

Work and Pensions Committee

Oral evidence: Universal Credit Update, HC 898

Monday 23 January 2017

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Members present: Frank Field (Chair); Heidi Allen; Mhairi Black; Ms Karen Buck; James Cartlidge; Neil Coyle; Richard Graham; Steve McCabe; Craig Mackinlay; Royston Smith

Questions 1 - 71

Witnesses

I: Nick Atkin, Group Chief Executive, Halton Housing Trust, David Finch, Senior Economic Analyst, Resolution Foundation, Mark Fowler, Director of Gateway and Welfare, London Borough of Croydon, and Martin Williams, Welfare Rights Worker, Child Poverty Action Group.



Examination of witnesses

Witnesses: Nick Atkin, David Finch, Mark Fowler and Martin Williams.

Q1 **Chair:** Welcome. I am sorry we have kept you waiting. We have been doing some legal work, as you would expect. Might we go along the panel and might you say who you are, each of you, to identify yourselves for the sake of the record, and then we will open up with Craig asking the first question?

Nick Atkin: Okay. Good afternoon. I am Nick Atkin. I am the Chief Executive of Halton Housing Trust and I am here representing the four main housing associations that work in the borough together with the local authority.

David Finch: I am David Finch, Senior Economic Analyst at Resolution Foundation.

Mark Fowler: I am Mark Fowler, Director of Gateway and Welfare at Croydon Council.

Martin Williams: I am Martin Williams, Welfare Rights Worker at Child Poverty Action Group.

Chair: Brilliant. Thank you very much.

Q2 **Craig Mackinlay:** To David, I think: how has Universal Credit morphed and changed from its original ideas at its inception? Have those changes created some winners and losers and who might they be? Do you think UC in its current form is going to deliver what it was there for in the first place?

David Finch: That is potentially quite a big question.

Chair: We have big questions for big witnesses.

David Finch: I will try to keep it simple as well, which you can judge me on. Essentially, I think the biggest change has probably been the reduction to work allowances in Universal Credit. That is now on course for something like £2.9 billion of savings by 2020. There have admittedly been small improvements at the last autumn statement where something like an extra £600 million is going back into the taper of Universal Credit, so the overall withdrawal rate. Largely, the work allowance cuts mean that Universal Credit will now overall be less generous than the current tax credit system when it is fully in place.

That means that essentially there will now be more losers than gainers. There was always going to be a mix of gainers and losers because of the sheer simplification that was going to happen or is happening with Universal Credit, but now I think the losers will be losing more and the gainers will be gaining less as well. It is just a shift in generosity.



Particularly for us, an important focus is also the impact on work incentives that that will have. It is potentially less talked about, but the main issue there is that for the types of people that you think would probably be most responsive to work incentives—single parents and second earners in particular—the cuts to Universal Credit are making their incentives weaker. That is compared within Universal Credit and to the current tax credit system. I think the overall risk from the changing shape of those incentives is that people may end up getting stuck at quite low hours of work or choosing not to work at all. If you think back to the original aims of Universal Credit, one of them being that it will help make work pay, that is clearly going in the wrong direction.

Q3 **Craig Mackinlay:** Okay. Do you think it has changed so much that it does not really bear the reality of those original grand ideals in 2010 when it was first being considered?

David Finch: One of the aims was simplicity, so—

Craig Mackinlay: That is there.

David Finch: —at least at a high level potentially it will be more simple in that you are combining six of the major benefits into a single system. There is quite a lot, I think, to gain from the fact that people do not have to claim different benefits when they move into work. In that sense, it is bringing those gains. My fellow witnesses have more expertise on that and can probably expand on how simple it is on the ground and for the people involved in the transition.

In that sense, it is improving and there is an improvement for people at very low levels of earnings. As you now have the work allowance instead of hours rules, there is a better incentive to start work at quite low hours, which could be good for people with very young children or for disabled people. I think the aims of improving on the current system and tackling some of the progression incentives are not quite there yet.

Q4 **Chair:** David, do you think it will ever be rolled out?

David Finch: Sorry, ever be rolled out?

Chair: Fully. I am trying not to split infinitives; to fully roll out.

David Finch: It is difficult to say. There is always going to be a problem in trying to deal with the sheer complexity of people's lives that it has to tackle. The approach being taken is slow, but I think it is better to get it right rather than go very fast and it be very, very wrong.

Q5 **Chair:** Isn't the Secretary of State's strategy—to do it slowly, and to make sure, however small the step is, that it is done securely—totally right? It raises the question how many of us are going to be here when the reform is completed. That is my worry because you are running different systems alongside all of this, aren't you?



David Finch: Yes. I suppose in the past the Treasury has not been very pro-UC, largely because of it being more expensive. Now there are the savings attached to Universal Credit, there is an extra spur to put it into place to realise those savings longer term.

Q6 Craig Mackinlay: In terms of the behavioural effect of the withdrawal percentage, it was up at 65% and is now down to 63% from an original thought that it should be 55% when it was first rolled out. Do you think that change is going to discourage people from bothering because of the withdrawal rate of the extra pound and then you add on the travelling costs and tax and everything else? We still have very, very high withdrawal rates if you are into that extra pound that is going to bear tax and National Insurance. It is pretty steep, or steeper than first envisaged.

David Finch: Yes. On the positive side, the current system has some very high withdrawal rates. People can face rates of up to 80% or higher even. At least there is a big improvement. The evidence is probably slightly weaker on the progression incentive side than the actual work or not work decisions, which makes it hard to say a certain percentage is the best one or would work the best. They do feel too high still, so people are keeping 25p in the pound that are paying tax now, and that is worse than the current system where you are keeping 27p in the pound. That is without accounting for things like childcare costs. If you throw in the childcare costs, particularly in London where childcare costs are very high, once you are paying for the childcare, to work an extra hour could leave you worse off and, if not worse off, then very little better off. There is a question how to deal with some of those wider costs, especially the childcare costs. It is something you can tackle a bit more directly.

It is also worth thinking about transitions within the system—not necessarily the next marginal hour but a whole shift—and what difference that makes to people. At the moment, there are probably not enough of those transition points in the system for those who you think would be most responsive, especially the single parents and second earners.

Q7 Craig Mackinlay: Are you very pleased that we have at least got rid of this sharp 16-hour lunacy that was in the tax credit system, in which you ended up with a whole employment framework almost being geared around 16 hours? Some of the bigger employers in particular were really gearing up towards that under tax credits.

David Finch: Removing things like the hours rule is a positive because people who could not make the 16 hours can now go into work and work at lower hours. It does raise a risk particularly because of the weak incentives to progress that people start to move down from the 16 to where the work allowance is. That could mean that people stop at around five or 10 hours at the wage floor. That would be a worsening position, so there is an issue of choice against how people react to the new incentives.

Q8 Mhairi Black: This is a question to you, Martin. In terms of the timings



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of Universal Credit, there seem to be two big concerns coming out of it, the first one being the length of time it takes people to receive their first payment of Universal Credit and what they survive on in the meantime, and secondly the frequency, this monthly payment. Are you concerned about that and, if so, how is it affecting claimants?

Martin Williams: Working with claimants waiting for payment, the evidence we see is that they just cannot manage with that sort of wait. This is not a wait that is a delay; it is a designed-in period at the start of a claim. If I deal with the start of a claim first and then with the frequency of payment afterwards, the wait is because for many claimants there is no entitlement during the first seven days anyway, particularly if you come straight from work to UC. You then have an assessment period of one month and you are paid at the end of that and, in fact, it is seven days after the end of that. Assuming it works well as intended, you are looking at at least six weeks to wait.

We already see cases where the housing cost element is not calculated in that time, so there is a further wait for housing costs. I was reviewing case studies and there were two where people were at risk of eviction because the housing cost element had not been calculated.

You have to understand that the vast majority of people we come across— and it is typical of Universal Credit claimants—do not have six weeks' money in hand at the point they make their claim. That is for a couple of reasons, quite apart from the fact that people at the bottom end of the income distribution tend not to have money in hand. It is because many of those claimants are not coming from work on to Universal Credit. For example, if your employment support allowance is stopped because you are found fit for work, that is a benefit that is paid two-weekly in arrears. You then have to claim Universal Credit if you are not challenging the decision. You do not have the money on hand.

Even for those who are coming from work, the evidence seems to be that they are not people who had salaried monthly payments. Social Market Foundation research said that 40% of those in the lowest two income quintiles are paid weekly rather than monthly. People just do not have the money at the start and the evidence of the hardship that causes is that we see them in a food bank context where we provide advice.

Q9 **Mhairi Black:** Do you feel that the advance payment that you can get does not function well? What is your experience with that?

Martin Williams: There are advance payments available. They are not well advertised. They rely upon claimants alerting someone at the DWP to their situation for it to be considered. It is not easy for claimants to know that it can be considered. For example, the standard recorded voice that you get before you get through to someone when you call the Universal Credit helpline says as follows, "You will get your first payment around five weeks after you have completed your claim for Universal Credit. If it has been less than five weeks, please hang up now. We will be in touch



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as soon as we have calculated how much your first payment will be. Your payment will usually arrive on the same day each month. It could be earlier if it falls on a weekend or bank holiday. If it has not been a month since you received your last payment, please hang up now". With that advice to claimants, it is unsurprising that they do not raise their hardship and get an advance payment.

Effectively, there is a duty on decision makers to make advance payments where it appears to them that the claimant is likely to be entitled and that their health would be harmed if one was not made, but the telephone system is designed to exclude the possibility of claimants raising that.

Q10 **Chair:** Martin, have you guesstimated how many people coming on to Universal Credit have no money while waiting for these time sequences to be fulfilled?

Martin Williams: I cannot give you a figure on that.

Chair: Do you have a guesstimate?

Martin Williams: All the people I see at that stage have no money, so my client group is perhaps not representative. Given that 40% of people who come on to it from work at least are paid weekly, and other people coming on to it are moving off the legacy benefit system where they were paid two-weekly, it is going to be quite a high percentage.

Q11 **Heidi Allen:** David, I am going to come back to you but, to Martin, as Universal Credit is not fully rolled out to every group of claimants, what type of claimant are you seeing? Is it still just single, uncomplicated, no-children people?

Martin Williams: I work in an area that is a gateway area and it is single—as they are described—uncomplicated, but that would include, for example, many people who have been sick and then there is a determination that they are not. Through our other, second tier work supporting advice organisations, we learn of stories in full service areas as well, which involve families. I have an example of a young family we were helping an adviser with where the delay meant they could not keep their agreement with their housing association, having previously had rent arrears, and court proceedings were reinitiated because their agreement to pay was weekly and they had no money for six weeks.

I did not touch on the monthly payment issue in answer to Mhairi's question. I do not know if it would help.

Chair: We can come back to that. I am rather anxious; I wanted to get Mhairi in before she left. We will come back at the very end when I also want to ask you about your client information and how that affects living arrears and promises and all the rest of it.

Q12 **Heidi Allen:** Perhaps a final request if it is possible. My nervousness—and I will touch on this with David next—is around how much evidence



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we have of how Universal Credit is working for complicated claimants, people with families, sickness, couples. Whether within your organisation, Martin, you have much of that yet I do not know, but if you have I would be interested if perhaps later on you could send that to us separately.

Martin Williams: Simple people also become complicated is the other issue, so although that is the gateway, people's circumstances change.

Q13 **Heidi Allen:** No, and I suppose the reason I am asking it, which will perhaps be more apparent when I chat to David, is because I was going to ask David who the groups of claimants are that will be the biggest losers under Universal Credit. My sense is the Government yet does not have much analysis or evidence around whether Universal Credit is going to work in getting people into employment, other than the big group that they have experience of, which was the single people with no children and so on. David, perhaps if we start, who are the biggest losers from your analysis?

David Finch: Generally, the biggest losers tend to be single parents. There are a couple of reasons for that. One is younger single parents get a lower rate. Their standard allowance is lower than the current system would be through income support. They are also in work support. For some it was already less generous through the work allowances, and then for non-renting single parents, they had one of the biggest cuts to their work allowance in the summer Budget 2015 cuts. On balance, single parents are the ones who are worse off.

The system was originally more generous towards couple parents and it still is just about, but couple parents who are not renting are now worse off generally. There are so many different complex cases that it is quite hard to be precise on all these things. The group that are doing better now would tend to be renters, and that is largely because the overall taper in Universal Credit is lower than the housing benefit taper and certainly lower than when combined with tax credits. Their support is basically just not withdrawn as quickly, so they tend to be better off overall.

Q14 **Heidi Allen:** Have you done any analysis yet on these changes to the Universal Credit work hours as to what effect they are having on getting people into employment? This goes back to what I was trying to allude to with Martin. I do not feel like we have the evidence yet, the volume of data, of more complicated families going through the system. What do you have so far, David?

David Finch: I think there is a big problem. First, we do not tend to get access to admin data and things, certainly not direct from DWP, so it would be hard for us to assess it actually happening to people very quickly anyway. Our data tends to come from household surveys, so we would be lagging potentially a couple of years until we saw that data.

What we have done in our analysis is we are looking at past academic research where people have tried to assess the impact of schemes like



this or the impact of the tax credit system. The size of the impact tends to vary, but it always comes back to largely being mums, essentially, either second earners or single parents, who are most responsive to incentives. When you look at the incentives in Universal Credit, for second earners those incentives are weaker to go into work. I think the Government's impact assessment in their estimate of how many more would go into work they had fewer second earners going into work in that estimate. For single parents, who have seen quite phenomenal increases in their employment over the last decade or so, some of that is the financial incentive from the tax credit system, and that is starting to be reduced by the Universal Credit changes. Admittedly, some of that is also the conditionality in place on single parents, but I suppose the question is how far the things are interacting, how much that matters and how much lesser success you get with a conditionality regime if your incentive to progress is worse, essentially.

That does make me come back to the report you mentioned. Where DWP has done research on the impact of Universal Credit so far, it did find an increased effect on employment, that there either was not an impact on earnings or it was potentially slightly negative, which would suggest people are working more but for lower pay, which is very much the problem we think could be there with those types of incentives in place.

The other thing to think about is that those people were the simpler cases, people without children, and they now do not have a work allowance at all, so their financial incentives have been reduced by the cuts made. There is a question of what was being successful in that piloting area, and I do not think it is clear whether it was the financial incentives, the conditionality in place or the simplicity in the system. You can sometimes get pilot effects from things, maybe just enthusiasm or putting your best people into the small area, so it could be partly driven by that. I suppose we will have to wait and see for the next instalment of the analysis when it comes out to see.

Chair: Mark and Nick, we are going to come back in another way to that phrase that renting is better off and about how it should actually work for people who pay rents, particularly to housing authorities.

Q15 **Heidi Allen:** I could see Mark nodding vigorously there and I was just going to ask Mark and Nick whether they had any sense or analysis so far of whether Universal Credit was working in the way it is intended to in actually getting people into work.

Nick Atkin: In advance of today, we surveyed all of our residents who are in receipt of UC via the live service. Interestingly, only one-quarter of those felt that UC was helping them prepare in getting to work. Indeed, only a third of them were positive about the experience of UC and two-thirds felt that it was a negative experience generally in terms of the process. One of the four areas that our residents have highlighted is a need for more support, both support in terms of getting access to work but also financial support through the process. The general view is that



that is offered at the wrong point. It is offered at day one of the claim and certainly the claimants that live in our homes are saying that they need that help and support much further down the line.

Q16 **Heidi Allen:** Both types of support, financial and advice?

Nick Atkin: Yes, because very often these are people who have already been in employment and have come out of employment. They know the process, but it may be that they have not applied for work for several years. They may have been in a very steady job, so they need help with things like CVs and also the fact that the last time some of them applied for work would have been through an advert in the newspaper rather than through online sites.

Q17 **Heidi Allen:** Okay. Mark, any reflections from you?

Mark Fowler: Just to support what Nick was saying. Generally, where people are at the moment with the engagement is critical to how successful that will be. So, are people work ready? Are they financially stable? What is their next step with regards to housing? At the moment, what we are witnessing is that is not the case. In Croydon, to add some context, I believe we have the largest Universal Credit caseload nationally now. We are on the full service, so all of the postcodes are rolled out for all of the customer groups that we have in place. It is quite sizeable. We have over 9,000 now in receipt of Universal Credit with housing costs and over 12,000 in receipt—

Q18 **Heidi Allen:** Because you are one of the pilot areas, aren't you, Croydon?

Mark Fowler: We were, yes, that is right. Ourselves, Sutton, Southwark and Hounslow have gone full service across London. We have been doing some comparative work I was going to share when we come on to the rent arrears bit.

Just to pick up on the point of those more vulnerable groups that were identified, under Universal Credit for single people under the age of 35, they were previously receiving a one-room rate of £155 a week. Under Universal Credit it is shared facilities at £72. Now, bearing in mind what Martin was saying about the duration, we have seen at Croydon on average it is about 12 weeks before any form of payment is awarded, which is creating considerable pressures, as you can understand.

Q19 **Chair:** Generally, the whole group of claimants, 12 weeks?

Mark Fowler: Yes. That is an average of where we are. Then even when this customer cohort are awarded money, that is still different by £72 to £155 per week. That is an immediate pressure and that may give potential for eviction as well.

Q20 **Neil Coyle:** If it was the 12-week point, you would have passed the point that most leases would allow a landlord to take action against you for non-payment of rent?



Mark Fowler: Completely, yes. Again, as Martin said, you have people moving from one system to another. Most people pay their rent in advance, not in arrears, so that is something to bear in mind when you are thinking about the overall position for customers from that side.

What we have also found is that people in emergency accommodation—so people who are unlikely paid, incredibly vulnerable, fleeing domestic violence, mental health issues, single parents, English not their first language—are particularly hit by the approach to Universal Credit. One example is that in emergency accommodation without shared facilities we obviously want to move people on within the six-week window, otherwise you are in trouble with the Ombudsman and it is not appropriate. To receive housing costs from Universal Credit, you have to be in the property for six weeks. That is immediately obvious of where the policy is contradictive one side to the other.

Q21 **Neil Coyle:** There is a statutory obligation on you as a council to move people out of temporary accommodation within the six weeks?

Mark Fowler: Yes. Karen knows all about that. We are monitored heavily on it. Whether it is statutory or not I am not quite sure, but it is a serious responsibility for the local authority.

Q22 **Neil Coyle:** What kind of measures would the Ombudsman look to take where you did not meet the six?

Mark Fowler: For anyone who is over six weeks, we could be fined a weekly amount for the duration over six weeks that they remain in that kind of accommodation.

Q23 **Neil Coyle:** The Universal Credit is preventing you from reaching that?

Mark Fowler: There is an immediate arrears here, that is correct. We either let people stay in for over six weeks and receive the housing costs—

Q24 **Neil Coyle:** Is the solution to that potentially some kind of improvement under the alternative payment arrangements—sorry, I know we are bouncing around the agenda here—or is it to remove these groups from Universal Credit altogether or just their housing payment?

Mark Fowler: Our preference would be that they were removed completely from Universal Credit, so administered under the old regime, which is Housing Benefit and supported. We are engaging with the delivery team from Universal Credit and with Neil himself suggesting even this emergency accommodation cohort is removed as part of the supported exempt accommodation review, which is happening at the moment, because it makes sense in that space.

The particular vulnerability of what we are talking about for this group of people is considerable. I am on the cusp of getting into the level of arrears, but very quickly, our previous collection levels for this group alone were just over 90%. When you look at Sutton and Southwark, in



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comparable terms as well they are in a very similar region. We have done a collaborative piece of work recently that reflects each of those three authorities. Some are as low as 42% but the highest is 59%. You have seen a movement of at least 30%. The full-year effect for Croydon for this group alone is £2.5 million.

Q25 Neil Coyle: Southwark, my own local authority, has raised a similar issue. How much of the cost is coming from the local authority that you are not able to claim back if you have moved people on within the six weeks?

Mark Fowler: That is correct, it will be a level of arrears that we would either have to accept, and that would become a bad debt and then we would have to write the bad debt off at some point, or we could meet the difference through discretionary housing payments or other funds that we might have available to try to give people the best chance possible.

Q26 Neil Coyle: Even if you were trying to move people on later on from other accommodation, that history of arrears would be carried with them and could prevent them in other housing purely as a result of an administrative system that has not worked as speedily as is needed for the individual and for you as a local authority and, I would imagine, for housing associations and the landlords.

Mark Fowler: If you play the cycle through, you have people that are already there. They are requesting our support because they need emergency accommodation. They then create a level of arrears. We are then looking to evict them to come back as emergency accommodation, and the second phase of that journey is even worse because if it is the family, the family can then become broken and separated and the children could become the responsibility of Children's Services, which from a family perspective is awful, and from a costs perspective is also unfavourable.

Q27 Ms Karen Buck: Just picking that up, then—and I am fairly interested to hear what Nick has to say on all this—presumably you have put that to the DCLG?

Mark Fowler: Yes.

Q28 Ms Karen Buck: What do the DCLG say?

Mark Fowler: Karen, we are trying to get it up the policy chain in UC. I am not sure it has got quite to the right level yet, whether that has been engaged, so that is a battle for us. DCLG are supportive of where we are, with making our representation and also changing that, as well.

Q29 Ms Karen Buck: There is something else I would like to ask you, but Nick has been very patiently waiting and you are representing the housing associations, so in a nutshell, does the housing sector want UC to be rolled out?



Nick Atkin: We support the principle of simplicity; it prevents some people from the previous position where people were not receiving the benefits they were entitled to because the system was overly complex. But our view is that the process needs to be slowed down. When you take a step back, this is, arguably, the most significant shift in welfare policy for the last 40 years, and I think that while it is positive that DWP are engaging with both councils and housing associations, our experience is, it is a very slow process to change the systems and it requires a significant body of evidence as well, before those changes are made. In terms of our issues, they are threefold, really. Communication, timeliness and consistency—

Q30 **Ms Karen Buck:** Communications between the Department and you as providers, or with claimants, or—

Nick Atkin: Interestingly, communication between DWP and other parts of DWP, particularly during the migration process from legacy benefits to UC.

Q31 **Ms Karen Buck:** Can you give us an example?

Nick Atkin: In terms of overpayments; overpayments predominantly come from, in our experience, where people have moved across from Employment Support Allowance to UC during the migration period. Significant overpayments are occurring there and those are then being recovered from the claimant without them being notified and also at the maximum 40% level, which is causing significant financial hardship for those claimants and the—

Q32 **Ms Karen Buck:** Can you remind us of whether the 40% is mandatory, or is that a default?

Nick Atkin: No, that is a discretionary element that DWP can apply. Indeed, one of our recommendations to DWP is that that is capped at 20% rather than 40%. There is, it seems, a real drive within DWP to recover those overpayments as quickly as possible, so the timeframe over which there is discretion is reduced and also the amount that can be deducted from the benefit seems to be applied at the maximum.

Q33 **Ms Karen Buck:** Just to be clear, if someone had been on ESA and migrates, they could be losing, what, £40 a week? They could be repaying £40 a week?

Nick Atkin: It could feasibly be that, and more, depending on their circumstances, yes.

Q34 **Ms Karen Buck:** They do not have to be notified about that? They do have to be notified, but they are not being notified?

Nick Atkin: They do have to be notified. The communication issue is, they are not aware that (a) the deduction has been made, or (b) what that deduction is for, or (c) what the amount of the deduction is, either. That is the first element in terms of communication. There is then the



communication between the DWP and landlords, and we believe that could be very quickly resolved if the rollout of the landlord portal was accelerated. It is currently scheduled for October 2018. We believe that that could be brought forward pretty quickly and easily, and would resolve a number of the communication issues that we currently have.

Q35 Ms Karen Buck: Why is this communication so poor?

Nick Atkin: We try to work locally with Jobcentres, but Jobcentres are limited in terms of what they are able to do, so those issues then are escalated to the regional service centres. At present, landlords—even where we have serious arrears cases, particularly those that are facing eviction—we have to follow the same process for the full service, as a claimant does; it is the email, four working days. Despite the fact that, on the live service we are able to accelerate and expedite those enquiries through and get a resolution, it is not in our interests to evict somebody. We only recover, on average, 2% of the debt after somebody is evicted. It is very much the last case—

Q36 Ms Karen Buck: Can you just remind me, from your point of view—because I know what my local experience is—at what point in someone beginning to be in arrears would you generate an automatic letter warning them that you might start possession proceedings?

Nick Atkin: Our approach as housing associations is to engage as quickly as possible with anybody who falls into financial difficulty, so as soon as we are aware there is a missed payment we are in touch with that occupant. The issue with ourselves and UC is that if you look at the fact that in Halton there are 12,000 tenancies that the four main housing associations have between them, there are just over a thousand of those households are in receipt of UC. 920 of them are in arrears, and if you look at the figures, UC claimants make up just 9% of all our tenancies but they account for 37% of our arrears at the moment.

Ms Karen Buck: That is a very strong figure.

Nick Atkin: What is also more concerning—

Q37 Ms Karen Buck: Does that include the delay in payment period at the beginning of the claim?

Nick Atkin: Yes, but we try to take account of that, so we try not to take action where we know that is happening.

Q38 Ms Karen Buck: You try not to trigger a warning or notice seeking possession because of arrears that were just the initial few weeks of the claim?

Nick Atkin: Yes, but where it runs past the prescribed timescales for UC claims to be processed, then of course we then need to protect our own interests to ensure that that money is recovered. Just to give you, again, some scale, there are four times as many UC claimants in Halton in receipt of a valid notice of seeking possession compared to non-Universal



Credit cases. That means that there is an increased risk for those people of losing their homes, but also the legal costs—and they are substantial—if we do have to take recovery action through a legal route.

Q39 **Ms Karen Buck:** Do we have those figures?

Chair: When you said, “Four times the chance of being evicted on Universal Credit”, presumably if everybody holds their nerve, in the end the Universal Credit payments will come through, won’t they?

Nick Atkin: They do come through. I think the issue is that—

Q40 **Chair:** Maybe not at the level that you thought?

Nick Atkin: Yes, that is very often—

Q41 **Ms Karen Buck:** There are two things: there is the delay, and there are the consequences of direct payment, so perhaps in answering that question you need to disentangle those two points.

Chair: Thank you, Karen.

Ms Karen Buck: Am I taking over the whole thing?

Chair: Not at all. I am much enjoying it, actually. Nick, would you like to pick it up? No, Mark wants to come in.

Nick Atkin: In terms of the payments, they do come through, but for some of the reasons we touched upon before, they are not often at the level that either the claimant or the landlord is expecting and therefore there is a significant gap, and at that point recovery action has to be taken.

Q42 **Ms Karen Buck:** Can I ask one last question? My last question, which is to Mark; thank you very much. Can you send us through those papers?

Nick Atkin: Absolutely, yes.

Q43 **Ms Karen Buck:** The other side of that particular coin, as a local authority when people are seeking housing assistance from the local authority and you are trying to obtain private sector accommodation either for temporary accommodation or to discharge your duty into the private rented sector, to what extent are you assessing the question of delay and a shortfall in payment as being something that might make it more difficult to obtain accommodation for your homeless families?

Mark Fowler: What we try to do, Karen, is, we will do an overall financial assessment for the household anyway, so financial stability, looking at their situation and that sort of thing. Then what we would look to do is, for instance, we would look to exercise schemes such as Rent in Advance, Discretionary Housing Payments, and drawing down in that way, but we would provide a level of stability. Building on the relationship—so Nick’s point about communication is key—we then work with the local Jobcentre office to make sure we are expediting the claims



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as quickly as possible, but we factor in for each case 12 weeks, at the moment, to see that that comes through.

Q44 **Ms Karen Buck:** This is absolutely my last question: private sector landlords who are under no duty whatsoever to take claimants in receipt of benefit, is this concern about arrears and delay feeding through into the private sector?

Mark Fowler: It is, yes, very much so. The only way we can mitigate that is through the schemes I have just referenced and however we can underwrite the rent for that period of time, so for two months, at least. One thing to just pick up on, the point that Nick was saying about the time lag in payment: we have been running now for nine months, properly, with a large enough caseload. Our rent levels and the arrears have remained consistent, so if there was going to be an uplift in where we were with regards to payments coming through, we would have seen that by now. That has not been the case, and I think it only supports further the points Nick is making: the levels, the payment, the frequency, the gap.

Q45 **Ms Karen Buck:** There isn't just a hump that, once you are over it, it is okay?

Mark Fowler: No, it is a steady position with us.

Q46 **James Cartlidge:** I wanted to come to you, Mark, as well, about the in-work conditionality—this is a significant change—about your experience of that and the impact that it is having on the claimants.

Mark Fowler: On the ground at the moment it is not really having a massive impact at all. Because we have gone full service, the conditionality aspect is slightly different. With live service you have groups, you can say it is condition to—actually, if you are emergency accommodation, that would remain Housing Benefit. If it is a different type of vulnerability, that would remain on Housing Benefit assessment. Because we are the full service, the conditional aspect is picked up with regards to employment and how people adhere to that. What we are blind to—and this is where, again, communication or sharing information is an issue—is we have not seen the level of sanctions. If there was a problem with regards to conditionality, what would happen as a result of that is people would be sanctioned if they were not meeting the conditions from that side. We have not seen any evidence; that is the problem at the moment.

Q47 **Neil Coyle:** Even then, if you knew what payments someone was meant to be receiving, which we have just heard you are not getting if they are sanctioned, even that expectation wouldn't be there?

Mark Fowler: Yes, completely.

Q48 **James Cartlidge:** I think the point we are probing, really—and the others are welcome to comment—is, obviously, under the tax credit



system there is a very large spiking around 16 hours and so on, of people who did not want to work more hours because it was not in their interests, as it were, and Universal Credit is, in theory, meant to smooth this out so that there is no disincentive or less disincentive to work more hours. Of course, there is a condition that you should, if you are in a certain position, be looking for longer hours and so on. Martin, you are looking at me?

Martin Williams: Yes, in-work conditionality is difficult to give evidence on because at the moment it is a pilot, so whether it is full service or a gateway, it is only being piloted so there is random selection of claimants to go into it. The DWP position is that within the pilot there is a soft touch approach, which indicates that if that approach is changed then we are going to see a pilot effect anyway, when we see what happens with that. At a recent seminar we did for advice workers in London and Manchester, there were people who had clients subject to the pilot and there were a couple of stories there of people with inappropriate conditionality applied whereby they had been in a position of having to choose to take a shift of work or attend an inappropriately scheduled Universal Credit interview. They were facing a “get a sanction or get in trouble at work” kind of position, so two different masters asking for mutually incompatible things, completely counterproductive to encouraging them to do more work.

David Finch: Clearly, there is little evidence around in-work conditionality at the moment because there are such small numbers on that, potentially. There is not a lot of evidence internationally to inform what the approach should be, so testing is probably a sensible approach, and doing that sensibly. Because of the changes to work incentives that I have already talked about, and this risk that potentially people will have an incentive to shift down their hours, the need for a buffer at the bottom potentially becomes more important, so something to push people up to a certain level of hours instead of this hours rule. Potentially, there is a need for that if—

Q49 **James Cartlidge:** Surely, if you are concerned about the potential to go down—and I accept that you are talking about evidence and there is not much—but in terms of the theory of it, that would suggest you would therefore need the help that comes from a conditionality and someone in the service making sure that you are trying to find more work, and so on.

David Finch: Definitely, I think it does. It is partly why it was designed and is being brought in in the first place. Because the incentives have been cut as far as they have, probably there is more on its shoulders now, so it probably needs to do more than it maybe was thought it would need to do in the first place. I suppose if you take maybe a—

Q50 **James Cartlidge:** What you are saying is that there is less carrot and there is more stick?



David Finch: Yes, essentially, especially for single parents where the hours are less. But the other element that we are concerned around is the discretion element in there. In the current system we have quite a clear rule where you have to just meet one set number of hours. That may not work for everyone, but you cannot really get that wrong, essentially, but if you are giving out decision making on a one to one basis, based around a number of different factors—things like the amount of childcare you can access, the jobs that are available—taking all those things into account and coming up with a number that people should then meet that level of earnings based on a certain number of hours is quite difficult. The concern would be around just how much discretion there is and whether that can be simplified in some way so that you do not get mistakes—certainly at first—from people just not knowing enough about an individual's circumstances and assessing unrealistic targets.

Nick Atkin: The only comment I would add is that in preparation for today I have also spoken to Curo Housing Group, who are in one of the other areas in Bath, and their figures indicate that one in eight of their claimants have been subjected to sanctions at some point during their tenancy.

James Cartlidge: That might not be because of—

Nick Atkin: It might not; they did not have the breakdown of the figures, I understand, between UC and non-UC, but certainly if it would be helpful I can go back and see if they have got more detailed information.

James Cartlidge: To me, personally, this is a particularly interesting part because when we first paid tax credits—Heidi, you made the same point—I used to run a business where there was a real problem with staff not wanting to do more than 16 hours, to the extent that it was commonplace. Other employers say exactly the same thing. If Universal Credit works, more of those people will be doing more hours, or at the very least will have considered it and so on. I guess what you are saying is we just do not have enough evidence, but how long will it be before we do? I suppose another a year or so? We do not know, is the short answer. That is fine.

Q51 **Richard Graham:** Just very briefly, James's questions about the relationship between carrots and sticks and how conditionality is working for you or not working, there are 430,000 people now on Universal Credit, so my instinct is there should be enough experience of this to know whether it is broadly having a positive effect or not. Martin, what is your instinct?

Martin Williams: You have to separate the innovation in Universal Credit, which is to get people who are already working, say, 20 hours at the minimum wage and then say, "You will spend 15 hours a week looking for more work or we will not subsidise your rent", so in-work conditionality, from conditionality in general, which, in many senses the



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Universal Credit, although it recasts the claimant's duties and expresses it in terms of, "You will look for work a certain number of hours to get your benefit", it takes over very much the system that they have had in place with Jobseekers claimants, ESA and so on, since 2012.

Q52 Richard Graham: Yes, and is it working? That conditionality and the sanctions, is that helping people to do more, work longer hours?

Martin Williams: In-work conditionality, there isn't sufficient evidence, but the evidence in general on conditionality is not that it necessarily increases employment rates or certainly not wage rates. The NAO report, recently, for example, suggests that to be the case and in fact says it is counterproductive for ESA claimants.

Q53 Richard Graham: Thank you. Chairman, if might just very briefly, Mark, I thought your answer was a bit ambivalent to James, almost as if you did not want to really either say, "These sanctions are not quite right", or whether you didn't want to say, "Actually, they are very useful in terms of helping our teams achieve what our goal is".

Mark Fowler: I think that is a fair point, Richard. My response to that, on the ground at the moment are the work coaches delivering conditionality any way they could for in-work customers, I do not believe that is the case from what we have seen. There are so many things going on with the delivery of the system, is this at the top of the tree and a priority? I do not think so.

Nick Atkin: Our response would be that there are inconsistencies in how sanctions are applied and how the process is followed, and that is not just in the case of sanctions, that is in terms of the whole process, particularly in terms of full service UC as we found it, how that is rolled out. That reflects differing levels of understanding and training within DWP staff. In terms of the conditionality, we have come across some cases where we believe they have been applied inappropriately. To give you one simple example, we had a claimant who was living in one of our homes who was suffering from breast cancer and was in receipt of quite intensive chemotherapy, and she was sanctioned because she was unable to use the full 35 hours a week to find work because she was physically unable to.

Q54 Richard Graham: Do you think that was a communication issue, that the people in the Jobcentre didn't know?

Nick Atkin: In terms of the process, it is a wider issue of an inconsistency and that is why we support a slowed down rollout of Universal Credit, so that we can iron out these problems and issues and ensure that there is a more personalised service rather than one that is inconsistent and perhaps where things are applied in too much of a general style.

Q55 Chair: Mark, before the Select Committee came to visit you some time ago, we had been at Jobcentre Plus where the enthusiasm for the reform



was ginormous. What are the lessons we might draw from your comment? Is it that the reform is so much more complicated than people thought that some of these really attractive parts about the job advisers and so on are now overwhelmed with trying to keep the machine going?

Mark Fowler: I think that is fair, Frank. I am conscious of the way I have positioned maybe some of the answers today; there are things that are working. The job coaches are working in a positive way, the relationship we have at a local level is broadly positive. As long as people are continuing in role and there are not too many changes; that is good. If we could share information in a more joined up way and that was slightly more open and transparent, that would certainly support that initial enthusiasm that you all saw when you kindly visited us. Equally, I have to be honest, the size and the scale of the rollout and the timing of that is considerable. That brings pressures and pressures on resource and people and their understanding. In short, it is at odds with the enthusiasm. I think it is fair to say that is the case, at the moment.

Q56 **Chair:** Damian Green's immediate action as Secretary of State to put the brake nearly on was very wise, wasn't it?

Mark Fowler: I think so.

Q57 **Neil Coyle:** Martin, Nick and Mark have all made the point about rent arrears, and rather than rehash that, could I request that the information, Mark, you have mentioned you are sharing—is it the Freud review you were talking about? If you could share that with the Committee, to look at why you are seeking that exemption for emergency accommodation, that would be really useful. Equally, the alternative payment arrangements, are there new and better means of using that process to try and tackle some of the arrears issues you have all covered?

Mark Fowler: I think there are. The APAs could be administered a lot smoother, even to the point of potentially mandating for particular groups makes a lot of sense.

Q58 **Neil Coyle:** What other groups would you include? I know from Southwark's example, and from the housing associations, a lot of the time it is people moving into work that is very much the group that the Government said this was for and was to incentivise. Who is it you would prioritise?

Mark Fowler: Certainly those who are moving into work because it gives them a level of stability and continuity they probably wouldn't have had, and if you can relieve pressure in that space, we think it makes sense. In short, Neil, really, is it not better to mandate to the majority rather than the minority? If you take one less pressure off in that space of actually how you go through getting into work and the stability perspective, that would give everyone peace of mind. Equally, what it would do is give some of the landlords some confidence, and certainly in the private rented sector. I am a bit reluctant to say any particular group outside of



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the ones returning from work. Obviously, if we were to change the vulnerable customers who are in emergency accommodation, that would have to be in the case, but I think there is something here about giving landlords confidence in that space as well.

Nick Atkin: In response to that, we have had about 20% of our claimants who have had APAs. The issue for us is that there are delays of about three to four weeks after the APA amount has been deducted from their UC claim to the point at which landlords receive it. Bearing in mind that this a point at which normally arrears action is at that point being taken, that further delay is more likely to incur some form of legal action or legal costs to that claimant. Furthermore, when we do receive the payment as a landlord, there are basically three issues in terms of reconciling those payments: firstly, inconsistencies in terms of who the payment is for, so we receive a bulk schedule and in some ways it takes me back about 20 years to how we used to receive Housing Benefit. A very similar process, where it is a manual list and there is just a bank transfer, a lump sum, and it is for us to work out where that amount is for.

Q59 **Neil Coyle:** That is very different to how you engage, because the point you were making before is, when you call up, you are not allowed to talk about multiple cases; you have to log back out and log back in?

Nick Atkin: We do indeed, yes.

Q60 **Neil Coyle:** Yet they are sending you the funding for—I forget for how many people.

Nick Atkin: 20%. Two hundred and twenty-two. Interestingly, the implicit consent process works for live service but does not work for full service, so we are unable to speak to DWP direct for full service claimants, but we are for live service claimants, and indeed all other benefit entitlements. We do not quite understand why that position is there. In terms of the other two issues in terms of APAs, there is inconsistent frequency of payment, so they do not come every four weeks in the way that they should and also, as I mentioned before, we have to manually upload and reconcile the payments against the accounts. There is a process, we understand now, to shift that to a digital means, but until we get basic things like rent references and payment references correct, that is still going to create a problem in terms of reconciling that payment back to that individual claimant's rent account.

Q61 **Neil Coyle:** Is there any reason an individual claimant would not want that implicit consent rule carried through? I would imagine it is just as big an issue for the individual who could end up with eviction procedures. What is DWP's barrier to using it? What do you think the Department is—

Martin Williams: My understanding is what they have said is for full service claimants, "It is all online so you just need to log on to the journal and you can upload any queries there". That is their stated position as to



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why they will not accept a call from a representative or a landlord who is clearly acting on behalf of a claimant.

Q62 **Neil Coyle:** Will this change in October 2018? You mentioned the partnership arrangement, the recognised landlords scheme.

Nick Atkin: The landlord portal. It depends what is actually included within there, but if they take some of the learning from the trusted status pilot and also address some of the issues in terms of APAs and indeed how UC payments are made, we believe that would be one of five positive steps forward that we would recommend DWP change in terms of their processes.

Q63 **Neil Coyle:** What is your understanding of the barrier for the Department in not bringing the portal forward? Is it the logistics?

Nick Atkin: From our understanding, it would be a relatively straightforward and simple process and changes to make, albeit we are not in the privileged position that DWP are in terms of what issues it would create from their side of things. From a landlord's perspective, looking into DWP, we look at the significant amount of administrative time and cost that is incurred with how the system is currently managed and processed, and we look in at that and think surely there must be significant savings that can be achieved in efficiency for DWP, in terms of the processing of Universal Credit, by making some quite straightforward and simple changes.

Q64 **Royston Smith:** I just want to talk, David, generally, about people who are self-employed and people who are on zero hour contracts, because it just seems that that would be enormously complicated if you were reporting yearly as a self-employed person but then you had to start reporting monthly or more frequently than that, especially if you are on zero hour contracts.

David Finch: Zero hour contracts, potentially UC actually brings a bit of an advantage in that it is more flexible and you are reporting earnings on a monthly basis, so you do not have to meet a more strict hours rule. So, if you have fluctuating earnings, it helps that variation. Potentially, the downside of that comes from if you do not have the hours rule in place, then people who maybe previously demanded at least 16 hours may not demand that anymore and so could accept ten or something. That is the only potential downside to it. The fact that UC is more able to pick up the variation in earnings is potentially a good thing because it will help.

For self-employed people, the main concern we have with that is the minimum income floor, where you have this issue of asking self-employed people to report their income monthly, which is an extra burden on what they currently do in the tax system, although I think there are some moves to try and change the tax system; how quickly that happens is maybe another question. If that changes, then potentially it would be a good thing for UC to match it. The real issue is, with the minimum income floor, this minimum earnings requirement for the self-



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employed people applied on a monthly basis, people who maybe over the year would exceed that minimum have the risk of being paid less UC in a month where their earnings dip, just purely because their business is seasonal or something. It is quite common for self-employed people to have varying earnings month to month, so you have a built-in penalty there, where people with variable earnings are potentially made worse off by the minimum income floor.

The scale of the savings from that, which I think is getting on for up to £2 billion—I can check the figure from that—it is so large that it does not feel like that is purely from people with low self-employment earnings; it is also hitting people with variable earnings. There are just not enough people potentially earning Universal Credit with self-employed earnings with that lower level of earnings that would find that high level of savings. It feels like it is doing quite a lot to reduce the Universal Credit income for people who are self-employed, where they could have the same earnings as an employee over the period, but they will find themselves worse off over a year.

Q65 **Royston Smith:** Why do you think that is? Why is it set that way? Is it because if you are self-employed there is a better chance that you are going to abuse the system?

David Finch: HMRC have had issues. There are a number of court cases they have tried to take in the past where they have tried to question their self-employment test for the minimum number of hours. That has been tested and this is an attempt to try and build in some protection against that.

There is also another aim where if someone is, for a long period of time, self-employed and not earning very much, they can be better off being an employee instead—or at least financially; they may not think they want to be working for somebody. Having some kind of test in the system is something that could be good, and so you can find people who have a low level of earnings for a consistent period of time—whether that is self-employment or employment—you then try and offer them some support to help with it. The downside is that, the way it is structured at the moment and because it hits on a monthly basis, you find people have been made worse off when probably they are not hitting those ideas behind it.

Q66 **Heidi Allen:** This is a question for Mark, given that you are living the full live system and it is being tweaked as we go. When I spoke to Lord Freud just before he left his post, he was very clear with me that self-employment is an area of the system that needs looking at, it is not finished article. Are you seeing any changes to it?

Mark Fowler: Not that I could really reference, Heidi, with any confidence. There isn't a particular cohort of customers that I would say, again, stand out. I think David's point around the volume of people in this



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space, it is probably fair that it is minor and it will probably take a bit of time before we can better understand that.

Q67 **Heidi Allen:** You are not seeing any deliberate tweaking of the system to reflect issues of self-employed people?

Mark Fowler: No.

Q68 **Chair:** Martin, Mark and Nick, can I ask a last question, please? One of the worries for us as MPs with tax credits was the huge build-up of overpayments or underpayments and what it did to constituents who were presented with bills or big cheques. One of the great advantages of Universal Credit was going to be based on real-time information, which would prevent these sorts of errors occurring. Has that promise been fulfilled? Martin, is the real-time information as accurate as we hoped it would be?

Martin Williams: We have seen several cases where real-time information was clearly inaccurate where the claimant had given evidence showing that it was inaccurate and where the Department had carried on making decisions on the basis of RTI, even in the face of more compelling evidence from the claimant, and that has caused clients problems.

On overpayments generally, one is stopping them occurring; the other area where we see them a lot is in the calculation of housing costs, so for example a claimant gives a monthly figure for their rent and the processing officer puts it down as the weekly figure, causing an overpayment. Then, all overpayments of Universal Credit are, in law, recoverable. There is discretion not to recover, which is very rarely exercised. The policy on when not to recover has been very, very narrowly drawn, despite the fact that I think there was a commitment at Bill stage—there was an amendment withdrawn—that sought an amendment to allow official overpayments not to be recovered. But the recovery rate is then 40% and so we see claimants living for an awful long time because of DWP errors in calculation, living on 60% of UC entitlement, which is about £200 a month for a single claimant.

Q69 **Ms Karen Buck:** When that kind of thing happens, where evidence has been presented to the DWP, is that because they do not have the time, or they cannot manage the system, or because they dispute the evidence that has been presented?

Martin Williams: Those cases are ones where a decision maker is not looking at the evidence in the round or it does not get before a senior decision-maker, and there is just a reflex action to make a decision in line with whatever is on the RTI database. It is a preference for that kind of evidence as a general rule, rather than properly exercising a decision making function.

Q70 **Chair:** Mark, you have the system rolled out totally, so what is the picture from Croydon, please?



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Mark Fowler: Just to support, really, what Martin is saying. I do not think there has been an improvement with regards to the timeliness or the accuracy of the data. We have not seen the sea change that was promised previously; that has not been the case at all. Overpayments remain an issue. The data isn't accurate, and you are dependent on people administering the benefits accurately, and there is pressure, there is a timeline to be delivered. You have a mix, as well, which makes it even more difficult, between the live and the full sites, so there is a small number of full sites across the country; it is predominantly live sites. You have service centres having to act in different ways for different groups, as well, which I think adds to the complication.

Nick Atkin: Similar position; inconsistency of service and timescales and payments. Also, one of the other things I would highlight is the delays in work capability assessments being undertaken. There is a backlog at the moment and that is up to ten months. We understand that that backlog is being dealt with on a "worst area first" case, so the areas with the biggest backlog are being prioritised. But again, that is also causing further hardship for some claimants. A similar position in terms of inconsistent and inaccurate and I think that is why we very much support the slowing down of the rollout of UC until we have an opportunity to iron these issues out.

Q71 **Chair:** Mark, will you be able to give the Committee a note, even if it is impressionistic, of what sort of inaccuracies there were under tax credits and the numbers affected compared with the inaccuracies now under real time information and the effect on claimants?

Mark Fowler: We can have a look, Frank. We can consider the overpayments that were created under Housing Benefit. We can categorise those and then try and make a comparison.

Martin Williams: Just on that last point about claimants waiting for their work capability assessment, the consequences of that for Universal Credit claimants are quite severe because the way in which conditionality works has been altered. If you are a new claimant of ESA at present and you hand in a medical certificate, then your doctor's explanation that you are unfit for work is accepted by the Department. With the shift towards a much more discretion-based system of conditionality, someone waiting to be assessed under the work capability assessment on UC, who has been handing in medical certificates, can still be required to spend all their time doing work search and be work available. That is under the regulations and it is only if the Secretary of State considers it reasonable to reduce the conditionality that that happens.

I would question whether it is ever reasonable when the only evidence the DWP has is their own doctor saying they are unable to work at present, but we are certainly seeing DWP decision makers taking a different view as to reasonableness for that claimant group. It is people who are very unwell and it causes them an awful lot of anxiety because



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they are constantly worried that if they cannot keep up with the treadmill of applying for jobs, they will face a sanction.

Chair: Martin, on that sombre note, thank you all very much indeed for your attendance today. It was very helpful.