

SOCIAL SECURITY COMMITTEE

SOCIAL SECURITY SUPPORT FOR HOUSING

SUBMISSION FROM SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS

Inquiry into social security support for housing

1. Who we are

- 1.1.** The SFHA leads, represents and supports Scotland's housing associations and co-operatives. We want to see a thriving housing association and co-operative sector providing sustainable and affordable homes.
- 1.2.** Our ambition is that everyone has a good home in a successful community, with a range of high quality, affordable, safe and accessible homes that meet people's changing needs and aspirations throughout their lives.
- 1.3.** Housing associations and co-operatives are central to achieving this, going way beyond the bricks and mortar with social justice built in and delivering from generation to generation.
- 1.4.** We work with government and others to achieve the legislation, regulation and funding necessary for our members to be strong, resilient and independent social businesses housing Scotland.

2. Executive summary

2.1. This submission focuses on the following points

- questions raised on the administration of Universal Credit Housing Costs;
- the impact of Universal Credit Scottish Choices; and
- the improvements that could be made to make the system more efficient and fairer for claimants and social landlords alike.

2.2. Universal Credit has been designed and executed in a way that promotes systemic indebtedness and arrears for new claimants.

2.3. The Universal Credit Portal is a welcome development, but in its current form has severe limitations.

2.4. It is pertinent also to mention the potentially adverse effect UK welfare reform measures are having on the willingness of private landlords to rent to those in receipt of benefits; if evidence that the Committee receives from private landlords points to a reluctance to let to benefit claimants, the knock-on effect will be to increase the need and the demand for social housing, which is already under pressure.

2.5. Universal Credit Scottish Choices have the potential to have a positive impact on the social security system. Unfortunately, that potential will not be realised if the systems underpinning Universal Credit administration remain inadequate for the task. If the systems are improved, much of the anxiety many individuals may feel about claiming Universal Credit will be dissipated and the administrative burdens for both the DWP and its stakeholders will subside.

2.6. The SFHA, along with the National Housing Federation, Community Housing Cymru and the Northern Ireland Federation of Housing Associations are pressing for six changes to Universal Credit in order to make the system fairer and more manageable to claimants and for social landlords. The Six Asks are appended to this submission.

3. Main Report

Background

- 3.1. The administration of Universal Credit Housing Costs has been in a state of flux since its introduction to Scotland in 2013.
- 3.2. Some negative aspects, such as the seven day wait, have been rescinded and some positive measures, such as the two-week run-on of Housing Benefit for claimants making the transition to Universal Credit, have been introduced.
- 3.3. There is a risk that a substantial number of claimants will lose out financially if they have to 'naturally migrate' to Universal Credit without the 'transitional protection' afforded to those included in the managed migration process. The establishment of a gateway for ESA claimants receiving the Severe Disability Premium is welcome, but it does not help those who were 'naturally migrated' before the gateway came into effect.
- 3.4. Alongside the transition from legacy benefits to Universal Credit Live Service, then to Universal Credit Full Service, there have also been a number of policy changes that have added to the complexity of the change.
- 3.5. Many of these changes have been controversial – proponents claiming that they promote individual responsibility, detractors claiming that the moves are all to do with cutting public expenditure. Examples of these changes include:
 - removal of the spare room subsidy (bedroom tax);
 - introduction of the benefit cap;
 - removal of entitlement for 18-21 year olds (now revoked),
 - two child limit;
 - removal of pension credit for mixed age couples.
- 3.6. Together they create a complex maze, which is ironic, given that Universal Credit was promoted as a simplification of the system.

How does the administration of Universal Credit Housing Costs impact on the ability of tenants to pay their rent and landlords to administer rent payments? (for example, the impact on rent arrears, communication between landlords and the DWP)

- 3.7. The SFHA surveys its members monthly, to gather evidence on the impact of Universal Credit. This data has revealed a consistent pattern: the average level of arrears for tenants on Universal Credit is higher than for those tenants not on Universal Credit¹. As the number of claimants on Universal Credit increases, it is a reasonable assumption that levels of arrears and debt will increase, and social landlords' income will be under threat.
- 3.8. In November 2018², there were 54,146 households in Scotland in the Social Rented Sector claiming Universal Credit with an entitlement to housing costs; at the same time there were 210,531 Housing Benefit claims from social housing tenants of working age (65 and under).
- 3.9. On this basis, a relatively low proportion of social housing tenants are in receipt of Universal Credit at the moment; but as the proportion of tenants claiming Universal Credit increases, there is **a real risk that the administrative burden on housing associations, cooperatives and local authorities will increase substantially**, as all those on legacy benefits make the transition to Universal Credit by 2023.

¹ SFHA UC Impact survey for January 2019: <https://www.sfha.co.uk/mediaLibrary/other/english/41570.pdf>

² Source: Stat-Xplore

Systemic Debt

- 3.10.** The design of Universal Credit causes **systemic debt and arrears for new claimants**.
- 3.11.** The five-week wait for first payment inevitably means that two monthly rent debts have been raised before a payment is even made to the claimant. The situation was even worse previously, when there was a seven day wait before an individual could make their claim: a week when there was no payment either for day to day living or for rent, which presaged individual indebtedness.
- 3.12.** The UK Government has already admitted weaknesses in the system, when it responded to strong concerns raised by organisations like SFHA about the level of systemic indebtedness caused by Universal Credit. In the 2017 Budget, new claimants could request 100% advances; this is itself a debt, as it represents an advance which has to be paid back over the course of a year (extended to sixteen months from October 2021).
- 3.13.** From a housing provider perspective, there is a concern that claimants are not being made aware by the Department of Work and Pensions that advance payments include housing costs; anecdotal evidence from housing associations highlight that advances often are not used for rent payments, though it is unclear whether this was a conscious choice of the individual or a lack of understanding of what the payments were meant to cover. Whatever the case, claimants who take up the advances will find themselves at least in debt to pay back the advance and possibly will be in arrears as well.
- 3.14.** Adding to the risk of poverty and debt is the possibility that claimants are not guaranteed the full 'personal amount' to live on: Deductions of up to 40% of an individual's personal allowance can be made for overpayments and for debts, such as rent, gas, electricity and council tax arrears and fines. It may be of no help for a landlord to negotiate a voluntary agreement for a rent arrears reduction below the minimum 10% of personal allowance (the default is 20%), if there are other creditors waiting in the wings to claim reductions for the money they are owed.
- 3.15.** During oral evidence to the Work and Pensions Select Committee³ Iain Duncan Smith MP admitted that the Department for Work and Pensions had agreed to pursue dormant and hitherto unpursued tax credit overpayments. As these debts are often long outstanding, the collection of this money, in this particular way, is often an unexpected shock for individuals who already have very restricted incomes.

When Work Does Not Pay

- 3.16.** A significant proportion of Universal Credit claimants are in work: of the 154,000 Universal Credit claimants in Scotland in November 2018, 32%, 49,000, were in work.
- 3.17.** The actual amount of Universal Credit an in work claimant receives depends on the amount of salary they receive during the assessment period, which is not necessarily the same as the amount that they earned in that assessment period. For example, an individual who is paid weekly, will on certain months have 5 wage packets taken into account and 4 wage packets taken into account on other months⁴.
- 3.18.** Similarly, an individual who gets a salary payment brought forward, so that it falls in an earlier assessment period, for example because the usual pay day is a public holiday, or if the employer pays holiday pay up front when the employee goes on holiday, the individual will find they receive less or no Universal Credit at all, making budgeting and rent payments all the

³ Work and Pensions Select Committee 23 May, 2018, Q626:
<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/work-and-pensions-committee/universal-credit/oral/83489.html>

⁴ For an explanation of the relationship between earning patterns and UC payments, please see
<https://www.gov.uk/government/publications/universal-credit-different-earning-patterns-and-your-payments/universal-credit-different-earning-patterns-and-your-payments-payment-cycles#if-youre-paid-every-calendar-month>

more challenging. They also may have their Universal Credit claim terminated, obliging them to go through the process of reapplying.

- 3.19. In January 2019 the High Court found that the automated assessment process used by the DWP was unlawful⁵.
- 3.20. The SFHA, along with the other UK housing federations, is pressing for an assessment process that matches entitlement to what is earned in an assessment period, rather than what money is received, in order to smooth the budgeting process for claimants.

Landlord Portal

- 3.21. For social landlords, the rollout of the landlord portal is a welcome development, but in its current form it has a number of **severe limitations**.
- 3.22. The portal currently has two functions: it allows the DWP to request rent verification from the landlord and it allows the landlord to request a managed payment as an Alternative Payment Arrangement (APA)⁶.
- 3.23. What the landlord portal fails to do is serve as a conduit for information. The submission of a verification request would alert a landlord that a tenant has submitted a Universal Credit claim, which is about the limit of the information that the landlord can glean from the portal. There is no facility for the landlord to alert the DWP that the tenant has moved, so it could accrue unwanted payments that will have to be held in suspense accounts and paid back to the DWP – another administrative challenge.

The portal cannot tell the landlord how much it can expect to receive for a particular tenant – an issue particularly for in-work claimants for whom the level of award may fluctuate from month to month; the landlord will only know how much they will get when they get it and it may be weeks before the landlord discovers the fact that there is no payment or only a reduced payment is forthcoming, as the system does not give the DWP the ability to advise a landlord if the claim has stopped.

Calculating Entitlement to Housing Costs – Local Authority vs DWP

- 3.24. The transfer of responsibility for the calculation of entitlement of housing costs to the DWP has severed relationships and processes between local authorities and social landlords that have been invaluable in helping claimants meeting their rental payments.
- 3.25. Local authorities' responsibility for the calculation of Housing Benefit has two particular advantages: knowledge of an individual's Housing Benefit entitlement, including deductions for the bedroom-tax, enables them to calculate the correct level of Discretionary Housing Payment to mitigate the loss. An application for Housing Benefit also serves to trigger the Council Tax Reduction process.
- 3.26. With Universal Credit that symbiosis is lost, with the DWP now calculating eligibility for housing costs. The issue could be resolved by the mitigation of the bedroom tax at source, but that is a system development subject to negotiation between the Scottish Government and the DWP and is not likely to be in place before 2020.
- 3.27. There is a question on the Universal Credit application that asks if the claimant intends to make a Council Tax Reduction claim, but if the claimant does not understand that question and answers no, there is no connection to the Local Authority.

Third Party Creditor Schedule

- 3.28. By far the **greatest barrier** to the success of Universal Credit for social landlords is the **Third**

⁵ <https://www.judiciary.uk/judgments/r-on-the-application-of-johnson-and-others-v-secretary-of-state-for-work-and-pensions/>

⁶ APAs can be requested either because the tenant has in excess of two months' arrears, or the landlord can request an APA if the tenant has vulnerabilities that may lead to arrears – for example a gambling addiction.

Party Creditor Schedule system used for Managed Payments to Landlord and Universal Credit Scottish Choices Direct Payments.

- 3.29.** Tenants on Universal Credit will each have a variety of assessment periods. If they have a Managed Payment to Landlord or a Scottish Universal Credit choice direct payment in place, the housing cost element is deducted from their Universal Credit payment and held until the next run of the DWP's Third Party Creditor schedule, which takes place every four weeks, thirteen times a year.
- 3.30.** This system is not flexible and results in a **decoupling** of when the claimant receives their money, and the landlord gets paid rent. For instance, several times a year there will be almost a month between an individual receiving a Universal Credit payment and a landlord receiving the housing costs. Worryingly, there will be one payment run when there is no money received.
- 3.31.** There can be up to a further week's delay between the payment (a bulk payment for all tenants of the landlord) and the delivery of a schedule that gives a breakdown to allow the landlord to distribute the bulk payment among the individual rent accounts.
- 3.32.** Landlords are currently faced with the challenge of a manual reconciliation exercise of a large number of accounts to decide what period the payment covers, which will vary from tenant to tenant (a particular concern for landlords that charge weekly). The challenge is made all the more arduous by errors in the schedule – either transposed reference numbers or mis-posted payments for tenants of other landlords, which has happened frequently.
- 3.33.** When Universal Credit migration is complete in 2023, a housing association may expect 40% of its tenants to be on Universal Credit. In November 2018⁷, just under 55% of social housing tenants on Universal Credit had either a Managed Payment to Landlord or a UC Scottish Choice direct payment in place. A housing association with 1,000 tenancies may have in excess of 200 tenants on Universal Credit with direct payments. The scale of the administrative burden, already challenging, could make direct payments impractical for all but the most vulnerable tenants.
- 3.34.** The DWP has made the development of a new payment system a priority for development in 2019. If it succeeds in making payments to landlords simultaneous with payments to individuals and eliminates errors, it will go a very long way to alleviate the concerns of social landlords and provide a platform for positive tenant engagement.

Support for Claimants

- 3.35.** 'Help to Claim' is a £39million contract awarded to Citizens Advice to replace Universal Support, Delivered Locally in 2019/20. As the name suggests it is there to help claimants with their claim up until their first full payment.
- 3.36.** SFHA has a number of concerns it would like to raise:
- Some of the services currently provided through Universal Support, many of which are highly regarded, will have their funding withdrawn;
 - there is concern over the capacity of Citizens Advice to deliver the service, given that a number of their Bureaux have restricted opening times, access to a Bureau location may be a challenge (in remote areas or where there is a lack of public transport provision), there can be a waiting time of several weeks before a face to face interview can be made and there has been no engagement as yet with landlords outlining the service to be provided;
 - Help to Claim does not give ongoing support – vulnerable claimants will not see their vulnerabilities vanish at first payment.

⁷ Source: Stat-Xplore

3.37. There are also particular concerns for landlords providing supported housing:

- The time taken by support staff to help vulnerable people to claim and maintain their Universal Credit account eats in to their overall time allocation, meaning there is less time for support for other aspects of the claimant's life.
- Even when a mandate to share information with support workers has been signed by the individual, the DWP are unable to share information. Where an association provides a welfare advice service, the complexities of appeals can involve the extra expense of obtaining legal advice.
- It used to be the practice that claimants who were registered with the Job Centre for their area could switch to one that was more convenient, in walking distance from their home. This appears to be no longer possible and vulnerable claimants are facing having to make and pay for buses to get them to their designated centre.
- At least one Job Centre in Glasgow now opens on Saturdays: this can cause a problem for vulnerable tenants whose support workers do not work on that day.

How do Universal Credit Scottish Choices and Discretionary Housing Payments impact on the way landlords and tenants handle Universal Credit housing costs?

- 3.38. For the reasons given above, the effectiveness of Universal Credit Scottish Choices has been adversely affected by the Third Party Creditor payment system. Tenants are rightly worried when, though the money for housing costs was deducted from their payment, they will be in arrear until the direct payment is credited to their rent account. If the new payment system fulfils its promise, direct payment to landlords will be far more attractive.
- 3.39. At present, Scottish Choices are offered to claimants, via a message on their journal, after their first payment. So a new claimant wanting the housing costs element to go directly to the landlord will at least have had to pay a month's rent themselves, or they will automatically go into rent arrears; if the claimant has also had an advance payment and they have not used the housing costs element to pay the landlord, then their indebtedness problems will be worse.
- 3.40. Similarly, a new claimant who may have wanted more frequent payments may have waited five weeks for their first payment, only to have to wait for another month for their second payment, which will be for half a month. This does not appear an attractive offer, though over the course of time it may suit the claimant better to have twice monthly payments.
- 3.41. It is of grave concern that of the 1.2 million households across Great Britain who are on Universal Credit, only 20 or less have split payment Alternative Payment Arrangement. It remains to be seen how split payment choices will be brought in.
- 3.42. **There is an opportunity to make Scottish Choices work for existing legacy claimants, if it is seized upon.** The two week run-on for Housing Benefit claimants making the transition to Universal Credit will be joined in 2020 by similar run-ons for JSA, ESA and Income Support. If Scottish Choices were on offer from the first UC Payment, there could be an almost seamless transition from the legacy benefits being stopped followed by a two week run-on payment, followed practically two weeks later by UC Choices direct landlord payments and twice monthly payments. **If properly coordinated, it could provide a level of protection for those more vulnerable tenants making a transition from legacy benefits to Universal Credit.**
- 3.43. The range of use for Discretionary Housing Payments has been overshadowed since 2013 by mitigation of the bedroom tax. As a stop gap measure, it has performed very well, mainly because responsibility for both DHP and Housing Benefit lay with the local authority. With the advent of Universal Credit, that connection is broken, which may affect the take-up of

bedroom tax mitigation. It is understood that the Scottish Government is in discussion with the DWP for a solution to mitigate the bedroom tax at source, but it is not likely to be in place until 2020.

4. Conclusion

What improvements could be made to reserved and devolved systems, including the way they interact with each other?

- 4.1.** Universal Credit has been designed and executed in a way that promotes systemic indebtedness and rent arrears for new claimants, through there have been measures put in place to improve communications between the DWP and stakeholders and amendments to policies and processes that have lessened the negative impact.
- 4.2.** The Landlord Portal has limited functionality at the moment, but has potential to make real improvements in the administration of Universal Credit, improving outcomes for claimants and landlords
- 4.3.** The Third Party Payment Schedule is currently not fit for purpose, as it decouples the claimant's living and housing costs, is inflexible in terms of payment schedules and the 'bulk' payment requires a manual reconciliation exercise. SFHA welcomes that DWP have prioritised its improvement in the coming year.
- 4.4.** Improvements to the portal and Third Party Payment Schedule will improve outcomes for claimants and landlords and are a prerequisite for the successful implementation of Scottish Choices.
- 4.5.** There is a potential opportunity to smooth the transition to Universal Credit for some of the most vulnerable still on the older legacy benefits, if there can be a coordination of the measures announced by the UK Government – the two week run-on of Housing Benefit, Income Support, Jobseekers Allowance and Employment Support Allowance - with the use of Scottish Choices more frequent payments and direct payments to landlords, if these latter measures can be applied from the first Universal Credit payment, though this may have a cost implication for the Scottish Government.

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Appendix: Universal Credit – 4 Federations priorities for change

The four national federations have worked jointly on Universal Credit since its inception and have, together, built up an effective dialogue with DWP officials and Ministers. Last summer we set out '4 Federations 5 asks' for changes to be made to Universal Credit. The UK Government has made significant changes since then and there is a need to update this list of priorities, as set out below.

1. End to the 5 week wait for money. People should be able to get a payment in the middle of this period and there should be greater flexibility on payment frequency for all
2. More data sharing between DWP and social landlords and the restoration of implicit consent will mean landlords can better support tenants and prevent problems. This is key to the success of managed migration.
3. Where benefit is paid direct to the landlord we need a system that is fit for purpose with the landlord receiving the payment on the same cycle as the tenant
4. Increased funding for support and advice to make sure people do not miss out on entitlement including allowing backdating for more claims
5. Making sure that work pays for everyone by matching monthly assessments to earnings within that period, improving work allowances and reducing the taper
6. Restore inflation linked uprating to working age benefits from April 2020