

Sheffield City Council and Citizens Sheffield Advice

Universal Credit – Briefing Note February 2018¹

Summary

- Eventually Universal Credit will replace all working age income related benefits².
- Claimants will receive one monthly payment of UC, including an element for their housing costs, which will be paid directly to the claimant (with no payment directly to their landlord).
- The overall aim of the UC system is a reasonable one – to make it easier for people to move from benefits to work and to help them claim benefits more easily when, for example, temporary work comes to an end.
- However, the way the system has been implemented holds a very real risk that people on UC are set up to fail rather than succeed:
 - a. They may struggle with [managing their money](#) to ensure that all rent and bills are paid, exacerbated by the fact that UC is paid in arrears rather than in advance (resulting in at least a five week waiting period for their first payment).
 - b. They may find it difficult to get the regular [online access](#) they need in order to apply for, and manage, UC or lack the digital skills needed.
 - c. They may be vulnerable due to other circumstances which make the transition particularly difficult. Overall, UC imposes additional demands on people that weren't there before. For those who are already struggling, this could push them into crisis. In addition, for some people, the move to UC will result in a reduction in income.
- Groups of people who are likely to be adversely affected³ [include](#) social-rented tenants, private-rented tenants, large out of work families that have already been affected by the Benefit Cap, lone parents, free school meals families, people with disabilities, people with medical conditions (including vulnerable substance misusers), and people in 'non-standard' work (e.g. self-employed or paid weekly).

¹ This briefing note is based on our understanding of Universal Credit at February 2018. There remain many uncertainties about how some aspects of UC will work, and there may well be further changes to the regulations and procedures. We will endeavour to cover these in future briefings.

² Income Support, income related Employment and Support Allowance, income based Jobseeker's Allowance, Housing Benefit and Tax Credits.

³ Not discrete or mutually exclusive groups

- There has been a limited roll out of UC in Sheffield, with approximately 3700 people currently on it - these are mainly single, working age claimants who would have previously have made a new claim for Jobseeker's Allowance⁴.
- Further roll out of UC was due to take place in Sheffield in summer 2018, but following [recent announcements by Government](#), the dates have been put back to November and December 2018.
- The Government also announced the suspension of live service UC, nationally, from the end of December 2017. This means that in Sheffield, any claimant who would have made a claim for UC, from January 2018, will instead continue to make a claim for Jobseeker's Allowance and where appropriate, Housing Benefit, until full service UC is implemented.
- Other recent Government announcements include abolishing the initial 7-day waiting period, making the UC helpline free, making a transitional housing payment and increasing advance payments.
- When UC Full Service is implemented, any new claims for – or certain changes to – 'legacy' benefits, will require an application instead for UC.
- At least 60,000 people in Sheffield will eventually claim Universal Credit. There is no indicative date for when everyone receiving legacy benefits will be moved onto UC, but the Government's intention is to finish the whole process by 2022.
- UC is expected to have a significant impact on [organisations in the city](#), including:
 - a. Rent arrears on average doubling for those tenants on UC
 - b. Council tax arrears increasing as Council Tax Support will need to be claimed separately
 - c. Increase in demand for digital access, information, advice and support services (both volume and complexity)
 - d. Changes in systems and workload
- Work is taking place [preparing for the roll out](#) of Universal Credit in Sheffield. An initial workshop was held in December 2017⁵ to work towards a shared view of the likely impacts, and explore how we can work together to support people to succeed within the new system.
- Please email cat.arnold@sheffield.gov.uk if you would like to receive periodic updates on Universal Credit preparation.

⁴ There will be no new claims for UC between January 2018 and November/December 2018 because of changes being made to the system.

⁵ Including representatives from Sheffield City Council, Sheffield Citizens Advice, the Department for Work and Pensions, Housing Associations and Shelter

Purpose

1. The purpose of this briefing note is to:
 - Provide an introduction to Universal Credit (UC), including the latest announcements from Government.
 - Capture what we know so far about the potential and likely impacts of UC on the city, including on specific customer groups and organisations.
 - Provide an update on the most recent work that has been done to prepare for UC in the city.

Introduction

2. The introduction of Universal Credit has been described as one of the biggest changes to the welfare system since the 1940s. Eventually, UC will replace *all working age income related benefits* (Income Support, income related Employment and Support Allowance, income based Jobseeker's Allowance, Housing Benefit and Tax Credits), but not Council Tax Support which will continue to be claimed separately through a different process. Claimants will receive one monthly payment of UC, including an element for their housing costs, which will be paid directly to the claimant, with no payment directly to their landlord.
3. This means that in future, the individual claimant will be responsible for making sure they pay their rent, whereas if they were previously claiming Housing Benefit, their Housing Benefit may have been paid directly to their landlord. Previously, all working age Council tenants, most housing association tenants, and some private tenants who received Housing Benefit had their benefit paid directly into their rent account. Under UC, the default position will be that the credit is paid directly to the tenant on a monthly basis, and they are then responsible for paying their rent to their landlord.
4. The overall aim of the UC system is a reasonable one – to make it easier for people to move from benefits to work and to help them claim benefits more easily when, for example, temporary work comes to an end. However, the way the system has been implemented holds a very real risk that people on UC are set up to fail rather than to succeed.
5. The UC changes are being introduced in stages. UC was introduced in Sheffield on 18 January 2016 and, at the moment, approximately 3700 people⁶ are on UC across the city. These are mainly single, working age claimants who would have previously have

⁶ Latest figures from end of November 2017: 3743 claimants.

made a new claim for Jobseeker's Allowance. These people are not necessarily all currently receiving money from UC – some will be in the UC system and able to receive benefit if their income falls below a certain level (e.g. if temporary work comes to an end)⁷.

6. Further roll out of Universal Credit was due to take place in Sheffield in summer 2018, but following recent announcements by the Government, the dates have been put back to November and December 2018. When UC full service is rolled out, any new claims for – or certain changes to – 'legacy' benefits⁸, will require an application instead for Universal Credit. Further details on the recent changes are below.
7. Citizens Advice estimate that at least 60,000 people in Sheffield will eventually claim Universal Credit. There is no indicative date for when everyone receiving legacy benefits will be moved onto UC, but the Government's intention is to finish the whole process by 2022.

Recent announcements

8. Following a national campaign by Citizens Advice, along with support from many other organisations including housing groups, and concerns raised in Parliament, the Government recently announced several changes:
 - a. Roll out in Sheffield has been put back to November and December 2018⁹.
 - b. Roll out of the 'live' service is being halted from the end of December, meaning that no new Universal Credit claims will be made until the 'full service' is rolled out¹⁰. This means that from January 2018 to November/December 2018, claims that would have previously been for UC will now be for 'legacy benefits' i.e. Jobseekers Allowance and Housing Benefit. Calls to the Universal Credit helpline have been made free.
 - c. The initial seven day waiting period is being abolished (from February 2018).

⁷ Some claimants will have an open claim with £0.00 entitlement due to earnings, they will be able to automatically receive benefit if their income falls below a certain level for 6 months from the date of claim without reapplying.

⁸ Income Support, income related Employment and Support Allowance, income based Jobseeker's Allowance, Housing Benefit and Tax Credits.

⁹ November 2018 (Sheffield Bailey, Sheffield Cavendish Court and Chapeltown JCPs) and December 2018 (Sheffield Hillsborough and Sheffield Woodhouse JCPs)

¹⁰ This is because they are making quite significant changes to the UC system and it's easier to do that by suspending the 'Live' version that Sheffield currently has and updating and then running the 'Full Service' version later in the year.

- d. A “transition to Universal Credit housing payment” will be made for two weeks for anyone transferring from housing benefit (from April 2018).
 - e. “Advance payments” will be available for up to 100% of claimants’ notional entitlement (from January 2018).
 - f. Advance payments will be recovered over a maximum of 12 months, rather than 6 (from January 2018), but the DWP may well seek quicker recovery.
9. These are improvements to the current system, and provide us with more time to prepare for the roll-out, but there are still significant concerns about the remaining aspects of Universal Credit for both claimants and organisations.

Digital exclusion and claiming/maintaining a claim for Universal Credit

10. In a major change from the current system, all claims for UC, and the ongoing maintenance of entitlement to UC, will be done digitally. This presents a significant challenge for a large number of people who are not digitally enabled, either due to access to appropriate technology or due to a lack of skills or knowledge. This will also impact anyone with limited or no literacy in English.
11. The Council currently receives funding from DWP to provide digital support to those people who have made a claim for UC. Take up of this service has been low so far. It is currently unclear whether this is due to low demand (the type of claimant currently on UC may possibly already be more digitally included) or for other reasons.
12. UC customers will be expected to use publically available digital facilities if they do not have access to personal ones. There are publically available digital facilities in the city, including in libraries, housing offices and voluntary/community sector organisations, and access to these will need to be considered in our response to UC. DWP have recently closed the Job Centre Plus at Eastern Avenue, which may have an impact on access to digital facilities in the surrounding area.

Budgeting and money advice

13. The way UC will be paid will also represent significant challenges to a large number of customers. This is because:
- UC is paid in monthly arrears, unlike legacy benefits, many of which are paid fortnightly in arrears; and

- a payment for housing costs is included within the overall award of UC which is paid to the claimant. For all council tenants, the vast majority of Housing Association tenants, and around 30% of private tenants who have previously claimed HB, this will be a significant change as their help towards rent (i.e. the HB they currently claim) is paid directly to their landlord.

14. Further, despite the recent changes announced by Government in the Budget, new claimants whose claims are processed in time and without problems will still face a five week waiting period for their first payment and three weeks for their first housing payment¹¹. During this time the customer will have no income and many people will therefore be at risk of accumulating debt. For the one in four claimants whose claims are not processed in time, the risk of accumulating debt is greater.
15. As UC is rolled out to larger numbers of claimants nationally, longer waiting times are being reported, with national Citizens Advice quoting average waiting times in some areas of around 12 weeks. Should this be replicated from November/December 2018 in Sheffield then this could place additional pressures on claimants, associated Council services e.g. customer services, housing rents, homelessness etc, and other organisations and services.
16. Whilst advance payments will be available from DWP for those people who are waiting for their full claim to be processed, there is real risk of creating a potential spiral of debt. They are an advance on a claimant's notional entitlement from the end of the five week period; they are therefore in effect a loan which becomes a debt, which must then be repaid.
17. The extension of the repayment period for advances to a maximum of 12 months is logical given that advances can be made for 100% (rather than just 50%) of a claimant's notional entitlement for living costs (not including housing costs), but the rate at which repayment is deducted from Universal Credit will remain severe for some people, particularly where they are also facing deductions for third party debts e.g. rent arrears, council tax arrears and fuel bills. Further, evidence suggests the 12 months may be the exception, and the quicker recovery may be sought in many cases.
18. The UC system will also have a potentially negative impact on people with long term disabilities and health problems, set out further below.

¹¹ As noted above (see paragraph 8.e), a "Transition to Universal Credit" housing payment will be paid to those transferring from Housing Benefit

19. The Council is currently receiving funding from DWP to provide money management and budgeting advice to any UC claimant. This support is being provided by staff from Council Housing Services Income Management & Financial Inclusion Team.
20. The ongoing funding from DWP for both the provision of money management and debt advice and digital inclusion support has not been confirmed.

Impacts for particular communities/circumstances

21. Some parts of the population will be affected differently by the introduction of UC and/or have access to different types of support. The groups below are not necessarily discrete, mutually exclusive or comprehensive, but are an attempt to capture some of the potential impacts.
22. **People with disabilities or medical conditions.** Some people with disabilities or long term health conditions will be adversely affected by UC. Some claimants who previously received income-related Employment and Support Allowance (ESA) will receive UC payments significantly less than the payments they receive from the legacy benefits because UC does not include the Severe Disability Premium or enhanced Disability premium that were part of the legacy benefit. Claimants will also no longer be able to make use of ESA “permitted work” rules, as these are not replicated in UC. Claimants who previously received the disability element of Working Tax Credit will no longer do so as it is not replicated in UC. Initial indications are that some disabled people may see income reductions of between 25% and 40%, with no transitional protection.
23. Work incentives embedded in the tax credit system have been reduced in Universal Credit although the Minister announced in November that he would keep this under review.
24. Some disabled job seekers in receipt of Personal Independence Payment or Disability Living Allowance will no longer qualify for a disability premium as this is not included in UC.
25. Disabled people are also disproportionately more likely to face money-management and digital access/skills barriers than other UC claimants.
26. Further analysis needs to be done on the impacts of UC on people with terminal illnesses.

27. Vulnerable **substance misusers** are likely to be particularly affected by the new UC system. Opiate users in particular could suffer from a greater risk of overdose if they receive all their benefit direct to them in one monthly payment, as is the default for UC. There are currently approximately 3000 people who are receiving treatment for substance misuse in the city in addition to those who are not currently receiving treatment. Further investigation needs to be done to consider whether it is possible for special arrangements to be made for particularly vulnerable people, such as automatic payment of housing costs to landlords and weekly payments of UC. There may also be other vulnerable groups who would benefit from such special arrangements.
28. **Private-rented tenants.** Approximately 30% of private tenants who currently claim Housing Benefit have it paid direct to their landlords. There are suggestions from Government that they will seek to replicate the current arrangements but if this does not happen, this group will be expected to manage their rent themselves. Regardless of payment arrangements, these tenants may be affected by the digital access issues presented by UC.
29. The most significant issue for private-rented tenants is that they do not have the access to support from landlords that most social-rented tenants have. They can also be harder to reach with the support that is available.
30. **Social-rented tenants:** All Council and Housing Association tenants who claim housing benefit currently have it paid to their landlords. It will therefore be a significant change for them to move to managing their own rent. Many of these tenants are also likely to be affected by the digital access issues presented by UC.
31. **Large out of work families that have already been affected by the Benefit Cap.** These families have already had to manage a reduction in their income as a result of the benefit cap, which is likely to exacerbate the money-management and digital access issues presented by UC. In addition, some current cap cases will see further reduction in income when they transition to UC – this is likely to affect around 100 households in Sheffield.
32. **People with language or other barriers.** These are likely to struggle more with the transition to a new system as well as with the money management and digital access. It will be important to find ways to identify vulnerability to ensure housing costs get paid direct to landlords where appropriate.

33. **Lone Parents:** like some of the groups above, this group are likely to be more vulnerable and struggle more with the transition to a new system.
34. **Free School Meals (FSM) families:** there is some uncertainty about how those families on lower incomes' eligibility can be determined under the new UC system and how we can identify them in order to maximise the number of them receiving FSM. This then has an impact on Pupil Premium funding which goes to schools. The Government has recently announced¹² that FSM eligibility will be based on income levels. This raises questions both about whether the income threshold is at the right level to capture people in need, and how we can identify and verify those income levels in order to determine eligibility. This will need further investigation.
35. **People on UC in work:** There are a number of elements of the UC system which will be different to the current system and will create issues for people in work. This includes:
- Enhanced conditionality rules – on UC, people will be expected to be working towards increasing their hours of work. Current tax credit claimants could remain on part-time hours and receive tax credits indefinitely. When they move to UC they will have to agree to a claimant commitment, which – depending on the claimant's circumstances – will set a required number of hours to work. If they are not seeking or working that required number of hours they could be sanctioned.
 - Self-employed people.
 - People who are paid weekly, fortnightly or four-weekly.
36. There may also be impacts on **take-up of Council Tax Support**. Under the current DWP system, people automatically apply for (Council-administered) Housing Benefit and therefore Council Tax Support when they apply for DWP benefits. This is not the case for UC which could mean that fewer people who are eligible for Council Tax Support apply for it. The implications of this need to be investigated further, although Citizens Advice "Waiting for Credit" research suggests that it is likely to result in an increase of council tax arrears¹³

Impacts on organisations in the city

37. **Rent arrears:** evidence from Sheffield so far, and from other areas¹⁴ who have already had full or partial roll-out, is that **rent arrears on average double** for those tenants on

¹² <https://schoolsweek.co.uk/government-confirms-free-school-meals-eligibility-under-universal-credit/>

¹³ https://www.nhas.org.uk/docs/Waiting_for_Credit_.pdf

¹⁴ Including Newcastle and Liverpool.

UC. Although the most recently announced changes may improve that figure before the full roll-out in Sheffield, we will still expect rent arrears for the Council, Housing Associations and private landlords to increase significantly.

38. Increase in demand for services: evidence from Citizens Advice in parts of the country which has experience full UC rollout indicates that debt and housing problems increase significantly. This, in turn, has a significant impact on mental wellbeing, homelessness and demand on other public services, including the local authority and voluntary and community sector organisations. Citizens Advice Sheffield is already noticing significantly increased demand for its services – both volume and complexity of cases – as a result of other benefit changes and the impacts of austerity.

39. Changes in systems and workload: some city organisations will have to respond to the UC system by changing their processes, e.g. City Council benefits system; support organisations training employees in supporting people in UC.

Preparing for the roll out of Universal Credit in Sheffield

40. An initial workshop was held in December 2017¹⁵ to work towards a shared view of the likely impacts, and explore how we can work together to support people to succeed rather than fail within the new system.

41. The workshop highlighted a number of areas for further investigation, including:

- Importance of communication on UC, both to people affected and to those who support them
- Need for a map of the digital access and support in the city
- Identifying vulnerability at an early stage
- Work with new tenants
- Using data to better understand who will be impacted and how

42. Please email cat.arnold@sheffield.gov.uk if you would like to receive periodic updates on Universal Credit and/or would like to contribute to preparations for UC.

¹⁵ Including representatives from Sheffield City Council, Sheffield Citizens Advice, the Department for Work and Pensions, and Housing Associations.