

THE COST OF UC *Universal Credit*

THE COST OF UNIVERSAL CREDIT



85%

have had to help claimants update their online journals

83%

83% have had to assist claimants after an incorrect UC payment

Average

£1.5million

costs incurred per organisation as a result of UC

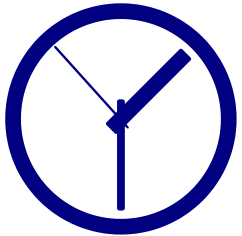
2.2%

Total costs account for 2.2% of annual turnover

An average increase of

169 hours

dedicated to UC



100%

say there has been an increase in staff time dedicated to UC processes and supporting UC claimants

Based on research gathered from 36 organisations operating across the North

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1. Introduction

The House of Lords Economic Affairs Committee has launched an enquiry into the economics of Universal Credit (UC). The Committee is looking at whether UC is meeting its original objectives and whether the policy assumptions reflected in its design are appropriate for different groups of claimants. It will also examine the extent to which UC meets the needs of claimants in today's labour market and changing world of work. An enquiry into whether UC meets the needs of claimants is welcome and the results will be eagerly awaited.

Northern Housing Consortium's (NHC) investigation into the impact of Universal Credit has hitherto been concentrated on collecting insights into how our members' tenants and residents have been affected by the implementation of the new benefit system¹. However, the ramifications of UC are not limited to claimants and anecdotal evidence collected through our regular roundtable events which bring together our members and Department of Work and Pensions (DWP) colleagues, suggested that landlords and those organisations that provide support to claimants were facing increased demands for their services and therefore financial stress.

This has been the case since UC roll out but the publication of this report comes at a time when housing providers are having to review their spending over the coming months due to severe pressure on budgets because of the Coronavirus pandemic. Credit rating agency Moody's predict a major drop in rental income due to an increase in unemployment and some registered providers have predicted a 50% drop in rental income over the coming months.

Already the health crisis has had a significant impact on employment and so the welfare system. The government imposed lockdown restrictions on 23rd March 2020 and the latest available DWP figures show that there were 1,198,168 UC claimants in the north on 9th April. This represents an increase of over 331,000 (+38.2%) on the 9th March figure. The greatest increase was seen in claimants who were in employment (+45.3%). Over the same period in 2019, there was an overall increase of just over 34,600 claimants (+6.4%). These pan-northern figures are largely in line with the national figures but within the north, while the largest proportional increase was seen in Yorkshire and Humber where there was an increase of almost two-fifths, the greatest number of new claimants was seen in the North West where an additional 162,636 people began claiming the benefit in the space of just one month. This must have piled yet more pressure on a range of organisations and their staff to process claims and support claimants through the process.

Indeed, nationally, it was reported that some 950,000 people applied for UC in the last two weeks of March – nearly 10 times the volume in a typical fortnight – as a result of tenants losing jobs or seeing income decrease due to the economic

¹ Northern Housing Consortium: <https://www.northern-consortium.org.uk/influencing/impact-of-universal-credit/>

impact of COVID-19². There were more than 6 times the usual number of claims made in the 4 weeks from 13 March 2020, with a record 1.5 million claims made nationally. Comparatively, in 2019 there was an average of 55,000 claims made each week. There can be little doubt therefore, of the increasing pressures on claimants, government departments, landlords and support organisations at this unprecedented time.

Therefore, while this report is mainly the result of a survey of NHC’s full members carried out prior to the current pandemic on the pressures on their resources directly because of the implementation of UC, in light of the Coronavirus outbreak, we re-surveyed members with a smaller questionnaire to collect information on the impact the outbreak has had on their resources.

The initial research consisted of a whole census of the NHC membership by email inviting them to take part in an online self-completion survey and to submit case studies to illustrate further their experiences. In total, 35 member organisations responded to the survey. This equates to 23% of the full NHC membership at the time of surveying. Respondent organisations were, however predominantly from organisations with housing management responsibilities and they represented almost 35% of this type of member.

Although there was a slight over-representation of ALMOs in the secured returns, the breakdown of respondent organisations largely correlates with the full membership.

Table 1: Type of responding organisation

Organisation type	No.	%
ALMO	7	20.0%
Local authority	5	14.3%
Registered provider	23	65.7%
Total	35	100.0%

Compared to the full NHC membership, members from the North West (37% compared to 50%), and to a lesser extent Yorkshire and Humber were slightly under-represented in the responses received.

Table 2: Region of responding organisation

Region	No.	%
North East	10	29%
North West	13	37%
Yorkshire and Humber	9	26%
Out of area	3	9%
Total	35	100%

² Inside Housing: https://www.insidehousing.co.uk/news/social-landlords-bolster-benefit-advice-teams-amid-huge-universal-credit-demand-65985?utm_source=Housing60&utm_medium=email&utm_content=article_link&utm_campaign=H60

2. Rent and Arrears

As has been well documented, housing providers have seen an increase in rent arrears since the introduction of UC. Moody's said that increased arrears and bad debt as unemployment rises would hit housing associations' income. It expects the current crisis to lead to an unemployment rate of 6.5% by the end of 2020, with registered providers facing rent arrears as newly unemployed tenants transition to receiving benefits. Although the 2010 DWP White Paper stated that, "*as people's earnings increase or decrease, their Universal Credit amount will adjust smoothly to reflect this*"³, arrears accrue particularly as claimants await their first payment but also because means-tested benefits often work poorly when people's circumstances change. The reassessment of entitlement depends upon timely notification of the change, speedy and accurate recalculation of entitlement, and efficient implementation of the new level of benefit. That puts the responsibility, firstly on the claimant who, depending upon the type of change, may have other priorities and afterwards on an administration which has traditionally underestimated the frequency and severity of changes of circumstance⁴. DWP therefore, currently requires individual claimants to declare when their rent and service charges change in their online journals, with benefit entitlements calculated accordingly.

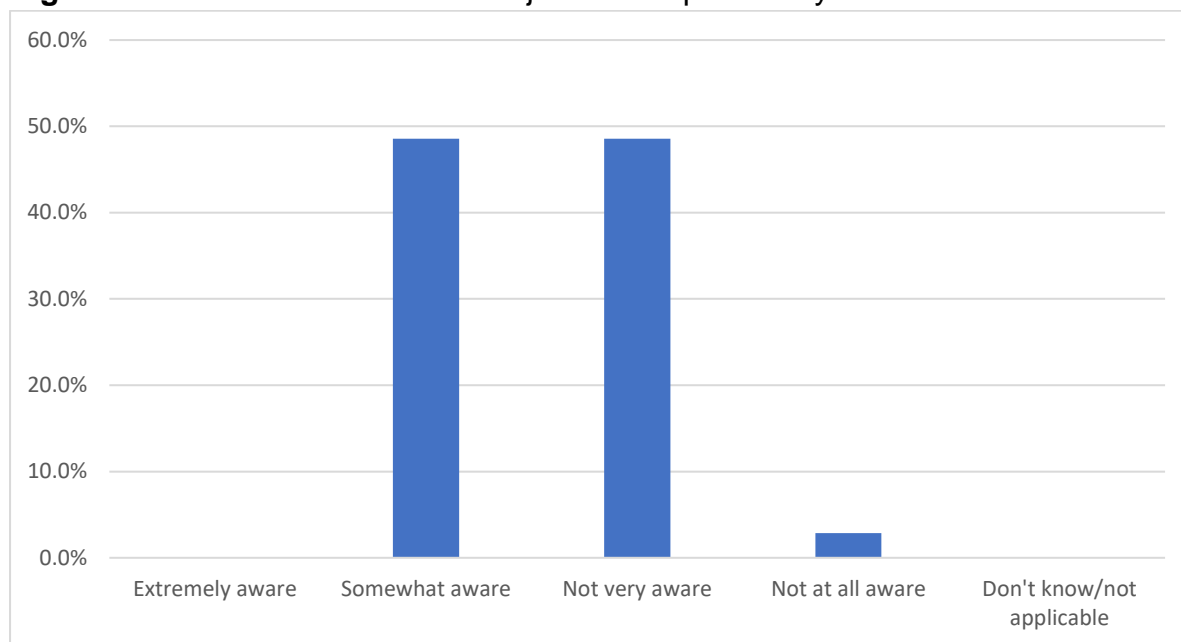
The White Paper statement above is clearly a win for UC – or would have been had it been achieved. Universal Credit's response to such changes assumes that every change applies for the whole of the month-long assessment period before UC is paid a week later. That means that whether the change happened on the first day, or last day, of the month, it will have no effect on the amount of UC paid in the following month. Another key aim of UC was to reduce fraud and error, but the National Audit Office (NAO) found that £1.7bn of payments – more than £1 in every £10 in 2019-20 – were overpaid. The lack of understanding of this complex relationship between earnings, benefit, housing costs and disposable income is leading to some unfortunate consequences. Despite the responsibility being on the claimant, there are concerns that many tenants do not know about the requirement to update their online journals and do not register the changes when they occur. Indeed, our research has found that just over half of respondents felt that claimants were either not very or not at all aware that it is their responsibility to update their online journals with rent changes.

³ DWP:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/48897/universal-credit-full-document.pdf

⁴ <https://benefitsinthefuture.com/universal-credit-rent-landlords-be-cautious-about-being-helpful/>

Figure 1: Claimants awareness of journal responsibility



This has led to many housing providers expressing concern that they could incur extra costs and see resources diverted from mitigating the impacts of UC unless the government makes swift changes to the way rent changes are recorded, and allows them to update information in bulk. Delays in informing DWP of changes can lead to claimants being paid the wrong housing costs which in turn can lead to extra burdens on them, support organisations and statutory bodies rectifying the issue. Only four respondents to our survey said that staff had *not* been required to assist claimants with a UC overpayment or underpayment. The vast majority (82.9%) said that they had been called upon to help remedy issues of housing cost payment errors, while a further 5.7% did not know.

When asked for further details on where incorrect payments come from, many members pointed to incorrect circumstances having been included in the assessment for UC as well as untidy tenancies. An issue more regularly raised now is the monthly assessment period not coinciding with schedule payments; it doesn't matter when a change in circumstances occurs (whether it is the first or last week in a month), the claimant's entitlement is affected for the whole of the following month. It is very difficult for non-specialist staff to identify whether people have been over or underpaid.

“Our staff frequently support customers to ensure they are receiving the correct entitlement to Universal Credit. We also have to spend a considerable amount of time dealing with over-payment notices we receive where an APA is in place and a customer has been over-paid. There are only certain circumstances when a landlord is liable to repay this and there is clear guidance when an over-payment should be recovered from a claimant instead. We find the DWP use an ad-hoc approach to dealing with these over-payments and frequently incorrectly assign liability to us.” Survey Participant

Despite telling housing providers that they would be able to upload rent changes on behalf of tenants claiming UC from April 2019, thereby reducing the administrative burden on income management teams, the Department are still working on system functionality and these changes are yet to be implemented. The DWP have been carrying out a trial where, for those they pay rent directly to the landlord, they pay each calendar month. Previously those people who had their rent paid direct to their landlords had a month paid every four weeks, 12 times a year, with one payment skipped. This caused significant confusion for claimants and housing providers but the new arrangement, which aligns the rent period to the tenants Universal Credit period is expected to save social landlords thousands of hours in administrative work chasing up the status of payments.

That may help, but where tenants get their housing element as part of their Universal Credit, monthly rents may have a very different effect. Social landlords are moving away from weekly rents to 4 weekly or monthly rent cycles, for administrative reasons and to align more closely to UC.

“Developing functionality to best support landlord rent changes is presenting a number of unique challenges. We have evaluated the results of the 2019 bulk upload test, and we are continuing to test options to best support landlords; however we are unable to simply expand the 2019 test functionality to all landlords.” DWP

One possible change of circumstance could be a change of rent charged. Over four-fifths (88.2%) of respondent organisations had made changes to rent levels in the period since UC was rolled out in their area. Consistent with our findings regarding tenants’ ignorance of their responsibilities to update their online journals, of those respondents that had implemented a rent change since UC roll out, over four-fifths (84.8%) indicated that staff been required to assist claimants in updating their online journals.

When looking at costs to housing providers due to the implementation of UC, the impact caused by the loss of rental income due to rent arrears cannot be ignored. Our research continued to collect information on arrears levels of

claimants. We found that of 95,844 UC claimants had a total of over £42.5m arrears – an average of £444.26 per claimant.

Table 3: UC arrears by organisation type (Cost A)

Organisation type	Sum of UC Arrears
ALMO	£12,012,962
Local authority	£5,606,086
Registered provider	£24,960,863
Grand Total	£42,579,910

“The claimant to-do has been reused because it reaches 100% of social tenant claimants immediately, including those who cannot be targeted via the landlord portal. This also supports the principle of claimants having responsibility for declaring their own changes of circumstances (which includes changes to housing costs)”, DWP

We inherited a case back in July 2018.

The customer lived with her mother, and HB was being paid along with top ups from tenant for water rates.

Unfortunately, in March 2018, the customer's mother suddenly passed away, leaving her in the property on her own. As well as her previous mental health issues, this triggered anxiety, depression and other medical conditions linked to her Mother's passing.

She had no choice but to go onto UC. She was told by the council to claim this. A friend helped her claim, but she had no idea what UC was, how it worked nor did she know her rent would be paid to her.

An appointment was arranged for us to see her at a local jobcentre. We sat, explained how UC worked, and how it was calculated. She had no idea how bad these arrears were. We agreed to help her as much as we could to get these down, and she was also willing to work with us too. When we logged onto her journal, we noticed that UC had not paid her any housing costs from the date of claim in April 2018. They only paid them from June's payment. This was only 1 months' worth, but as there was no HB from the end of Feb, this reflected massively on her rent account. By the time of this appointment she was almost £1,200 in arrears.

Firstly, we asked UC to apply the missing Housing costs from the start of the claim, and to backdate her UC for the maximum 1 month, bringing the UC date in line with her mother's passing.

The backdate was refused and the customer liaised with us over the phone, email, and face to face to get this overturned. We requested a reconsideration, which was also refused. The next stage was to appeal, which we did by completing the required form, an SSCS1 form, and posting this to the HM Courts and Tribunal Service. Many weeks passed, and the customer received a letter stating that the appeal had gone in her favour, and she got the 2 months' rent she was entitled to.

This was put onto the rent account and took a chunk off the arrears.

Whilst waiting for the appeal, Alternative Payment Arrangement was in place, as well as a Discretionary Housing Payment further reducing her arrears.

Now she is continuously in credit on her rent. She understands how her UC works and she knows she can call the Universal Credit team anytime if she needs anything.

She also now gets Limited Capability for Work element, enhanced rate Personal Independence Payment (PIP) for Mobility and Daily Living. This has boosted her income and is helping her find the care and support she needs due to the many struggles she has.

3. Supporting tenants

Many housing providers are proactive in their attempts to support their tenants in receipt of UC. In response to the 1% rent reduction last year, landlords contacted their tenants in receipt of the housing cost element of UC to head off any issues that may arise because of it. Doing so again with greater numbers in receipt of UC would be a considerable administrative task exacerbated by new claimants due to Coronavirus.

In our research we asked our members whether their organisation had carried out an analysis of additional resources in terms of time and what this equates to in cost to support the UC rollout. Over one-third (38.2%) of respondents said that such analysis had been carried out, although half had not. Regardless of whether this type of exercise had been carried out, all respondents to our research were aware that there had been an increase in staff time dedicated to UC processes and supporting UC claimants.

The increased time invested by member organisations in supporting claimants has been exacerbated since the outbreak of Coronavirus. Data collected by the Housing Association Charitable Trust (HACT) found that 41 housing associations, representing just under a quarter of the total housing association stock in the UK, made 250,301 welfare calls to residents in March and April. Of the residents contacted, 26% requested some form of support from their landlord⁵.

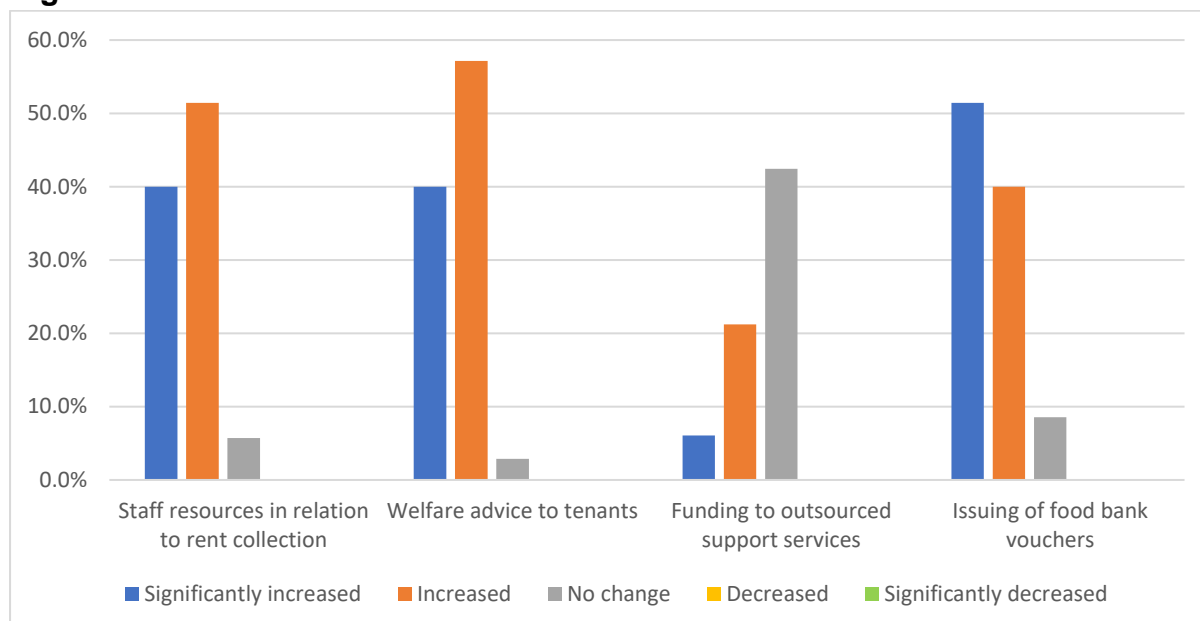
It has become apparent, especially in the current crisis, that more resources are needed to help and support tenants. There have been many additional pressures upon housing providers and support services since the roll out of UC. Our research sought to collect information on the change in demand since roll out for four service areas:

- Rent collection.
- Welfare advice.
- Funding to outsourced services.
- Issuing foodbank vouchers.

With the exception of funding to outsourced support services, there was an overwhelming feeling that demand for these services had increased. While many feel that the issuing of foodbank vouchers has significantly increased, as Figure 2 below shows, most respondents feel that welfare advice to tenants has increased (91.4%).

⁵ Inside Housing: https://www.insidehousing.co.uk/news/housing-associations-made-more-than-a-quarter-of-a-million-welfare-calls-during-first-two-months-of-lockdown-66917?utm_source=Housing60&utm_medium=email&utm_content=article_link&utm_campaign=H60

Figure 2: Demand for services since UC roll out



Whereas generally speaking there is little change in funding to outsourced support services, local authorities are most likely to say this has increased (40% saying either increased or significantly increased).

Asked about the possible reasons for the increases in demand for these services, respondents gave a range of, and often familiar responses. As we saw in the previous longitudinal study⁶, claimants struggling to budget after moving from a weekly/fortnightly payment to monthly (11 mentions), delays to the initial payment (8 mentions) and the complexity and a lack of understanding of the UC system (7 mentions) featured most prominently in reasons offered by members. Others mentioned that the removal of gateway conditions means vulnerable claimants now find themselves on UC with limited support and that UC does not allow flexibility that vulnerable claimants need. The increase in the number of claimants as people move to UC from legacy benefits was also cited.

“The way customers are receiving and paying their rent has changed, therefore staff need to become more accustomed to this. We are making contact with customers who have never needed to be contacted for arrears and debt previously which quite often can mean further help and advice is needed... The third party payment system causes problems - tenants are told via their journal that money has been paid, but we have to wait for the payment to arrive which can cause problems as generally, the arrears recovery process will continue until the payment has been credited to a customer account.” Survey Participant

⁶ Northern Housing Consortium <https://www.northern-consortium.org.uk/influencing/impact-of-universal-credit/>

To assist with claimants' transition to UC, DWP allocated £170 million over the implementation period of UC to local authorities to provide support to claimants claiming online and with personal budgeting. However, after local authorities saw demand rise as new UC cases became live, some authorities were forced to invest additional resources to meet demand and the level of support required became unsustainable. Now 'Help to Claim' and administered by Citizen's Advice Bureaux, provide continued support to new claimants.

Outbound calls for claimants unable to get through for an appointment have been set up in a bid to reduced waiting times, while the Universal Credit standard allowance has been raised by £20 a week.

A spokesperson for the DWP told Inside Housing that landlords can help by assisting tenants with their claims and dealing with rent verification requests urgently.

UC has led to a loss of information sharing between DWP and housing providers and local authorities about the status of claims. However, the landlord portal is currently a means by which social landlords can provide information to DWP rather than a means of two-way communication. All but one respondent to our survey said that their organisation had DWP Trusted Partner status, allowing them access to the Landlord Portal.

NHC had, via our Roundtable programme, collected anecdotal evidence of members providing support to claimants having to pay court costs by Third Party Deductions. We used our survey to ascertain how common this is and almost all respondents (91.4%) reported being aware of UC claimants having deductions to their UC standard allowance to repay court fines or any other debts. Of these, 81.3% said that this had led to them requiring support they would not otherwise have required. Income management teams deal with a wide range of UC queries including deductions but a lack of clear communication protocols is leading to increased workloads. This is very time consuming and resource intensive. Several respondents, while welcoming the introduction of a debt management helpline, say that conference calls with customers to the helpline can result in 30 to 45-minute waits to be answered.

“The court fine deductions are also a huge cause for concern. If no other deductions are applied, then these can be taken at 40%. When queried with DWP we are advised this is set by the courts and we must speak to them. When queried with the courts we are advised they have no control and we must speak to DWP. There is no clear way out of this issue, and this continues to cause huge financial hardship. We would welcome joint working between the courts and DWP to agree a process on how to deal with this issue.” Survey Participant

We asked respondents if there had been a change in staff resources, to quantify the change in the number of staff hours per week. All the respondents to our survey said that there had been an increase in staff time dedicated to UC processes and supporting UC claimants. In total 22 respondents (63%) were able to quantify the increase in staff time and in total this increased by 3,722 hours (an average of 169 hours per organisation) per week due to UC rollout by either staff restructure or recruiting new staff. The extent to the overall increase varies by size of organisation (and claimant numbers) and at the extreme has risen by 601 hours in one case.

On average, the number of staff hours increased the most for ALMOs (224hrs/wk). There is little surprise given that ALMOs in this study operate in larger metropolitan areas and there is a correlation between this and ALMOs’ higher number of UC claimants (3,944 compared with an average 3,195).

Respondents were asked to allot a financial cost to the increase in staff hours. The total cost to the 21 member organisations responding to this question was over £3.5m – an average of £170,287 per organisation. With the greatest increase in staff hours, registered providers faced the greatest associated costs (£1.8m).

Table 4: Increase in staff hours by organisation type (Cost B)

	Increase in hours	Costs per year
ALMO	1,119	£1,247,102
Local authority	713	£528,781
Registered provider	1,890	£1,800,140
Grand Total	3,722	£3,576,023

For their part, DWP rapidly reorganised itself during the Coronavirus crisis to ensure money got to a large number of people in a short period of time. The Department was fleet of foot and moved around 10,000 staff to frontline roles and plans to recruit another 1,500.

Supporting claimants through the process

In October 2018 we commissioned an external research company, Voluntas, to carry out primary research to better understand the journey UC customers take and how Karbon could support. The results from customers that had, or likely would, experience UC triggered changes to our service offering and generated new measures we implemented to support claimants through the process.

Increasing demand for support

Karbon has given benefit advice/support to customers since 2006, but our team has grown to keep up with customer need since welfare reform began. The number of customers being referred to the Money Matters service for benefits and money advice has increased and continues to rise.

As the numbers increase, so do the number of cases and the complexity of these cases, with January 2019 figures showing that 749 customers were assisted with 1,106 issues.

Staffing costs including restructures and new staff

1. Investment in dedicated Welfare Reform Performance Analyst. Karbon recruited to this post in December 2018. The analyst was tasked with developing a model to track the increasing numbers of UC customers across our geography, taking account of local factors, in order to map the impact of rent arrears and tenancy terminations on the business. The outcomes from the model have been used to inform our business plan and stress testing and played a part in the prediction of our expected arrears resulting from UC.
2. From April 2019 Karbon's front line housing management services were re-structured to focus specialist support at all areas of the customers journey – from initial housing application, through to offer and viewing, to ongoing tenancy sustainment work.

The Customer Accounts Team alone has undergone significant redefining of roles leading to increased efficiencies. Customers now have a dedicated Accounts Support Officer that is with them from the beginning of their tenancy, engaging with them to understand their needs and identify any potential barriers to them successfully managing their rent account. There are also dedicated Recovery Officers, that make continuous contact with customers who are not engaging and have mounting arrears, to attempt to set up a rent payment plan. Progressing the case to court is a last resort, and our improved approach has resulted in court applications falling by 50%, evictions by 25% and arrears for non-UC customers decreasing.

Other supporting information – As of January 2020

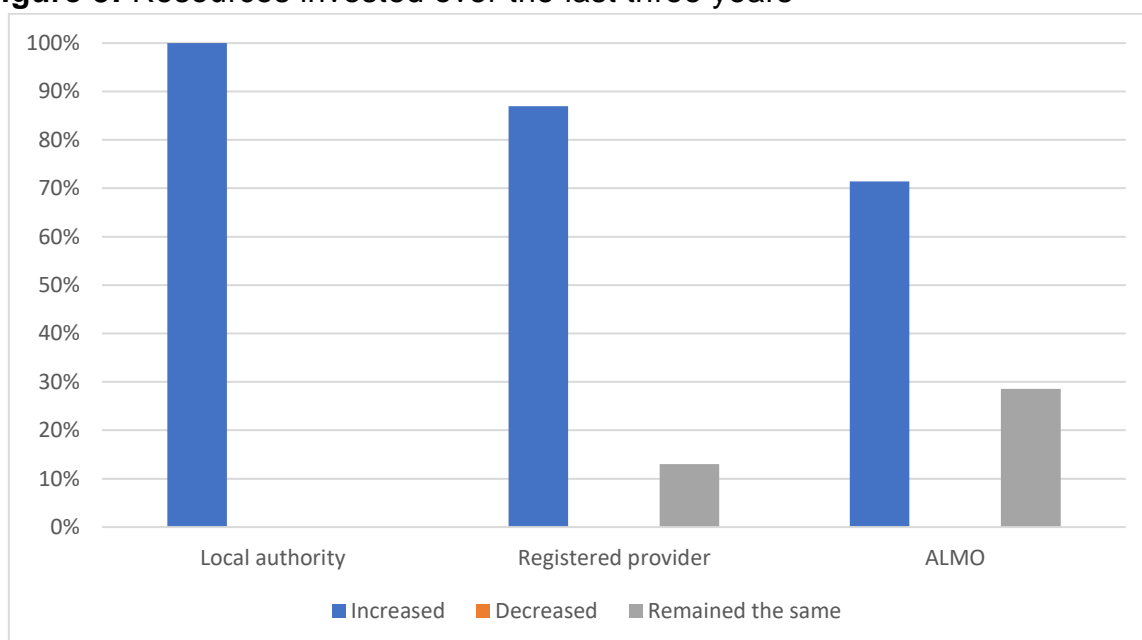
Under Natural Migration to Universal Credit, Karbon Homes sees around 30-40 customers/ households per week transitioning from legacy/heritage benefits to UC.

4. Investment in new systems and staff

For many organisations, they could not have supported claimants in the ways that they have without significant investment and/or new ways of operating. There has been an increase in administrative requirements during the roll out of UC and housing providers and local authorities have been taking steps to support tenants to shore up their incomes while more recently adapting to staff being forced to work from home by the Coronavirus crisis.

Over four-fifths (85.7%) of respondents said that resources invested had increased over the last three years. While no organisation type said that resources invested had decreased, there were differences by organisation type regarding the extent to which they had increased. As figure 3 below shows, all local authorities said investment had increased while, in comparison 71% of ALMOs did so.

Figure 3: Resources invested over the last three years



Our research showed that all but one respondent organisation had invested in at least one measure as a direct result of the implementation of UC (Table 5 below). Most common measure taken was to employ new staff; local authorities and ALMO respondents are more likely to have taken on new staff, while registered providers invest more in IT systems.

However, member organisations have also been deploying extra staff by restructuring to support the growing number of residents migrating not the new system by providing one-to-one support during their UC claim.

Table 5: Measures undertaken as a direct response to the implementation of UC

	No.	%
New staff	23	67.6%
Restructure	5	14.7%
IT system	6	17.6%
Base	34	100.0%

Looking in more detail about investment in internal systems, we also asked members about investment they had to make in both in-house systems such as IT and protocols and also in training staff in the new benefit system. We found that over £500,000 has been invested in new systems such as IT and new ways of working by respondent organisations; almost half of this has been invested by local authorities (£250,000). In addition to this, investment has been made in training staff in using new systems or in the intricacies of UC. Over £4m has been spent – an average of over £167,000 per organisation – on in-house development of staff skill sets.

Table 6: Development costs (Cost C)

	In-house development - Systems	In-house development - Resource	Total development costs
ALMO	£196,055	£1,338,312	£1,534,367
Local authority	£250,000	£785,776	£1,035,776
Registered provider	£60,000	£2,221,632	£2,281,632
Grand Total	£506,055	£4,345,720	£4,851,775

On average it appears that local authorities are biggest spenders on developing systems (£250,000), while both local authorities and ALMOs spend most on resources (over £267,000 and £261,000 respectively).

Gentoo's Journey with UC

Sunderland claimants went onto Universal Credit full service in July 2018. In preparation for this Gentoo pulled the resource of five Neighbourhood Coordinators from across the city at the beginning of June 2018 to create a small team that sat within Money Matters. They were tasked specifically to deal with customers transitioning onto universal credit. Leading up to Full Service go live date, the staff were tasked with meeting their respective job centre staff, look at what food provision was in the area, what free digital access was out there and what other support organisations were in the area as well.

In the initial few weeks rates of claims for Gentoo customers were coming through the portal at 120+ per week. Following the portal request from the DWP our team made what we have named an 'initial call', in this call we discuss with the customer their current circumstances, reasons for making a UC claim, work out assessment period / pay date, whether they accessed an advance payment, could they manage their utilities during the first assessment period, whether they needed to claim a DHP, could they manage food supplies or need a food parcel etc. We placed firm emphasis on what rent payment would be required on their pay date and agreed to call them on that date and take their first payment. The role was labour intensive and quickly we realised that we needed more resource in this team. We currently have 8 Neighbourhood Coordinators who manage universal credit customers in the first 2 months of their claim prior to handing back to the rent officers across the city once the customer fully understands their claim and rent commitment. We also have 3 Support Officers who predominately deal with landlord portal and admin function.

In the months that followed there was lots of learning and our team are capable in supporting customers on UC who have had historical debts to the DWP resurrected and deductions placed on their claims, customers struggling to repay their advances, supporting customers claim 'limited capability for work', conference calls to UC helpline where customers have not received what they had expected, identifying errors in customers claims and maximising their income.

Partnership working has been vital to the success of the team, strong relationships have been formed with Partnership Manager and Job Centre staff, and Local Council teams (DHP and HB teams) have also played a significant role in supporting our customers through their journey.

We also sit on benchmarking groups and have found this information sharing invaluable with our learning.

5. Impact on Turnover

As outlined above, our survey collected information on key cost indicators i.e. rent arrears, increased staff costs and development costs (costs A, B and C respectively). By aggregating the total costs, A + B + C we can illustrate the additional financial burden members have been forced to absorb as a result of the implementation of UC.

As Table 7 below shows, the 33 respondents providing information have incurred a total of £50.9m in total costs, the majority of which is made up of rent arrears (£42.5m). Not surprisingly because of their relative organisational and larger sample size, registered providers account for the largest proportion of total costs. However, a different picture emerges when looking at average costs by organisation type. On average, ALMOs have faced costs of over £2.1m compared to £1.4m for local authorities and £1.3m for registered providers.

Table 7: Total costs

	Cost A	Cost B	Cost C	Total costs
ALMO	£12,012,962	£1,247,102	£1,534,367	£14,794,431
Local authority	£5,606,086	£528,781	£1,035,776	£7,170,643
Registered provider	£24,960,863	£1,800,140	£2,281,632	£28,966,535
Grand Total	£42,579,910	£3,576,023	£4,851,775	£50,931,608

Similarly, a larger sample size means that the North West is the biggest contributor to the total costs but on average Yorkshire and the Humber members have incurred costs of £1.9m followed by £1.6m in the North East and £1.4m in the North West.

An exercise in collecting costs incurred is to an extent meaningless without some comparison to provide context. In an effort to demonstrate how members' finances have been affected since UC roll out, our survey collected information on respondent organisations' annual turnover or Housing Revenue Account (HRA). Respondents reported a total organisational turnover/HRA of £2.3bn (an average of £72.7m).

As Table 8 below shows, comparing the total costs of respondents (Table 7) with the total turnover shows a hit to finances of 2.2% of turnover since implementation of UC. ALMOs appear to be the hardest hit organisation type, their near £15m outlay equating to 2.7% of their annual income. Meanwhile, local authorities' relatively small £7m costs still represents 2.3% of HRA. Despite registered providers investing almost double that of ALMOs, their costs as a proportion of their turnover stands at 2%, below the overall average.

Table 8: Costs compared with turnover

	Annual Turnover	Sum of Total costs	Costs as a % of turnover
ALMO	£550,670,893	£14,794,431	2.7%
Local authority	£310,635,000	£7,170,643	2.3%
Registered provider	£1,467,466,512	£28,966,535	2.0%
Grand Total	£2,328,772,405	£50,931,608	2.2%

6. Universal Credit During COVID-19

The economy has experienced a significant shock since the start of the coronavirus (COVID-19) pandemic. Public health ‘lockdown’ measures to suppress the virus were introduced in March 2020 which inevitably affected the labour market and led to record numbers of new applications for UC. In May 2020, the Chancellor of the Exchequer told us “No doubt there will be more hardship to come. This lockdown is having a very significant impact on our economy. We are likely to face a severe recession, the likes of which we have not seen, and that will have an impact on employment.” Indeed, GDP fell by 20.4% in April (ONS), with record broad-based falls in output for several industries. Many businesses have ceased trading because of the impact of the pandemic, either on a permanent or temporary basis.

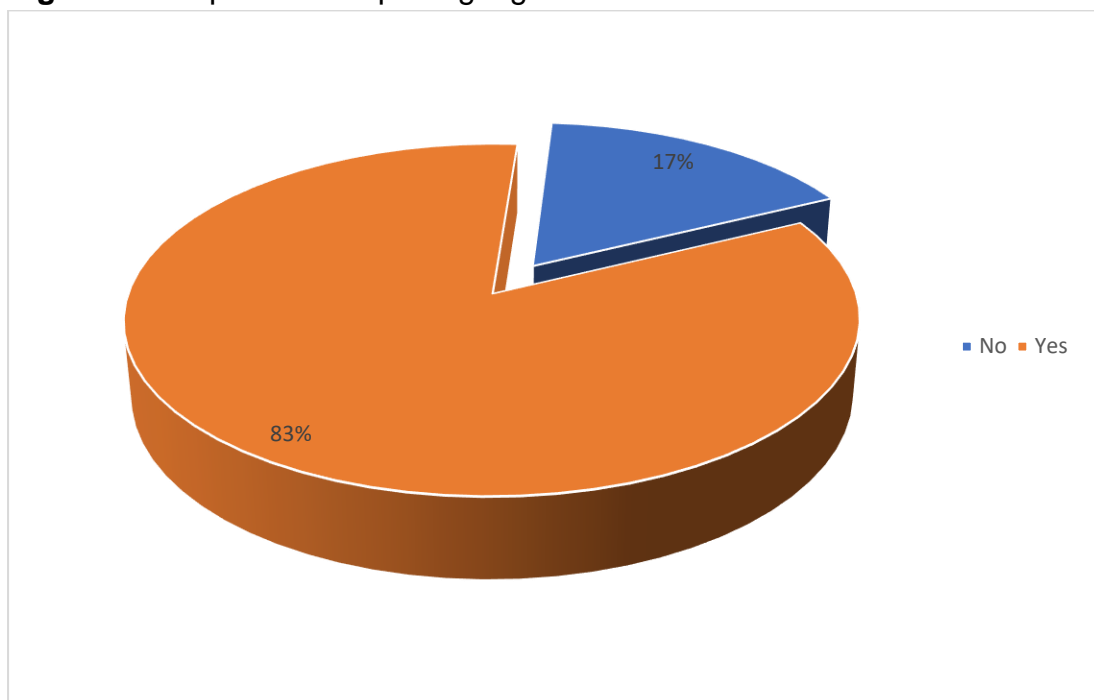
Price Waterhouse Cooper also reports that COVID-19 has had a significant impact on people’s wage and job prospects, with 649,000 fewer people on the payroll at the end of May and 9.4m workers furloughed⁷. This impact on incomes and the five-week wait at the beginning of a UC claim can lead to people taking drastic measures to make ends meet. A secondary source search appears to support anecdotal evidence provided by NHC members that loan sharks are using the financial uncertainty caused by the pandemic to target people struggling financially⁸. The continued economic uncertainty means loan sharks may look to take advantage of people in a vulnerable position who feel they have nowhere to turn for help and have no option but to borrow money this way as a quick fix. Many statutory and third-sector agencies are providing advice and warning against the dangers of taking on this kind of debt in the current climate.

With the Job Retention Scheme due to renew in November, paying 67% of wages but being reviewed again in January, many workers face an uncertain future, and a number of organisations brace themselves for yet more pressures on resources. So far, the majority of members that responded to our subsequent, smaller survey focussing on pressures brought about during the pandemic, said that they had received a higher number of claimants than they would expect before the pandemic struck. Over four-fifths of respondents said that they had received more claims than they would otherwise expect to.

⁷ PwC: <https://www.pwc.co.uk/press-room/press-releases/uk-labour-market-remains-under-pressure-certain-sectors-will-require-further-interventions-to-protect-jobs.html>

⁸ BBC: <https://www.bbc.co.uk/news/uk-wales-53893968>

Figure 4: Respondents reporting higher than usual claims



Of those that indicated that they had higher than expected claimants, reported quite significant increases ranging from a doubling to four times the usual new claim count, with one respondent indicating a:

“63% increase. (this is based on the 18 weeks post lockdown vs 18 weeks pre lockdown). Pre lockdown average cases per week was 30, post lockdown it was 50. One week we had in excess of 200 new cases.” Survey Participant

Our members had to be agile to put themselves in a position to adequately deal with those claimant increases. Several members have shifted resources within their teams to deal with the influx of claims on the portal. Many are focussing on the initial contacts and verifications for new claimants. Others, however are not in a position to increase resources in terms of staff but have taken the decision to ‘sift-out’ those that require support and those that can self-serve and concentrate efforts on the former.

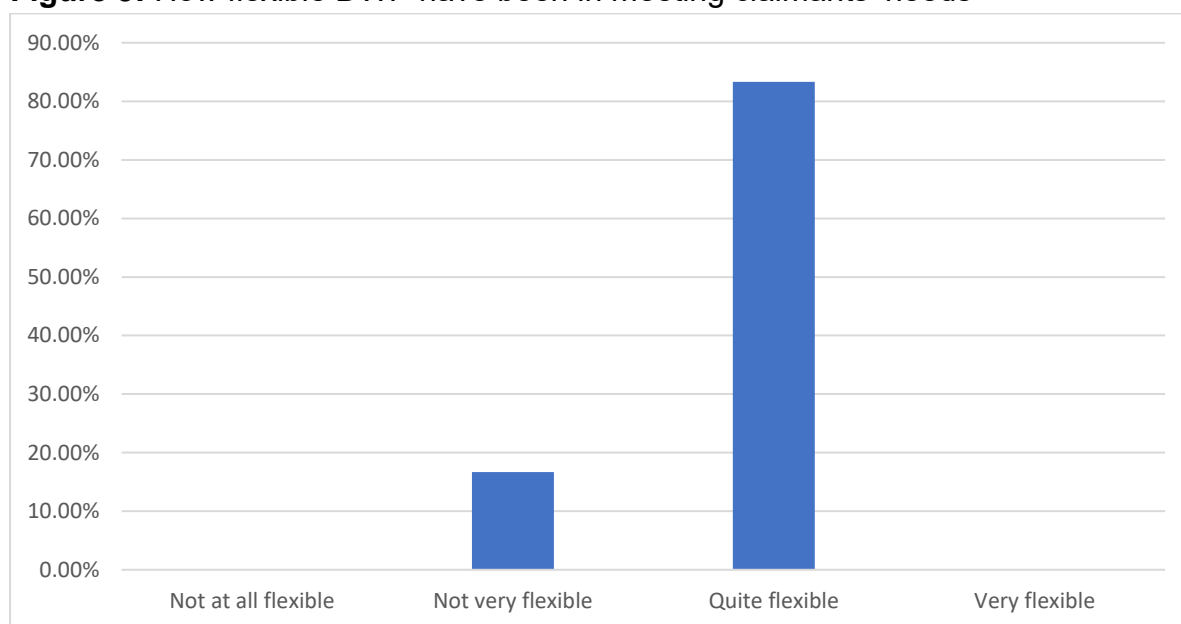
At the time of the second survey, one respondent organisation had started to train more existing staff so that they were more prepared for another influx in the event of a second spike in the cases of COVID-19. Many others referred to the additional work pressures on their Income Advice or Support teams. This is an area that housing providers have increasingly had to move into to provide support to the growing number of claimants and to support them through the processes of the new system. The digital by default nature of the UC system has led to some claimants relying more on their landlords when previously other statutory agencies would provide this support, adding an additional financial burden.

The changes thrust upon housing providers inevitably led to changes to staff groups and processes for some. All the changes members have had to make is at the same time as having staff moving to working from home arrangements. This has meant moving processes where claimants have been supported via telephone interaction so as to fully understand their circumstances before coming to any arrangements.

DWP, of course are likewise facing similar pressures. Between 16 March 2020, when the lockdown came into effect, and 16 June 2020, the DWP received 3.2 million new applications nationally. Despite this, less than half of our respondents said that they had experienced delays in backdating decisions from the Decision Maker during backlogs due to the pandemic.

At the beginning of lockdown, DWP acted quickly to prioritise processing new claims. It redeployed 10,000 staff and turned all local jobcentres into 'virtual processing teams' focused on the payment of new claims. However, while the UC IT system remained operational during the increased demand, some claimants continued to experience long waiting times⁹. Nevertheless, most respondents to our secondary survey felt that DWP had been quite flexible in meeting the needs of claimants in the face of the pandemic.

Figure 5: How flexible DWP have been in meeting claimants' needs



As Figure 5 shows, many respondents were supportive of the approach DWP took in response to the increase in new claims. They praised how the Department was quick to respond to queries and that suspending face-to-face appointments was a sensible approach in the unusual working environment everyone had to face up to.

⁹ House of Lords: <https://publications.parliament.uk/pa/ld5801/ldselect/ldconaf/105/105.pdf>

“We recognise that this has been an unprecedented time and UC had to deal with an enormous volume of claims in a small period of time. In the early days, the phone-lines were overwhelmed which was totally understandable. Therefore, the introduction of call-backs to process claims (instead of customers having to wait on the line) was very sensible and put a lot of our claimants’ minds at ease. The suspension of claimant commitment appointments was also welcome. The redeployment of staff to manage was also beneficial.” Survey Participant

However, there are still some concerns to DWP’s response. It was felt by some that the Department was slow initially in making phone calls to verify identity, which held up claims and there were issues around consent; that tenants had logged consent for the housing provider to act on their behalf but some service staff insisting that the claimant had to be present to give verbal permission. An issue that NHC has raised in earlier reports in this series continues to be an issue for some, and that is the difficulty to get engagement from the Partnership Manager.

Other new concerns during these difficult times have been raised by respondents to our survey. Amongst these are the ability for claimants to manage their claim whilst support services are not face-to-face and furthermore, the challenge of digital support for those who are not digitally included. Another wondered whether claiming UC is the best thing for new claimants and needing to ensure that they are not left worse off when retuning to work than on the old system.

Apart from these, it is worth considering that members’ concerns that already existed prior to COVID-19 still remain with one respondent commenting:

“My real concern is when managed migration starts and vulnerable customers move across, making sure they get all they are entitled to straight away and not having to wait several weeks or even months before claims are correctly paid.” Survey Participant

It was pointed out that now deductions have started up again they are being taken at the highest rate. NHC feels that suspending conditionality and sanctions in response to COVID-19 was a positive step. However, with the labour market so far from recovery, it is unfortunate that suspensions were lifted so soon. With so few job opportunities at the moment, to have the threat of severe and long-term sanctions for jobseekers appears unfair.

With this in mind, we asked members if they felt that there is a clear complaints procedure at DWP when things go wrong. Half of all respondents felt that there was not. Indeed, it was pointed out by one respondent that since April 2018 the DWP had only received 26 complaints from claimants who have lost out in connection with Universal Credit and, of these, 5 have received compensation. It was said that the complaints procedure isn’t well publicised; you don’t see a reference to it on DWP

letters, and if you do decide to complain the process is slightly different depending on what the situation is. One respondent felt that the pandemic exacerbated this situation. However, one respondent who felt that the complaint procedure is clear pointed out that:

“There is clear information available online around how to make complaint. There are also third-party escalation routes to try and resolve issues before they reach the complaint stage. I think there can be issues when the DWP respond to a query with the incorrect information and there can be back and forth and no resolution. For advisors there is an understanding that this can be taken further and challenged, but there is concern that claimants may not realise they have grounds to challenge further/make complaint. “Survey Participant

7. Conclusion

Benefit systems have been designed by people who, in the main, have more stable lives and incomes than many benefit claimants. People form and break relationships, gain and lose work, move accommodation, have incapacitating accidents and lead frequently chaotic lives. In financial hardship, whether as a result of first payment delay or an incorrect payment, claimants turn to other forms of support, such as local authority crisis provision, advice services, housing providers and voluntary crisis provision like food banks. This can lead to not only housing insecurity but also stretched services. Our members are already offering support that may previously have been provided by central government departments. However, as they fill that space government has regressed from, they do so at their own cost – no financial support has been provided them for this additional burden.

The increase in UC claimants will inevitably lead to an increase the number of people needing support. To help minimise claimants' struggle when moving to UC and so pressures on our members, there are wider improvements that can be made to ensure this process does not push claimants into hardship. Building a welfare system that reduces the responsibility of people to inform the state about changes in their lives can help. If the system can efficiently, and quickly, reflect those changes in the level of benefits paid to claimants, then that would clearly help to meet the changes in need caused by the changes in circumstance. It is vital, therefore that the rent increase process is automated as is the case with legacy benefits. This will allow staff to concentrate on providing support to claimants with other areas of their claim and rent account management. That government still intends to allow the bulk transfer of rent data "after further testing" is encouraging.

Hope has been provided that government are keen to reduce burdens on claimants and support agencies with the announcement of a new "payment alignment feature" being made available to Trusted Partner landlords which means the direct rent payments switch to a monthly cycle coinciding with people's UC payment dates. This more flexible approach with allow landlords to be able to easily see whether a rent account is in arrears or in credit. This is a development that housing bodies have lobbied for some time on and should free staff time spent on administrative duties, helping them to mitigate the impact of Universal Credit on people's lives.

Nevertheless, as this study and many others show, the story of Universal Credit until now has been one of hardship for claimants and increased workloads and costs for housing and support providers. The Coronavirus crisis has had a devastating effect upon the economy and there are many businesses having to downsize or face closure, leading to ever greater strain on the welfare system, our members and their tenants.

With the job market so restricted, UC claims are likely to last longer which will have an impact on tenants' ability to manage and in turn impact upon our members'

resources. Our finding that highest increase in support for claimants was in welfare advice to tenants, it seems that greater investment from government is required in this area and that the 'Help to Claim' service is properly resourced to meet demand, and includes an offer of free, quality debt advice for claimants, although this could be partly mitigated by further changes the UC composition. The NHC's longitudinal study on the impact of UC on tenants consistently found that claimants struggle to manage their own finances or don't understand that it is their responsibility to pay their rent from the UC payment. By proactively offering alternative payment arrangements to claimants, or providing an option to choose to have their rent paid directly to their landlord when making a UC claim a significant amount of time and resources could be saved by all parties in chasing arrears later.

It has become apparent that claimants are experiencing problems when deductions are made to their UC, whether to repay DWP because of court costs or other third-party deductions. Carrying out affordability assessments for claimants to ensure they can afford repayments and deductions could ensure that unnecessary hardship is avoided, and arrears and administration are minimised. A maximum limit of deductions should be set to ensure no claimant has their standard allowance deducted by more than necessary.

In short, rather than designing the UC system based on the lives of people with stable lives and incomes, re-designing it based on the realities that claimants face from the start of the claim can prevent significant suffering and make a raft of efficiencies and savings for housing providers, local authorities and government departments.

While the Coronavirus Job Retention Scheme (CJRS) has provided a much-needed lifeline to many workers, the expected fall in economic growth in 2020 is likely to lead to a corresponding decline in labour demand, raising concerns that many furloughed workers may not have jobs to return to by the end of this year. Demand for workers is likely to fall by around 5% in the absence of public support. This means that around 17% of furloughed workers may become surplus to business requirements and are therefore at risk of redundancy. Workers in the hotels and restaurants sector, education, and arts and recreation sectors are likely to be most affected.

The DWP deserves credit for its response to the sudden increase in claims for UC since lockdown measures were introduced and it is the 'digital by default' design of the system that has helped it manage so efficiently the unprecedented number of new claims over such a short period of time. Furthermore, the rapid reorganisation of resources and by changing policies and processes demonstrates the ability and willingness to be flexible when the need arose. However, longstanding problems with UC remain. The economic effects of the COVID-19 pandemic have resulted in many more people claiming Universal Credit and millions more are expected in the months ahead. The problems identified in this report and those earlier in the series will affect many more people in the coming months if they are not addressed urgently and change cannot come soon enough.

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