will be a period of 'steady state' benefit operation, will make impact assessment complex and possibly lack value.
2. There are significant implementation costs outside of the DWP budget i.e. the time and financial cost of activities which landlords, tenants, and advice services have to undertake to prepare for and deal with the changes. The costs of transition borne by third parties are likely to be high and are unlikely to be rewarded with an equal return to them once steady state operation of universal credit is reached.
 3. It is very unlikely that the new benefits system will be and stay simple. The continuing focus on further reforms and cuts (e.g. proposed £10bn further reductions, changes in eligibility for under 25s) creates a risk that the objective of creating and running a simplified system could very quickly be undermined. There are no safeguards in the universal credit system to prevent the type of tweaks and additions which have caused the current system to become so complex and unwieldy.
 4. The links between different parts of the implementation programme (e.g. the universal credit pathfinders and the direct payment demonstration projects) appear to be weak. This increases the risk that the final system will not work smoothly, and it gives rise to many questions and concerns which hinder preparations for implementation by third parties.

The evidence presented below highlights some priority points which we believe should be addressed as implementation progresses. When taken together, these detailed points have led us to identify the four overarching concerns set out above.

Specific comments

1 Proposed arrangements for payment and claims

Total amount payable

We are still looking for clarification that households receiving benefits to top up income from paid work will be no worse off under universal credit. We have heard the message that people will be better off in work than on benefits, but would like to see a comparison of household income in the 2010 steady state system and the post- implementation system to show that people on low incomes who are already working and claiming will not be worse off.



Work incentives

We are disappointed that there is no provision in the universal credit regulations for extended payments (currently available under housing benefit) when long-term unemployed claimants move into work - the most effective work incentive in the current system. The abolition contradicts the objective to improve incentives for the long-term unemployed to take up work. We are aware that the Government believes that they are not needed in the universal credit regime because the system will be much more responsive. Nevertheless, claimants value this incentive because it is easy to understand (if the full rent is currently being paid it will continue for a further month) and it helps alleviate some of the anxiety about budgeting – not least because there are often return to work costs for people who have been out of the labour market for some time.

The decision to operate council tax benefit separately from universal credit, and the variability of future benefit under localised systems, will have a negative impact on work incentives. Keeping separate benefits retains the current problem of punitive withdrawal rates as earned income increases, which runs counter to the work-focused objectives of smoothing out withdrawal rates by bringing benefits together. As councils cut council tax benefit expenditure additional burdens falling on the low-income employed will again undermine the work-focused objectives behind wider benefit reforms.

Payments

Access to bank accounts to receive universal credit by BACS is a key issue, and we are aware that DWP is working to find solutions for people without a transactional bank account.¹ Awareness of the change to benefits is growing, and claimants need further clarity and information on how these alternative systems work.

Effective and timely payment to claimants is as important as having the ability to make payments, and this needs to be recognised during development of a workable payment system.

It is essential that dialogue between the universal credit pathfinders and the direct payment demonstration projects is established and that information on learning and activity becomes much more freely available so that the lessons can be acted upon in advance of implementation.

¹ www.24dash.com (5 July 2012)



Uncertainty for some providers and claimants

Hostels

We are particularly concerned about the position of hostels² under the proposed rules which threaten the viability of small voluntary sector projects. The draft regulations do not contain any provision for direct payments of ineligible hostel charges³ (e.g. to cover water and electricity for common areas) to the landlord. This means that the landlord would have to collect the ineligible charges from the claimant. For small landlords these charges – though often small at around £8-10 per week – can come to significant amounts. Without a mandatory direct payment of the housing element, it would be difficult to obtain those costs from the hostel residents. Many hostels currently rely on these rules to ensure their financial viability and some do not have the option to cross subsidise any loss from other housing stock.

Under the proposed UC regulations, landlords would need to provide evidence of vulnerability to secure direct payment. This is particularly problematic when dealing with residents who, by definition, have a chaotic lifestyle. Verification of vulnerability would be practically impossible to provide if the resident leaves after only a few days. Government has said it intends to apply verification on a risk basis, and we would welcome clarification of the intended approach.

Change of circumstances

There is concern regarding the date from which an award of benefit is adjusted because of a change of circumstances. The main UC regulations and claims and payment regulations appear to say that if a change of circumstance occurs part way through an assessment period then the award of UC is adjusted from the date the next new assessment period starts (which is consistent with the principle that UC is a 'surrogate wage'). If the claimant has a change of circumstances resulting in an increased award they lose out and have to address the shortfall themselves. Nearly all tenants experience an annual rent increase (often from 1st April or the first Monday in April), which would mean that unless their rent increase occurred on the same day as the start of their assessment period they would not receive sufficient benefits to cover their changed housing costs. Each year there would be

² Hostel has a specific definition in the current HB and IS regulations. Broadly it only applies to the not-for-profit sector with non self contained premises provided with meals or shared facilities for preparing food. See HB regulations regulation 2(1)

³ For the current rules the Social Security (Claims and Payments) Regulations 1987, schedule 9 paragraph 4A. Equivalent provision, if being made would appear in schedule 5 of the claims and payments regulations.



shortfall between the UC award and the rent payable: this is an issue where aiming for the principle of administrative simplicity undermines the effectiveness of the system.

Claims

CIH does support the broad aim that the claims process should be digital by default, not least because in a highly centralised system this appears to be the only way the required rate of decision making can be achieved without a backlog developing.

A move to online claims will be a big change for a lot of tenants, many of whom do not have internet access. Moving people rapidly towards greater digital inclusion is beneficial for their social and economic opportunities, but we are concerned that the big bang shift to online claiming could cause exclusion rather than inclusion.

A number of problems may arise from online claims:

- Benefits claims and advice are aided through personal support in completing documentation, e.g. face to face or telephone contact. A shift to online claiming would remove those support features
- Vulnerable people may be put off completing an online claim form
- Poor broadband coverage in rural areas, lack of access to libraries and a feeling of insecurity or lack of knowledge about open access on non-secure public machines could limit people's ability to claim and manage claims in a timely manner.

The potential benefits of claiming online will not simply emerge, even with the increased government investment in internet provision and the promise of some high-street support for the new benefit system. Clarity on the resources that government will provide to the most excluded would be welcome – a good solution will help build capacity for local authorities, housing providers and claimants around provision of advice, support, and skills building.

2 Impact of changes on local authorities

Our comments here focus on the indirect impacts on local authorities: homelessness duties and discretionary payments. We are concerned about the challenges of running a dual system as HB is phased out and universal credit

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phased in, and about the localisation of council tax, but we have not focused on these here.

We expect that the housing minister will soon introduce the ability for local authorities in England to discharge their homelessness duty in the private rented sector. Private landlords' confidence in the operation of the universal credit will be central to councils' ability to use this new power.

The universal credit embeds many of the recent cuts to housing benefit, along with the risk that households will face financial difficulties meeting housing costs under the new system. In England, Wales and Northern Ireland we anticipate that there may be an increase in the number of private and social tenants seeking financial advice or homelessness services from local authorities. In Scotland, where homelessness duties require assistance to be provided in a wider range of circumstances, there is an expectation that both private and social tenants will be affected, but there is pressure on social landlords not to evict tenants who run up arrears. We are concerned that social landlords in Scotland will have to carry more of the negative financial impact than elsewhere in the UK.

In Northern Ireland, administrative and legislative arrangements for benefits are significantly different from in Great Britain. We are concerned that there are distinct and significant issues around implementation and impact of welfare reform in Northern Ireland that are not reflected in the process, and that the process will not allow sufficient flexibility for NI variations. We would like to explore this issue in more depth with the Committee.

Under the universal credit regulations, once the cap is in place any money over and above the cap will be reduced from the housing costs element - some households could in theory find their entire housing award reduced to zero. Although the discretionary payments system can be used to help households adversely affected by the reforms, we expect that because of the very high shortfall that will apply to people affected by the cap most authorities will be reluctant to award a DHP because of the very high attrition rate it will place on the DHP budget. This will initially present problems around rent arrears, and then potentially around homelessness as households are unable to fund any accommodation – problems which local authorities are likely to have to pick up.

We believe that the cap will undermine arrangements local authorities have made to secure temporary accommodation for homeless households (over 70% of which



are families with children⁴) in and around London – because the leases are at a higher price than mainstream rents and so much more likely to be affected by the cap. We are also dismayed that the benefit cap regulations have been published before the review of the HB subsidy rules for temporary accommodation has been completed.

3 Impact monitoring

We are keen to see thorough impact monitoring of universal credit introduction for two reasons. Firstly, we support many of the aims for the reforms, and we want to see that positive social impact has been delivered by the widespread changes. Ongoing impact monitoring should show progress towards these aims, and enable changes to be made if their achievement is not on course. Secondly, we are concerned that some of the risks identified above will transpire – these are serious risks to households and businesses, and it is important to identify and respond to any serious problems emerging.

We would want to see a mix of quantitative (from administrative data) and qualitative monitoring to give a rich picture, and would be particularly interested to see:

- Impact on household income and ability to maintain a settled lifestyle
- Impact on landlord cashflow, and on investor confidence in the sector
- Perspectives of claimants, landlords, and relevant agencies
- Impact of universal credit on different groups of people, especially single parents, BME and disabled households
- Analysis by region, household size and type
- User journey for claims
- Changes in attitudes about employment
- How many online claims are made, and where from (public computer, advice agency premises, home etc).

Whilst this might require a high level of time in terms of data preparation, cleansing and analysis, we would estimate the resources already available within existing government departments. One of the advantages of housing benefit is that it provides a data rich source of information so enabling effective long term monitoring and analysis. Universal credit is unlikely to be any different.

⁴ DCLG (2012) Table 780. First quarter 2012 out of 13,130 applications where a duty was accepted 9,410 had dependent children – although there is no further breakdown by family size.

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Government already runs a number of surveys (e.g. the Family Resources Survey, English Housing Survey, and Labour Force Survey). These long running surveys are could be used to aid monitoring of the impact of universal credit, due primarily to their wide sampling base which is likely to include the types of households affected. These surveys also enable the insertion of new questions, which could specifically focus on universal credit.

It is puzzling to see sporadic amendments to data collection whilst the universal credit system is still in development. These make it hard to understand what will be collected overall, which in turn make it difficult to see whether impact assessment will be possible and meaningful. A particular concern is the current DWP proposal to cease collecting data on benefit takeup which, without an outline of overall universal credit monitoring plans, seems to undermine ability to track the impact of the council tax benefit reforms.

Finally, government has recently shown itself unwilling to consider or fully present independent analysis of the likely impact of universal credit and welfare reform. This is unfortunate and does not create the impression that government wishes to properly monitor the impact of policy change. We hope to see a change of approach to impact monitoring in the near future, building confidence in the accuracy and transparency of reporting as policy implementation moves forward.

Contact details

Should the Select Committee require clarification or further evidence on any aspect of this submission, please contact Gavin Smart, Director of Policy and Practice

Email: Gavin.smart@cih.org

Tel: 02476 85 1777