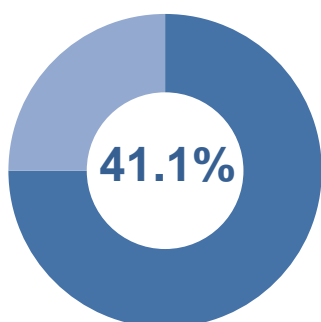


Impact of Universal Credit

Report 1

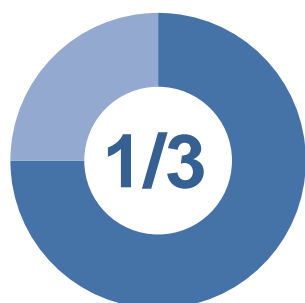
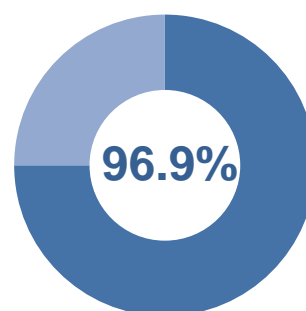
June 2016

Headlines



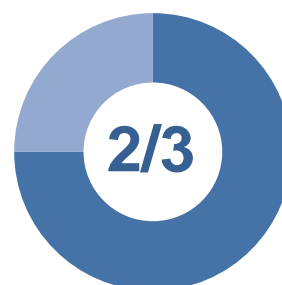
Average level of rent arrears of Universal Credit claimants in participating organisations has risen by 41.1% since roll out

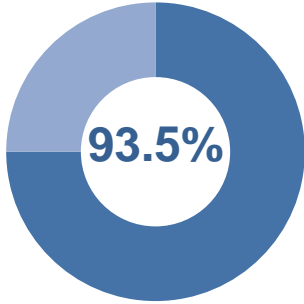
96.9% said tenants are short of money while waiting for claims to be processed



One third said that tenants have terminated their tenancy as a direct result of Universal Credit

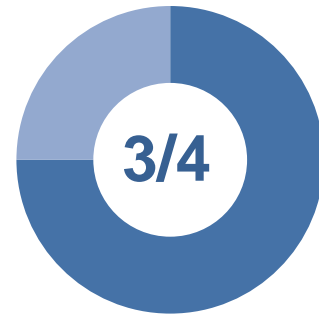
More than three-quarters said their staff spend more time supporting tenants through Universal Credit than through Housing Benefit claims





93.5% of respondent organisations have intervened in some way to help tenants with the cost of living

Three quarters said that there are issues around the consistency of information received from the Department for Work and Pensions



The vast majority of IT systems will need to be upgraded to accommodate the Universal Credit system

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1. Introduction

Universal Credit (UC) introduced as part of the changes to the welfare system, is designed to support those out of work or on low incomes and replaces six other Benefits (Job Seekers Allowance, Housing Benefit (HB), Working Tax Credit, Child Tax Credit, Employment and Support Allowance and Income Support).

The Benefit takes the form of a single monthly payment directly to the claimant rather than, in the case of Housing Benefit, to the landlord. Rollout of UC started in October 2013 and will be rolled out across all Job Centres by the end of the financial year.

The full UC service remains on track to be delivered nationally for all types of claimants from May 2016, completing in June 2018. After the transition process has completed in mid-2018 the remaining existing benefit claimants to the full UC service will be migrated onto UC.

Housing providers in areas of the country where UC was rolled out first say the programme has [increased financial pressures on their organisations](#). Bolton at Home report a 1,000% rise in debt advice enquiries at Bolton at Home last year.

In meetings with members furthermore, Northern Housing Consortium (NHC) has collected anecdotal evidence that since the implementation of UC, the cost of collecting rent has increased significantly and that there are issues around communication and information sharing with DWP. There was also a feeling that there would be sub-regional and organisational variations in the impact of UC. NHC was therefore urged by its membership to collect more robust evidence around these issues. This longitudinal study is designed to track the impact of UC on NHC members through four separate surveys from 2016 to 2017, supplemented by focus groups to gather more in-depth information after each survey. UC is a new system for tenants, housing providers and DWP staff alike and it may well be that the issues described to NHC anecdotally will be resolved when all parties involved become familiar with the new regime. Therefore, subsequent reports will describe any differentiations to previous findings to ascertain whether there is any improvement or otherwise in the situation over time.

All full NHC members were invited to take part in a survey via a self-completion questionnaire. In this first round of surveys, a total of 38 members submitted

information on their experiences so far. This exercise will be replicated every three months to provide trend data over the coming year.

Table 1: Breakdown of responding member types

Member Type	No.	%
Registered Provider	28	73.7%
ALMO	6	15.8%
Local Authority	4	10.5%
Total	38	100.0%

We will be providing at least four reports on how housing providers and local authorities are responding to the rollout of UC and examine the systems in place and the communication between DWP and local service providers. This is the first report detailing baseline information which will allow us to track the impact of changes against this starting point.

The purpose of this study is to better support DWP and their staff to ensure that rollout of UC is as smooth as possible. NHC will therefore disseminate the findings of this study to, and work with DWP, putting members' concerns to them in the hope that this will enable resolution of on-going issues.

2. Impact on Tenants

The introduction of UC differs from the other Welfare Reforms in that its introduction has by itself never been expected to lead directly to a reduction in spending. Rather it is best understood as a repackaging of existing benefits with the rules governing eligibility carried over from the existing benefits it replaces. The transitional relief increases spending in the short-term at least. Ministers' hope is that UC will reduce welfare spending by making work financially worthwhile and raising employment.

As UC rollout continues, DWP data shows that in the three northern regions, there were 103,971 UC claimants in March 2016. The majority (61.9%) were unemployed, the remainder (38.1%) in employment.

Delays

It has been reported to NHC anecdotally and also in the housing press that social landlords have raised concerns about problems with the processing system, including letters arriving late or going missing in the post.

The study sought to test the assertion that these problems were more widespread and over four-fifths of respondents to the survey (84.2%) indicated that they were aware of claimants whose claims had been delayed for some reason. Of these, all said that this had resulted in tenants being short of money while claims are being processed.

Table 2: Delays in processing claims and claimants being short of money

		Claimants short on money		
		Yes	No	Total
Delays in processing	Yes	31	0	31
		100.0%	0.0%	100.0%
	No	0	2	2
		0.0%	100.0%	100.0%
	Total	31	2	33
		93.9%	6.1%	100.0%

Whereas under the previous Benefit regime, if there were delays in processing a HB claim for example, the claimant would still have income from other Benefits to pay bills and buy food, the single payment nature of UC means that if there are any delays to a claim, there is no payment received whatsoever which can exacerbate

any financial pressures on claimants. This in turn increases pressures on member organisations (Impact on Organisation below).

Overpayment/Underpayments

Together with delays, benefit underpayments can have a significant impact on claimants and their ability to pay for essentials. A [Work and Pensions Committee's report](#) on benefit delivery said that DWP must redouble its efforts to remedy benefits delays and mistakes, including setting a new target for reducing underpayments.

Over one-third (37.8%) of respondents said that there were UC underpayments to claimants since the roll out. A number of reasons for this were offered; the most frequently cited were:

- tenants not receiving the housing element of UC or receiving less housing element than entitled to
- elements of UC being withheld when sanctioned
- eligible service charges not being included in payments
- processing errors leading to incorrect amounts being calculated

It may be that the housing element of UC not being paid is linked to the Gateway questions 'do you pay rent?' If Benefit recipients have always received Housing Benefit, they may indicate that they don't pay rent and this will not be picked up by JobCentre Plus staff at interview.

"Some occasions where no housing cost have been awarded and the claimant [is] under the impression that they were being paid directly to the landlord", UC Research Participant

"A number of safeguards are in place to support tenants and help them manage their money. Budgeting support will be offered when claimants first move onto UC; this can be money advice or, depending on their individual circumstances, an advance of benefit", DWP.

Meeting housing costs

[Sheffield Hallam University](#) estimates that a total of 840,000 households will be affected by UC tapers and thresholds in the north up to 2020-21, resulting in a total £900m loss to the region per year.

Table 3: Universal Credit tapers and thresholds

	No of households affected	Estimated loss £m p.a.	Loss per working age adult £ p.a.
Yorkshire & Humber	300,000	320	95
North West	400,000	430	94
West Midlands	310,000	330	92
North East	140,000	150	90
Wales	160,000	170	89
East Midlands	240,000	260	88
South West	250,000	260	79
Scotland	240,000	260	74
East	260,000	270	73
London	400,000	430	73
South East	330,000	350	64
Great Britain	3,000,000	3,220	81

Source: Sheffield Hallam University

The longitudinal study [Real Life Reform](#), found that there were around 20% of participants on zero-hour contracts. This latest study asked participants whether tenants on variable rates of pay (zero hours, on overtime etc.) are having difficulty keeping track of how much UC they are being paid. Over four-fifths (81.1%) confirmed that such claimants were experiencing such difficulty, 16.2% did not know and a further 2.7% said that tenants are not having such difficulty.

Of those that indicated that tenants were having difficulty keeping track of how much UC they are paid, 93.3% said that these tenants are finding it difficult to meet housing costs.

Table 4: Difficulty tracking pay by difficulty meeting housing costs

		Difficulty meeting housing costs			
		Yes	No	Don't know	Total
Difficulty tracking pay	Yes	28	1	1	30
		93.3%	3.3%	3.3%	100.0%
	No	1	0	0	1
		100.0%	0.0%	0.0%	100.0%
	Don't know	1	0	2	3
		33.3%	0.0%	66.7%	100.0%
Total	30	1	3	34	
	88.2%	2.9%	8.8%	100.0%	

Using loan sharks/food banks

So where do tenants turn to to make ends meet? It has been reported that due to a clamp down on door step lenders, an increasing number of people are turning to loan sharks. However, a relatively small minority of respondents (10.8%) reported knowledge of tenants turning to such lenders, although over half (54.1%) did not have this information available to them.

Notwithstanding this, the use of food banks amongst tenants is much more common. All but three respondents (91.9%) were aware of tenants turning to food banks as a way of feeding their families. This appears to be consistent with the latest Trussell Trust figures that show a 2% increase in foodbank use on the previous year with 1,109,309 three-day emergency food supplies given to people in crisis.

Health and wellbeing

The stress of meeting housing costs and paying bills can lead to wider health problems. Respondents were asked whether, since the rollout of UC, they were aware of a change in tenants experiencing health problems. Although the majority were not aware of an increase, a sizeable minority (40%) had been made aware of an increase in health problems in claimants.

This minority grows slightly when comparing the figures with those of respondents who stated that tenants are having difficulty meeting housing costs. Almost half (48.3%) of those that said that tenants are facing difficulty meeting housing costs also said that there had been an increase in tenants facing health issues, although 51.7% were not aware of such an increase in this cohort.

Table 5: Health issues by Difficulty meeting housing costs

		Increase in health issues		
		Yes	No	Total
Difficulty meeting housing costs	Yes	14	15	29
		48.3%	51.7%	100.0%
	No	0	1	1
		0.0%	100.0%	100.0%
	Don't know	0	2	2
		0.0%	100.0%	100.0%
Total	14	18	32	
	43.8%	56.3%	100.0%	

There also appears to be a correlation between an increase in health issues suffered by tenants and delays in processing benefit claims. As table 6 below shows, 85.7% of respondents that pointed to an increase in health issues also said that there had been delays in processing claims. It should be pointed out, however that a large majority of those responding that there was not an increase in health issues, pointed to delays in processing claims.

Table 6: Health issues by delays in processing

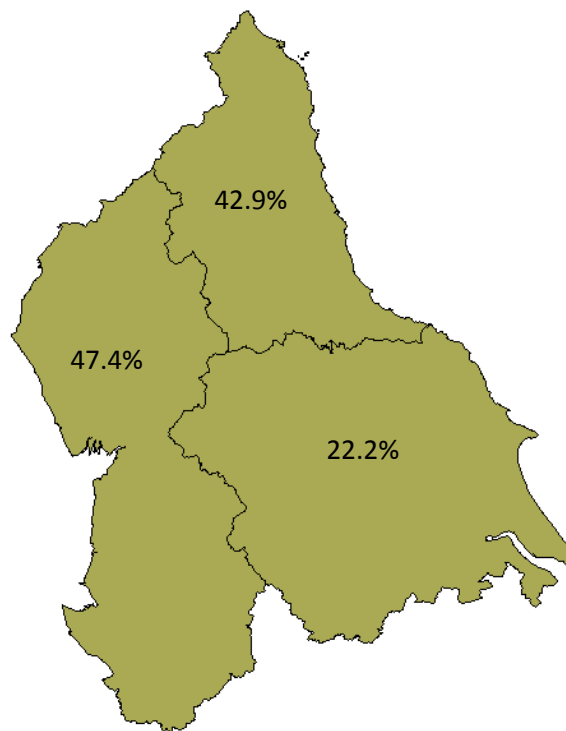
		Delays in processing		
		Yes	No	Total
Increase in health issues	Yes	12	2	14
		85.7%	14.3%	100.0%
	No	17	4	21
		80.9%	19.1%	100.0%
	Total	29	6	35
		82.9%	17.1%	100.0%

Other comments regarding tenants' health include:

- a number of tenants have been distressed about arrears accruing during the initial assessment period
- mainly mental health issues i.e. stress and anxiety
- waiting for the first 6 weeks of the claim with no money is causing worry and stress
- tenants have advised that the processes and waiting time for UC is causing them distress and depression

As rollout of the new regime took place in the North West prior to a wider implementation, analysis of health issues by region was carried out. This shows that the North West based respondents were more likely to see increased health issues and more than doubly likely than in Yorkshire and Humberside.

Map 1: Health issues by region



“Tenants have advised that the processes and waiting time for UC is causing them distress and depression”, UC Research Participant

“We are increasingly seeing tenants suffering with mental health problems in our Money Advice surgeries and in day to day work with the Rent Teams. I certainly think tenants with ill health and disability have received a lot of support through discretionary housing payment and we have had a few cases where tenants have previously been unfit to work but are now on UC. One example is someone with learning difficulties and other support needs where we had to ask for his claimant commitment to be varied”, UC Research Participant

3. DWP Experience

In response to concerns raised regarding correspondence going missing in the post between DWP and housing providers or delays, the Government has pledged to improve systems from the summer by allowing communication via email on UC cases. This announcement was made after the first round of surveys in this study and respondents were asked a series of questions around their experience of working with DWP and in particular the level and quality of the communication them.

Communication issues

The original concerns regarding communication are again raised in the research. A number of respondents pointed to there being inconsistencies and/or incorrect information received from DWP when in contact regarding tenants' claims. More than nine in ten (91.9%) organisations in the study reported that there had been communication issues between DWP and either their organisation or the tenant.

Some issues cited include:

- difficulty getting through to people
- lack of information/consistency of information
- lack of knowledge at DWP
- delays
- not receiving notifications of claims
- data protection issues – information not being shared with the landlord
- calls not being returned
- difficulty contacting via the escalation line (only being live four hours a day)

As table 7 below shows, more than two-thirds (69.7%) of those that pointed to issues regarding communication with DWP also said that they had problems contacting the right person within the Department.

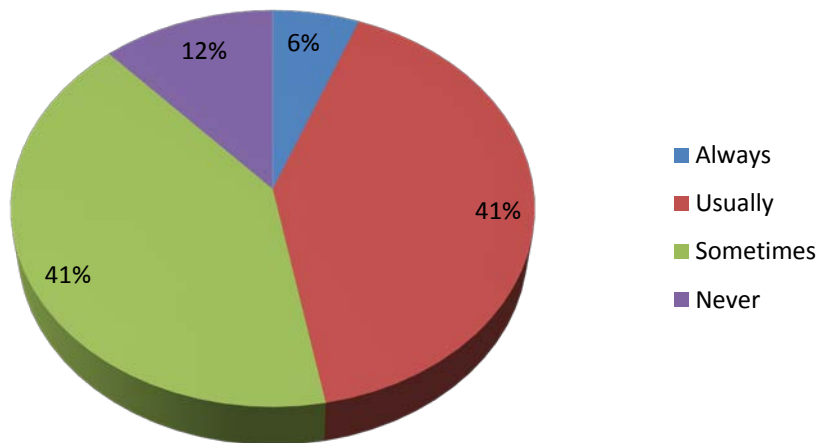
Table 7: Communication issues by problems contacting the right person

		Problems contacting the right person		
		Yes	No	Total
Communication issues	Yes	23	10	33
		69.7%	30.3%	100.0%
	No	0	3	3
		0.0%	100.0%	100.0%
	Total	23	13	36
		63.9%	36.1%	100.0%

There were some positive comments regarding communication with DWP. It was pointed out by some that communication via telephone was fine.

In addition to problems contacting the right person, when calling DWP and requesting a call back, only two respondents (5.9%) said that they always receive a call back within the assigned three hours. Double that figure (11.8%) said that they never received the call back within that time (figure 1 below).

Figure 1: Receiving a call back within the assigned three hours



Similarly, only three respondents indicated that they always receive written notification when a claimant migrates from Housing Benefit to UC (8.6%). Double that figure (17.1%) stated that they never receive such notification, 68.6% said they sometimes do and 5.7% said they usually do.

Three quarters of respondents (75%) answered that there were issues around the inconsistency of information that they receive from different service centres. A further 11.1% said that there were no such issues. Specific issues cited include:

- different members of the DWP giving different levels of information
- different answers to questions
- inconsistent advice and decisions from each different service centre
- around rental levels and using old rent to calculate UC
- DWP staff unclear about UC regs, mixed messages passed to housing staff and tenants

“There is still confusion on the UC helpline as to whether they can disclose information [to] us as the landlord. I am receiving mixed messages as to whether to send e-mails to UC or not. I do not receive many responses, and a UC advisor has told me that they don’t really use e-mail. It is getting increasingly difficult to get through to the UC landlord line”, UC Research Participant.

“DWP will send a letter to social landlords in all UC live areas identifying whether the tenant is a UC claimant. The letter will be sent out when the tenant makes a UC claim. This information will help landlords in assessing which UC claimants may need advice, support and assistance in relation to managing their financial affairs”, DWP statement.

4. Impact on Organisation

The lack of information shared with landlords (above) can lead to difficulties for housing providers to know which tenants receive UC and therefore, receive direct payments. This has in turn led to difficulties in supporting tenants with the transition to UC and to help prevent arrears, targeting resource and services is proving to be a challenge.

As UC continues to be rolled out, it would be reasonable to expect UC rent arrears to increase as more claimants are migrated onto the new regime and the number of UC claimants increases. Circle Housing has published the findings of research, undertaken by [Sheffield Hallam University](#), which tracked how tenants are likely to cope under UC. In a pilot scheme paying 349 tenants their Housing Benefit directly, instead of to their landlord it was found that rent collection rates fell 4.1 percentage points and rent arrears also increased to 2.5% (2.1 percentage points higher than non-pilot participants). Furthermore, research carried out by the National Federation of Arm's Length Management Organisations (NFA) and the Association for Retained Council Housing (ARCH) found that 79% of ALMO and council tenants that are on UC are in rent arrears compared to 31% of other tenants.

At the time of our survey, the average UC rent arrears level stood at £114,277 (18 respondents answering). This is a 41.1% increase on rollout (£80,996). Over the same period, existing Housing Benefit case arrears fell by 4.5% to £556,380. This has had the cumulative effect of total arrears having increased by 6.4%.

Rent collection rates for UC cases averaged 90.9%; rates varied widely from 65% to over 104%. In comparison, Housing Benefit collection rates averaged 99.1%. The nature of rent being paid directly to landlords means that the range of collection rates here is much narrower, from 97.2% to just over 101%.

Alternative Payment Arrangements (APAs) are available for claimants who can't manage the standard UC payment.

There are three types of APA available:

- direct payment of the housing cost element to landlords (known as managed payments)
- splitting of payment between members of a couple

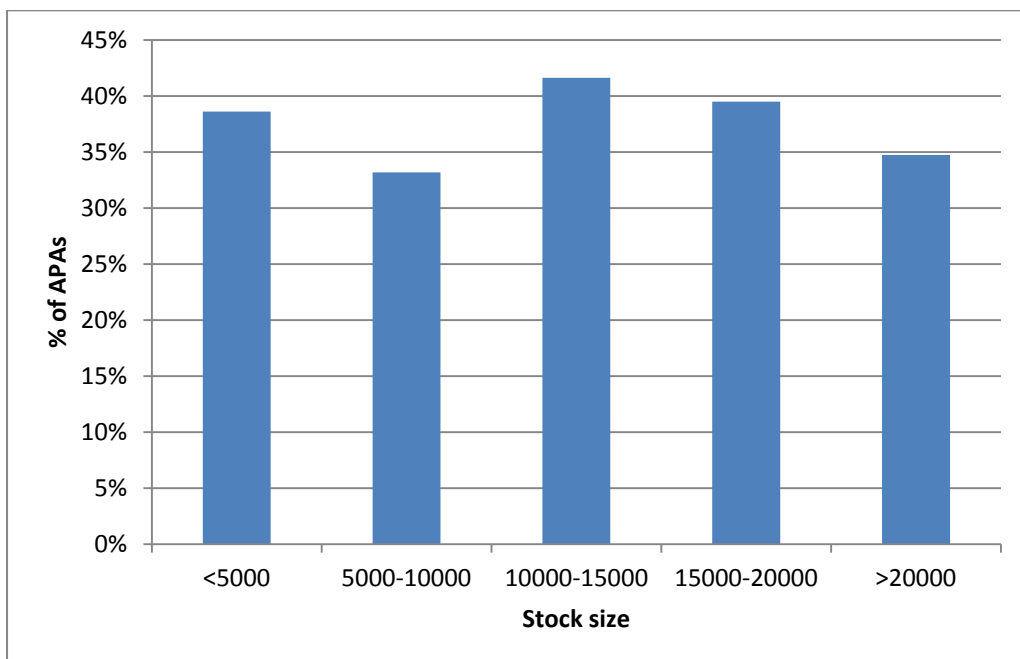
- more frequent payment of benefit.

Landlords can apply for an APA where:

- a claimant is in arrears with their rent for an amount equal to, or more than, two months of their rent.
- a claimant has continually underpaid their rent over a period of time, and they have accrued arrears of an amount equal to or more than one month's rent.

An average of 38.3% of responding organisations said that their tenants are on Alternative Payment Arrangements to pay their rent. As Figure 2 below shows, there is no real correlation between stock size and the proportion of UC claimants on APAs. However, with over 40% of such claimants on APAs, mid-sized housing providers have the greatest proportion of APAs before this proportion falls away for larger organisations.

Figure 2: Percentage of APAs by stock size



In terms of the resource issue for organisations as UC rolls out, the management of APAs is arguably the largest. Organisations are finding that once on an APA the tenant will need some support to get into a position to manage their own finances and come off APA (as these are intended to be a temporary solution). The risk is that DWP will provide one off support and sign the tenant off the APA as quickly as

possible and ever spiralling arrears and/or revolving door for those who cannot cope, on and off APA without more intensive support from the landlord and/or local authority.

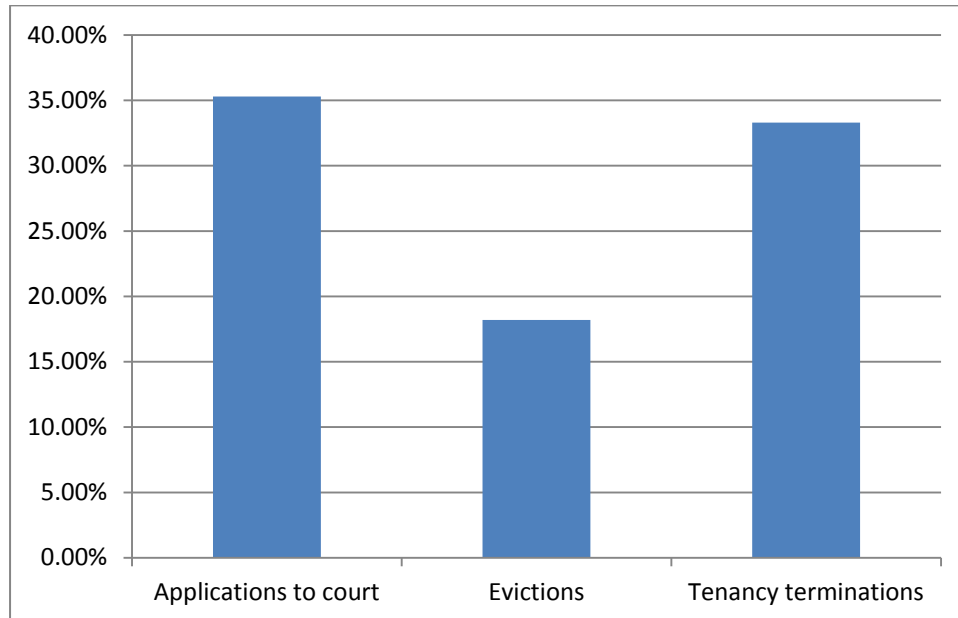
Before getting to this stage the application process can be problematic for housing providers with some reporting having to remind UC up to three times. Reasons offered by DWP for this is due to the lack of staff as a result of national roll out.

Evictions/Terminations

Since the rollout of UC, over a third of responding organisations (35.3%) report an increase in applications to court for evictions due to rent arrears. Furthermore, 18.2% report an increase in actual evictions due to rent arrears since rollout, while a further 78.8% report eviction levels remaining the same.

Figure 3 below shows this data and that a third of respondents (33.3%) note tenants have terminated their own tenancy as a direct result of the UC rollout.

Figure 3: Evictions and Terminations of Tenancies



Staff time pressures/costs

On average, there is a 5.7 day difference in processing Benefit claims, UC claims taking housing staff 27.8 days and HB claims taking 22.1 days to process. Indeed, over three-quarters of respondents (77.1%) said that staff members are spending

more time supporting tenants through UC cases than they did on HB cases. The remaining 22.9% did not believe that was the case. A [Guardian article](#) also reports how a number of North West providers have suffered significant pressure on their money advice teams.

“More time spent supporting customers with their UC claim, setting up payment methods, developing new processes, developing automation, working with the DWP strategically as well as operationally” , UC Research Participant.

Many housing providers and local authorities provide added value services to tenants and residents such as budgeting and managing finances. These offer a dedicated free money and debt advice service around maximizing income. Of those respondents whose organisation has a money advice team (33), 69.7% said that there has been an increase in enquiries directly attributable to UC since the rollout.

Many of the factors in this section appear to have had an impact on the cost incurred by respondent organisations in managing UC cases compared to HB cases. Twenty-five respondents, equating to 78.1% of all those that answered said that they had noticed a difference in the cost of managing UC cases. Many respondents point to the extra pressure on staff time as the main reason for the increase in costs – some pointing to five times as much time per case spent on UC cases compared to HB cases. Others point to the intensive nature of dealing with APAs and Third Party Deductions being paid separately. Other points made were:

- We have created an additional full time officer role to manage UC customers
- Have increased Advice and Support provision to cope with UC
- We spend more time on UC cases than we would do on HB
- More staff time needed to explain UC and offer support to manage the benefit
- not payable until they don't arrive

Systems (change/costs)

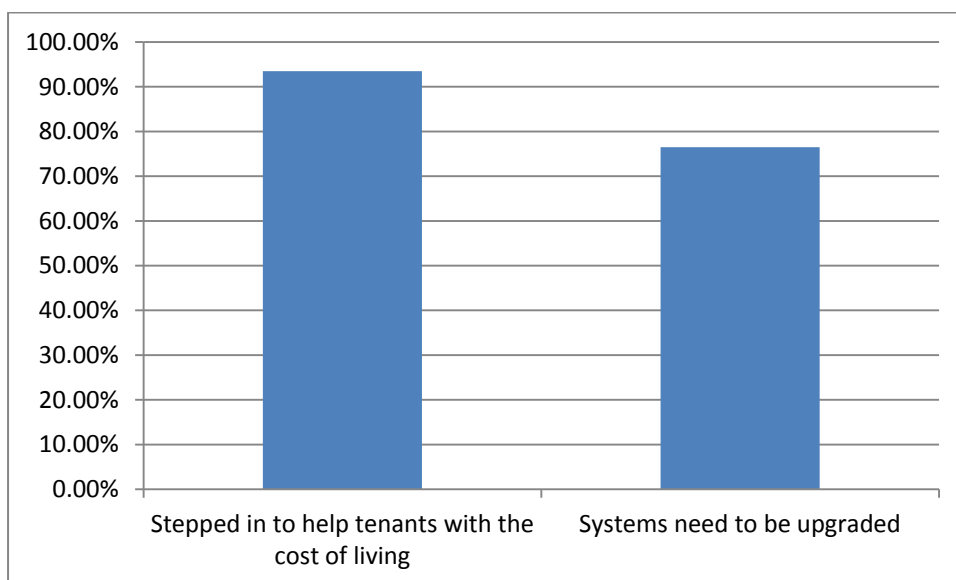
Changes brought about by UC are having an impact on systems employed by organisations. More often than not, housing organisations have to step in to help tenants with the cost of living or make referrals to other agencies to help. Almost all (93.5%) said that their organisation had made such an intervention. Help offered has

ranged from applying for discretionary housing payments for those UC claimants that are under-occupying to providing a hardship fund and offering a budgeting course for tenants. Other interventions include referrals to:

- Citizens' Advice Bureaux
- Foodbank
- Tenancy Support
- Debt Advice/StepChange Debt Charity

Other (electronic) systems also need to change to incorporate changes brought about by UC. Over three-quarters of respondents (76.5%) said that their IT systems needed to be upgraded to incorporate UC requirements.

Figure 4: Changes needed due to UC changes



5. Conclusion

This initial report has provided a baseline of information for us to track against over the next year and three rounds of surveys. It is clear that there are some teething troubles in these early stages of rollout that we hope to address in discussions with DWP and members.

Many respondents point to communication issues and in particular:

- delays in correspondence or a lack thereof
- a lack of consistency in information received
- a reluctance on the behalf of DWP to share information with landlords.

This has led to:

- tenants being short of money
- tenants turning to food banks
- an increase in time and costs managing UC cases
- new/upgraded IT systems being implemented.

6. What next?

There will be a focus group of stakeholders and respondents held on 23rd June to collect more in-depth qualitative information regarding the issues faced by organisations and tenants to date.

The information gathered from this session will inform the content of the second round questionnaire. This will be distributed to potential respondents in the summer and will seek to compare with the first questionnaire on a number of the main questions. Subsequent surveys will be distributed quarterly with reports published on the findings soon thereafter.

The findings of the surveys and information collected from the focus groups will be used to engage with DWP to put members' concerns to them and to attempt to reach a solution to these concerns. We will work closely with DWP to address the issues that have been experienced by housing providers in the early stages of UC rollout to ensure future rollout and administration of the regime is as smooth as possible. It is therefore important that as many members as possible take part in the research to

provide robust evidence to take to discussions with DWP. If you would like to take part in the focus group, the next survey or if you would like your organisation to act as a case study as part of the project, please contact:

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