



House of Commons  
Work and Pensions Committee

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**Universal Credit: the  
wait for a first payment:  
Government Response  
to the Committee's  
Third Report**

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**Third Special Report of Session  
2019–21**

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## Work and Pensions Committee

The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Work and Pensions and its associated public bodies.

### Current membership

[Rt Hon Stephen Timms MP](#) (*Labour, East Ham*) (Chair)

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### Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via [www.parliament.uk](http://www.parliament.uk).

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### Committee staff

The current staff of the Committee are Henry Ayi-Hyde (Committee Operations Officer), Christopher Barrett (Committee Specialist), Harrison Card (Assistant Policy Analyst), Oliver Florence (Senior Media and Communications Officer), Michelle Garratty (Committee Operations Manager), Anne-Marie Griffiths (Clerk), Ailish McAllister-Fisher (Second Clerk), Dr Libby McEnhill and James Mirza Davies (Senior Committee Specialists).

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## Third Special Report

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On 19 October 2020, the Work and Pensions Committee published its Third Report of Session 2019–21, *Universal Credit: the wait for a first payment* (HC 204). On 18 December 2020 we received the Government Response to the Report, which is appended below.

## Appendix: Government Response

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The Government notes the Committee's report of 19th October 2020.

The Committee has repeatedly pointed out how well Universal Credit (UC) has performed across the pandemic. We have adapted our processes and practices in an agile way, enabling us to support an unprecedented increase in claimants whilst responding to the specific challenge of working in a world of social distancing. Payment timeliness has remained high at above 90% for the duration of the pandemic despite there now being 5.7m individual claims.

No one has to wait five weeks for a payment. Advances – which allow thirteen UC payments to be spread over twelve months - are available for those claimants who require funds urgently, with most people receiving funds within 72 hours of requesting one. We have paid out over a million new claim advances since mid-March and this has been a crucial pillar of the Government's response, ensuring financial supports gets to those who need it.

### *Recommendations 1 and 2*

*The Department has still not published its own analysis of the drivers of foodbank use, which it commissioned in 2018 and which it originally planned to publish in October 2019. We recommend that the Department publish this work without delay.*

*DWP should conduct or commission research, before the end of this financial year, to develop its understanding of the impact of UC, particularly the wait for the first payment, on the rising use of food banks; on claimants' levels of rent arrears; and on claimants' mental health and mental wellbeing. While the evidence we heard falls short of establishing a causal link between the wait and these experiences, that is no reason for the Department not to take these findings seriously. It should use them as a starting point for a concerted effort to understand the full impact of the wait for the first payment, and how this may differ for claimants who are moving to UC from legacy benefits and for those who are making entirely new claims. DWP should more thoroughly consider the evidence linking UC to increased use of food banks, rent arrears and psychological distress and should use this in its overall strategy for protecting claimants' safety and wellbeing.*

As ministers have updated the Committee previously, the Department reallocated resources to prioritise its response to the COVID-19 pandemic.

The Department will not be conducting nor commissioning any research.

This included the introduction of significant measures to support those who may otherwise go hungry this winter and beyond through a package of support including the £170m Covid Winter Grant Scheme. This fund builds on the £63 million already distributed

earlier this year and carries conditions and reporting requirements to ensure that the scheme is focused on providing support with food and utility costs to vulnerable families with children who are affected by the pandemic. We have also provided a second round of £16 million funding local charities through well-established networks to provide immediate support to frontline food aid charities, getting meals to those in need.

The Annual Association of Retained Council Housing (RCH) and National Federation of Arms-Length Management Organisations (NFA) survey into UC 2020<sup>1</sup> showed that only 19% of tenants in affordable and socially rented households were on UC. Attributing rental arrears to UC is simplistic and not borne out by the evidence, natural migrants to UC are likely to have experienced a change in circumstances, prompting their UC claim; frequently it is changes in circumstances, such as a relationship ending or loss of a job, that causes arrears to build. This can mean that the pattern of arrears spike at the beginning of a claim and then there is a tail as accrued arrears are managed through UC and start to decrease. The Department also continues to work closely with landlords, as well as many other stakeholders, to improve their understanding of UC processes.

### **Recommendation 3**

***DWP should publish details of the meetings that it holds with stakeholders, like the Trussell Trust, to ensure that the public and Parliament know that important and well-regarded research, such as that produced by the Trussell Trust, is considered when policy and operational decisions are made. The publication should include the topics that were discussed and any actions that the Department decided to take following the meeting.***

Ministers meet stakeholders regularly, and listen carefully to their views and research. As part of the Central Government Corporate Transparency Commitments, these Ministerial meetings with stakeholders, are published on a quarterly basis. This information can be found on GOV.UK - <https://www.gov.uk/government/collections/dwp-ministers-hospitality-and-gifts>

The Department engages openly with these stakeholders and it would not reflect our agreed working relationship of partnership, reciprocity and trust for us to publish details of every engagement.

### **Recommendations 4 and 5**

***We recommend that DWP should eliminate the five week wait for all claimants moving to UC through managed migration, including for claimants moving from tax credits. Those claimants should continue to receive their existing benefits during their first monthly assessment period. They should then be offered the option, from day one of their UC claim, of choosing fortnightly payments of their award. This would ensure a smooth and seamless move from legacy benefits to UC for people whose circumstances have not changed.***

***We recommend that DWP set out, in response to our report, a detailed analysis of how our recommended approach could work in practice. It should also assess how the costs of this approach would compare with the costs of its existing plans to pay run-ons and final payments of legacy benefits to claimants who move via managed migration.***

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1 <http://www.almos.org.uk/include/getDoc.php?did=8618&fid=10263>

No one has to wait 5 weeks to receive money through UC and advances are available from day 1 of a claim for those who need it, with many claimants receiving funds within 72 hours. Claimants in receipt of Tax Credits that are moved to UC will be able to claim an Advance of up to 100% of their indicative award.

As of 22nd July 2020, a two-week run-on of Income Support, income-related Employment and Support Allowance and income-based Jobseeker's Allowance is paid to eligible claimants to provide additional support to move to UC. This is in addition to the already established transition to UC housing payment where eligible claimants receive a two-week extension of Housing Benefit.

The Department is not considering continuing paying Tax Credits with UC, as there is suitable provision in place to support claimants until they receive their first UC payment. All Working Tax Credits claimants are, by definition, in work, and will have other income to help support them through the transition. This is not necessarily the case for those moving onto UC from ESA or JSA, many of whom are not employed or only working part time. It is worth emphasising that significant proportion of Tax Credit claimants are already paid four-weekly.

In-work Child Tax Credit claimants will equally have other income to support them, and those claimants who are not working will benefit from receiving a run-on of the legacy benefits they may be claiming. They will also have access to support through other benefits they receive (e.g. Child Benefit).

Work Coaches and Case Managers decide if a More Frequent Payment Alternative Payment Arrangement (APA) is appropriate following discussions with the claimant. These are put in place on a case by case basis. However, many claimants are capable of managing their own finances on a monthly basis, and indeed wish to do so, which is why it is not appropriate to provide an APA by default. Monthly payment of benefit helps prepare households to budget on a monthly basis and eases the transition into monthly paid work. Supporting people back into employment is a fundamental tenet of UC and, therefore, we will not be introducing this choice by default.

### ***Recommendations 6 and 7***

***We recommend that the Department pay all first time claimants of UC a "starter payment" equivalent to three weeks of the Standard Allowance of UC. This payment should be made two weeks after the initial claim, and only once the claimant's identity has been verified, to mitigate the risk of fraud. The starter payment should also be given to people who move to UC by "natural" migration, in cases where it is not possible for them to be moved seamlessly to UC.***

***The starter payments we have recommended would also be available to people making claims under the Special Rules for Terminal Illness. We recommend that the Department consider what further support it could offer to people making claims for UC under the Special Rules for Terminal Illness. That might include paying the starter payment more quickly on receipt of a DS1500 form; offering a larger starter payment to people making claims under the Special Rules; or proactively offering backdating (beyond the current limit of a month) of claims to people diagnosed with a terminal illness who have, understandably, not made a claim immediately on becoming eligible.***

There is not a need for a starter payment in UC as New Claim Advances are available urgently to claimants if they are in need of financial help. As a result, nobody has to wait for a payment in UC. Claimants who require an Advance will have their UC award spread across thirteen payments in a year rather than twelve. From October 2021, we will give claimants the option to spread twenty-five payments over twenty-four months.

Even with a verification check two weeks after a claim has been made, the introduction of non-repayable advances would increase fraud risk in the welfare system, as well as imposing the administrative burden of extra verification checks. Additionally, people with sufficient earnings or income with little or no entitlement to UC, could inappropriately gain, by speculatively claiming in order to obtain a non-repayable sum upfront.

UC already has an established fast track process for terminally ill claimants. This means, that on receipt of a valid DS1500 into the Department, a claimant with UC entitlement may be determined as having Limited Capability for Work and Work Related Activity (LCWRA) without any requirement to refer the case for a Work Capability Assessment. It also means the LCWRA additional amount is awarded from day 1 of the UC claim.

### **Recommendation 8**

***We recommend that Advances should be renamed “new claim loans”, so that it is clear to claimants that they will need to be repaid. Before a new claim loan is granted in full, the Department should provide personalised budgeting support—when possible, with a face-to-face option—with a full assessment of the claimant’s financial situation and the impact that future repayments of the loan will have on their household finances. We recognise that, for people in acute financial crisis, it may be necessary for the Department to pay part of the loan before this support can be offered.***

A new claim Advance is not a loan. It allows for UC entitlement to be spread over thirteen payments rather than twelve in a year. Use of incorrect terminology in this respect will only serve to dissuade claimants in genuine need from making a claim to UC.

To avoid claimants receiving more of an Advance than they require, New Claim Advances are limited to the claimant’s estimated monthly award. In addition, all claimants are encouraged to consider the amount of Advance they request and the impact of this on UC payments they will receive over the following year.

More generally, Work Coaches gauge claimants’ financial needs from their first interview and can refer them to more specialist support for personal budgeting, money guidance and debt advice if required, and we have invested a further £38m in the Money and Pensions Advisory Service this year to support those claimants affected by COVID-19. For claimants who find themselves in unexpected hardship, the impact of taking an advance on the spreading of UC payments can be deferred for up to three months.

The Department is considering the policy of automatic referral for budgeting support to the Money and Pensions Advisory Service,

### **Recommendation 9**

***The Department should strive to bring in the extension to the repayment period and lowering of the deduction cap sooner than planned, no later than April 2021—recognising the likely increase in the numbers of claimants over this winter. We also recommend that the deduction cap should be reduced further, to 10%, in recognition of the fact that deductions are taken from an income already set at subsistence levels. If this acceleration involves deprioritising other planned changes or developments in the build programme, the Department should set out what these are and provide a revised timescale for their introduction.***

As mentioned above, in October 2019 the standard deduction cap was lowered from 40% to 30%. To further support claimants to effectively manage their finances, the Chancellor of the Exchequer announced in the March Budget 2020 that we will be lowering the standard deductions cap again from 30% to 25% of the standard allowance. This will be effective from October 2021.

This requires system development which must be scheduled alongside other important measures already announced as part of our Plan for Jobs and the possible need to make any future urgent interventions, such as the temporary changes made to support claimants in light of COVID-19.

There will always be a balance to be struck between setting the deduction cap and ensuring we have adequate protections in place for some of our most vulnerable claimants who struggle with managing their money. Lowering the deduction cap further would not be an effective way to protect vulnerable claimants and is an important element in protecting and preventing claimants from consequences such as utility disconnection, eviction and homelessness and it is that consideration that influences how low any cap on deductions can realistically be.

The Department will continue to review its deduction policy to ensure social obligations are met, debt is repaid and – crucially - claimants continue to be protected from the very worst consequences of not addressing priority debts.

### **Recommendation 10**

***DWP should ensure that claimants never face deductions in excess of the usual cap, and should use the data that it has on “last resort” deductions to help claimants tackle their debt problems without reducing their UC award further.***

The Department's deductions policy strikes a fair balance between a claimant's need to meet their financial obligations and their ability to ensure they can meet their day-to-day needs. Since October 2019, UC deductions are a maximum of 30% of a claimant's standard allowance down from 40% previously. We also recognise the importance of safeguarding the welfare of claimants who have incurred debt, so last resort deductions over the 30% cap can be applied to protect vulnerable claimants from eviction and/or having their fuel supply disconnected, by providing a repayment method for arrears of these essential services.

Fraud penalties and conditionality sanctions reductions can be applied before third party deductions are considered. As certain third party deductions prevent such consequences as

utility disconnection, eviction and homelessness, these last resort third party deductions are not subject to the deduction cap to safeguard the claimant by continuing to make repayments.

The Department operates a well-established system of hardship payments, benefit advances and budgeting advances for those who need extra support during times of acute need. Claimants in need of advice can approach their named Work Coach or Case Manager to determine what support is available to meet their needs.

#### ***Recommendation 11***

***The Department should collect and publish data on how many people have requested a deferral of their Advance repayments, and how many of these requests were granted. It should also ensure that work coaches are proactively informing claimants of this option both at the time of their claim and during the repayment period. This should form part of the personal budgeting support we have recommended.***

The Department has no plans to publish any additional data on advances at this point. However, we will provide information on advances via our 2020/21 Annual report and Accounts, which we aim to publish as normal in June 2021.

#### ***Recommendation 12***

***We welcome the announcement of the Breathing Space scheme, which is scheduled to be introduced next year, and the Government's confirmation that Advances in UC will be covered by the scheme. We find it disappointing, however, that debts in UC will be "phased in" over time rather than introduced straight away. We recommend that DWP works with HM Treasury to address any technical barriers in order to ensure that Advances are included in the scheme from its launch, so that UC claimants can benefit from the support it offers straight away.***

The Department is supportive of Breathing Space and we fully recognise the need to ensure people and families with problem debt can access debt advice and identify appropriate debt solutions.

To help people in problem debt get their finances back on track, the budget for free debt advice in England has been increased to over £100 million this financial year. From May 2021 the Breathing Space scheme will offer people in problem debt a pause of up to 60 days on most enforcement action, interest, fees and charges.

For all benefit overpayments (including overpayments of UC), Short Term Benefit Advances in legacy benefits and Third Party Deductions in legacy benefits, it remains our intention to implement the scheme to meet our obligations from May 2021. UC Advances and Third Party Deductions in UC (for debts we manage on behalf of others) will come into the scope of the scheme once implementation of UC is complete this is due to the complexities of system development, which must be scheduled alongside other important measures.

Any claimant in unexpected hardship can already request their New Claim Advance or Change of Circumstances Advance be deferred for three months and this has been the case for many years. For Budgeting Advances, this deferral can be for up to six months in cases of unexpected hardship.

We have already set out that advances are not loans, the consequence being no enforcement action, interest, fees or charges would be applied to any UC claimant in any case.

### ***Recommendations 13 and 14***

***We recommend that anyone claiming an Advance should be given the option, at the outset, of having the housing element of the Advance paid directly to their landlord. This would ensure that claimants' housing costs are covered during the wait for their first payment, and that they will not face the risk of falling into arrears or eviction as a result.***

***We recommend that vulnerable claimants or claimants with specific needs are prioritised for having the housing element of their Advance paid directly to their landlord. This could include people with learning disabilities, people with mental illness, people who have previously been homeless, or people with drug or alcohol addiction.***

The committee should recognise that the housing element of a UC payment may not cover all the cost of the rent incurred.

Managed Payments to Landlords (MPtL) are already available on request to any claimant from the start of, or during their claim. Such arrangements can also be requested by the landlord or DWP staff, where it is clear such an arrangement is necessary or would be beneficial. As such, the Department believes that sufficient provision is already in place to achieve the outcomes the Committee has suggested.

We have worked to facilitate such arrangements through the new Apply for a Direct Rent Payment site, a new online service which can be utilised by landlords to enable the direct payment of a claimants' rent in UC. This replaced a previously time-intensive clerical process and enables direct payments, where appropriate, to be implemented more easily. The Department also works closely with social landlords to improve their understanding of UC processes and encourage monthly tenancies as standard.

UC promotes personal responsibility and expects the majority of tenants to manage their finances, including their own housing costs, whether they are in or out of work. But, for those tenants for whom the UC payment structures represent a significant challenge, the Department provides specialist support for personal budgeting, money guidance and debt advice, including through the Money and Pensions Service.

Diversion of the housing element of Advances could result in landlords pressuring vulnerable claimants to request a larger Advance than is necessary to cover their financial needs. Claimants, or the landlord if a MPtL is in place, will receive housing costs support at the end of the first assessment period and monthly thereafter.

As we have mentioned earlier in our response, our priority is to ensure APAs are considered and implemented on a case by case basis, which allows Work Coaches or Case Managers to consider and respond to the specific financial needs of individual claimants. We have taken a number of actions to improve learning for Jobcentre colleagues to enable them to proactively identify, support and signpost customers with complex needs.

We continue to ensure learning and development opportunities are refreshed and expanded frequently. For example, the 'complex needs' module within Universal Credit Work Coach learning (addressing claimants with particular challenges in accessing the service, moving towards work, and financial independence) is continually updated.

### **Recommendation 15**

***The Department should commit to maintaining the increases in support that have been provided during the pandemic. This should include keeping Local Housing Allowance at the 30th percentile and conducting an annual review of rates to ensure they remain appropriate for each area. It should maintain the £20 a week increase in standard allowance for UC and Working Tax Credit, with annual inflation-based increases thereafter.***

The Government introduced a package of temporary welfare to help with the financial consequences of the COVID-19 pandemic. This included the £20 weekly increase to the UC Standard Allowance rates as a temporary measure for the 2020/21 tax year. It also includes an increase in the Local Housing Allowance (LHA) rates for UC and Housing Benefit claimants to the 30th percentile of market rents. This increase will benefit over 1 million households in the private rented sector, with an average gain of £600 this year.

The LHA rates in April this year will be maintained in cash terms in 2021/22.

For households who need additional help with housing costs we have also provided £180m in Discretionary Housing Payment funding to Local Authorities to support vulnerable claimants with housing costs in the private and social rented sector in England and Wales for 2020/21.

As the Committee would expect, the Government will continue to assess how best to support families and the economy against the national picture, as we have done throughout the pandemic. Decisions will be made at the appropriate fiscal event and we will ensure Parliament is updated as necessary.

### **Recommendation 16**

***We recommend that the Department invests in expanding and developing Help to Claim so that the service can provide support to people beyond the application process. This should include debt advice, support for people who are struggling with Advance repayments, and tailored support for people with complex needs who need additional support throughout their claim. The service should also offer digital support—for example, supporting people to make use of the online journal to maintain their claim. This would bring Help to Claim closer to the original plans for Universal Support.***

The previous Universal Support offer had met with regular criticism from stakeholders, including the Work and Pensions Select Committee, which described support as inconsistent and "far from Universal". Help to Claim replaced the previous Universal Support offer in April 2019, and is delivered alongside existing support that the Department provides.

From its start, Help to Claim demand has steadily increased and in the first year of delivery over 250,000 people received support. The feedback has demonstrated that the offering has been positively received and that 95% of claimants accessing Help to Claim

in England and Wales, and 90% in Scotland, rated the support as good or very good. Help to Claim continues to offer tailored and practical support to help people make a UC claim and use their on-line journal, up to receiving their first full correct payment on time.

Through Help to Claim, Citizens Advice and Citizens Advice Scotland can help signpost and connect claimants to other support services, including debt advice, budgeting support and digital skills – within Citizens Advice or Citizens Advice Scotland, or through other, trusted organisations to ensure that claimants receive relevant, often localised, support as needed. Additional support is available through the Money and Pensions Advisory Service.

### **Recommendation 17**

***DWP must immediately make improvements to the UC system to formalise how it identifies and defines vulnerable claimants, as part of its overall approach to safeguarding vulnerable people. This will be a substantial piece of work, and DWP should set out when it expects to achieve this. The new mechanism should, as the Minister for Welfare Delivery suggested, include the ability to identify vulnerable and disadvantaged groups and specific cohorts of people. DWP should gather data to identify whether any such groups are more likely to experience problems during the wait for first payment, delays to their payment, or any other issues throughout their claim. DWP should proactively use this information to expedite claims for these people, ensuring that they do not face further delay, and to provide the additional support that they need.***

Where it is identified, either from our own agents or via referrals from local services, that a claimant can't make or manage their claim online, staff are able to offer support through other channels or refer to specialist provision.

As the Minister for Welfare Delivery made clear when he gave evidence, we are working on how to collect sensitive information from claimants. This will enable UC to provide increasingly tailored support to claimants which is responsive to their needs, whilst also helping us to monitor where and how improvements can assist specific cohorts.

Overall, our approach to vulnerability seeks to identify individuals who have complex user needs and/or require additional support to enable them to access our benefits and services. It is already easy to discretely pin notes/flag ongoing easements to a vulnerable claimant's account to ensure the continuity of support offered.

### **Recommendation 18**

***Support organisations have expressed concern that DWP's approach to data sharing and consent has had a detrimental effect on their ability to support vulnerable claimants. The Department now says it is exploring options for improving its model of explicit consent. We urge the Department to publish more detail about how this exploration is being progressed, including when the Department expects progress to be visible to observers and experienced by claimants. We echo the Social Security Advisory Committee's recommendation that DWP should consider applying the implicit consent model to UC, or at least consider what improvements it can make to the model of explicit consent. More broadly, DWP should review its approach to how it works with people and organisations that support claimants, including support workers, housing associations and local authorities.***

The Department operates a policy of explicit consent to help reduce the risk of fraud by ensuring that our claimants' data is kept safe.

This is important because the UC system is structured around an online personal account which contains all the information relevant to the claim. This includes a claimant's bank account details, savings, capital, medical history, family relationships and address, which means that we have a responsibility to ensure that a high level of security and protection is in place, and that we take all reasonable steps to protect the position of claimants and their data which includes ensuring that consent is explicitly given to share it.

We recognise that a number of organisations have raised concerns as to whether the explicit consent rules are sufficiently flexible. The Department agreed to explore options for improving the process of explicit consent in conjunction with the Social Security Advisory Committee (SSAC) and stakeholders. SSAC have commented that they are pleased with the work that the Department has done to develop a prototype in a positive collaboration with end users.

UC design follows the 'data protection by design and default principle' to ensure that appropriate technical and organisational measures have been, and continue to be developed and implemented to safeguard personal data and the rights of individuals. Like other government departments, we are obliged to demonstrate plans and actions in order to meet all legal and regulatory requirements, and the published minimum government security standards. These are drawn from international standards, combined with specific UK Government requirements and obligations.

The Department does implement controls set against ISO27001 and other international standards; with the assistance and support of the Government's National Technical Authorities. We have an independent second line assurance function that assures against all relevant security standards – which are in place, amongst other reasons, in order to protect personal data and comply with data protection legislation, principally the GDPR.

Further assurance is provided by the Government's independent Internal Audit Agency operating as a third line of defence.

We are confident that we have the right engagement strategy and mechanisms in place to enable stakeholders to provide feedback, develop a shared understanding of areas for improvement and have input to how UC operates and the support that is provided to our claimants.

### **Recommendation 19**

***The Committee would welcome a written update from the Department, by the end of the calendar year, on how the recruitment is progressing. This should include, but not be limited to: how many of the new Work Coaches are in post; the Department's progress in acquiring new estate to accommodate the new staff; and what impact the introduction of new staff has had on payment timeliness. The Department should then provide monthly updates on this to the Committee thereafter. As part of this, the Department should work with local authorities to identify any additional space that Jobcentres can expand into or share with local authorities. Depending on who space is shared with, DWP may find that it is able to offer better support to claimants through improved communication and collaboration.***

The Department is continually impacting and assessing the service being offered to claimants and we keep staff numbers and estates provision under constant review as part of our response to the impact of COVID-19 on the labour market.

The Department will continue to build additional Work Coach capacity and has committed to increasing the number of Work Coaches by 13,500 by end of March 2021. The Department has achieved its initial target of recruiting 4,500 extra Work Coaches by the end of October 2020 and we are on track to recruit and deploy a further 9,000 by March 2021.

Work Coach recruitment and deployment is dependent upon safe Departmental front and back of house estates capacity to ensure compliance with social distancing guidelines. The Department is currently executing a plan to maximise estates capacity through a number of initiatives including: exploiting unused space in Jobcentres and Service Centres; using space in our Corporate Centre Hub locations; using Other Government Department (OGD) estate - including local authorities; re-instating mothballed sites and securing temporary new estate. There is some colocation with local authorities but this caused some issues as offices were kept closed during the pandemic, limiting the capability of work coaches to offer support.

The Department will ensure that relevant updates are supplied to Parliament surrounding work coach recruitment and estates expansion but does not agree that monthly updates to this end are appropriate.

### ***Recommendation 20***

***DWP should investigate how it can speed up the WCA process. Four months, on average, is too long for a person to wait for their full award. In addition, the Department should continue to monitor and collect data on how long the WCA process is taking, and it should fast track any groups for whom data suggests the WCA takes the longest. Notwithstanding delays to the process, 13 weeks is still a long time. Disabled people and people with health conditions should not have to wait this long to receive the disability element of their award. DWP should commit to reducing the time taken to complete the WCA process.***

During the 13-week assessment period, which applies to Employment and Support Allowance (ESA), and the 3-month relevant period which applies to UC, claimants will receive either the assessment rate of ESA, or the standard rate of UC. This period of time allows the assessment provider to decide on the appropriate course of action (this could include requesting further medical evidence, for a paper-based review to be undertaken, for the claimant to be invited to a face to face assessment etc.), and then for the Department to make the decision. It is important that the claimant journey allows sufficient time to make fully considered decisions, based on the best available evidence.

The 13-week period for ESA and the 3-month relevant period for UC ensures equity for our claimants. It would be unfair to move some claimants onto the main phase of benefit earlier than others because of circumstances beyond their control. There are exceptions for people who are terminally ill (with a life expectancy of six months or less), or for people who have previously claimed and returned to the benefit under the linking rules. As the Committee will be aware, the Department is committed to delivering an improved system for claimants that are nearing the end of their lives and is working across government to

bring forward proposals. An evaluation was launched last year and has identified three themes: the need to change the six-month rule, the need to improve consistency and the need to raise awareness of available support.

In relation to available data, the Department is committed to collecting, monitoring and publishing data on the Work Capability Assessment (WCA) process. ESA WCA National Statistics are published on a quarterly basis, and the Department is developing data on UC WCAs.

The Department has been working with external stakeholders to inform future changes to assessments. The forthcoming Health and Disability Green Paper will focus on how we can improve our services for disabled people and people with health conditions. The Green Paper will explore assessment reform options and seek views on future changes.

### **Recommendation 21**

***Where a claimant provides all the information DWP has asked for on time, but DWP has not completed its own processes to verify the claim details and make a timely payment, the claimant should receive the full amount of benefit entitlement for which they are claiming. If the Department subsequently decides that a claimant is entitled to less than they have been receiving, claimants should not be expected to pay anything back to DWP except in clear cases of deliberate fraud. Similarly, where a claimant is expected to complete a Work Capability Assessment to assess how much money they are entitled to, the onus should be on the Department to schedule the assessment and make a decision within the usual initial waiting period for the benefit. If there are delays to the WCA process, through no fault of the claimant, claimants should be paid at the highest rate until their claim has been determined.***

Payment timeliness in UC in 'normal' times is already well above the levels in legacy benefits. Where there are opportunities to improve timeliness further, without damaging efforts on verification, we will take them, but ultimately we must continue to take a holistic approach which ensures we balance objectives appropriately.

For example, there is a need to balance pursuing higher rates of payment timeliness with other Departmental objectives such as supporting people back into work, and reducing fraud and error. There will continue to be reasons why payment timeliness will never be 100%, including the provision of necessary information by claimants required to complete and substantiate a claim.

The policy is that the WCA process should be completed in a timescale such that any ensuing award of an additional amount of benefit can be applied when it is due. That is once the relevant period ends and from the start of the subsequent assessment period. The relevant period is three months from the start of the health related claim. The only additional amount of benefit that may be awarded in health-related claims is the amount for claimants who have been determined, following the outcome of a WCA, to have limited capability for work and work related activity. However, it is not the case that a WCA outcome will necessarily result in a determination of having Limited Capability for Work and Work Related Activity (LCWRA).

Delays in making a decision are often a consequence of the claimant's non-cooperation within the process. Surges in demand for WCAs – the incidence of health and disability conditions, and their geographical location - are by no means uniform and may present The Centre for Health and Disability Assessments with short-term capacity issues in particular assessment centres. However, should there be a delay for any reason, any award of the additional amount for having LCWRA is backdated to the date from which it should have been paid.

It must also be borne in mind that the claimant is not without money whilst waiting for a decision following their WCA; like all UC claimants, the standard allowance, plus, where appropriate, additional amounts for, for example, children and housing costs, are paid from the beginning of a claim.

### **Recommendation 22**

***The recovery of Tax Credit debt from claimants' Universal Credit awards clearly presents problems. However, the option of returning responsibility to HMRC now would be too challenging to deliver in practice. Instead, we recommend that DWP should continue to collect these debts, but that recovery should only begin when the claimant has repaid their Advance (if they have taken one out). Repayments of any remaining debt should be capped at 10% of the Universal Credit standard allowance per month. Debts that have not been pursued for more than 6 years should be written off entirely, in line with the approach taken in the private sector. We also recommend that the FCA's approach be extended so that it covers public sector debts, including tax credit overpayments and Advances in Universal Credit. This will help ensure that best practice from the private sector is reflected in DWP's approach to debt.***

We understand the impact that debt can have on the wellbeing of claimants and we endeavour to ensure that the recovery of any overpayment is managed in a way that takes account of the claimant's individual circumstances. Work Coaches are trained to gauge claimants' financial needs from their first contact and can refer them to more specialist support for personal budgeting, money guidance and debt advice if required, including through the Money and Pensions Service (MaPS).

Ultimately, the Department has an obligation to ensure that public funds are administered responsibly and to abide by the principles set out in Her Majesty's Treasury's guidance on Managing Public Money. Consequently, the Department writes off small amounts of recoverable debt. As mentioned earlier in our response, we believe our deductions policy, which includes a 30% reduction cap from the Standard Allowance, provides the right balance between a claimant's need to meet their financial obligations and their ability to ensure they can meet their day-to-day needs.

Unlike UC, tax credits are based on an estimate and only evaluated annually, leading to under and overpayment. Clearly it would be better if the estimates and evaluations were more accurate and timely to avoid such historic debt. While tax credits are still in place, we will continue to encourage HMRC to reduce historic debt.

**Recommendation 23**

***We recommend that the Department investigate why people take time to start a UC application and publish the results of these findings by the end of the financial year. It should use this analysis to inform its communications with claimants, to encourage people to apply for UC at the right time.***

We agree it is vital claimants start an application at the point of need and would encourage people to check their eligibility online through independent benefit calculators which can be accessed via GOV.UK

We published the UC Full Service Omnibus Survey in February 2019. This report presented findings from 2 waves of surveys with a representative sample of UC full service claimants. The surveys examined how well new claimants understand the UC claim process and their rights and responsibilities, with a view to meeting their information needs.

The surveys found around a fifth of claimants delayed making a claim to UC, commonly because they thought they would find a job quickly or they did not know how to make a claim.

**Recommendations 24 and 25**

***We recommend that the Department review the use of evidence for backdating and works with work coaches to find a way to make the application process less burdensome on claimants. The Department should publish the information that work coaches use to advise claimants on backdating. It should work to increase awareness of the option for backdating from day one of a person's claim, and of the circumstances in which somebody may be able to see their claim backdated.***

***We recommend that, in specified circumstances, the Department allow backdating to the point at which the change in someone's life occurred, rather than strictly a month before.***

UC support has been designed to be as quick and easy as possible for the claimant, replacing the need to contact different government departments with a single application. It simplifies the legacy system by rolling six benefits into one, ensuring they receive money for which they are entitled at the earliest opportunity. The Help to Claim programme is available for all claimants and offers independent, tailored and practical support to help people make a UC claim and receive their first payment on time and in full.

We want to ensure that claimants understand they must make a claim at the point of need, not before or after. Allowing claims to be backdated for more than a month could disincentive people from making UC claims at the point of need.

We are of course aware that there are small groups of vulnerable claimants who might face delays in making their UC claim. Therefore, limited provisions for backdated claims within UC are available, with mitigations in place to deal with the majority of situations.

Claimants who struggle to claim online are able to make a telephone claim or seek assistance face to face in a local office or exceptionally through a home visit. In these circumstances, the date of first contact will be the date of claim.

**Recommendation 26**

***We recommend that the Department and HM Treasury continue the UC Transition Fund by renewing its funding for the next financial year.***

As the Committee will be aware, the UC Transition Fund was due to launch in April 2020 to provide vulnerable people with help to navigate the welfare system and move towards work.

Following the outbreak of COVID-19, we regrettably had to suspend bids for the Transition Fund.

The Government remains committed to supporting the essential work the Voluntary, Community and Social Enterprise Sector do in our communities. The Coronavirus Community Support Fund was launched in May as part of the Chancellor's £750m package of support to charities and organisations at the heart of their communities that are making a big difference during the COVID-19 outbreak.

The Flexible Support Fund – for which we have increased funding by £150m - provides help for people at a local level across Great Britain, including by increasing the capacity of the Rapid Response Service, which delivers support and advice to employers and their employees when faced with redundancy. The Department also continues to grant fund Help to Claim via Citizens Advice and Citizens Advice Scotland, worth up to £39 million this year, to deliver tailored, practical support to people making a UC claim up to their first full, correct payment being received.

**Recommendation 27**

***We recommend that the Department provide new and clearer guidance for Work Coaches to mitigate the impact of the wait and monthly payment system by making the option of more frequent payments under Alternative Payment Arrangements easy for all claimants in England and Wales to access. This option should be offered to all claimants, alongside clear information about how the payment process will work. The Department should review how it uses evidence for Alternative Payment Arrangement applications, following reports that it puts people off applying.***

UC encourages all claimants to take responsibility for their own financial affairs and helps them to develop the financial capability to do so. Therefore, households are expected to manage their own budgets, unless this risks financial harm to themselves and/or their family. By default, as the Committee knows, UC is paid monthly, mirroring how the majority of the working population are paid. However, where it is identified that a claimant is finding it difficult to budget monthly, they can have their UC paid more frequently, for example: twice monthly or, exceptionally, four times a month.

Our guidance to Work Coaches is already clear that where claimants may struggle with budgeting or debt, financial guidance and/or debt advice should be offered, and APAs should be considered. Each claimant will have a named Work Coach with whom a trusted relationship can be forged. This localised approach allows for appropriate support, which can be delivered by the Department or its partners, to be tailored to the needs of the individual claimant.

**Recommendation 28**

***We recommend that the Department publishes the guidance given to Work Coaches when they advise people on APAs, to improve transparency in the process. The Department should make clear when and how a claimant is made aware of APAs both during their UC application and once they start receiving their payments. The Department should publish the rates at which people are unsuccessful in their applications for an Alternative Payment Arrangements, and what reasons the Department might give a claimant if it denies their request for more frequent payments. DWP should also ensure that work coaches are making claimants aware of the option of split payments, where a household's payment can be divided and paid into two separate accounts.***

The Department has an established commitment to publishing UC guidance papers. The latest deposit to the House of Commons' Library was on 29th October 2020 and includes 'Money guidance and Alternative Payment Arrangements' guidance.

APAs can be considered for any claimant where it is clear that they are having difficulties managing their monthly payment or are in a certain level of rent arrears. These difficulties may be identified by the Work Coach, Case Manager, landlord or the claimant themselves. The Department routinely publishes data on APAs on Stat-Xplore, our purpose built website for hosting benefit-related statistics. We do not intend to expand current reporting.

We are committed to providing tailored support to all claimants, including through split payments where appropriate. However, we believe that most couples can and want to manage their finances jointly which is why UC is a household benefit. Claims are paid to women in the majority of cases and we will continue to explore how we can ensure money is paid to the main carer. We recognise that there may be circumstances in which split payments are appropriate and where that is the case, we will continue to put them in place. No information relating to why a split payment has been requested or granted will be notified to the claimant's partner. However, the Department does not agree that this requires a broader review.

**Recommendation 29**

***We recommend that the Department explain in response to our report whether it is feasible for landlords to tag the tenancy agreement to the claimant's UC claim so that payments are made in line with their rent schedule. If this is not possible, the Department should set out what aspects of the design of UC it would need to adapt to build in this flexibility for claimants.***

Changing assessment periods to align with a claimant's tenancy or rent agreement is not an approach the Department considers appropriate. Claimants could be left in difficulty, if for example, they were to change address and their new landlord had differing rent dates when payment is due.

The Department has however recently rolled out a payment alignment feature on the Landlord Portal to social rented sector landlords. This enables those landlords to receive a managed payment at the same time as a claimant is paid their UC, and replaces a rigid third-party payment structure which aligned to a 28-day cycle.

**Recommendation 30**

***We recommend that the DWP improve the quality and detail of its published data on alternative payments, by publishing its figures on how many people revert to monthly payments from the twice monthly payment option in England and Wales. DWP should give detail to these figures by publishing analysis on why people may revert to monthly payments and demonstrate how it monitors people's experiences of Scottish Choices or more frequent payments under APAs. It should use this analysis to better advise claimants and to identify possible improvements to the policy.***

The Department already publishes quality information on Alternative Payments Arrangements. Requests from stakeholders to provide additional statistics, to meet their changing needs, are always carefully considered. The Committee's recommendation to publish figures on how many people revert to monthly payments from twice monthly payment option in England and Wales will be added to our programme for development.

UC Scottish Choices, which includes the choice of Direct Payments to Landlords and twice monthly payments, are available to all claimants in Scotland. The Department is continuing to work collaboratively in supporting the Scottish Government with its Scottish Choices policies.

Scottish Government already publishes management information surrounding UC Scottish Choices, which can be found here:

<https://www.gov.scot/binaries/content/documents/govscot/publications/statistics/2020/05/universal-credit-scottish-choices-management-information-to-end-march-2020/documents/universal-credit-scottish-choices-management-information-to-end-march-2020/universal-credit-scottish-choices-management-information-to-end-march-2020/govscot%3Adocument/UC%2BScottish%2BChoices%2B-%2BMay%2B2020.pdf>.

**Recommendation 31**

***We recommend that the Department maintain its target to increase its proportion of Payments permitted by banks, to shorten the fifth week of the UC process. We urge the Department to set out in more detail its proposed strategy for rolling out Faster Payments, including its expected timings and its plans for engagement with the banking sector, in response to this report.***

The Department is already examining how to modernise payment services, through our 'Future Payments' programme, which is currently targeted to complete by 2022/23.

**Recommendation 32**

***We recommend that the Department assesses a model in which it estimates people's daily pay rate from data it already receives from HMRC, as suggested by Ferret Information Systems, and in which it would make payments from day one of the claim with reconciliation in month two. We request that the Department share information on what data that it receives from HMRC, including whether it knows how frequently people are paid, and makes clear what parts of its system are and can be automated.***

The proposed system described by the Committee cannot easily be operationalised because, whilst you can conceptualise it for an individual case with regular earnings, you cannot reliably run it where earnings fluctuate (such as in zero hour contracts) or where there is more than one set of earnings data (such as in couple households where both maybe working, or individuals with more than one job). In these instances, the reconciliation would be challenging and likely to result in over and underpayments each month as earnings data is verified. This would lead to financial uncertainty and a poor customer service.

HM Revenue and Customs sends information to the Department relating to UC claimants who are employed, this includes: gross taxable earnings less tax, National Insurance and pension contributions, pay dates and frequency of payments. This information is combined with any self-reported earnings and income to calculate awards of UC at the end of claimants' assessment period.