



Leicestershire Partnership Revenues & Benefits

Universal Credit – Update

1. PURPOSE OF THE REPORT

- 1.1 To provide an update to Joint Committee on the DWP arrangements for the managed migration of working age claimants onto Universal Credit

2. RECOMMENDATION

- 2.1 That the content of the report is noted.

3. BACKGROUND

- 3.1 Currently those moving onto Universal Credit will do so as a consequence of making a new claim or having a change in their circumstances. The migration thus far has been carefully managed as it has been determined by postcodes within a jobcentre.

That leaves those 2.87 million claimants who are currently on legacy benefits and it's the DWP's intention to have the migration regulations in place by 2019 that will allow those claimants on the following benefits to migrate over a four year period between 2019 and 2023:

- income-based Jobseeker's Allowance
- income-related Employment and Support Allowance
- income-related Employment and Support Allowance
- Housing Benefit
- Working Tax Credit and
- Child Tax Credit

From January 2019, the DWP had intended to start testing the full managed migration process on a small scale, with the intention of increasing volumes by July 2019. This will enable them to evaluate the initial process to ensure that it supports claimants effectively.

The DWP had estimated that, by the end of the process, 2.09m households would have been migrated, involving 2.87m individuals, the majority of whom would have come from either tax credits (54 per cent) or ESA (36 per cent).

The government also announced that it will not begin the incorporation of Housing Benefit for pensioners into Pension Credit until the completion of the Universal Credit timetable so we can expect to be delivering HB for pensioners for some years to come.

HMRC have now set out their plans to end tax credits which is now given as 2025 due mainly to the DWP's approach to rolling out Universal Credit.

- 3.2 The Claimant

To prepare them for the transition to UC the claimant will be given a period of around four to six months to get used to the idea that they are moving from legacy benefits and will need to make a claim for UC. They will also be provided with advice outlining any additional support they can access during their migration to help them make a UC claim and what activities they can undertake prior to that migration to help them make their new UC claim, e.g. open a bank account or ensure that they have appropriate means of identification. They will also be warned that their existing entitlement to legacy benefits will be ending. Subsequently, a deadline date of at least one month

will be set by the Department who will engage with claimants to help them through the process of claiming UC.

If, however, no claim for UC had been made by the deadline date (extended by a possible one month if grounds for backdating could be established), any award of an existing legacy benefit would be terminated. Any subsequent claim for UC would be dealt with in the normal way, but would not have any of the transitional protections available to those who made a claim on time.

3.3 Transitional Protection

Transitional protection (TP) means that a monetary sum would be included within the UC award to ensure that, in cases where UC entitlement would otherwise have been less than the entitlement to legacy benefits at the point of change, entitlement would remain at the same level. The intention behind the TP rules was to follow the UC ethos of keeping it simple, so that, although the amount could be recalculated if required, a straightforward one-off comparison between legacy benefit entitlement and an indicative UC entitlement at the point of migration would provide the basis for the TP calculation. Tax credit claimants with capital in excess of £16,000 would have their capital above £16,000 disregarded for a period of 12 months in order to avoid being disentitled to UC on the grounds of failing to meet the financial conditions of entitlement.

In addition transitional protection for those that have lost the amount their severe disability premium would have given them is in the process of being put in place and awaiting approval from Parliament though no date has been set for this.

These plans also include proposals to compensate those that have already moved on to UC and lost their severe disability premium, a process will be set up to identify the eligible customers and pay on going equivalent monthly amounts and a lump sum for the backdated period since migrating to UC.

3.4 The requirement to claim

The decision to require people to make a claim for UC rather than simply transfer them has been taken because the DWP wanted to make sure that a claimant's circumstances had been accurately captured at the start of their UC award.

It was feasible that the information historically held in relation to existing awards of legacy benefits would be insufficient for the DWP to make a UC assessment. For example, no information on capital or other benefits received is held in respect of claimants in receipt of tax credits.

The information provided in connection with a new claim for UC might also bring out some existing errors where, for example, previous changes of circumstance had not been declared. It would also allow the DWP to inform claimants more fully as to what the new UC regime would entail for them, since it was likely to be very different from their existing benefit arrangements..

Additionally, the DWP could not simply assume that all existing claimants would want to claim UC - some form of formal consent from a claimant was needed, and requiring a claim did that.

3.5 Engagement - a significant challenge!

One of the most difficult challenges for the DWP is to ensure that claimants engage particularly those who might not have had any previous contact with the DWP, or who are anxious about the changes. There are no two ways about it this is going to be a massive exercise, encouraging millions of people to make a brand new claim, provide all the evidence about their personal circumstances, rent and identity all by a set date.

3.6 No way back!

The DWP have confirmed that once a claim to UC has been made the gateway to legacy benefits is closed. In practice, the UC claim triggers the termination notice (known as an HB Stop Notice). Even if a claimant withdraws or ends their UC claim (regardless of whether they have received payment), they cannot choose to claim, re-claim or seek re-instatement of a legacy benefit. This continues to apply irrespective of whether the legacy benefit termination has been actioned 'on time'.

3.7 Those not migrating

In addition to pensioners and those living in temporary accommodation claimants entitled to the Severe Disability Premium (SDP) as a component part of their existing benefit will not be migrating to UC as part of the managed migration.

3.8 Backdating

The requirement to make a new claim is pretty unique in migrating claimants from one benefit to another and representations were made to the DWP about making the backdating provisions more generous. .

The DWP has, however, taken the view that a deadline was needed in order to achieve the desired result. The approach was therefore to provide the necessary support before the deadline was reached but still allow a one month backdate if appropriate. However it's likely that there will be flexibility for this period to be extended, if it is identified that certain claimants require a longer time to make a new UC claim, e.g., those who are vulnerable or have complex needs.

3.9 Personal Budgeting Support

The Secretary of State for Work and Pensions has recently announced a new partnership between the DWP and Citizens Advice Bureau to deliver universal support from April 2019. Currently this support is provided by LA's and a total of £51m will be paid to the CAB partly to help them get ready for delivery next year.

4.0 The Future

The DWP have confirmed that the fundamental principles behind UC including the monthly assessment period, the principal of digital by default and claimant responsibility for managing their own finances will not be changing.

However the timetable for implementation has been beset by problems UC should have been up and running by April 2017 and is now not expected to be fully operational until December 2023.

It has recently been announced that benefit claimants in Harrogate who still receive old style benefits will be the first people moved onto Universal Credit.

Amber Rudd has previously confirmed that up to 10,000 claimants across the country who are on the old system would be moved to Universal Credit under a pilot scheme to start in July 2019 once regulations have been passed in the House of Commons.

More than 1.6 million people currently claim Universal Credit, but these are new claimants or people who have had a change in circumstance. All new claimants in the United Kingdom now go straight onto Universal Credit.

.All those in Harrogate moving to Universal Credit will be personally supported by Jobcentre Plus staff to ensure they get the best possible service.

The goal of the pilot is to learn as much as possible about how to help people to move onto Universal Credit. We will increase numbers as slowly and gradually as necessary, expanding to further locations as required

4.1 The Budget

The Chancellor has announced that the Treasury will provide an additional £6.6 billion over the next six years to smooth the introduction of UC.

The changes will include:

- the amount that households with children, and people with disabilities can earn before their Universal Credit award begins to be withdrawn – the Work Allowance – will be increased by £1,000 from April 2019. This means that 2.4 million households will keep an extra £630 of income each year
- Building on the Autumn Budget 2017 announcement that Housing Benefit claimants will receive an additional payment providing a fortnight's worth of support during their transition to Universal Credit, the government will extend this provision to cover the income-related elements of Jobseeker's Allowance and Employment and Support Allowance, and Income Support. This will be effective from July 2020, and benefit around 1.1 million claimants.
- From October 2019, the government will reduce the maximum rate at which deductions can be made from a Universal Credit award from 40% to 30% of the standard allowance. This will ensure that those on Universal Credit are supported to repay debts in a more sustainable and manageable way. From October 2021, the government will also increase the period over which advances will be recovered, from 12 to 16 months.

5.0 Partnership impacts

Requests to the LA for information and the sharing of Universal Credit award details are received via an electronic file as part of the Universal Credit Data Share arrangements (UCDS) .

Whilst some of this work has started to be automated we currently allocate 3 FTE's to deal with the average of 99 files received per day. Whilst not strictly within our jurisdiction we have to be mindful that some claimants may find the transition from HB to UC extremely complicated and as a last resort and where appropriate we will speak with the DWP on a customers behalf to help resolve any issues that we feel are not being dealt with correctly.

This has been brought into focus by a recent report from the Work and Pensions Committee who after taking evidence in its first session have pressed the Secretary of State to provide answers as to why:

- Jobcentres have been moving claimants to Universal Credit even when their circumstances have not changed.
- There is still confusion amongst Job centres as to what specific changes in a claimant's circumstances mean that they need to claim Universal Credit. The critical element for the claimant is that if that if they move to UC before natural migration they lose 'transitional protection'.
- Employment support allowance claimants who are appealing a decision that they are not entitled to ESA are encouraged to claim UC and if they win the appeal are not able to return to legacy benefits which means they are significantly worse off.

Additionally we are still responsible for the administration of Universal Credit DHP's and that as the migration of claimants onto U/C increases, the reductions seen in amounts of U/C awarded (for those with a housing element) compared to previous Housing Benefit awards is resulting in more and more U/C claimants applying for help through the Discretionary fund.

6.0 Customer Impacts

A number of questions have been raised around the extent to which claimants may be worse off because of the migration to UC. The easiest way to explain this is by making a direct comparison between entitlement under Housing Benefit and Universal Credit.

- Within UC non-dep deductions (NDD) will be replaced by housing cost contributions (HCC), accept there is only one rate of HCC whereas within HB the deduction will be dependent upon the gross income of the non-dependent
- Under 21s will not have to pay a HCC, however all over 21's will have to pay a HCC including students and the contribution for all over 21's is around £73 per month
- There is no 13 week protection in UC – Within HB full rent could be paid for 13 weeks if customer had not claimed HB in past 52 weeks and could not afford rent
- Bereavement protection reduced to 13 weeks rather than 52 in HB. Full entitlement of HB will continue to be paid for 52 weeks if partner passed away.
- Households where there is a room kept available for a student while away studying will still not be deemed as under occupying but only for 6

months under UC if they intend to return within that time. This compares with 52 weeks if on HB

- There is no payment on two homes for unavoidable overlapping liability – where customer has to move in order not to lose home and rent is still due on old home
- No extended payment under UC – customer could receive 4 weeks worth of HB when moving off benefits into work

7.0 Customer Service Impacts

Customer service teams have provided details of how their service area has been affected.

- We've dealt with many confused claimants – especially those who aren't IT literate and those who have disability, unable to read and write
- Impact of needing to create email accounts when customers aren't able or have no way to access them again without support
- Expectation that all claimants have a mobile phone to receive texts
- Customers not remembering their usernames, passwords, email address and email password
- Long wait when phoning UC helpline (seems to have improved lately)
- JCP referring customers to Customer Services – customers not knowing why they've been sent to us for help (raised with JCP Manager as required)
- Lack of provision of initial training/online training for Customer Services to provide digital support
- Customer expectation that CSAs can access their UC account information and perception that HDC administrate UC
- Higher volume of requests for food parcels both during application process and when claim in place ensuring benefit lasts for 1 month

Generally speaking there has been a reduction in the number of enquiries that customer service teams are dealing with but it appears that the roll out of UC is having a much greater impact on our vulnerable customers

8.0 The Latest Position (July 2019)

8.1 Migration

Universal Credit (UC) is a radical change to the existing welfare system.. Claimants receive a basic amount (“the standard allowance”) alongside additional payments if, for example, they are disabled, are entitled to support with rent or have children. Claimants are paid monthly in arrears and are expected to manage all of their household living costs and expenses. This includes housing costs, which were usually paid direct to the landlord for social housing or for vulnerable tenants under the system UC replaces (the

“legacy system”). The process of transferring people claiming legacy benefits onto Universal Credit is called “migration”.

Migration can happen in two ways:

- Through ‘natural migration’. This is when existing claimants have a change in their circumstances (e.g. a partner moves in/out) and they try to make a new claim for a legacy benefit. They discover that they can only claim UC instead; or
- Through ‘managed migration’, where claimants of legacy benefits will be moved by the Department from legacy benefits to UC without a change in circumstances.

The Government has said repeatedly that once the roll-out of Universal Credit (UC) is complete, it will be more generous than the system it replaces. But it is not more generous for everyone. While some people are entitled to more money under UC than they would have received in the previous benefits system, many will be entitled to less.

Some of the Department’s plans for moving people to UC recognise that some claimants will be worse off. For instance, the Department plans to take a cautious approach to what it calls “managed migration”—the process of moving claimants on existing benefits to UC. It plans to provide claimants who move to UC in this way with transitional protection—payments to ensure they do not lose income overnight—and other support to minimise any stress or adverse effects of the move.

But the majority of claimants on existing benefits will move, or have already moved, to UC through a process known as “natural migration”, which usually happens when their circumstances change. For these claimants, there is no transitional protection. People naturally migrate to UC when they have a change in their lives which would require a new claim for a legacy benefit. There are a vast number of changes which can lead to natural migration. By contrast, there are very few which can end transitional protection under managed migration. This is because the Department deliberately selected the few circumstances in which to end transitional protection, whereas the natural migration process, by its own admission, was based on its own administrative needs.

The Department argues that it is fair that claimants who experience a “significant” change in their circumstances should not receive transitional protection, on the grounds that it has always been the case that new claims for legacy benefits would be assessed on a claimant’s new circumstances. It is difficult to reconcile this explanation, however, with the fact that the design of UC—which, unlike the legacy system, now represents all, or the majority, of a claimant’s income—means that any change in a claimant’s circumstances exposes them to all aspects of UC, which may be less generous than the legacy system and which may not be related to their specific change. For example, a disabled claimant who moves home could lose their disability premiums, even though their disability remains the same. What is more, the disparity between the changes that can lead to natural migration and those that can end transitional protection mean that some claimants will lose out simply because of when their circumstances change. Therefore, when managed migration begins, households with the same circumstances will be receiving different amounts of Universal Credit—not

because their needs are different, but because of the route by which they moved to Universal Credit.

For claimants, some of the changes that can trigger this move will not seem significant. For example, moving house within the same local authority area does not trigger migration to Universal Credit—but moving to a different local authority does. That means in practice that someone who moves to a different local authority area loses their entitlement to transitional protection.

The Department has made some effort to mitigate the impact of the initial five-week wait for a Universal Credit payment. Additional payments of two weeks of Housing Benefit, known as a “run-on”, are already available to claimants who migrate naturally. The Department has also announced run-ons of income-related Jobseeker’s Allowance, Employment Support Allowance and Income Support—but these will not be available until 2020. The Department’s explanation for the delay is that it cannot make the necessary changes to its IT systems until then.

8.2 The Harrogate Pilot

The managed migration pilot which started in Harrogate on the 24 July 2019 is already facing criticism because of the lack of vulnerable claimants within that area.

The Chair of the parliamentary Social Security Committee Frank Field M.P. made the following statement in July.

“The government has wilfully missed the point, and this is becoming a distressing pattern. We, like so many others, have asked the government not to move to 'managed migration until it demonstrates it is ready to do so safely, without exposing a single claimant or their children to debt, hunger, or homelessness. The government doesn't seem to understand that this is not the same as showing us how many staff it has trained up, how many stakeholders it has briefed, or that it has managed to get its computers working.

What matters, and what the Department should be testing and learning from, is the outcome of all of this for claimants, particularly the most vulnerable claimants - of whom there are disproportionately few in Harrogate. To put it bluntly: without looking at outcomes for claimants there is no point, for anyone other than the Department itself, of these tests or what it intends to learn from them. How does the government hope to get the regulations it needs through parliament when it blithely ignores all this?”

8.3 Severe Disability Premium

The High Court has decided that the universal credit migration arrangements for those who previously received the severe disability premium and naturally migrated to universal credit before 16 January 2019 are unlawful. The differences between the two groups would be significant in financial terms; the amount of compensation DWP have announced they intend to pay to those already getting UC would not be enough.

Following that ruling the Secretary of State for Social Security made an announcement in Parliament on 22 July.

“We have revised our approach to claimants who are entitled to the severe disability premium. The regulations that I am laying today will enable us to begin to provide support for claimants who were entitled to the premium and have already moved to universal credit. From 24 July 2019, those claimants will be considered for backdated payments covering the time that has elapsed since their move. They will also gain access to ongoing transitional payments that reflect the severe disability premium to which they were previously entitled.

We have reviewed the rates of those payments to enable the most vulnerable to receive increased support. Claimants will now receive payments of up to £405 per month alongside their universal credit awards, increased from the previous proposed maximum of £360. We estimate that by 2024-25, approximately 45,000 of the most vulnerable claimants will benefit from this package of support, worth an estimated £600 million over the next six years”.

8.4 Fraud within Universal credit

The levels of fraud within UC are becoming increasingly high profile a BBC report aired on the 8 July 2019 claimed that “tens of millions of pounds of public money is believed to have been stolen” through Universal Credit fraud. Commenting on the Department’s 2018-19 accounts, which showed error and fraud at DWP running at the highest levels since it began counting, Committee Chair Frank Field said:

"In the Department's fantastical predictions, Universal Credit was supposed to reduce error. Instead it is the most error-riddled of all benefits, and it's only getting worse.

Latest data on overpayments on Universal Credit were at their highest recorded rate, increasing from 8.3% in 2017/18 to 8.6% in 2018/19, which is equivalent to £680m out of the £8.0bn paid in 2018/19

8.5 How does this compare with other welfare benefits?

Welfare Benefit	Expenditure	Fraud Value	Claimant Error	Official Error	Total Value (%)
Housing Benefit	£20.8bn	£860m	£360m	£110m	£1.33bn (6.4%)
Pension Credit	£5.2bn	£120m	£70m	£70m	£260m (5.0%)
Employment Support Allowance	£14.8bn	£310m	£150m	£140m	£600m (4.0%)
Job seekers Allowance	£1.3bn	£60m	£0	£20m	£80m (6.5%)
Universal Credit	£8.0bn	£460m	£50m	£170m	£680m (8.6%)
Personal Independent Payments	£10.6bn	£170m	£170m	£30m	£370m (3.5%)

Source: DWP Fraud & Error in the Benefits System (2018/19 estimates)

8.6 The Future

Its highly unlikely that Parliament will agree to the full roll-out of Universal credit until the errors concerned with the calculation of Housing Costs and the five week wait for a first payment have been resolved..