



Learning From Testing Times

Early Evidence of the Impact of Universal
Credit in Scotland's CAB Network

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EXECUTIVE SUMMARY

Universal Credit is the most ambitious change to the social security system since its establishment. It will eventually encompass people at a wide range of different points of their lives and in different circumstances – in work, out of work, in sickness and in health, when single, with children, and in a range of situations where they are vulnerable and in need of financial support, and will eventually be received by over 800,000 people in Scotland.

Citizens Advice Scotland has always supported the principles behind Universal Credit. Simplifying the complicated benefits system would help thousands of people who visit a CAB for advice on what support they might be entitled to. And ensuring that work always pays and is seen to pay is crucial to making sure people maximise their income.

After a delayed introduction, between February 2015 and April 2016 Universal Credit has been gradually rolled out across Scotland. At this point, with a couple of exceptions, it is only available for single jobseekers without children or complex circumstances. This represents a small fraction of people who will eventually receive Universal Credit. However, it does mean that we can start to see how well it works in practice.

This report presents many of the Universal Credit cases that Scotland's CAB network has advised on during the first year of the rollout. At this stage, it is only a small fraction of the people who will eventually receive Universal Credit – single jobseekers with 'simple' claims. However, the evidence allows us to start to identify some of the challenges that may stand in the way of the success of Universal Credit and to make recommendations for how these obstacles can be overcome. These challenges fall into three groups – **design challenges, transitional and administrative challenges and future challenges.**

Design challenges include:

- A six-week wait to receive a first payment of Universal Credit
- Challenges caused to claimants by a single monthly payment
- The effect of Universal Credit sanctions
- Challenges of a primarily online system when around 20% of future users struggle to use the internet

Administrative and transitional challenges include:

- Confusion caused by running Universal Credit in parallel with an existing legacy benefits system
- Early administrative issues causing delays in claims being processed
- Issues with the Universal Credit Helpline
- Teething problems with the Real Time Information system from employers

Future challenges include:

- The impact of numerous changes made to elements of Universal Credit by the UK Government's 2015 Budget and Autumn Statement
- The unknown impact of in-work conditionality for claimants
- The challenges and opportunities caused by devolution of some administrative flexibilities to the Scottish Government

If left unchecked these changes will continue to cause problems for the people who need support from Universal Credit. And, with a rollout to people in vulnerable situations and with more complex claims still to come, the acid test is still ahead. However, it is important to note that in a project on such a large scale, and with ambitious aims it is inevitable that it will face challenges. On their own, none of these challenges we present should derail Universal Credit. However, if left unaddressed, they could cause serious detriment to claimants and undermine the principles behind Universal Credit.

Citizens Advice Scotland's intention is to present CAB evidence at an early stage so that issues can be identified and tackled. The DWP's 'Test and Learn' approach is correct, and we hope the recommendations we make will prove useful to that process. It is also important that amidst the desire to make savings to the welfare bill, it is kept in mind that the social security system is a safety net for people who need support at various times of their lives, which is perhaps the most important principle, and practice of all. Meeting this is key to the future success of Universal Credit.

SUMMARY OF RECOMMENDATIONS

Design Challenges

Citizens Advice Scotland recommends:

- The seven 'waiting days' at the start of a Universal Credit claim are abolished.
- A single, additional, non-refundable Assessment Payment is made to new Universal Credit claimants to avoid hardship being caused by having no income for six weeks.
- This payment is considered by both the UK Government as part of the Universal Credit process, and by the Scottish Government utilising new devolved 'top-up' powers.
- The Scottish Government uses its administrative flexibility over frequency of Universal Credit payments to give claimants the choice of being paid weekly, fortnightly or monthly.
- The UK Government also consider giving Universal Credit claimants the choice of weekly, fortnightly or monthly payments.
- The choice of frequency of payments is included on the initial Universal Credit application form for applicants in Scotland if possible.
- The Scottish Government should give people who receive Universal Credit the choice of whether they would like the housing element of their payment made directly to their landlord, or to receive it as part of their single payment.
- The UK Government also consider giving people who receive Universal Credit the choice of who their housing payment is made to.
- There needs to be a fundamental review of the purpose and efficacy of the sanctions regime and the impact it has on individuals, families and other services. There should be a moratorium on sanctions until the review is completed, so that people do not need to suffer the adverse impacts of sanctions unnecessarily.
- To prevent claimants being left with no income at all, sanctions should cut benefit to a proportion (for example to hardship payment levels of 60%) rather than the entire amount of benefit to ensure people can meet essential living costs.
- Hardship Payments should be available from day one of a sanction period in all cases. The process should be instigated by the DWP and payments made automatically: it should not be left to claimants to apply for them
- Hardship Payments should not require to be repaid by the claimant.

- The DWP should ensure that in every case consideration is given to whether a claimant had good reason for any failure to comply with their benefit conditions.
- The use of non-financial sanctions, particularly written warnings, should be piloted and implemented as an alternative.
- More effort must be put into communicating to claimants why jobsearch requirements are meaningful, or jobsearch requirements should be revised to ensure they genuinely support people to find work. This should include reducing the 35 hour requirement if it is found to be unreasonable or affects the client's mental health.
- Universal Credit claimants who leave zero hours contracts due to the lack of work available, or who decline offers of zero hours work for the same reason should not be sanctioned.
- It would not be appropriate to sanction Universal Credit claimants who are in work, until a fundamental review of the purpose and efficacy of the current JSA, ESA and UC sanctions regime and the impact it has on individuals, families and other services has been conducted. This review should also address whether applying sanctions has a clear and demonstrable positive impact on helping in-work claimants find appropriate, better paying work.
- As a matter of urgency, the DWP make arrangements to ensure that adequate face-to-face or telephony support is provided to Universal Credit claimants, including providing training to advisers to ensure that they understand the Universal Credit system.
- People should be given the option of applying for Universal Credit by phone other than in 'exceptional circumstances'.
- Digital Jobcentres should provide phones for claimants to use to contact the Universal Credit Helpline if they do not have access to a phone at home.
- The Universal Credit Helpline should be an 0800 Freephone number.
- Jobcentres must ensure that the support provided to those who lack computer skills is appropriate and that alternatives are provided for those who may never be able to use digital services due to illiteracy, disabilities or other complex needs.
- If the current advance payment system is to remain in place, then it should be made clear to all Universal Credit claimants that an advance payment is possible, with any repayment arrangements made clear.
- Advance payments of Universal Credit should not require to be repaid.

- The DWP review its processes for dealing with vulnerable claimants to ensure that they are adequately supported by the existing process.
- Universal Credit overpayments due to official error should not require to be repaid.

Administrative and Transition Challenges

Citizens Advice Scotland recommends:

- The JSA and Universal Credit online applications should be better synchronised to prevent claimants being unable to use either due to their circumstances.
- Full training in the current eligibility criteria for Universal Credit, JSA and ESA is provided to DWP telephony advisers and Jobcentre staff. This should include information about the different status of Universal Credit in different areas of the country, given that some are on the 'live service' and some the 'digital service' with different eligibility conditions.
- The 'gateway conditions' for Universal Credit should be better publicised.
- The DWP consider what more could be done to prevent vulnerable claimants who should be ineligible from inadvertently claiming Universal Credit. This could include allowing them to transfer their claim from UC to ESA.
- The DWP takes all steps to ensure that the processing of Universal Credit claims is not delayed. In particular, it should ensure that additional information required from claimants, particularly in relation to housing costs, is appropriate and is processed in a timely manner.
- The DWP increase resources for the Universal Credit Helpline and Service Centre to cope with enquiries, changes of circumstances and new claims when people are unable to apply online.
- Digital Jobcentres should provide phones for claimants to use to contact other DWP departments if they do not have access to a phone at home.
- Processes to correct employer Real Time Information reporting errors should be simplified to ensure that Universal Credit claimants do not lose out through no fault of their own.
- HMRC and DWP work to raise awareness amongst employers of the importance of accurate RTI reporting to ensure that their employees are not disadvantaged through inaccurate UC payments.
- HMRC should pursue employers who repeatedly submit inaccurate RTI returns that cause problems for their employees' benefit entitlements. Resources should be increased to ensure employers who wilfully submit

inaccurate information in order to avoid paying employees' Income Tax contributions are prosecuted.

- The DWP ensure that people paid weekly do not lose out in four or five-week months under Universal Credit, particularly around entitlements to housing payments.
- The DWP discourage employers from misusing zero hours contracts.
- The UK Government should ensure that sufficient administrative resources are made available to cope with changes of circumstances to ensure that any delays are kept to a minimum, prior to the introduction of the full digital service.
- Providers of passported benefits should ensure Universal Credit is included amongst eligibility criteria where equivalent legacy benefits are included as qualifying benefits.
- Providers ensure that Universal Credit is included as an option on application forms for passported benefits and is included in training for staff administering the benefit.
- The DWP, Scottish Government, and local authorities work together to explore whether data-sharing could make accessing passported benefits easier, particularly when only certain Universal Credit recipients (such as those with an income below a certain threshold) would be eligible.

Future Challenges

Citizens Advice Scotland recommends:

- Couples and families who claim UC are given the choice of whether they would prefer a single household payment, or individual payments to each partner. This choice should be given at the outset of the claim, and should be possible to change options at any time thereafter.
- The Scottish Government removes the Bedroom Tax in Universal Credit when it has the power to do so.
- The Scottish Government and DWP work closely to ensure the smooth devolution of the administrative flexibilities with the needs of people who receive Universal Credit at their heart.
- In-work progression support provided should be appropriate to an individual claimant's circumstances. Support should aim to help claimants find a job that is better suited to their skills, experience, ambitions and individual requirements.

- If mandatory requirements are set, caution should be taken that they are reasonable and appropriate.
- In addition to the groups already exempted from the pilot, mandatory requirements should not be placed on people who require childcare to be able to work, people in part-time employment with health conditions or disabilities which limit the amount of hours they can work or people employed on zero hours contracts or other arrangements which mean they work varying hours in each week.
- Universal Credit claimants who are in work should not be sanctioned until a fundamental review of the purpose and efficacy of the current JSA, ESA and UC sanctions regime and the impact it has on individuals, families and other services has been conducted. This review should also address whether applying sanctions has a clear and demonstrable positive impact on helping in-work claimants find appropriate, better paying work.
- The UK Government reverse the changes to Universal Credit work allowances as they undermine the principles of Universal Credit, and may lead to an increase in in-work poverty.
- The Limited Capability for Work element should not be removed in April 2017.
- The Benefit Cap should not be lowered to £20,000.
- The UK Government keeps the freeze on the value of Universal Credit under review, and raises the value if there is a significant rise in inflation or living costs.
- In parts of Scotland where suitable childcare is not available that discretion is applied when expecting lone parents to carry out mandatory work-related requirements.
- The DWP prioritises young people who are vulnerable to becoming homeless when determining which 18-21 year olds will be exempt from restrictions to receiving the housing element of Universal Credit.
- The DWP keep the rules for self-employed people receiving Universal Credit under review to ensure that people do not lose out because of a fluctuating business income.
- People on remand, or imprisoned for six months or less should be entitled to claim housing support through Universal Credit to prevent them becoming homeless on release.

ABOUT CITIZENS ADVICE SCOTLAND

Citizens Advice Scotland (CAS), our 61 member Citizen Advice Bureaux (CAB), the Citizen Advice consumer helpline, and the Extra Help Unit, form Scotland's largest independent advice network. Advice provided by our service is free, independent, confidential, impartial and available to everyone. Our self-help website Adviceguide provides information on rights and helps people solve their problems.

In 2014/15 the Citizens Advice Service network helped over 323,000 clients in Scotland alone and dealt with over one million advice issues. With support from the network clients had financial gains of over £124 million and the Scottish zone of our self-help website Adviceguide received approximately 5.4 million unique page views.

Issues relating to benefits and tax credits are the most common area of advice provided by citizens advice bureaux in Scotland, with 220,000 new issues in 2014/15, representing 37% of their work.

INTRODUCTION

Universal Credit is the most ambitious change to the social security system since its establishment. Delivering a benefit that will eventually be received by over 800,000 people in Scotland and up to eight million people across the UK is no minor reform. It will eventually encompass people at a wide range of different points of their lives and in different circumstances – in work, out of work, in sickness and in health, when single, with children, and in a range of situations where they are vulnerable and in need of financial support.

Citizens Advice Scotland has always supported the principles behind Universal Credit. Simplifying the complicated benefits system would help thousands of people who visit a CAB for advice on what support they might be entitled to. And ensuring that work always pays and is seen to pay is crucial to making sure people maximise their income.

After a delayed introduction, between February 2015 and April 2016 Universal Credit has been gradually rolled out across Scotland. At this point, with a couple of exceptions, it is only available for single jobseekers without children or complex circumstances. This represents a small fraction of people who will eventually receive Universal Credit. However, it does mean that we can start to see how well it works in practice.

This report presents many of the Universal Credit cases that Scotland's CAB network has advised on during the first year of the rollout. It aims to provide analysis of some of the challenges that may stand in the way of the success of Universal Credit and makes recommendations for how these obstacles can be overcome.

We have grouped these challenges into three broad types. There are challenges related to the way Universal Credit has been designed, policy decisions that may have unintended consequences in practice. There are administrative challenges

related to the transition between the current benefits system. And there are future challenges – policy changes that will have an effect on Universal Credit claimants.

The principles behind Universal Credit are worthy, and it is clearly in everybody's best interests that it works well in practice. The DWP have sensibly decided to adopt a 'test and learn' approach to the major task of rolling out Universal Credit. We hope the evidence we present in this report is helpful in making Universal Credit a success.

What is Universal Credit?

Universal Credit is a social security benefit that is intended to be an integrated benefit for people both in and out of work. As a flagship part of the UK Government's 'welfare reform' agenda, it was intended to mark *"the beginning of a new contract between people who have and people who have not. At its heart Universal Credit is very simple and will ensure work always pays and is seen to pay."*

*"Universal Credit will mean that people will be consistently and transparently better off for each hour they work and every pound they earn. It will cut through the complexity of the existing benefit system to make it easier for people to get the help they need, when they need it. By utilising tried and proven information technology, we will streamline the system to reduce administration costs and minimise opportunities for error or fraud...our reforms put work, whether full time, part time or just a few hours a week, at the centre of our welfare system. As such it extends a ladder of opportunity to those who have previously been excluded or marginalised from work."*¹

Universal Credit is intended to eventually replace six existing, or 'legacy' benefits:

- **Jobseeker's Allowance (JSA)** for people who are unemployed and looking for work.
- **Employment and Support Allowance (ESA)** for people who are not able to work due to ill-health or disability.
- **Housing Benefit (HB)** to help pay rent for people who are on a low income (e.g. because they are out of work or in a low-paying job).
- **Income Support (IS)** for people who cannot work because they care for someone else (e.g. young children or an elderly or disabled relative)
- **Working Tax Credit (WTC)** is for families who work but have a low income.
- **Child Tax Credit (CTC)** is for families with low incomes and children to support.

Universal Credit also brings a number of different features from these existing benefits. It is intended to be claimed and managed online, without paper forms. A 'claimant commitment', setting out expectations and mandatory requirements was introduced for people who receive it. And a number of other features represent a change from the current approach, including monthly payments, payments to a household rather than individuals, and making housing payments to recipients rather than directly to landlords.

¹ Universal Credit: welfare that works – Department for Work and Pensions, November 2010
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/48897/universal-credit-full-document.pdf

The introduction of Universal Credit in Scotland

The timetable for the introduction of Universal Credit has been changed since its announcement. Announced in November 2010 and legislated for in the Welfare Reform Act 2012, it was originally scheduled to be fully rolled out across Great Britain in October 2013 with the full transition complete by 2017, but following a number of implementation problems including IT faults, was 'reset' in 2014. The DWP is now adopting a 'test and learn' approach and a gradual rollout over a longer timescale.

Following an initial 'pathfinder' pilot in Inverness, which commenced in November 2013, a progressive rollout of Universal Credit to single claimants with 'non-complex' claims in local authorities has taken place, starting with Highland in February 2015 and completing with Angus and Perth and Kinross on 25 April 2016. A full timetable of the rollout dates in Scotland is included as Appendix A.

This initial rollout has been limited to claimants who meet a long list of eligibility criteria, the 'Gateway Conditions' (included in full as Appendix B). The Gateway Conditions include not being in a couple, not being homeless, disabled, pregnant or living with someone away on duty in the armed forces, and in practice exclude most vulnerable claimants.

On 23 March 2016 a pilot of the full Universal Credit Digital Service commenced in Musselburgh, meaning that the gateway conditions have been removed. Anyone who would have previously been eligible to claim one of the six legacy benefits will have to claim Universal Credit instead, including vulnerable people and families. This will give the clearest indication yet of how Universal Credit will eventually operate and to what extent it will meet the needs of people who require support from the social security system. The full service will be introduced in Inverness in June 2016 and in the rest of Highland in November 2016. It is not expected to be rolled out to other areas of Scotland until 2017 and 2018.

It will not be until 2018 at the earliest that current claimants of ESA, JSA, Income Support, Housing Benefit or Tax Credits will be migrated to Universal Credit, with the current timetable seeing the full transition to Universal Credit completing in 2021.

Universal Credit by numbers

Given the slow pace of the rollout, and the restrictions on eligibility, the numbers of Universal Credit claimants in Scotland is still relatively small. According to the most recent official figures, there were 24,646 active Universal Credit claims in March 2016. However, compared with the most recently published claimant counts for the six benefits UC will replace, this is still very small. As shown in Table 1 below, there are approximately 832,000 claimants of the legacy benefits in Scotland. This indicates the scale of the rollout ahead.

Table 1 – Numbers of claims for Universal Credit and six legacy benefits in Scotland (most recently published official figures)

Benefit	Number of claims
Employment and Support Allowance (ESA) ²	256,810
Jobseeker's Allowance (JSA) ³	66,260
Income Support (IS) ⁴	63,540
Housing Benefit (HB) ⁵	450,308
<i>Of which HB claimants not also claiming ESA, JSA, IS or Pension Credit, and under the age of 65^{6 7}</i>	93,383
Working Tax Credits and/or Child Tax Credits ⁸	352,000
Total claims for legacy benefits	831,993
Universal Credit⁹	24,646

With this in mind, it is perhaps unsurprising that the amount of advice given on Universal Credit by citizens advice bureaux in Scotland remains much lower than advice on the six legacy benefits. As Universal Credit has gradually rolled out, the number has increased, representing 1% of new benefits issues advised on between April and December 2015. It is worth noting that at this point, Universal Credit had yet to be introduced in six local authority areas, and was only introduced in the final quarter of 2015 in a further eight. For comparison, 44% of new benefits issues related to one of the legacy benefits, as shown in Table 2 below.

Table 2 – New issues in Scottish citizens advice bureaux

Benefit	April 2014 – March 2015		April – December 2015	
	Number	% of benefits	Number	% of benefits
ESA	34,488	15.7%	22,795	13.8%
JSA	16,161	7.3%	9,241	5.6%
IS	5,024	2.3%	3,375	2.0%
HB	24,347	11.1%	17,172	10.4%
WTC	12,424	5.6%	9,658	5.8%
CTC	11,710	5.3%	10,112	6.1%
Total Legacy Benefits	104,154	47.3%	72,353	43.7%
Universal Credit	384	0.2%	1,723	1.0%

² August 2015 figures, calculated with DWP Tabulation Tool http://tabulation-tool.dwp.gov.uk/100pc/esa/ccgor/esa_phase/a_carate_r_ccgor_c_esa_phase_aug15.html

³ August 2015 figures, calculated with DWP Tabulation Tool http://tabulation-tool.dwp.gov.uk/100pc/jsa/ccgor/cnage/a_carate_r_ccgor_c_cnage_aug15.html

⁴ August 2015 figures, calculated with DWP Tabulation Tool http://tabulation-tool.dwp.gov.uk/100pc/is/ccgor/ccstatgp/a_carate_r_ccgor_c_ccstatgp_aug15.html

⁵ November 2015 figures, calculated with DWP Stat-Xplore <https://stat-xplore.dwp.gov.uk/>

⁶ Ibid.

⁷ This figure removes duplication with the above figures, and those that would be ineligible to claim Universal Credit on the basis of age.

⁸ March 2014 figures, from Personal tax credits: Finalised award statistics – geographical statistics 2013 to 2014, HM Revenue and Customs, May 2015
<https://www.gov.uk/government/statistics/personal-tax-credits-finalised-award-statistics-geographical-statistics-2013-to-2014>

⁹ March 2016 figures, from Universal Credit: monthly experimental statistics to 5 May 2016, Department for Work and Pensions <https://www.gov.uk/government/statistics/universal-credit-29-apr-2013-to-5-may-2016>

This underscores the challenge ahead for Universal Credit. The completion of the initial rollout to all 32 Scottish local authority areas should by no means be viewed as the end of the process. The real test of Universal Credit's effectiveness and ability to meet the needs of people who require support will be seen when the Gateway Conditions are removed and more vulnerable claimants and those with changing circumstances begin to experience the new benefit. CAS would expect the number of Universal Credit issues that bureaux advise on to rise in line with the number of claimants, so by the time it is fully rolled out it is almost certain to be the most common area of advice given.

Despite the relatively low number of issues however, CAB evidence is already providing an invaluable early insight into how Universal Credit is operating in practice. Cases brought to bureaux indicate a number of areas where alterations to the design or administration of Universal Credit would avoid or mitigate larger problems as UC is rolled out to a wider pool.

In February 2016, CAS conducted a survey with 17 CAB advisers and managers asking about their experiences of Universal Credit and any concerns they had about it as it rolls out to more clients.

The advisers confirmed that the impact of Universal Credit had been relatively modest in terms of **advice-giving**. None of them rated it as one of the biggest issues dealt with by their CAB, with 35% regarding it as a 'fairly big issue'. For 41% it had been 'a fairly minor issue' and for 24% it had 'not really been an issue' at all, which partly reflects the gradual nature of the rollout.

For the CAB managers and advisers that took part in the survey Universal Credit had been a slightly bigger issue in terms of **overall workload** (such as making preparations for its introduction, and the complexity of issues brought to the bureau), but had not been especially onerous. Again, none of the respondents regarded it as one of the biggest issues for their CAB, with 41% describing it as 'a fairly big issue'. For the majority (53%), Universal Credit had been a fairly minor issue, and for 6% it had not really been an issue at all.

However, when asked to look ahead to the future, when Universal Credit is more widely available, a radically different picture emerged. All the advisers surveyed were concerned about Universal Credit as an issue for clients, with 59% 'extremely concerned', and a further 35% 'quite concerned'.

In the next part of this report, we look at what is causing this concern, what CAB evidence so far can tell us about the challenges facing Universal Credit claimants as the benefit is rolled out, and how these problems might be resolved.

DESIGN CHALLENGES

A number of the problems CAB clients have encountered so far have been caused by elements of the way Universal Credit is designed. Some in particular look set to cause substantial problems as Universal Credit is rolled out more widely unless action is taken to correct or mitigate the issues causing them. Addressing these issues should not undermine the structural integrity of Universal Credit, and would substantially reduce the numbers of people who are left destitute as a result of having no income for considerable periods of time.

When CAS asked the 17 CAB advisers who responded to our survey whether there was one particular aspect of Universal Credit that they were particularly concerned about, almost half cited the length of time waiting for the first payment, and the impact of any delays on extending this. Nearly one fifth of respondents mentioned the arrangements for housing payments, specifically making the payments for rent to claimants rather than their landlord. Concerns about digital inclusion, and how clients who cannot use a computer would manage a Universal Credit claim were also mentioned by more than one respondent.

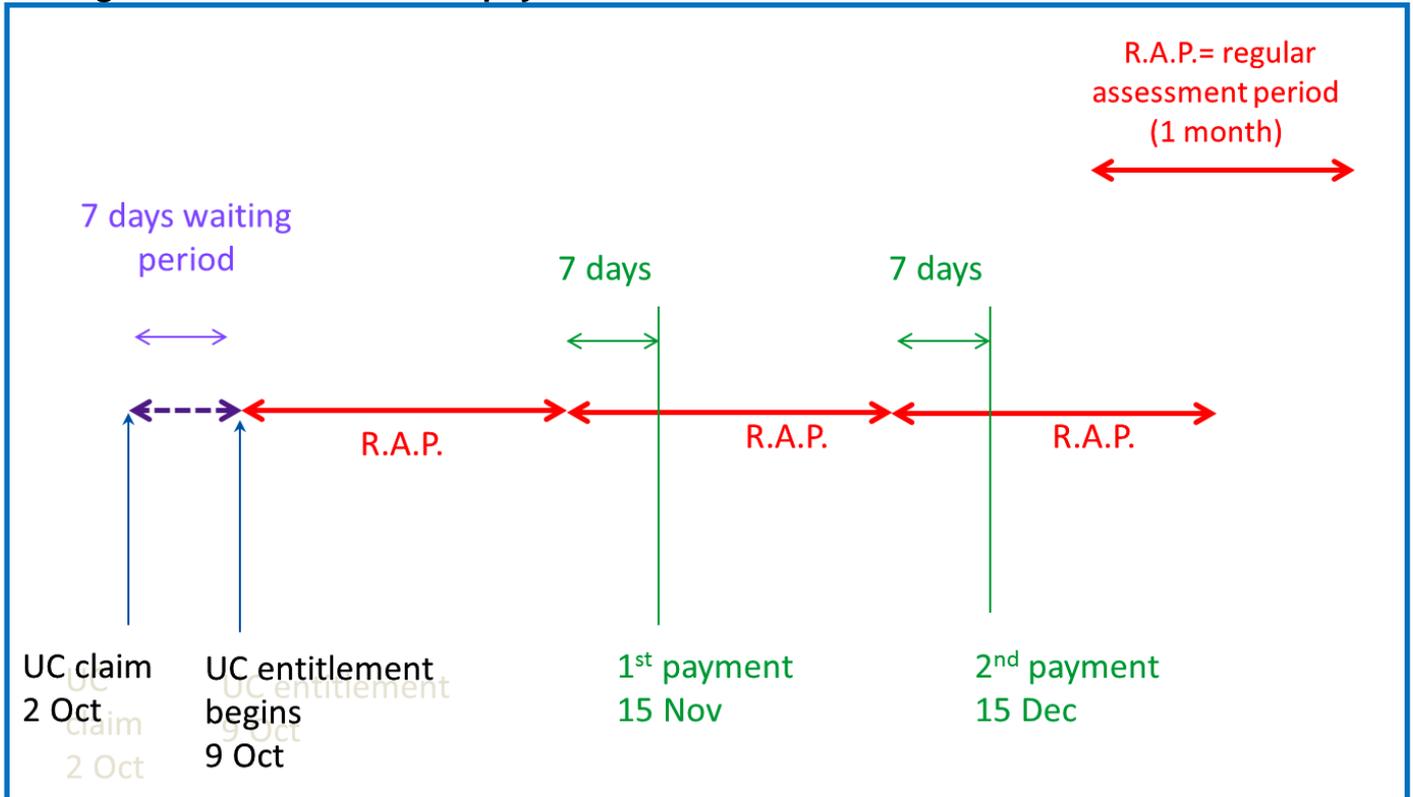
Other aspects of concern cited included monthly payments, sanctions, the single household payment, payment in arrears, lack of knowledge of frontline DWP staff and the impact on clients with mental health issues. A number of these issues are already manifesting themselves in early CAB evidence.

Length of wait for first payment

One of the changes that Universal Credit brings compared with the existing benefits system is a substantial period of time between a person applying for UC and receiving their first payment.. The design of the system means that a claimant has to wait six weeks from application before receiving their initial Universal Credit payment.

The six-week period is comprised of an initial seven 'waiting days', where a claim has been successful, but the claimant is not entitled to any award. This is followed by the first Regular Assessment Period of one month, which determines how much the claimant should be paid, taking into account any other sources of income they may have. Then, after a further period of seven days, the claimant will receive their first payment in arrears, to be followed by payments every month until their Universal Credit claim is closed. This is illustrated in Figure 1.

Figure 1 – Universal Credit payment schedule



This in-built six week wait for income at the start of a Universal Credit claim is emerging as a significant problem for a substantial number of CAB clients in Scotland.

A West of Scotland CAB reports of a client who has recently become unemployed. He is not expecting his first Universal Credit payment for another six weeks, which includes the Christmas period. The client will suffer financially as he has no savings to see him through. He will also accrue rent and council tax arrears as he will have no income to pay these. He may be able to apply for an advance payment but he will have to pay this back through future Universal Credit payments.

A South of Scotland CAB reports of a client who required a referral to a food bank as he had no Universal Credit payments for weeks. He has just started a job, but his UC payment is not due for another eight days. The client asked for a food parcel, and access to the CAB phone to contact the UC Service Centre.

A North of Scotland CAB reports of a client who has applied for, and been awarded Universal Credit. However, he will have to wait another five weeks until he receives his first payment. He currently has no money. He has advised the Council as he is in receipt of Housing Benefit [which will cease as a result of being on UC]. He wanted to apply for a short term advance to enable him to buy food and heating until his Universal Credit payments start. The prospect of having to wait five weeks with no money is causing the client hardship and distress.

A South of Scotland CAB reports of a client who had recently been laid off work. He has made a new claim for Universal Credit and will not receive a payment for five weeks. The client has a prepayment gas and electricity meter which is about to run out, with the emergency credit having run out. He is concerned that he will not have any heat or ability to cook food, which was more concerning during a period of poor winter weather. The client is also running out of food and has requested a food parcel referral.

This represents a change from the legacy benefits system which are paid fortnightly in arrears (JSA, ESA and Income Support), either weekly or four-weekly depending on the claimant's preference (Working Tax Credit, Child Tax Credit) or depending when rent payments are due (Housing Benefit). In most cases, this will result in Universal Credit claimants having to wait around three weeks longer for their first payment than they would under the current system.

The system of 'waiting days' underwent changes in 2014-15, extending the number of days where no benefit would be awarded at the start of a claim for JSA, ESA and Universal Credit from three to seven. Claimants of Housing Benefit or tax credits do not currently have to serve waiting days. Once Universal Credit is fully rolled out to all claimants who are in-work or who have housing costs, the numbers of people affected will increase.

CAS expressed concern about the extension of waiting days at the time the policy was enacted.^{10 11} With particular regard to Universal Credit, our concerns included that it would have a disproportionately negative impact on claimants with disabilities, those with children and/or housing costs and those with a very low or no income; would increase rent arrears; could cause difficulties in accessing passported benefits; could cause difficulties for in-work claimants, particularly those on zero hours contracts; would cause hardship which would lead to an increase in the

¹⁰ Benefit waiting days consultation – Response from Citizens Advice Scotland, June 2014.

¹¹ Consultation response on Universal Credit Waiting Days - Citizens Advice Scotland, October 2014
<http://www.cas.org.uk/publications/consultation-response-universal-credit-waiting-days>

number of people requiring support from food banks; and would place further pressure on crisis services and citizens advice bureaux. The emerging evidence appears to indicate that our concerns were well-founded.

Beyond the policy of waiting days however, the further five weeks are proving too long for many Universal Credit claimants to cope without income. The DWP have set out an expectation that "many people come to benefits directly from employment and it is reasonable to expect them to use those earnings to budget for an initial period of unemployment."¹² However, it is far from the case that all claimants will be in this situation. According to figures published by the DWP, 25% of people in employment are paid more frequently than once a month, rising to 49% of those earning £10,000 per year or less, which will apply to many current and future Universal Credit claimants.¹³

In research on the impact of the length of the wait for a first Universal Credit payment published by CAS' sister organisation, Citizens Advice (England and Wales), only 40% of Universal Credit claimants surveyed had been paid monthly prior to making a UC claim.¹⁴ This indicates that a significant number of people will need to survive on one or two weeks' pay for six weeks which is at the root of many of the early problems in this area. This is likely to increase the amount of claimants who will require crisis support, including charitable support from food banks due to simply being unable to make a small amount of money last for six weeks. Additionally, bureaux have previously advised a number of clients who had not been paid their final wage or outstanding holiday pay by their employers.¹⁵ People in this scenario face being doubly disadvantaged as Universal Credit rolls out.

We explore Advance Payments elsewhere in this report, but these are not a good solution to this problem as they are not guaranteed to be made – or in some cases offered at all – and are repayable, which merely passes on the problems to the next month.

Giving claimants the choice of how frequently their Universal Credit is paid, as we propose in the next part of this report, will also not help with the long wait for the first payment, as no amount is payable until the Regular Assessment Period has been completed. With that in mind, we suggest that a single, standard additional non-repayable Assessment Payment is made to new claimants during the initial waiting

¹² Explanatory Memorandum for the Social Security Advisory Committee from the Department of Work and Pensions, The Universal Credit (Waiting Days) Amendment Regulations 2014.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/356162/universal-credit-waiting-days-explanatory-memorandum.pdf

¹³ Universal Credit Policy Briefing no. 2: the Payment Proposal – Department for Work and Pensions, September 2011 <http://webarchive.nationalarchives.gov.uk/http://www.dwp.gov.uk/docs/ucpbn-2-payment.pdf>

¹⁴ Waiting for Credit: The delivery of Universal Credit as experienced by Citizens Advice clients in England and Wales – Citizens Advice (England and Wales), November 2015
[http://www.boltoncab.co.uk/Global/Waiting%20for%20Credit%20PDF%20final%20\(003\)%20Nov%20015.pdf](http://www.boltoncab.co.uk/Global/Waiting%20for%20Credit%20PDF%20final%20(003)%20Nov%20015.pdf)

¹⁵ Fair Enough? Protecting Scotland's Workers from Unfair Treatment p. 18-21 & 27 – Citizens Advice Scotland, February 2015
<http://www.cas.org.uk/system/files/publications/Fair%20Enough%20Protecting%20Scotland%27s%20workers%20from%20unfair%20treatment%20Feb%202015.pdf>

period. This is similar to the Assessment Rate of ESA that is paid prior to a Work Capability Assessment being conducted.

This payment could be made at a time of the claimant's choice, for instance after three of the six weeks, or at the outset to provide a cushion to protect from running out of money. The level could be determined by consultation, including whether it should be higher for couples or people with children, but one possibility could be to base it on the equivalent half of one month's Standard Allowance element of Universal Credit (currently £158.91).

There would be a financial cost attached to this policy, however it is likely that this will offset wider costs paid out in Crisis Grants, Advance Payments, and costs to other services such as the NHS that would be faced as a result of several thousand claimants being left without income for a significant period of time.

CAS recommends that the seven 'waiting days' at the start of a Universal Credit claim are abolished.

CAS recommends that a single, additional, non-refundable Assessment Payment is made to new Universal Credit claimants to avoid hardship being caused by having no income for six weeks.

CAS recommends that this payment is considered by both the UK Government as part of the Universal Credit process, and by the Scottish Government utilising new devolved 'top-up' powers.

Monthly payments

Following the initial waiting period, people receive Universal Credit payments on a monthly basis. As noted above, this represents a change from current arrangements for the six legacy benefits.

To inform the use of devolved Scottish flexibilities around Universal Credit, one of which enables the Scottish Government to vary the frequency of Universal Credit payments, CAS conducted a survey with 601 CAB clients in 2015, most of whom claimed at least one of the six legacy benefits.¹⁶ The survey revealed that:

- 26% of respondents budgeted weekly, with slightly smaller proportions budgeting monthly (23%) or fortnightly (22%).
- Just under half (49%) budget in the way that they do because that is when their payments come in, rather than because that is what is most comfortable (39%).

¹⁶ Designing a Social Security System for Scotland: Universal Credit flexibilities – Citizens Advice Scotland, December 2015 <http://www.cas.org.uk/publications/designing-social-security-system-scotland-universal-credit-flexibilities>

- More than a third of respondents who claim one of the legacy benefits (34%) often run out of money, and have to borrow, get a Crisis Grant, or go to a food bank. However, a quarter said they managed well and look for ways to save money.
- Almost half of respondents with a legacy benefit indicated that they would sometimes or often run out of money if their benefits were paid monthly (47%). This was higher than the number that thought they would have no problem, or manage most of the time (41%).
- Whilst it appears that no one particular budgeting strategy will lead to an individual managing well or struggling, those who budgeted according to when it was most comfortable for them appeared to manage slightly better than those who planned around when their money came in.
- The majority (55%) of respondents who received a legacy benefit would prefer their benefits be paid weekly. Just 13% of respondents who claimed a legacy benefit would prefer a monthly payment, with 32% preferring a fortnightly payment.

From emerging evidence, citizens advice bureaux in Scotland are starting to see clients who are struggling to cope with monthly payments and have required emergency support due to having no money to pay for food or fuel.

An East of Scotland CAB reports of a client who requested another food parcel as he is struggling with being paid his Universal Credit monthly. The client received his Christmas 2015 payment on 23 December instead of the 27th and is now struggling with money as his next payment is not due until 27 January 2016. The client mentioned he got on better when he was paid fortnightly and is finding it extremely difficult to cope with the monthly payments. He also mentioned he had rent arrears, at first stating this was for around £300, but later admitted it might be closer to £700. The CAB adviser arranged for a food parcel for the client but was advised by the local food bank that as the client had received six food parcels in the last few months this would be his last one.

A South of Scotland CAB reports of a client who returned to the bureau requesting a food parcel. He received his initial full Universal Credit payment of £309 ten days ago. His next payment is not due for three weeks. The client used his first payment to buy some food, top up his gas and electricity which were in arrears, pay TV licence arrears and debts to friends. He now has no funds left for food. Due to the length of time for the client's initial UC payment to be paid, the client incurred debts, which he has now paid off, leaving him with insufficient funds until his next UC payment.

An East of Scotland CAB reports of a client who has started a Universal Credit claim having previously claimed Jobseeker's Allowance. He has mis-budgeted his first month's UC payment and has run out of money. The client's electricity meter has run out and all his cooking facilities are electric. The client has no money for food or transport. He had gone to the local Council for a Crisis Grant application, but was told he would have to apply for an 'advance of benefit' from DWP first. He is not due a Universal Credit payment for another four days, but must sign on tomorrow and has a back-to-work meeting there later in the week. The client is worried about being sanctioned as he is unable to afford to travel to the Jobcentre. He was referred for his second food parcel.

As our previous research indicated, there are a number of people for whom a monthly Universal Credit payment does not work, and emerging evidence indicates that this can lead to clients being thrown into crisis situations and requiring support from the Scottish Welfare Fund, or referrals to a food bank. The impact of the length of wait for a first payment, and repaying advance payments results in clients whose Universal Credit payment merely pays off debts from the previous month. CAS believes that this situation could be improved if people were given the choice of whether they wish to receive Universal Credit payments weekly, fortnightly or monthly.

CAS recommends the Scottish Government uses its administrative flexibility over frequency of Universal Credit payments to give claimants the choice of being paid weekly, fortnightly or monthly.

CAS recommends the UK Government also consider giving Universal Credit claimants the choice of weekly, fortnightly or monthly payments.

CAS recommends the choice of frequency of payments is included on the initial Universal Credit application form for applicants in Scotland if possible.

Housing Payments

Unlike Housing Benefit, which is normally paid to a claimant's landlord if they live in social housing, under Universal Credit a housing element is paid directly to claimants as part of their monthly payment.

Early evidence from Highland Council, where Universal Credit was first introduced in November 2013, suggested that by May 2015 all their known tenants on Universal Credit were in rent arrears, with an average of £669 owed per tenant¹⁷. A survey by the National Federation of ALMOs (NFA) and Association of Retained Council Housing (ARCH) found that 89% of tenants in receipt of Universal Credit were behind with their rent¹⁸. Given the way Universal Credit is designed, with payments in arrears this may be to be expected, but may not be sustainable for social housing providers in the long term.

Rent arrears for Universal Credit tenants is starting to emerge as an issue in Scottish citizens advice bureaux as it is rolled out more widely.

A South of Scotland CAB reports of a client who is single, lives alone and has no children. She has been on Universal Credit since losing her job due to poor attendance following an accident, about which she is taking legal action. She lives in a bedsit and is paying £390 rent per month including Council Tax and bills. The housing element of her Universal Credit is £258 per month. She is also repaying her UC advance payment at £42 per month, together with further loans (£55 per month). The client is being evicted and is currently on the social housing waiting list. She is unsure how she will manage on her benefits once the rent is paid out of her UC payment and is worried about finding new accommodation.

Payments towards rent arrears can be directly deducted from people's Universal Credit payments. However, these can be at steep rates of up to 20% which can cause clients further hardship.

¹⁷ Universal Credit Roll Out The Highland Experience – Highland Council presentation, May 2015
http://www.sfha.co.uk/index.php?option=com_docman&task=doc_details&gid=4345&Itemid=75

¹⁸ 'Nine in 10 Universal Credit tenants in arrears' – Inside Housing, December 2015
<http://www.insidehousing.co.uk/nine-in-10-universal-credit-tenants-in-arrears/7013234.article>

A West of Scotland CAB reports of a client who visited to get help with requesting that a 20% rent arrears deduction from his Universal Credit payments (£64 per month) could be lowered due to financial hardship. The housing payment is now being made to his social landlord, but the client is left with only £56 per week to live on. When the CAB called the Universal Credit Service Centre, they were unable to explain why 20% was applied as the legislation states they can take between 10-20%. The CAB adviser pointed out that if the client were claiming JSA, the equivalent deduction would only be £3.70 per week.

CAS has previously raised concerns about evidence of clients falling into rent arrears as a result of the Universal Credit housing payment arrangements¹⁹. Direct payments to claimants, coupled with monthly payments presents a new challenge to often-stretched finances, and leave them susceptible to accruing substantial rent arrears due to maladministration or poor communication by the DWP.

Another potential issue is the Protected Minimum Balance, which is £494.01 in Scotland. Any amount in a bank account above this figure can be arrested by creditors for unpaid debt, which means that claimants getting the housing element paid to their account will be much more exposed to potential creditor action. Citizens advice bureaux have advised clients who have experienced problems with the Protected Minimum Balance, although previously most benefit claims have been below this amount. However, with the housing element included there are risks Universal Credit claimants may be pushed above this level.

It is also important to note that many of the most vulnerable CAB clients are not yet eligible for Universal Credit due to the current gateway conditions and we would expect further difficulties as the number of people receiving Universal Credit increases. The current system, where Housing Benefit is generally paid to the social landlord rather than the tenant²⁰, works relatively well, and prevents many of these scenarios from occurring.

CAS recommends that the Scottish Government should give people who receive Universal Credit the choice of whether they would like the housing element of their payment made directly to their landlord, or to receive it as part of their single payment.

CAS recommends the UK Government also consider giving people who receive Universal Credit the choice of who their housing payment is made to.

¹⁹ Designing a Social Security System for Scotland: Universal Credit flexibilities – Citizens Advice Scotland, December 2015 <http://www.cas.org.uk/publications/designing-social-security-system-scotland-universal-credit-flexibilities>

²⁰ Normally Housing Benefit for local authority tenants is paid directly to the social landlord. Housing Association tenants are normally given the choice of payments to themselves or to the landlord.

Universal Credit Sanctions

Citizens Advice Scotland has had major concerns about the operation of the sanctions regime in JSA and ESA since a tougher system was introduced in 2012.

CAB evidence shows that sanctions are often being applied unfairly and without warning or explanation, leaving people with little or no money for long periods. This causes severe hardship for many claimants and can have an adverse impact on their health and wellbeing. Many clients also go without gas or electricity or turn to formal loans, including payday loans, to survive.²¹

Our evidence has highlighted a number of key problems with the current system²²:

- conditionality is not explained clearly to claimants so many do not understand the requirements placed on them
- claimants are not told that they are being sanctioned before their money stops
- claimants can be sanctioned in circumstances which seem unfair. For example, claimants can be sanctioned because they do not have the skills or IT access to meet the Jobcentre's requirements, or where they have made significant efforts to find work but have not fulfilled the precise requirements of their Claimant Commitment
- claimants are often not aware of the process for challenging a decision
- claimants are often not aware of how to access hardship payments; if they are, they are often put off by the onerous process of applying.

While CAS does not object in principle to sanctions, we believe that they should only be applied appropriately, with discretion and as a last resort, to deter people who are consistently and deliberately refusing to engage with jobseeking requirements.

Under Universal Credit, sanctions continue to be applied with similarities to the current system. However, there are a few key differences. Unlike JSA and ESA sanctions which run concurrently, Universal Credit sanctions run consecutively, up to a maximum length of 1,095 days (three years). This means that if, for instance a person is sanctioned, then is unable to re-engage with their claimant requirements (for instance, being unable to travel to the Jobcentre because they have no money for the bus), then further sanctions are added to the end of the sanction. This can mean that someone can quickly tot up a lengthy sanction, and despite meeting all that is required of them by the DWP, can still face the loss of income for a considerable period after the 'offence' occurred.

²¹ Sanctioned: what benefit? – Citizens Advice Scotland, July 2014
<http://www.cas.org.uk/publications/sanctioned-what-benefit>

²² Response to Work and Pensions Committee sanctions inquiry – Citizens Advice Scotland, December 2014 <http://www.cas.org.uk/publications/cas-response-work-and-pensions-committee-sanctions-inquiry>

As housing payments are included in a Universal Credit claim, unlike JSA or ESA a UC claimant who has been sanctioned may not lose all of their benefit – however this can leave them with a choice of paying the rent or paying for food, fuel and other basic essentials. Additionally, sanctions will apply to couples' claims, so if one half of the couple is sanctioned, their single household payment is reduced, regardless of whether their partner has fully complied with all requirements. As couples are brought into the Universal Credit system, this is a scenario which has the potential to cause problems.

Early evidence from citizens advice bureaux is showing the impact of sanctions under Universal Credit.

A South of Scotland CAB reports of a client whose Universal Credit had been sanctioned and has only been reinstated this week. She was due to receive a payment of £370 which she was told was to be used to pay her rent. The client stated that she had been sanctioned for missing appointments, but was very vague about the number of sanctions or the timescale. Her only income had been a £67 per week Industrial Injury award. She has approximately £2,400 of rent arrears and had received a letter from her landlord informing her that he was going to instruct solicitors to take action in recovering the rent arrears. The client is also in debt to her energy supplier. The client has been out of work since April 2015, apart from two days at the end of last month for which she has still to receive payment. She suffers from glaucoma and has 60% loss of vision in one eye and 30% in the other. The client was visibly stressed and emotional, worried she could lose her sight at any time, and was scared that she was about to be made homeless.

CAB clients have previously faced JSA sanctions for turning down jobs that were clearly unsuitable. Under Universal Credit, claimants can also be sanctioned for refusing jobs which only offer zero hours contracts, or for leaving a zero hours job because it does not offer enough work each week²³, which is not currently the case with legacy benefits. Given problems CAB clients have encountered with the misuse of zero hours contracts by employers²⁴ CAS does not believe that sanctioning clients for these reasons are appropriate.

CAB case evidence indicates that the sanctions system is putting pressure on people to accept jobs which are unsuitable, despite in some cases illegal practices being carried out.

²³ Letter from Minister for Employment to Sheila Gilmore MP, March 2014
<http://www.sheilagilmore.co.uk/wp-content/uploads/2014/03/GILM0200202140092020020092.pdf>

²⁴ Working at the Edge: Zero Hours Contracts – Citizens Advice Scotland, July 2014
<http://www.cas.org.uk/publications/working-edge-zero-hours-contracts>

An East of Scotland CAB reports of a client who is unemployed and has been claiming Universal Credit for the last three months. The client had been offered a job at a warehouse 20 miles away but he turned this down because he couldn't get transport for starting at 6.00am. This was accepted at the Jobcentre and did not affect his UC. The client has been offered a job at a restaurant but he would be expected to work 12 hours in the first week doing three or four hour shifts for no pay. Thereafter he would be paid at least £2 below the minimum wage and is expected to buy his own uniform. The client was at the Job Centre today and told them about this job offer and they told him to come to CAB for advice. The client is concerned that he will be sanctioned if he turns down the job, despite the employer paying less than the National Minimum Wage.

Universal Credit claimants are expected to take 'all reasonable action' to find work to avoid a sanction, which typically requires claimants to spend at least 35 hours per week searching for jobs within a 90 minute travelling time. This can prove extremely difficult for some people to be able to meet, particularly if there is a lack of suitable job opportunities.

A North of Scotland CAB reports of a client who claims Universal Credit and fears sanctions due to not being able to fulfil a commitment to job-search for 35 hours per week. Suitable vacancies in a rural region are very limited - even more so considering access to public transport and travelling times. The stress of trying to meet unreasonable targets is having a negative impact on the client's mental health and wellbeing.

If a Universal Credit claimant is sanctioned they can apply to the DWP for a Hardship Payment. This is roughly 60% of the amount sanctioned, must be for basic needs and the claimant has done 'everything they can' to get money from other sources, such as borrowing from friends or family, or applying to the Scottish Welfare Fund. This is similar to the arrangements that are in place for JSA and ESA, but unlike the current system, the Hardship Payment in Universal Credit functions as a loan which must be repaid from direct deductions from benefit once the sanction is lifted. In practice, this means that, whilst the client will at least receive some money, the effect of the sanction will be drawn out as their benefit will be reduced for a long period until the loan is repaid.

CAS believes that a claimant should never be left with no income at all. Sanctions should cut benefit by a proportion (for example to hardship payment levels of 60%) rather than the entire amount of benefit to ensure people can meet essential living costs. At the very least people should be able to eat and heat their homes.

Hardship payments should be available from day one of a sanction period in all cases. Many claimants are already struggling financially before a sanction was applied, and find it extremely difficult to meet basic living costs while waiting for any hardship payment. The process should be instigated by the DWP and payments made automatically: it should not be left to claimants to apply for them. Additionally, there should be no requirement to repay a Hardship Payment, which adds further problems to an already difficult situation for people.

Issues with the current sanctions system have not been fully rectified, and will persist in Universal Credit unless action is taken prior to being rolled out further to in-work claimants as is planned. We repeat a number of previous recommendations in relation to the sanctions regime, which have not yet been met in full:

CAS recommends that there needs to be a fundamental review of the purpose and efficacy of the sanctions regime and the impact it has on individuals, families and other services. There should be a moratorium on sanctions until the review is completed, so that people do not need to suffer the adverse impacts of sanctions unnecessarily.

CAS recommends that, to prevent claimants being left with no income at all, sanctions should cut benefit to a proportion (for example to hardship payment levels of 60%) rather than the entire amount of benefit to ensure people can meet essential living costs.

CAS recommends that Hardship Payments should be available from day one of a sanction period in all cases. The process should be instigated by the DWP and payments made automatically: it should not be left to claimants to apply for them.

CAS recommends that Hardship Payments should not require to be repaid by the claimant.

CAS recommends that the DWP should ensure that in every case consideration is given to whether a claimant had good reason for any failure to comply with their benefit conditions.

CAS recommends that the use of non-financial sanctions, particularly written warnings, should be piloted and implemented as an alternative.

CAS recommends that more effort must be put into communicating to claimants why jobsearch requirements are meaningful, or jobsearch requirements should be revised to ensure they genuinely support people to find work. This should include reducing the 35 hour requirement if it is found to be unreasonable or affects the client's mental health.

CAS recommends that Universal Credit claimants who leave zero hours contracts due to the lack of work available, or who decline offers of zero hours work for the same reason should not be sanctioned.

CAS recommends that it would not be appropriate to sanction Universal Credit claimants who are in work, until a fundamental review of the purpose and efficacy of the current JSA, ESA and UC sanctions regime and the impact it has on individuals, families and other services has been conducted. This review should also address whether applying sanctions has a clear and demonstrable positive impact on helping in-work claimants find appropriate, better paying work.

Digital access

Universal Credit is designed to be “the first truly digital welfare service.”²⁵ Once UC is fully rolled out, the DWP's expectation is that “users will be able to make a claim, check details of payments, notify changes of circumstance and search for a job through a single account, making digital the primary channel for most working-age people to interact with the Department.”²⁶

This expectation has shaped Universal Credit's development – applications are expected to be made online, and claimants are expected to report changes of circumstance and provide required information online, rather than in person or over the phone. As part of this process, Jobcentres have been transformed into Digital Jobcentres, with computers to apply for jobs or benefits. The focus of staff in the Jobcentres (Work Coaches) is on employment support rather than dealing with queries about benefits, which is the role of Universal Credit Service Centres.

As part of this process, ‘warm phones’ which previously enabled claimants to call other parts of the DWP from Jobcentres with benefit enquiries have been removed. The Universal Credit Helpline is an 0345 phone number (costing 8p – 12p per minute from landlines, 20p – 45p per minute from pay monthly mobiles), rather than an 0800 Freephone number, as is the case for most other benefits lines, in anticipation of the vast majority of issues being able to be dealt with online. Claims for Universal Credit can only be made over the phone in ‘exceptional circumstances’, and there are no paper forms. Emerging issues with the Universal Credit Helpline are explored later in this report.

Research carried out by Citizens Advice Scotland in 2013²⁷ showed that more than two fifths (44%) of CAB benefit clients aged between 45 and 59 said they never used the internet, compared with just 26% who said they used it often. A total of 76% of CAB clients said they would struggle to apply for a benefit online including 39% who said they could not apply online at all.

CAS has recently published follow-up research²⁸, conducting a survey of 601 clients across 30 CAB in Scotland, 74% of whom were in receipt of at least one benefit. The

²⁵ Digital Strategy – Department for Work and Pensions, December 2012

²⁶ Ibid.

²⁷ Offline and Left Behind – Citizens Advice Scotland, 2013 <http://www.cas.org.uk/publications/offline-and-left-behind>

²⁸ Bridging the Digital Divide – Citizens Advice Scotland, May 2016
<http://www.cas.org.uk/publications/bridging-digital-divide>

survey included questions around whether clients could use a computer; their ability to make an application for a benefit online; and their ability to apply for a job online.

Comparison with the research carried out in 2013 shows that although there is an improvement in respondents' ability to use a computer and the internet, one in five (19%) cannot use a computer at all, with a similar proportion (21%) never using the internet. This number rises when people's ability to make benefit claims or apply for jobs online is considered - 59% could not make a claim for benefits online without help compared with 66% in 2013, and 54% could not apply for a job online without help, compared with 62% in 2013. These findings are illustrated in figures 2 – 5 below.

Figure 2 – Can you use a computer? (2015 n=599)

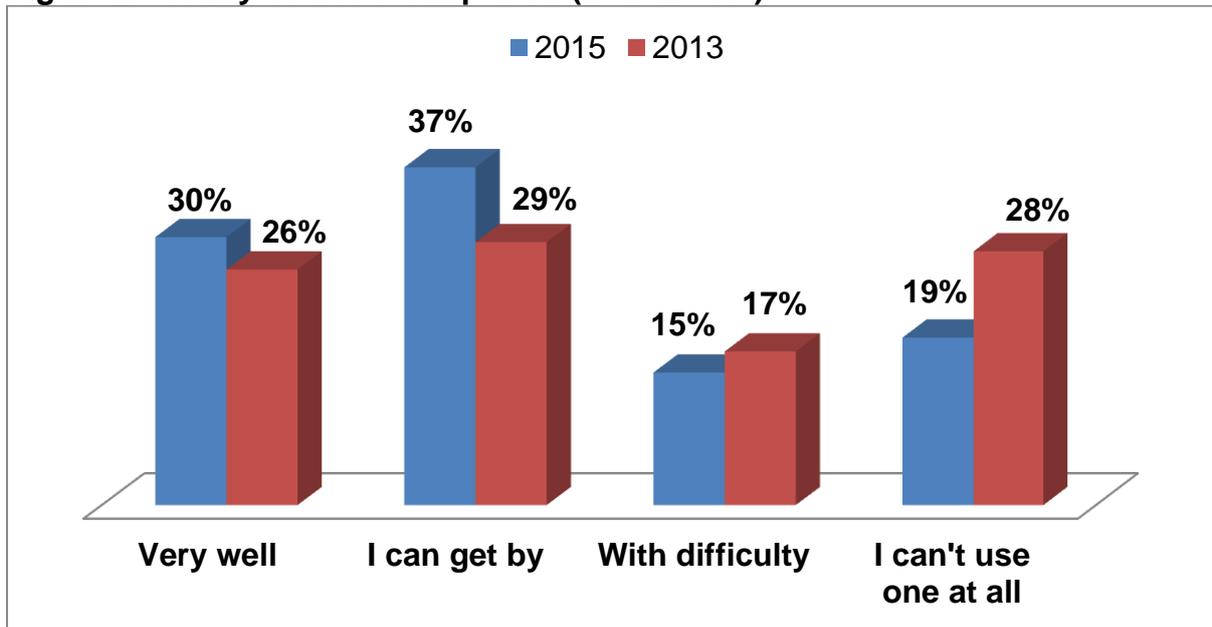


Figure 3 – Do you use the internet? (2015 n=599)

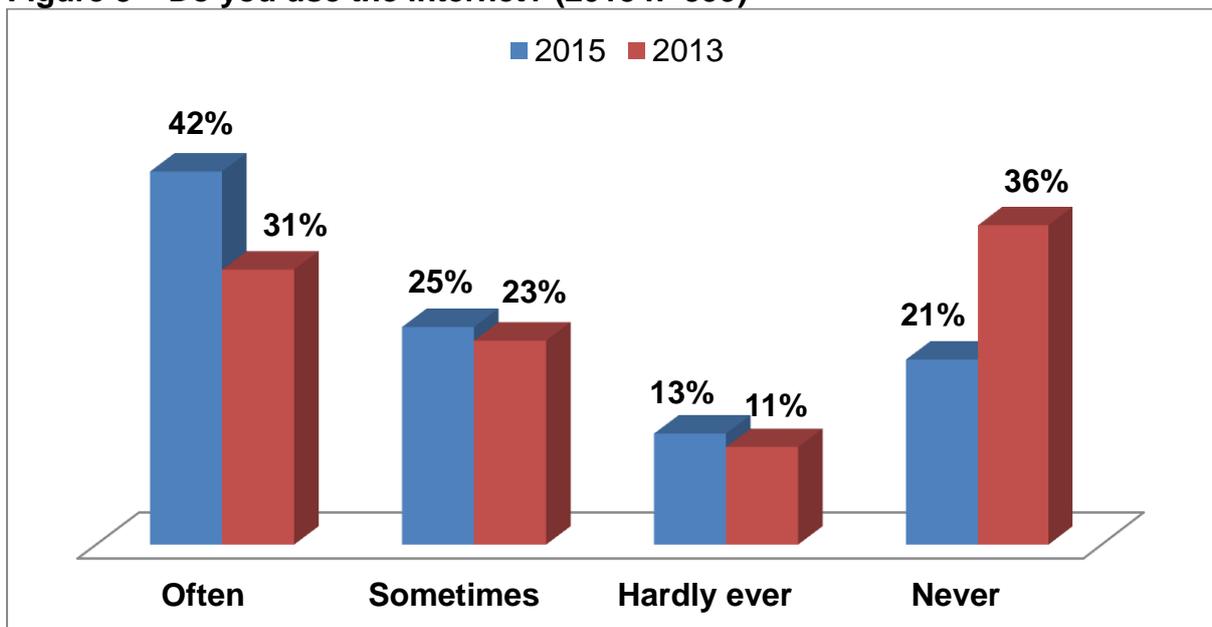


Figure 4 – Could you make an application for benefit online? (2015 n=596)

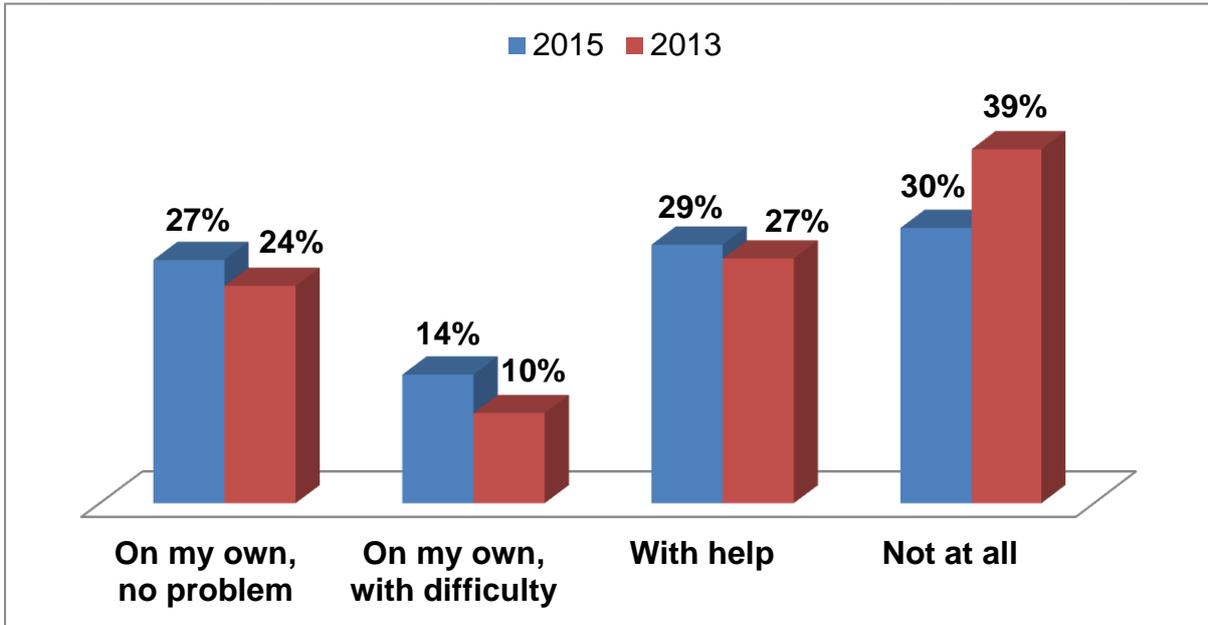
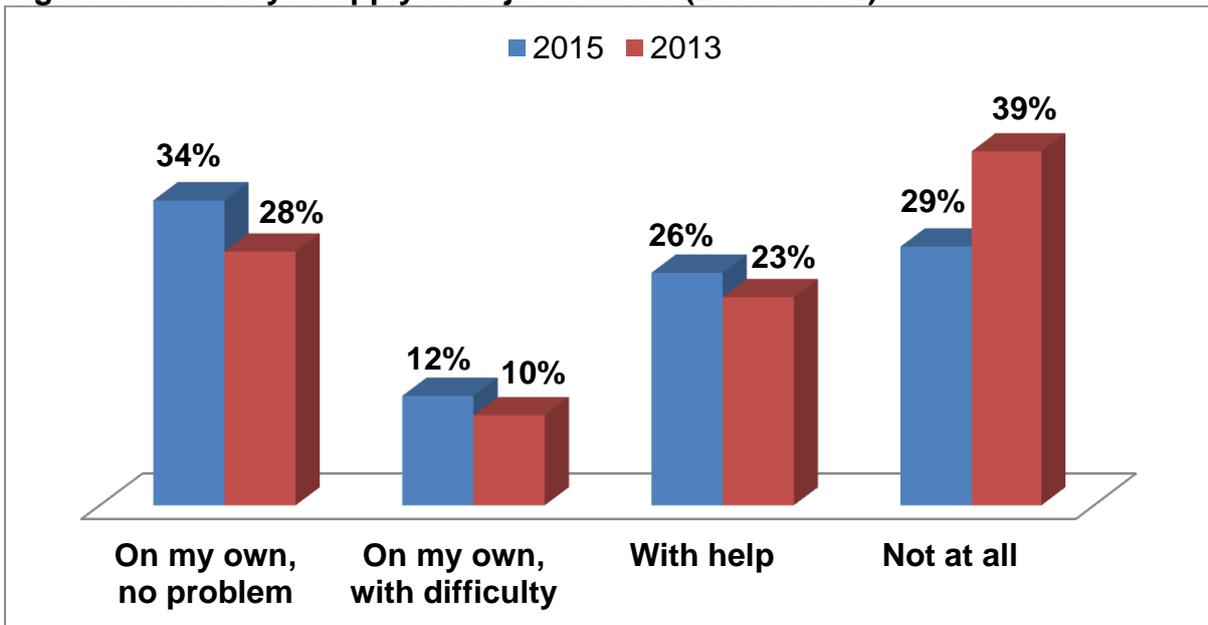


Figure 5 – Could you apply for a job online? (2015 n=592)



This lack of digital capability, coupled with the removal of phones for customers to use is likely to lead to benefit claimants feeling doubly excluded. Currently many of the people who are unable to use a computer or the internet are excluded from claiming Universal Credit, but emerging CAB evidence indicates that this is already causing problems for clients.

A West of Scotland CAB reports of a client who was told to claim Jobseeker's Allowance online. He had no access to a computer so requested CAB assistance. The CAB adviser attempted to apply online, and was referred to the Universal Credit application instead. However, once the adviser entered the client's details, a message appeared that the client was ineligible and that a telephone application should be made. The telephone call took 49 minutes to complete and then only with great difficulty. The adviser doubted if the client could have completed the process on his own, or that he would have had funds to pay for call charges.

A West of Scotland CAB reports of a client who had received ESA for a short spell, and tried to close his claim and sign on for Universal Credit when he felt fit to return to work. He has no PC or internet access and is dyslexic. He struggled to get taken off ESA and struggled to get a claim accepted for UC - eventually he came to CAB who assisted him. The CAB also assisted him to make a claim to the Scottish Welfare Fund - he got a £19 crisis grant most of which went into his electricity meter, and referred him for a food parcel. The client has been chasing up to get his Jobcentre appointment where he will apply for a Short Term Benefit Advance. When CAB called the UC Service Centre to find out his interview date the UC adviser said the client's interview was yesterday and they had sent two messages to his mobile and they had written to him. However, the client showed the adviser his phone and there were no calls or messages from the DWP or Jobcentre. The client will not receive a Universal Credit payment for at least another six weeks.

Additionally, having no phones available to use in the Jobcentre also leads to inappropriate referrals to other services – often charities – simply to use a phone to call the DWP. This creates a burden on citizens advice bureaux who do not have the resources to provide a 'warm phone' service for clients to use. CAB interview rooms and adviser time is spent waiting with a client while he or she makes a phone call to the DWP, having been turned away from the Jobcentre and told to 'go to your local CAB'.

A West of Scotland CAB reports of a client who could not telephone and find out about his JSA claim from the DWP office. He was advised to come and see the CAB to use the telephone. The CAB adviser commented that "this means that claimants are being directed to a charity to do this. We are very busy so this means that an adviser and a room are used up in order to make a phone call which could be done at the Jobcentre. It also means that we are paying for the phone call out of our funding. If clients were allowed to make these calls from the Jobcentre it would be an internal phone call from the Jobcentre office to another department which would presumably not cost them anything."

With figures from Ofcom indicating that 22% of households in Scotland do not have internet access²⁹, allied to the one in five benefit claimants who are unable to use either a computer or the internet, it is clear that there is still much progress that needs to be made to reach a situation where Universal Credit is able to be universally online. With 59% of potential UC claimants unable to make a claim online without help, it appears that alternative methods are required for far more than 'exceptional circumstances'.

Additionally, considering the complexity of many of the enquiries we see throughout this report, which could not be realistically solved through an online portal, arrangements should be put in place to cater for the needs of the substantial number of people who need support from Universal Credit, but are unable to apply and manage their claim online.

CAS recommends that, as a matter of urgency, the DWP make arrangements to ensure that adequate face-to-face or telephony support is provided to Universal Credit claimants, including providing training to advisers to ensure that they understand the Universal Credit system.

CAS recommends that people should be given the option of applying for Universal Credit by phone other than in 'exceptional circumstances'.

CAS recommends that Digital Jobcentres should provide phones for claimants to use to contact the Universal Credit Helpline if they do not have access to a phone at home.

CAS recommends that the Universal Credit Helpline should be an 0800 Freephone number.

CAS recommends that Jobcentres must ensure that the support provided to those who lack computer skills is appropriate and that alternatives are

²⁹ Ofcom, *Communications Market Report: Scotland*
http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr15/2015_Scotland_CMV.pdf

provided for those who may never be able to use digital services due to illiteracy, disabilities or other complex needs.

Advance Payments

As outlined earlier in this report, there is emerging evidence that the long six-week wait for a first Universal Credit payment is causing CAB clients considerable difficulties and hardship. People waiting for a first payment can ask the DWP for an advance payment, known as a 'short term advance'.

The advance payment functions like a loan, which must be repaid, typically through deductions from the first three monthly Universal Credit payments, though this can be extended depending on a claimant's circumstances. To receive a payment, an applicant must provide details of how much they need, a breakdown of what the payment will be used for, and how it will prevent damage to the claimant or their family's health and safety.

Early evidence suggests that whilst some CAB clients have been granted an advance payment, there are some issues with the process for repayment, or the fact that multiple advances cannot be granted. There also appear to be issues for some vulnerable clients particularly those who have mental health issues.

An East of Scotland CAB reports of a client who is unemployed and has made a claim for Universal Credit around two months ago. Before receiving his first payment, the client applied for an advance which he believed would be paid back from his first payment. The client believed that he has paid off his advance and would like to apply for another one as he has spent all his money paying gas and electricity bills and repaying debts to his friends and family. The client received an advance payment without clear explanation of how it would be recovered. He is struggling to budget due to monthly payments.

A West of Scotland CAB reports of a client who had no money, food, electricity or gas and could not get a crisis grant as he has already had three this year. The client had applied for Universal Credit over a month ago and received an advance on it just before he found a job. He only had the job for two weeks and went back to re-activate his UC, but cannot get another advance and his first UC payment is not until next week. The client is on an anti- psychotic drug for schizophrenia and he has doubled his dose as he feels he cannot deal with his situation any longer. The client advised that his appointment to see a psychiatrist was cancelled and could not get another for ten days. The Universal Credit payment set up has left this client without income for a prolonged period. The client has severe mental health issues, but no additional provision appears to be in place.

There also appear to be problems with arranging for the loan to be repaid over a longer period than three months if it becomes clear that the level of the deductions is causing problems for claimants.

A South of Scotland CAB reports of a client who is struggling to cope with a £49 monthly deduction from his Universal Credit payments which is repaying his advance payment. After rent and other outgoings, the client has just £198 per month to live on. He is also waiting to hear how much Council Tax he has to pay and his rent is increasing in April, so he will find it even harder to manage. The client wanted the CAB's help to have the deduction lowered to £30 per month, but on phoning the Universal Credit Service Centre, they were informed that they could not help as there was "no procedure for reducing the amount" and that the client would have signed a legal disclaimer on award, that applies even if the client's circumstances have changed. Due to this inflexibility, the client had to be referred for food parcels.

Given the issues caused by the lengthy waiting period for a first Universal Credit payment, it is important that a robust system is in place to ensure that people do not face extreme hardship as a result of having no income at all for an extended period and requiring crisis support from a food bank. The advance payment system currently in place would need a number of improvements to meet this purpose.

If the current system is to remain in place it needs to be made clear to applicants that an advance payment is available, that it is repayable, and what the arrangements for doing so are. There needs to be a process to allow the repayment period to be extended if the claimant is struggling with the original payment schedule. Attention

also needs to be paid to the needs of vulnerable claimants who may struggle with the process.

As outlined earlier, it is Citizens Advice Scotland's view that a non-repayable 'assessment payment' should be made to all Universal Credit claimants awaiting a first payment. However, if this is not possible, then changes should be made to the advance payment system, to ensure people do not face a lengthy period without income whilst waiting for UC, nor struggling for months afterwards because of substantial deductions to repay the advance payment loan.

CAS recommends that if the current advance payment system is to remain in place, then it should be made clear to all Universal Credit claimants that an advance payment is possible, with any repayment arrangements made clear.

CAS recommends that advance payments should not require to be repaid.

CAS recommends that the DWP review its processes for dealing with vulnerable claimants to ensure that they are adequately supported by the existing process.

Overpayments

Under the existing legacy benefits system, overpayments made to a claimant due to official error are not recoverable. According to official figures, in Great Britain overpayments totalling £700 million were made to people because of official errors by the DWP³⁰.

Under the Universal Credit system however, overpayments due to a DWP official error are recoverable. Citizens advice bureaux in Scotland have seen this process begin to emerge in case evidence.

³⁰ Fraud and Error in the Benefit System: 2014/15 biannual National Statistics, Great Britain – Department for Work and Pensions, November 2015
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/473968/fraud-and-error-stats-release-fy-2014-15.pdf

An East of Scotland CAB reports of a client who worked intermittently and claims Universal Credit. The client is very diligent in telling the Jobcentre when she is in and out of work. However she has now had letters saying there has been an overpayment of £1,700 which could rise to £3,500. The client phoned the Jobcentre who admitted it was the result of a mistake on their part (possibly due to a mix-up or delay in HMRC telling Universal Credit that she was working). The client was very stressed and anxious about the situation. Whilst the Department for Work and Pensions admitted it was at fault in this situation, the overpayment is still recoverable under Universal Credit, unlike other benefits where an overpayment arising from a departmental error is not recoverable, although it is possible for discretion to be applied.

Pursing claimants for money overpaid to them because of no fault of their own is unfair. Instead the DWP should seek to reduce the number, level and type of overpayments so that these errors do not occur in the first place. It would be concerning if this policy was to lead to an increase in the number of official errors, with clients pushed into financial difficulty as a result.

CAS recommends that Universal Credit overpayments due to official error should not require to be repaid.

ADMINISTRATIVE AND TRANSITION CHALLENGES

Other problems that CAB clients have encountered as Universal Credit is rolled out are caused by administrative issues, or difficulties related to running two systems in parallel – the legacy benefits system and the Universal Credit live service for clients who meet the gateway conditions.

Whilst it is perhaps inevitable that in a system so large and complex as the DWP social security system that administrative errors will occur, there appear to be a number of administrative problems that occur more commonly than others. And, with Universal Credit not expected to be fully rolled out until 2021, it is crucial that the two parallel systems operate smoothly, with an efficient transition between them.

As part of our survey of 17 CAB advisers and managers, we asked from their experience so far what the biggest problem with how Universal Credit was being rolled out or delivered was. A variety of different answers were given though issues with the application process, and a lack of knowledge or miscommunication from some DWP staff were both mentioned by multiple respondents. Other problems raised included issues with award letters, clients not being told about advance payments, the length of time for the first payment to go through, rent arrears, digital access, issues with reporting changes of circumstances and problems for clients with mental health issues.

Early CAB client evidence suggests a number of issues related to administration, or issues stemming from having Universal Credit and the legacy benefits system operating in parallel.

Confusion between eligibility for Universal Credit or legacy benefits

A common theme in emerging evidence is CAB clients experiencing problems in being able to apply for the appropriate benefit for them through the DWP's systems. As we have previously outlined, under the live system operating in virtually all areas of Scotland, only people who meet a long list of gateway conditions (see Appendix B) are currently entitled to claim Universal Credit. If they are excluded by these conditions, they should make an application for one of the legacy benefits – most commonly JSA (for those unemployed and seeking work) or ESA (for those not able to work due to illness or disability).

Emerging CAB evidence is showing clients facing a process of 'ping pong' between the online application systems for different benefits. Concerningly, this has also occurred when speaking to DWP advisers on the phone.

JSA

A West of Scotland CAB reports of a client who is pregnant and claims income-based JSA, Housing Benefit (HB) and Council Tax Reduction. She has recently started working 16 hours at the National Minimum Wage, and when she advised the Housing Benefit office of this they advised her to claim Universal Credit rather than HB. The client initiated the claim by phone, and was told to call back with her P45 details. The client informed the UC adviser that she was pregnant, which did not tie in with the CAB's information. When the CAB adviser called the UC adviser, they confirmed the client needs to claim UC, but the client was subsequently told by another DWP adviser that she was ineligible due to her pregnancy. This confusion has caused a high phone bill for the client, and took up a great deal of the CAB's time.

A North of Scotland CAB reports of a client who tried to claim Universal Credit but was unable to do so due to ticking the box that said she required help from CAB to make the claim. She was told to then claim JSA by the Job Centre. The CAB tried to help her claim JSA online but it automatically wouldn't allow this due to being in a UC area so the adviser had to make the claim over the phone which meant waiting on hold for 20 minutes.

The CAB adviser commented that *"this is a huge problem, I have come across it before and I dread to think how many people are having this problem across the country. It is unfair that the client cannot claim the benefit to which she is entitled (UC) which would actually pay her more than JSA, simply because she cannot use a computer. The system which has been set up by DWP isn't fit for purpose if it doesn't correctly determine eligibility and simply refers back to the UC system."*

ESA

There also appears to be difficulties for clients who are unfit for work but are directed to claim Universal Credit, which the gateway conditions should prevent. This has caused delays in clients' claims and has led them to experience considerable hardship.

A North of Scotland CAB reports of a client who was sacked by his employer. He has a fit note from his GP stating he is unfit to work due to depression, has another appointment this week and is awaiting psychiatric evaluation. The client needed help to apply for ESA. He has rent arrears of £1,212 and has received a notice of decree in the Sheriff Court. The client is very worried about losing his home. He also has arrears for his gas which is being collected through his meter. He is currently not using gas to cook or heat his home. On two occasions the CAB adviser had a conflict with DWP about whether the claim should be for Universal Credit or ESA. They were eventually told that if a client comes up on the DWP system to claim UC and it should be ESA, the ESA claim can be done by using a reference number instead of the National Insurance number. However, one operator tried to insist a claim should be for Universal Credit when a claimant is homeless. There seemed to be a lot of confusion about which benefit is appropriate.

A North of Scotland CAB reports of a client who was unable to work due to sickness. The client was unable to appeal a decision not to award ESA, but the CAB was given conflicting information over whether the client should claim JSA or Universal Credit, which has left the client without income for six weeks. Eventually, the local Jobcentre helped the client to make a claim for JSA, but two weeks later the client had heard nothing further about his claim.

An East of Scotland CAB reports of a client who has some mental health issues - he has been "bottling things up for years", since his mother died, and is now finding it difficult to cope. The client had been claiming Universal Credit but his claim was terminated as he had not provided information or responded to requests from DWP. He has no income coming in at present and is quite distressed about his situation. He also has rent and Council Tax arrears of over £5,000, as well as other debts. The stoppage of his Universal Credit has meant that he no longer receives Council Tax Reduction or any payment towards his housing costs. The CAB adviser's initial telephone call to the Universal Credit helpline on behalf of a very vulnerable client with mental health issues whose UC had been stopped resulted in erroneous and conflicting advice. The adviser was told Universal Credit could not be restarted and the client should apply for ESA, but the ESA helpline indicated that the client would have to reclaim Universal Credit. Ultimately it took several phone calls and the involvement of a different adviser at the UC helpline to establish that the client would need to make a fresh application for Universal Credit.

Incorrectly put on Universal Credit

On occasion, this uncertainty has led CAB clients who should not be eligible for Universal Credit to be placed on the benefit. This has caused problems for people who struggle to cope with the payment frequency or the conditions of Universal Credit without appropriate support in place. Once a first UC payment has been received, a claimant is in the so-called 'lobster pot' and it is not possible to transfer their claim from Universal Credit to a different benefit.

A North of Scotland CAB reports of a client who had recently moved to the area after splitting up with her partner who had been physically and sexually violent to her. She has been living with friends and has been allocated a council house that day. The client has secured a job at a supermarket working 16 hours per week, but has not started yet. She has no money or furniture for her house. The client applied for Universal Credit more than a month ago but will not receive a payment for another two weeks. She should not have been accepted for UC due to not having a permanent address at the time she applied, and is in hardship due to the delay in payment.

A West of Scotland CAB reports of a client who has mental health issues and has been receiving Employment and Support Allowance (ESA) for several years. Recently he had been advised by the DWP to attend a medical assessment but the client had a funeral arranged on that day. He advised them of this prior to the date and suggested they arrange another date for the medical assessment - this didn't happen and they contacted him to advise that he has been disallowed ESA from this date. The client challenged this decision but it was not changed.

The client went to his local Jobcentre where he was advised to claim Universal Credit, despite having an ongoing medical condition which should have made him ineligible. He also got a Universal Credit advance payment. The client is struggling financially now and is looking for some advice. The CAB called the ESA department who advised that there are very few notes about this case and agreed the client has been wrongly advised to claim UC.

The CAB then called the UC helpline and discussed the fact the client was advised to make this claim incorrectly but the DWP adviser said that there was no reason he couldn't claim. The CAB adviser told them that in the area UC claims are for new claimants only without children and illness. The UC adviser kept asking how the CAB could be sure the client advised the Jobcentre that he had an illness, despite the client having told them this was the case. The UC Adviser then needed to ask someone from the benefit centre to call the client back as he was only a telephony adviser. The CAB adviser felt that "this lengthy feedback raises concerns about the lack of adequate training of staff both at Jobcentre Plus and the DWP helplines".

These cases illustrate the problems that exist with systems operating in parallel. However, given that under current plans it will not be until 2017 that the vast majority of new claimants in Scotland will be eligible to claim Universal Credit, nor until 2021 until all claimants will be in receipt of UC rather than JSA, ESA or the other legacy benefits, systems should be put in place to manage the parallel systems and direct applicants to the correct benefit for their circumstances.

Encountering 'ping pong' between the Universal Credit application website, which stops a claim because of not meeting one of the gateway conditions, and the JSA website which stops the applicant because they live in a Universal Credit live area is

very frustrating for CAB clients and advisers. Not only does it waste time, but it can lead to further delays in essential payments.

Whilst Universal Credit is still at a relatively early stage, it is concerning that this 'ping pong' process also appears to be happening when speaking to DWP advisers. With the gateway conditions excluding a large number of applicants from UC, uncertainty over which benefit a person should claim will be a feature of the system in Scotland for several years. Further training in the gateway conditions would help applicants to be directed to the benefit they are eligible for without conflicting information being given, or needing multiple phone calls to different departments.

Efforts should also be made to prevent vulnerable claimants who should be ineligible from slipping through the net and into Universal Credit's lobster pot. As the current UC live system is not set up for people who do not meet the gateway conditions then this has the potential to cause hardship and people not getting the support they need.

CAS recommends that the JSA and Universal Credit online applications should be better synchronised to prevent claimants being unable to use either due to their circumstances.

CAS recommends that full training in the current eligibility criteria for Universal Credit, JSA and ESA is provided to DWP telephony advisers and Jobcentre staff. This should include information about the different status of Universal Credit in different areas of the country, given that some are on the 'live service' and some the 'digital service' with different eligibility conditions.

CAS recommends that the gateway conditions for Universal Credit should be better publicised.

CAS recommends that the DWP consider what more could be done to prevent vulnerable claimants who should be ineligible from inadvertently claiming Universal Credit. This could include allowing them to transfer their claim from UC to ESA.

Administrative issues causing further delay to first Universal Credit payment

Early CAB evidence indicate that in some cases, the lengthy six-week wait for a first Universal Credit payment may be extended by delays to processing all information required for a claim to be accepted. In other cases, the first payment does not include an element of the claim.

A North of Scotland CAB reports of a client who started an application for Universal Credit on 27th April. His first award was to be made on 2nd June, although he was given a £350 advance. Each time he has phoned to ask why he has not been paid they ask him for another document. They have promised money 'by the end of tomorrow'. Nothing has come through. The client is extremely stressed, has no money, and had to have a food voucher which he sees as a great disgrace. Also, although he listed his children on the application form, he has received no 'child element' on the award. Now after a phone call from the CAB they will register a 'change of circumstances', but not make any payment for money due since 2nd June until 2nd July.

A South of Scotland CAB reports of a client who has had no income for almost a month since she became unemployed, and because her claim for Universal Credit has not been fully processed yet there will be no payment for another four weeks. She has no money left for food for the weekend and asked for a food parcel.

A South of Scotland CAB reports of a client who first claimed UC in April, but then got eight weeks' work so no payment was made. When the job ended on 28th June, the client had to apply for UC again, but his original claim was still open. Because he was beyond the time limit following the initial claim, he could not ask for a Short Term Benefit Advance, and was told he must wait for his next payment, which was more than four weeks away. Several weeks later he had yet to hear about his re-application, aside from a letter from the Council asking about a Housing Benefit and Council Tax Reduction application. The client was not due to receive a UC payment until at least 3rd August, and needed a food parcel.

A particular issue seems to relate to the processing of information required for the housing element of a claim. Several CAB clients have sought advice because their first Universal Credit payment did not include any payment for their housing element. This can cause further rent arrears for claimants.

An East of Scotland CAB reports of a client who has been claiming Universal Credit for two months. He has not had the housing element included in his payment and has subsequently incurred rent arrears of £780. The Council are threatening possession procedures, but he has been in contact with them on a regular basis and they are aware that there has been a problem with his Universal Credit payments. The client had spoken to the DWP who told him they were going to look into the situation.

A West of Scotland CAB reports of a client who was in receipt of Universal Credit, but was refused a Social Fund funeral payment as the DWP's records showed she was not in receipt of a qualifying benefit. The Universal Credit helpline confirmed that the client was in receipt of the standard allowance and carers element. The verification of the client's housing costs was on the system, but had not been actioned or processed, and as a result the client had not received the housing element she was entitled to.

With the long in-built delay before a person receives a first Universal Credit payment and the importance of the housing element in providing support to pay rent, it is critical that claims are processed swiftly and efficiently, including all information required for each element of the claim.

CAS recommends that the DWP takes all steps to ensure that the processing of Universal Credit claims is not delayed. In particular, it should ensure that additional information required from claimants, particularly in relation to housing costs, is appropriate and is processed in a timely manner.

Universal Credit Helpline Problems

As outlined earlier in the report, the DWP's intention is for Universal Credit applications to be made and claims managed online. However, a number of issues are impossible to address online, and require a phone conversation to discuss specific problems, even if a claimant is a confident computer user, which as we have seen is far from the case for a significant minority of claimants.

Unlike other DWP benefits new claims lines which are 0800 Freephone numbers, the Universal Credit helpline is a 0345 number which costs a minimum of 9p per minute

from a landline and 8p – 45p per minute from a mobile³¹. CAB advisers have reported that this is proving an unreasonable amount for a benefit claimant to be able to afford.

Coupled with a removal of 'warm phones' from Jobcentres, which were previously available to claimants to make calls to DWP departments, this has resulted in an increase in clients who are directed to the CAB simply to phone the DWP, putting a strain on services³². In the case of Universal Credit, this has also resulted in notably increased phone bills for citizens advice bureaux in Scotland. There have been reports of lengthy times spent on hold to the Universal Credit Helpline for both CAB clients and advisers, indicating that there may not yet be sufficient capacity to meet demand.

Whilst an offer to call a claimant back within three hours is offered by DWP, emerging evidence indicates that this often does not happen, forcing clients to visit CAB to call the Universal Credit helpline to address problems which could not be resolved online. There also appears to be reluctance by helpline staff to discuss details of a client's case with a CAB adviser, despite the client having given a signed mandate.

A North of Scotland CAB reports of a client whose Universal Credit payment was due into his account that day, but it had not arrived. The client had called the UC helpline that morning, and was promised a three hour callback, which had not occurred. The CAB adviser tried to call the helpline, but was on hold for over ten minutes before speaking to a Universal Credit adviser.

³¹ 'The new DWP benefits helpline is going to cost claimants up to 45p a minute' – The Independent, 18 February 2016 <http://www.independent.co.uk/news/uk/politics/claim-benefits-helpline-number-dwp-universal-credit-45p-a-minute-premium-rate-iain-duncan-smith-a6881441.html>

³² Citizens Advice Scotland evidence to Work and Pensions Committee 'The Future of Jobcentre Plus' inquiry - April 2016 <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/work-and-pensions-committee/the-future-of-jobcentre-plus/written/32301.html>

A West of Scotland CAB reports of a client whose regular Universal Credit payment had not arrived. The Universal Credit helpline had promised a three-hour callback, but the call was not received. The client was 'at their wits' end' and didn't know what to do. When the adviser contacted the Universal Credit helpline, they refused to discuss the matter with the CAB and would only speak to the client even when advised that there was a mandate in place to allow the adviser to do so. Fortunately, the client was able to converse with them on this occasion and the matter resolved but not all CAB clients are articulate enough to get through similar phone calls.

As set out earlier in this report, whilst the Government's aspiration to move towards an exclusively digital service for applying for and managing Universal Credit claims is laudable, it is still a long way off from being a practical reality. Similarly, there will always be issues that are unable to be resolved online, such as payments not being received or information not being processed. Additionally, in scenarios such as those outlined elsewhere in this report, such as people being prevented from applying for either Universal Credit or JSA, there will be a need to communicate with a DWP adviser by phone.

CAS recommends that the Universal Credit Helpline should be an 0800 Freephone number.

CAS recommends that the DWP increase resources for the Universal Credit Helpline and Service Centre to cope with enquiries, changes of circumstances and new claims when people are unable to apply online.

CAS recommends that Digital Jobcentres provide phones for claimants to use to contact other DWP departments if they do not have access to a phone at home.

Problems with Real Time Information from employers

Universal Credit is designed to be an integrated in-work and out-of-work benefit, with people receiving UC continuing to receive payments in work, adjusted to reflect their earnings. The assessments of payments are made using monthly information from the HMRC Real Time Information (RTI) system, which was introduced in 2013.

However, cases from Scottish citizens advice bureaux suggest that there are some problems with the interaction between the RTI and Universal Credit systems depending on when people receive wages and other payments from their employers. In cases where employers inaccurately record information about payments it can result in clients losing out significantly.

An East of Scotland CAB reports of a client who had been overpaid on leaving her last job, as a later leaving date had been recorded by the wages department. She has repaid some of the overpayment but still owes £400 which she used to pay her rent and council tax. On top of this, as her income is recorded as being higher than it actually is, she has received only one payment of £112 for Universal Credit and until she repays the £400 wage she will not receive the Universal Credit due to her for this period. She does expect to receive her full monthly payment of Universal Credit this month but in the meantime does not have money for her rent or council tax.

A North of Scotland CAB reports of a client who had been working for three months at the Apprentice Rate of the National Minimum Wage. The client's employer only informed HMRC in the third month of the client's apprenticeship, which meant that all the wages he had received up to that point were counted in one assessment period. This resulted in the client not receiving any housing element during that period which put him into rent arrears.

A North of Scotland CAB reports of a client whose Universal Credit payment had been being capped. She had been made redundant from her previous employer after more than eight years of continuous employment. Her final pay included an overdue bonus payment of £500 which should have been paid earlier in the year. This has resulted in a tariff income cap being placed on her Universal Credit for this month. She is now in a position where she has had to pay her rent from this amount resulting in her being short of income.

Additionally, at least at this stage of Universal Credit's development, there appears to be difficulties in rectifying any errors.

A West of Scotland CAB reports of a client whose former employer had incorrectly recorded that she had been paid after she had in fact left the company. This meant that she had not received any Universal Credit payment and had no income. Despite several visits to the CAB, where she was initially advised by the Universal Credit Helpline to provide bank statements and a letter from her employer at an 'evidence appointment' at the Jobcentre, when she arrived they had no record of her appointment or what to do at an evidence appointment. Eventually the Jobcentre saw her, but took the information to be posted, rather than scanning it, contradicting what she was told on the phone. A week later, the client still had not received a Universal Credit payment, and required a referral to a food bank.

It is not acceptable that Universal Credit claimants lose out on payments and are left without any income due to no fault of their own and steps should be taken to make sure that any errors are able to be corrected quickly and with the minimum of difficulty. Given how intrinsic to the design of Universal Credit the Real Time Information system is, it is also vital that more is done to make sure that employers record information in the system accurately every time, to make sure that people do not incorrectly lose out on Universal Credit.

Citizens Advice Scotland has previously raised concerns about employers who have not passed on their employees' Income Tax contributions to HMRC, pay staff 'cash-in-hand' or falsely claim that employees are 'self-employed' or 'independent contractors'.³³ Coupled with employer errors in recording information onto the system, this presents a challenge that must be overcome if Universal Credit is to operate as intended.

CAS recommends that processes to correct employer Real Time Information reporting errors should be simplified to ensure that Universal Credit claimants do not lose out through no fault of their own.

CAS recommends that HMRC and DWP work to raise awareness amongst employers of the importance of accurate RTI reporting to ensure that their employees are not disadvantaged through inaccurate UC payments.

CAS recommends that HMRC should pursue employers who repeatedly submit inaccurate RTI returns that cause problems for their employees' benefit entitlements. Resources should be increased to ensure employers who wilfully submit inaccurate information in order to avoid paying employees' Income Tax contributions are prosecuted.

³³ Fair Enough? Protecting Scotland's Workers from Unfair Treatment p. 19-21 – Citizens Advice Scotland, February 2015

<http://www.cas.org.uk/system/files/publications/Fair%20Enough%20Protecting%20Scotland%27s%20workers%20from%20unfair%20treatment%20Feb%202015.pdf>

Universal Credit and Zero Hours Contracts

As an integrated in-and-out of work benefit, taking information from the RTI system, Universal Credit is *“designed to be responsive to fluctuations in earnings. In weeks where a claimant has lower or no income from their zero hours contract job, Universal Credit payments will automatically increase at the next payment date.”*³⁴

Workers on zero hours contracts can find their hours, and consequently their income, fluctuating from week to week, sometimes dramatically so. Under the legacy benefits system, people working for less than 16 hours per week would be entitled to claim Jobseekers Allowance, with those working more than 16 hours having to apply for Working Tax Credit. This has caused problems for CAB clients on zero hours contracts whose hours fluctuate above and below 16 hours in different weeks, which in practice has meant that low paid clients have been unable to access support from either benefit and have been left in hardship as a result.³⁵

In theory at least, Universal Credit addresses this issue. However, some early cases have shown that the UC Live Service has had some difficulties coping with fluctuating incomes on zero hours contracts.

A South of Scotland CAB reports of a client who works on a zero hours contract and claims Universal Credit. Her largest wage amounts to £236, but recently she has only been getting one day of work per week. The client had moved in with her partner to a housing association flat. She is currently on a joint claim of Universal Credit with her partner. She has been informing DWP of all changes in relation to her work and income, but they were slow to process these. The client said as of today she had £3 in the bank and she is not due her next payment for at least three more weeks. She has applied for a hardship payment and should hear back in the next two days, but wanted to know whether there was anything she could do in the meantime. The client was referred for a food parcel.

³⁴ Universal Credit and employers: frequently asked questions – Department for Work and Pensions, April 2016 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/515288/uc-and-employers-faq.pdf

³⁵ Working at the Edge: Zero Hours Contracts – Citizens Advice Scotland, July 2014 http://www.cas.org.uk/system/files/publications/WAE%20Zero%20hours%20contracts%20July%202014_FINAL.pdf

A West of Scotland CAB reports of a client who receives the Universal Credit Standard Allowance and housing costs. The client is on a zero hours contract but has consistently worked 26 hours per week since starting work. They had previously received UC payments each month but came to the bureau because they had been informed that for the next due payment they would receive no payment and only 1p would be paid to the landlord as a Managed Payment. The client could not understand why it had changed. It emerged that the client is paid weekly and unfortunately due to their pay dates they received five weekly wages during the assessment period rather than four. The CAB advised the client that this will recur and the client is now going to budget and work out how many paydays fall within the assessment period. This will affect those who are paid four-weekly at some point in a yearly period as well.

It is crucial that the Digital Service is able to cope with constantly fluctuating payments that some claimants on a zero hours contract will experience. It is also concerning that being paid weekly appears to cause problems and potentially dramatic losses of income, given the high proportion of low paid workers who are paid more frequently than monthly, as we have seen earlier in this report.

Misuse of zero hours contracts by employers has also caused a large number of problems for CAB clients in the last few years. Citizens Advice Scotland has previously reported on many of these issues^{36 37}, leading to both the Scottish Parliament's Economy, Energy and Tourism Committee³⁸ and the Scottish Government, as part of their Business Pledge³⁹ adopting CAS' definition of misuse of zero hours contracts:

"It is unacceptable for a business to use zero hours contracts which cause hardship to individuals due to regularly changing patterns of work; deny individuals their basic employment rights; and/or deter workers from asserting their basic employment rights."

CAS is therefore concerned, as outlined earlier in this report, by the prospect of Universal Credit claimants being sanctioned for turning down jobs that offer zero hours contracts, or who leave zero hours jobs because of the inadequacy of hours

³⁶ Ibid.

³⁷ Fair Enough? Protecting Scotland's Workers from Unfair Treatment – Citizens Advice Scotland, February 2015

<http://www.cas.org.uk/system/files/publications/Fair%20Enough%20Protecting%20Scotland%27s%20workers%20from%20unfair%20treatment%20Feb%202015.pdf>

³⁸ 1st Report, 2016 (Session 4): Taking the High Road – Work, Wages and Wellbeing in the Scottish Labour Market – Scottish Parliament Economy, Energy and Tourism Committee, January 2016

<http://www.parliament.scot/parliamentarybusiness/CurrentCommittees/95420.aspx>

³⁹ Zero Hours Contracts – Scottish Business Pledge

<https://scottishbusinesspledge.scot/contracts/#ffs-tabbed-15>

being offered. Similarly, whilst Universal Credit theoretically addresses some of the social security-related issues with zero hours contracts, they do not address all the problems caused by their use.

DWP guidance and promotional material should discourage employers from misusing zero hours contracts rather than appearing to promote them. For instance the guide to Universal Credit for HR and payroll staff refers to UC helping to recruit staff by “creating flexible applicants...jobseekers will be more open to short-term work or irregular hours” and that their workforce will be able to “be flexible about their hours”.⁴⁰ It should be clear that employers are not being encouraged to adopt poor practices or exploit workers by misusing zero hours contracts.

CAS recommends that the DWP ensure that people paid weekly do not lose out in four or five-week months under Universal Credit, particularly around entitlements to housing payments.

CAS recommends that the DWP discourage employers from misusing zero hours contracts.

Changes of circumstances

In early evidence from CAB, it appeared that in some cases on the Universal Credit 'live service', processing a change of circumstances was not straightforward. This appeared to be a particular issue when Universal Credit claimants formed a couple and moved in together, though there were also reports of relatively straightforward changes, such as a change in bank account details being difficult to resolve.

An East of Scotland CAB reports of a client who claims Universal Credit. She moved to a different area to move in with her boyfriend, and notified Universal Credit of the change in her circumstances. However, after nearly four months the change had not been processed, and they are in rent arrears as their housing costs have not been added to the claim. Their landlord is threatening to issue them with a Notice to Quit. Despite the client having attended a Jobcentre appointment with the express purpose of adding her partner to the claim, followed by the CAB adviser making two separate phone calls to the Universal Credit Service Centre, and another to the Jobcentre, the issue has not been resolved.

⁴⁰ Universal Credit for HR and payroll staff – Department for Work and Pensions, April 2016
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/515209/uc-for-hr-and-payroll-staff.pdf

A North of Scotland CAB reports of a client who claimed Universal Credit. He had opened a new basic bank account. However, the client was unable to change bank details over the phone and was required to have an appointment at the nearest Jobcentre which was almost 20 miles away to make the change. The client is unable to travel there easily due to mobility issues and not being able to afford the travel costs.

The eventual transition to the full digital Universal Credit service should hopefully make changes in circumstances easier to deal with. However, until that happens the UK Government should ensure that resources are sufficient to ensure that UC claimants do not lose out as a result of any delays processing a change of circumstance, which in many cases will need to be performed manually.

Citizens advice bureaux have also advised clients on Universal Credit who are planning to move in with a partner, but face being significantly worse off than they would be under legacy benefits. This is discussed in more detail in the 'Future Challenges' section of this report.

CAS recommends the UK Government should ensure that sufficient administrative resources are made available to cope with changes of circumstances to ensure that any delays are kept to a minimum, prior to the introduction of the full digital service.

Passported Benefits and Eligibility for other Benefits

'Passported benefits' are typically benefits-in-kind administered by local authorities, the Scottish Government or the NHS, to people who qualify for one or more social security benefits. A number of passported benefits are aimed at people on low incomes, with the six legacy benefits amongst those that typically 'passport' people into being eligible for the various benefits.

Passported benefits include free school lunches, Legal Aid, NHS dental treatment, optical vouchers and travel costs, Education Maintenance Allowance, and free childcare entitlements⁴¹, the Healthy Start scheme⁴² and several other schemes administered by individual local authorities such as clothing grants, free leisure access and school musical tuition.⁴³

However, there appear to be some early issues with Universal Credit not being recognised as a qualifying benefit, despite other legacy benefits guaranteeing access. Several local authority-administered schemes do not appear to list Universal

⁴¹ Passported Benefits – Scottish Government
<http://www.gov.scot/Topics/People/fairerscotland/passportedbenefits>

⁴² Healthy Start <https://www.healthystart.nhs.uk/>

⁴³ Local authorities – passported benefits – Scottish Parliament Welfare Reform Committee
<http://www.parliament.scot/parliamentarybusiness/CurrentCommittees/57266.aspx>

Credit amongst their qualifying criteria, and in some cases there appears to be a lack of awareness of it during the administration process.

A North of Scotland CAB reports of several clients who had problems accessing the Healthy Start Scheme as the claim form does not have a tick box for Universal Credit. Their claims were refused and they were not told that they needed to phone the Healthy Start Issuing Unit to apply, using a different application process.

Additionally, other benefits such as Social Fund Funeral Payments include legacy benefits, as well as Universal Credit amongst their eligibility criteria. In at least one case, there seemed to be a lack of clarity over whether UC was a qualifying benefit, or that the client received it.

A West of Scotland CAB reports of a client who had received a letter refusing her application for a funeral payment to cover the £3,000 cost of her mother's funeral as 'she was not in receipt of an eligible benefit'. The client had phoned the DWP and was advised that 'UC was not a qualifying benefit for a funeral payment so there was no point in challenging the decision'. The CAB had difficulty getting the social fund to accept a mandatory reconsideration. The DWP supervisor disputed whether the client was on UC, and when the CAB confirmed that she was, they 'became extremely defensive and refuted that it was any system fault instead saying it was a new benefit.'

With Universal Credit now available throughout Scotland and progressively rolling out more widely, it is important that people who receive UC in identical circumstances to those on legacy benefits do not miss out on passported benefits they should be eligible for. Additionally, data held on which people receive Universal Credit could help make it easier to determine who is eligible for passported support, particularly when a benefit is only open to someone below a certain income level on Universal Credit, rather than to all recipients⁴⁴. Enabling appropriate data-sharing between government bodies at UK, Scottish and local level could help ensure people are receiving all the benefits they are entitled to.

CAS recommends that providers of passported benefits should ensure Universal Credit is included amongst eligibility criteria where equivalent legacy benefits are included as qualifying benefits.

⁴⁴ For example, remission of NHS optical charges is only available to Universal Credit recipients who receive the child, LCW or LCWRA elements or whose income is below prescribed thresholds. The National Health Service (Payments and Remission of Charges) (Miscellaneous Amendments) (Scotland) Regulations 2015 <http://www.legislation.gov.uk/ssi/2015/333/contents/made>

CAS recommends that providers ensure that Universal Credit is included as an option on application forms for passported benefits and is included in training for staff administering the benefit.

CAS recommends that the DWP, Scottish Government, and local authorities work together to explore whether data-sharing could make accessing passported benefits easier, particularly when only certain Universal Credit recipients (such as those with an income below a certain threshold) would be eligible.

FUTURE CHALLENGES

As Universal Credit is rolled out more widely it faces more challenges of a different nature. The full service will include people who are currently excluded by the gateway conditions, which includes people with physical and mental health conditions, complex circumstances, families, and people in vulnerable and precarious situations including people who are homeless and people who struggle with addiction amongst many others.

These groups are likely to require independent advice and support, and are the types of people who will visit a CAB for help. We would expect a sharp increase in the number of Universal Credit-related issues once the full service is launched. This largely explains why CAB managers and advisers who responded to our survey were concerned, as detailed earlier in this report.

However, there are also a number of specific areas where challenges will arise that must be addressed to ensure the success of Universal Credit. Many of these relate to policy changes since UC was announced, and others relate to particular groups and particular situations.

Devolution of Universal Credit administrative flexibilities

As part of the Scotland Act 2016, certain administrative powers over Universal Credit are being devolved to the Scottish Parliament and Government, in line with the conclusions of the Smith Commission:

- The Scottish Government will be given the administrative power to change the frequency of UC payments, vary the existing plans for single household payments, and pay landlords direct for housing costs in Scotland.
- The Scottish Parliament will have the power to vary the housing cost elements of UC, including varying the under-occupancy charge and local housing allowance rates, eligible rent, and deductions for non-dependents.

Citizens Advice Scotland welcomed this proposed devolution, which would enable the Scottish Government some flexibility to make changes in areas of concern for CAS and other organisations.

As we have set out in this report, CAS recommends that the Scottish Government uses its flexibility over Universal Credit payments to give claimants the choice of weekly, fortnightly or monthly payments. We also recommend that people who claim UC should be given the choice of whether they would like the housing element of their payment made directly to their landlord, or to receive it as part of their single payment.

As part of our research on use of the flexibilities⁴⁵, CAS also explored the preferences of survey respondents who also had a partner who claimed benefits on

⁴⁵ Designing a Social Security System for Scotland: Universal Credit flexibilities – Citizens Advice Scotland, December 2015

whether they would prefer a single household payment or individual payments made to each partner. Of the 124 respondents who had a partner, a narrow majority (50.8%) would prefer individual payments, paid to them and their partner separately. 49.2% of respondents would prefer a single payment, with most of those preferring the payment to be made to them.⁴⁶

CAS also recognises other concerns about the potential of the system to cause issues which may make it harder for claimants to leave an abusive partner⁴⁷, together with issues raised by a number of womens, equalities and human rights organisations.⁴⁸

Overall, whilst single household payments would not be the choice of around half of claimants with a partner, there is still support for them. However, given the preference of the slight majority of respondents for individual payments, CAS believes it should be made easier to facilitate this. We would support claimants being given the choice of a household or individual payment at the outset of their claim, with the option to switch to the other option at any point. This would also help address the equalities issues and some of the concerns around domestic and financial abuse, although there is more work to be done in this area to address scenarios where couples attend appointments at the Jobcentre together.

The underoccupancy charge – the so-called 'Bedroom Tax' – caused significant issues for clients when it was introduced in Housing Benefit in 2013, causing a substantial increase in CAB issues related to Housing Benefit, Discretionary Housing Payments and rent arrears in social housing.⁴⁹ Following the Scottish Government's welcome mitigation funding, these claimants can get Discretionary Housing Payments (DHP) to cover their full losses, which has been largely successful in mitigating the impact on vulnerable people.

However, as DHPs must be regularly re-applied for and are not designed to provide long-term support, a more robust solution would be to remove the underoccupancy charge for all Universal Credit claimants in Scotland. CAS recommends the Scottish Government does this when it acquires the power to do so.

In common with our recommendations relating to the frequency of Universal Credit payments, and who housing payments should be made to, we recommend the Scottish Government implement these when they acquire the ability to do so.

http://www.cas.org.uk/system/files/publications/designing_a_social_security_system_for_scotland_-_universal_credit_flexibilities.pdf

⁴⁶ Ibid.

⁴⁷ Housing Policy and Welfare Reform – Women's Aid

<http://www.womensaid.org.uk/page.asp?section=00010001001000320002§ionTitle=Housing+Welfare>

⁴⁸ Gender Matters in Social Security: Individual Payments of Universal Credit – Engender et al, March 2016 http://www.engender.org.uk/content/publications/1460712363_Gender-Matters-in-Social-Security---Individual-Payments-of-Universal-Credit.pdf

⁴⁹ Designing a Social Security System for Scotland: Universal Credit flexibilities – Citizens Advice Scotland, December 2015

http://www.cas.org.uk/system/files/publications/designing_a_social_security_system_for_scotland_-_universal_credit_flexibilities.pdf

However, as they do not specifically relate to Scottish issues we recommend the DWP also consider adopting them too.

Whilst creating a potential opportunity to address some of Universal Credit's design challenges, the creation of different rules in Scotland and the rest of the UK brings some challenges of its own. CAS encourages the Scottish Government and DWP to work closely together to ensure any disruption to claimants is minimised.

CAS recommends couples and families who claim UC are given the choice of whether they would prefer a single household payment, or individual payments to each partner. This choice should be given at the outset of the claim, with the option to change at any time thereafter.

CAS recommends that the Scottish Government removes the Bedroom Tax in Universal Credit when it has the power to do so.

CAS recommends that the Scottish Government and DWP work closely to ensure the smooth devolution of the administrative flexibilities with the needs of people who receive Universal Credit at their heart.

In-work progression and conditionality

Universal Credit brings with it the extension of conditionality to in-work claimants. For people earning less than the equivalent of 35 hours work at the appropriate rate of the National Living Wage/National Minimum Wage, they will be expected to look for opportunities to increase their earnings through employment, including looking for increased hours with their current employer, taking on a second part-time job, or looking for a better-paying job.

In-work support and progression may be most helpful for people who are underemployed. Citizens Advice Scotland have previously highlighted the consequences of underemployment for CAB clients⁵⁰. This includes part-time or temporary work where an individual would prefer full-time employment, insufficient working hours and the under-utilisation of skills such as university graduates working in non-graduate jobs.

This ambitious innovation within Universal Credit is largely untried in the UK or elsewhere in the world⁵¹ and will require a different programme of support from Jobcentre Plus. In-work progression support should be appropriate to an individual claimant's circumstances. Support should aim to help claimants find a job that is better suited to their skills, experience, ambitions and individual requirements. It should not merely consist of setting targets to apply for a particular number of jobs

⁵⁰ Underemployment: Written evidence to the Scottish Parliament Economy, Energy and Tourism – Citizens Advice Scotland, January 2013
<http://www.cas.org.uk/system/files/publications/Underemployment%20Evidence%20for%20Economy%20Committee%20FINAL.pdf>

⁵¹ In-work progression in Universal Credit: Tenth Report of Session 2015-16 – House of Commons Work and Pensions Committee, May 2016
<http://www.publications.parliament.uk/pa/cm201516/cmselect/cmworpen/549/549.pdf>

each week, without regard to suitability or quality. It must also be recognised that there will not necessarily be a sufficient number of suitable vacancies for this approach to work.

The application of conditionality brings with it the prospect that in-work Universal Credit claimants could face sanctions for not meeting mandatory requirements to increase their earnings. CAS also has significant concerns about the potential of large numbers of in-work Universal Credit claimants being sanctioned as a result of inappropriate mandatory requirements being set.⁵² In the year following the introduction of a tougher sanctions regime for JSA and ESA in 2012, the number of sanctions increased rapidly, with a 31% increase in JSA sanctions applied in Scotland, peaking at 5.9% of individuals receiving JSA being sanctioned in the August 2013.⁵³ Careful consideration must be given to which claimants – if any – are made subject to mandatory requirements to prevent in-work poverty being increased rather than lessened.

While CAS does not object in principle to sanctions, we believe that they should only be applied appropriately, with discretion and as a last resort, to deter people who are consistently and deliberately refusing to engage with jobseeking requirements. CAB evidence shows that sanctions are often being applied unfairly and without warning or explanation, leaving people with little or no money for long periods. This causes severe hardship for many claimants and can have an adverse impact on their health and wellbeing. Many clients also go without gas or electricity or turn to formal loans, including payday loans, to survive.⁵⁴

As the Work and Pensions Committee points out, “employed people self-evidently do not lack the motivation to work and we would therefore expect the use of financial sanctions for in-work claimants to be on a different scale to those imposed on out-of-work claimants.”⁵⁵ In addition to those groups currently exempt from the in-work progression pilot – self-employed people; people who live in households that don't need the support of benefits; people in households who are getting benefits but who already [have] a reasonable household income (i.e. a partner on a much higher income); those who are studying part time; and those who have caring responsibilities⁵⁶ - CAS recommends mandatory requirements should not be placed on:

⁵² Citizens Advice Scotland written evidence: Work and Pensions Committee inquiry on in-work progression in Universal Credit, January 2016
http://www.cas.org.uk/system/files/publications/citizens_advice_scotland_written_evidence_-_universal_credit_in-work_progression.pdf

⁵³ JSA Sanctions in Scotland – July 2015 – Scottish Government Communities Analytical Services
<http://www.gov.scot/Resource/0048/00481660.pdf>

⁵⁴ Sanctioned: what benefit? – Citizens Advice Scotland, July 2014
<http://www.cas.org.uk/publications/sanctioned-what-benefit>

⁵⁵ In-work progression in Universal Credit: Tenth Report of Session 2015-16 – House of Commons Work and Pensions Committee, May 2016
<http://www.publications.parliament.uk/pa/cm201516/cmselect/cmworpen/549/549.pdf>

⁵⁶ In-Work Progression Randomised Control Trial – Lines to Take – Department for Work and Pensions, April 2015
<https://www.whatdotheyknow.com/request/267804/response/657175/attach/4/IWP%20RCT%20Lines%20to%20Take.pdf>

- **People who require childcare to be able to work.** CAB evidence has shown that clients have been unable to increase hours or take up offers of work because there are no suitable or affordable childcare facilities in their local area. This appears to be a particular problem in rural areas in Scotland.⁵⁷ This is likely to result in working parents in Scotland having difficulty meeting mandatory requirements and risking sanctions.
- **People in part-time employment with health conditions or disabilities which limit the amount of hours they can work.** In each of the past five years from 2010 to 2014, disabled people have received over a quarter of JSA sanctions in Scotland.⁵⁸ This statistic, allied with case evidence from citizens advice bureaux, suggests that claimants with disabilities are disproportionately likely to be unable to meet conditionality requirements and be sanctioned⁵⁹.
- **People employed on zero hours contracts or other arrangements which mean they work varying hours in each week.** CAB evidence has highlighted problems for clients caused by misuse of zero hours contracts⁶⁰, often caused by fluctuating and unpredictable work patterns that in some cases vary dramatically week to week, with shifts being allocated at very short notice. In these circumstances, it would be very difficult for people to maintain specific mandatory requirements, and very difficult for Work Coaches to administer.

CAS recommends in-work progression support provided should be appropriate to an individual claimant's circumstances. Support should aim to help claimants find a job that is better suited to their skills, experience, ambitions and individual requirements.

CAS recommends that if mandatory requirements are set, caution should be taken that they are reasonable and appropriate.

CAS recommends that in addition to the groups already exempted from the pilot, mandatory requirements should not be placed on people who require childcare to be able to work, people in part-time employment with health conditions or disabilities which limit the amount of hours they can work or people employed on zero hours contracts or other arrangements which mean they work varying hours in each week.

⁵⁷ Working at the Edge: Childcare – Citizens Advice Scotland, December 2014
http://www.cas.org.uk/system/files/publications/WAE%20Childcare%20December%202014_FINAL.pdf

⁵⁸ JSA Sanctions in Scotland – July 2015 – Scottish Government Communities Analytical Services
<http://www.gov.scot/Resource/0048/00481660.pdf>

⁵⁹ Response to Work and Pensions Committee sanctions inquiry – Citizens Advice Scotland, December 2014 <http://www.cas.org.uk/publications/cas-response-work-and-pensions-committee-sanctions-inquiry>

⁶⁰ Working at the Edge: Zero Hours Contracts – Citizens Advice Scotland, July 2014
http://www.cas.org.uk/system/files/publications/WAE%20Zero%20hours%20contracts%20July%202014_FINAL.pdf

CAS recommends Universal Credit claimants who are in work should not be sanctioned until a fundamental review of the purpose and efficacy of the current JSA, ESA and UC sanctions regime and the impact it has on individuals, families and other services has been conducted. This review should also address whether applying sanctions has a clear and demonstrable positive impact on helping in-work claimants find appropriate, better paying work.

Changes to Universal Credit in Budgets and Autumn Statements

The UK Government was elected in May 2015 with a manifesto that included a commitment to “find £12 billion from welfare savings, on top of the £21 billion of savings delivered in this Parliament.”⁶¹ Details of how the target for savings would be met emerged in the July 2015 Budget and November 2015 Autumn Statement. Amongst the announcements were a substantial amount of changes to Universal Credit, aimed at cutting costs. The changes include:

- Reductions in the Universal Credit Work Allowances
- Removal of the Limited Capability for Work element
- Lowering of the Benefit Cap
- A four-year freeze on the value of Universal Credit
- Tougher new work-related requirements for parents who claim Universal Credit
- Changes to the housing element
- Support from the child element restricted to the first two children only
- Removal of the Family Premium

Reductions in the Universal Credit Work Allowances

Changes announced in the 2015 Summer Budget included reducing the work allowances in Universal Credit to £4,764 per year for people without housing costs (previously up to £8,808), and £2,304 for those with housing costs (previously up to £3,156) from April 2016. Additionally, work allowances no longer apply for non-disabled claimants without children. Work allowances are the amounts of money people can earn through employment before Universal Credit starts to be withdrawn.

This change, which mirrors similar proposals for the existing Tax Credits system which were later withdrawn will mean that people will lose their Universal Credit more quickly once they start work than under the original plans for UC.

According to the Resolution Foundation, “*UC will on balance be less generous than the tax credit system for working families. Even when considered alongside policies designed to boost incomes, including the introduction of the National Living Wage and income tax cuts, relative to the current system without those measures in place, the latest version of UC implies [UK figures]:*

⁶¹ Conservative Party Election Manifesto 2015, p.8

- *“1.3 million working families entitled to support in the tax credit system will no longer be entitled to any in-work support, leaving them £42 per week worse off on average;*
- *“A further 1.2 million are set to receive UC, but be an average of £41 a week worse off;*
- *“1.7 million still in receipt of UC will be better off by an average of £38 a week, in part due to the more generous treatment of housing costs; and*
- *“Around 200,000 families – a mix of those without children and couple parents – who are no longer entitled to UC at all following cuts to in-work support and boosts to income from the National Living Wage and income tax cuts.”⁶²*

Even prior to the introduction of these changes, citizens advice bureaux in Scotland advised in-work clients whose entitlements under Universal Credit were considerably lower than they were under the legacy tax credits system.

A North of Scotland CAB reports of a client who was worse off under Universal Credit by £41.28 per week, compared to what he would have been entitled to under legacy benefits. The client is 26 years old and works 30 hours per week, earning £7.35 per hour. He rents a flat from a private landlord for £300 per month. The client was concerned he would not receive as much under Universal Credit as he did previously, which was confirmed when the CAB ran a benefits check.

A West of Scotland CAB reports of a client who was claiming Universal Credit before he found a job. He earns a low income from his job, but would have received significantly more in Working Tax Credits than he now does under Universal Credit. He enquired whether he could close his UC claim and make a claim for Working Tax Credits instead, but is prevented from doing so by the rules.

In April 2012, the eligibility rules for Working Tax Credit and Child Tax Credit changed, negatively impacting on tens of thousands of Scottish families.⁶³ By April 2014, the number of in work families in Scotland receiving in work tax credit support had reduced by 97,300 compared to two years previously (a reduction of 27% in the

⁶² Universal Challenge: making a success of Universal Credit – Resolution Foundation, May 2016 <http://www.resolutionfoundation.org/wp-content/uploads/2016/05/Universal-Challenge---making-a-success-of-Universal-Credit-.pdf>

⁶³ Up to that date, families were eligible for Child Tax Credits if their income was below £41,300. This changed to £32,000 for families with two children and £26,000 for lone parents. Families were also able to claim Working Tax Credit if they were responsible for at least one child and worked at least 16 hours per week, but this was increased to 24 hours per week (with one parent having to work at least 16 hours).

number of families).⁶⁴ As a result of these changes, the contribution of state support to family incomes has declined in the past four years. At the time of the previous tax credit reductions, citizens advice bureaux advised clients who have lost their entitlement to tax credits and subsequently fallen into financial difficulties.

An East of Scotland CAB reports of a client who wanted to know how to access a food bank as she and her partner simply could not make ends meet. The client had fallen into financial difficulties following the change in the rules for Working Tax Credit. The bureau referred the client to a local church for a food parcel. The client is going to try to increase her employment hours in order to receive tax credits again.

A West of Scotland CAB reports of a client who is struggling financially after being unable to get an increase in work from his current part-time employment. The client is struggling with food and fuel bills and cannot afford to provide support to his two children who live with their mother. The bureau advised that the client would be entitled to Working Tax Credit if he could get employment of 30 hours per week. The client will try to increase his hours again, but will need a food parcel if he cannot.

Citizens Advice Scotland have been increasingly concerned by the high level of in-work poverty in Scotland, and the increasing number of CAB clients who are struggling to pay for essentials despite being in work. Common problems have included low pay, childcare costs and availability⁶⁵, misuse of zero hours contracts⁶⁶ as well as lack of support from the in-work benefits system.

These changes undermine one of the positive features of the introduction of Universal Credit and the Government's ambitions to 'make work pay'. Most importantly, we are concerned that the worrying rise in CAB clients who are in work but struggling to pay for essentials will increase.

CAS recommends that the UK Government reverse the changes to Universal Credit work allowances as they undermine the principles of Universal Credit, and may lead to an increase in in-work poverty.

⁶⁴ There were 258,500 in-work families in receipt of tax credits in Scotland in April 2014, compared with 355,800 in April 2012. Personal tax credits: provisional statistics: 2014 to 2009, HM Revenue & Customs - <https://www.gov.uk/government/statistics/personal-tax-credits-provisional-statistics-2013-to-2009>

⁶⁵ Working at the Edge: Childcare – Citizens Advice Scotland, December 2014
<http://www.cas.org.uk/publications/working-edge-childcare>

⁶⁶ Working at the Edge: Zero hours contracts – Citizens Advice Scotland, July 2014
<http://www.cas.org.uk/publications/working-edge-zero-hours-contracts>

Removal of Limited Capability for Work element

Changes announced in the Budget and enacted as part of the Welfare Reform and Work Act remove the Limited Capability for Work (LCW) element of Universal Credit from April 2017. This mirrors the move to reduce the value of the Work Related Activity component of Employment and Support Allowance (ESA) to the same rate as Jobseeker's Allowance (JSA). Currently, the LCW element is worth an additional £126.11 per month, which claimants stand to lose entirely.

Those who will currently be entitled to the LCW element mirror those in the Work Related Activity Group (WRAG) of ESA that citizens advice bureaux currently advise. Current ESA claimants— those that undergo a Work Capability Assessment and are found unfit for work – are placed into one of two groups: the 'Support Group' for people who are not currently capable of any sort of work-related activity (the Limited Capability for Work and Work Related Activity element in Universal Credit); and the WRAG for people who are not currently able to work but are deemed to be capable of work-related activity, such as attending training programmes or CV workshops. The arrangements for Universal Credit claimants who cannot work because of ill-health or disability are broadly similar.

For a number of years, Employment and Support Allowance has been the most common single issue that CAB clients in Scotland seek advice on, with 34,488 new issues related to the benefit in 2014/15.

CAS is concerned about the changes for a number of reasons. Firstly, people in the ESA WRAG are suffering from ill-health or disability, as will those receiving the Limited Capability for Work element. They have greater needs and may incur additional costs as a result, such as additional travel costs to job interviews and work preparation activity, and other costs associated with improving their health.

As shown in Table 3 below, the most recent official figures show there are 256,810 ESA claimants in Scotland, of whom 65,630 (26%) are in the Work Related Activity Group. If there is no change to the current assessment criteria, we can expect a similar number of future Universal Credit claimants to be affected by the change, receiving 28% less in benefits support per year, despite having additional needs. This is a large amount of people to be affected negatively by a loss of income.

Table 3 - Number of ESA claimants in Scotland by phase and duration of claim, August 2015⁶⁷

	TOTAL	Assessment Phase	WRAG	Support Group	Unknown
TOTAL	256,810	38,130	65,630	146,450	6,600
Up to 3 months	19,480	15,690	430	1,980	1,370
3 – 6 months	16,660	9,890	1,080	4,880	820
6 months – 1 year	25,630	6,790	4,290	13,630	920
1 – 2 years	47,610	3,570	11,830	31,150	1,050
2 – 5 years	133,490	1,900	43,390	86,100	2,100
5 years +	13,940	280	4,610	8,710	340

Unlike current Universal Credit and JSA claimants, people receiving support from the Limited Capability for Work element are not expected to be ready to start a job and are more likely to be long-term unemployed. Currently, as shown in the table above, almost three-quarters of Scottish claimants in the WRAG (73%) have been in receipt of the benefit for more than two years. As the All-Party Parliamentary Group on Health and the Child Poverty Action Group have noted⁶⁸, many claimants may never be fit for work again, due to permanent disabilities or degenerative conditions. It is not the case that people in this group are close to the labour market and will quickly move into work.

Citizens Advice Scotland is already concerned about cases where loss of income from benefit claimants has made their health deteriorate and we are concerned that this move will worsen that. A number of the clients in the WRAG have existing mental health issues which have worsened due to the stress of the process. In these cases, a loss of income and potential increase in conditionality has the potential to worsen claimants' conditions, rather than help support them. With more than half of current claimants placed in the WRAG because of 'Mental and Behavioural Disorders'⁶⁹, this is likely to have a particular impact on this group. It would be extremely concerning if this occurred to Universal Credit claimants who are unable to work as well.

⁶⁷ Calculated via DWP Tabulation Tool <http://tabulation-tool.dwp.gov.uk/100pc/tabtool.html>

⁶⁸ Inquiry: Child Poverty and Health – the impact of the Welfare Reform and Work Bill 2015-16 p. 71 – All Party Parliamentary Group on Health in All Policies, February 2016
http://www.fph.org.uk/uploads/APPG_on_Health_in_All_Policies_inquiry_into_child_poverty_and_health_2.pdf

⁶⁹ Halving the Gap? p.17 – Lord Low, Baroness Meacher and Baroness Grey-Thompson, December 2015
<https://www.mencap.org.uk/sites/default/files/documents/ESA%20WRAG%20Review%20December%202015.pdf>

An East of Scotland CAB reports of a client who is in the WRAG who is unable to attend the Work Related Activity sessions because of mental health issues. Since late November 2014 she has received at least 13 requests to attend WRA sessions, and has managed to comply with the last four sessions from 9 April 2015, as she can only attend if accompanied by her very disabled sister. The client has received nine sanction decision letters because of her failure to take part in WRA. Despite her compliance almost two months ago, she has received no decision letter to pay her the due amount of ESA from that date.

An East of Scotland CAB reports of a client who lives alone and claims ESA due to his addiction issues as well as mental health problems. The client had had issues with previous Fit Notes that he needed to provide for his ESA claim (need to provide to keep claim in payment until told otherwise) and this had resulted in delayed and stopped payments. This had caused the client to become unwell and also start to use drugs again.

The change in policy has the potential to increase the numbers of Mandatory Reconsiderations, as claimants who are unable to work challenge decisions not to award them the LCWRA element. CAS has had concerns about the Mandatory Reconsideration system since it was introduced in October 2013, with lengthy delays before a decision is made.⁷⁰ Additionally, CAB clients awaiting a Mandatory Reconsideration on a decision not to award them ESA, have been forced to claim JSA instead. However, in some instances, they have been prevented from doing so, due to being too unwell to search for work.

⁷⁰ Voices from the Frontline: Mandatory Reconsideration – Citizens Advice Scotland, June 2014
<http://www.cas.org.uk/publications/voices-frontline-mandatory-reconsideration>

A South of Scotland CAB reports of a client who suffers from chronic back pain, anxiety and depression, arthritis in her neck and some knee problems. Some days she cannot get out of bed, finds it difficult to put on her shoes. The client cannot walk far, is unable to walk her dogs and is on a number of daily medications. She had to give up work in November 2014, and was on the assessment rate of ESA until November 2015. However, she did not qualify for ESA following the Work Capability Assessment. She wishes to appeal the decision. The client was told she would need to sign on for JSA, but when asked at the Jobcentre whether she was fit for work, she answered "no" and was told she cannot claim JSA either. The client was very upset and tearful and wants to know what she can do now, as she only has income from Personal Independence Payment (PIP) [not an income replacement benefit or intended to cover everyday essentials].

CAS is concerned that an increase in the volume of Mandatory Reconsiderations could lead to long delays on decisions being made – which have seen some improvements in recent months – increasing once again.

CAS recommends that the Limited Capability for Work element should not be removed in April 2017.

Lowering of the Benefit Cap

The Welfare Reform and Work Act lowers the existing household Benefit Cap from £26,000 to £20,000 per year for families, and £18,200 to £13,400 for single people. This will apply to Universal Credit from autumn 2016.

According to the latest figures from February 2016, only 729 households in Scotland were subject to the Benefit Cap and who had their Housing Benefit reduced by the equivalent amount - in Scotland up to £250 per week.⁷¹

However, given the large reduction of the Cap, we can expect this number to increase significantly, and CAS would expect an increase in advice given in this area, because of the reduction in support from the social security system. The precise numbers who will be affected at the moment in Scotland are uncertain, but we can say for certain that unless their circumstances change, 729 households in Scotland will be worse off by a further £6,000 per year on top of the amount their benefit is already capped by – a significant reduction.

⁷¹ Benefit Cap: number of households capped to February 2016 – Department for Work and Pensions, May 2016 <https://www.gov.uk/government/statistics/benefit-cap-number-of-households-capped-to-february-2016>

Beyond that, the Department for Work and Pensions (DWP) estimates that between 3,200 and 11,168 households in Scotland will be affected by the reduced Benefit Cap⁷².

The groups most likely to be affected at the moment are larger families and lone parents, as well as the children who live in the households. At the moment 85% of capped households in Scotland had between one and four children and 38% had five or more children. 53% of capped households constituted a lone parent with children.⁷³ This is mainly a combination of high rents due to the size of the household, as well as claiming children's benefits which are not exempted from the cap.

From evaluation of the Benefit Cap's effects to date⁷⁴ very few people moved to cheaper accommodation to avoid it. With some of the larger families affected, their options can often be somewhat limited in that regard. Neither was there a great deal of evidence that it caused a significant number of people to move into work. For lone parents with large families, their options here too, can also be limited.

Most often, people hit by the Benefit Cap just absorbed the loss, so we can expect to see further pressures on Discretionary Housing Payments, and large families, lone parents and children being entitled to less support, although with the scale of the reduction, it is possible that other groups will be drawn in. CAS is also concerned that we may see a rise in rent arrears and pressures on homeless services as a result.

CAS recommends that the Benefit Cap should not be lowered to £20,000.

Four year freeze on the value of Universal Credit

The Welfare Reform and Work Act introduced a freeze in the value of working-age benefits and tax credits for four years, including Universal Credit and the legacy benefits. This follows on from previous changes to the way benefits are uprated, including a switch from being uprated by inflation as measured by the Retail Prices Index to the Consumer Prices Index, then being capped at a 1% uprating, lower than inflation, since 2013.

The effects of previous changes have been subtle, but can have a significant impact on the ability of benefits to provide for basic essentials for claimants. Sheffield Hallam University calculates that the estimated loss of the 1% uprating policy to the

⁷² Benefit Cap: planning estimates of numbers of households in scope for lower benefit cap levels – Department for Work and Pensions, February 2016
<https://www.gov.uk/government/publications/benefit-cap-planning-estimates-of-number-of-households-in-scope-for-lower-benefit-cap-levels>

⁷³ Benefit Cap: number of households capped to February 2016 – Department for Work and Pensions, May 2016 <https://www.gov.uk/government/statistics/benefit-cap-number-of-households-capped-to-february-2016>

⁷⁴ Benefit cap evaluation – Department for Work and Pensions, December 2014
<https://www.gov.uk/government/publications/benefit-cap-evaluation>

Scottish economy was £230 million per year or £65 for every working age adult in Scotland.⁷⁵

We can expect the impact to be even more severe over the next four years, particularly if there is any significant rise in inflation before 2020, which could lead to a rapid increase in benefit claimants being unable to afford to pay for essentials. CAS is concerned that this may increase the number of CAB clients who are unable to make ends meet, who accrue priority debt or require a referral to a food bank.

CAS recommends the UK Government keeps the freeze on the value of Universal Credit under review, and raises the value if there is a significant rise in inflation or living costs.

Increased work-related requirements for parents

The Welfare Reform and Work Act increases the work-related requirements for parents who claim Universal Credit. Prior to April 2016, lone parents needed only to attend work-focused interviews or work-related activity until their child is five. The changes mean that all parents will be expected to be available for, and actively seek work from the time their youngest child turns three.

This however assumes that childcare is both available when parents need it, and is affordable. CAS has previously reported of CAB clients who have had to give up work because of a lack of suitable childcare that they can afford⁷⁶. The costs of childcare in Scotland can vary considerably between local authorities with part-time nursery care in the most expensive local authority being £3,341 per year more than in the neighbouring local authority⁷⁷. In many places, particularly rural areas, there is no suitable childcare available.

A West of Scotland CAB reports of a client who is a single parent with a two year old child. She is keen to return to work and has been offered a job. Whilst her childcare costs would partially be met by tax credits, she would be unable to take on the job as there are no childcare facilities in the local area, she is unable to drive and there is a lack of regular public transport.

CAS is concerned that without significant improvements parents will be unable to take up job offers due to a lack of available or affordable childcare and would be at risk of a benefit sanction. This is particularly the case for lone parents.

⁷⁵ The Cumulative Impact of Welfare Reform on Households in Scotland – Scottish Parliament Welfare Reform Committee, March 2015

http://www.scottish.parliament.uk/S4_Welfare_Reform_Committee/Reports/wrr-15-01w.pdf

⁷⁶ Working at the Edge: Childcare – Citizens Advice Scotland, December 2014

<http://www.cas.org.uk/publications/working-edge-childcare>

⁷⁷ 2014 Scottish Childcare Report – Family and Childcare Trust

CAS recommends that in parts of Scotland where suitable childcare is not available that discretion is applied when expecting lone parents to carry out mandatory work-related requirements.

Restrictions on housing element for 18-21 year olds

The Budget announced that there would be no 'automatic entitlement' to Housing Benefit or the equivalent housing element of Universal Credit for 18-21 year olds who are unemployed from April 2017. This has the potential to increase the risk of homelessness for young people, who are unable to afford rent and unable to live with family if those at risk are not exempted from the policy. Housing Benefit is currently the biggest area of advice for young clients. The list of which groups of 18-21 year olds who will be exempt has not been published at the time of writing. This will be crucial to ensuring that any risk of increasing youth homelessness is minimised.

CAS recommends that the DWP prioritises young people who are vulnerable to becoming homeless when determining which 18-21 year olds will be exempt from restrictions to receiving the housing element of Universal Credit.

Child element limited to first two children

The child element of Universal Credit will be restricted to the first two children only for any subsequent children a family has from April 2017. Additionally, first children born after this date will no longer entitle their families to the 'first child premium' which reduces the support available to parents to support additional costs associated with having their first child. The restriction to two children does mean that people with three or more children who lose their jobs, or experience ill-health may have difficulty covering all the costs of raising their children.

CAS recommends that the DWP monitor the impact of the restrictions to the child element of Universal Credit from April 2017.

The cumulative impact of these changes could combine to reduce the amount of support some people receive from Universal Credit. The Institute of Fiscal Studies (IFS) forecast that, across the UK *"UC will cut benefit spending by £2.7 billion a year in the long run. Taking working and non-working households together, 3.2 million will see lower benefit entitlements (average loss of £1,800 a year) while 2.2 million will see higher benefit entitlements (average gain of £1,400 a year)."* They forecast that taking the changes to the benefits and tax systems together, the lowest two income decile groups – in other words the poorest 20% of households – will lose the most.⁷⁸

From early evidence, citizens advice bureaux have advised clients who would be significantly worse off on Universal Credit, compared with legacy benefits.

⁷⁸ The (changing) effects of universal credit – Institute for Fiscal Studies, February 2016
<http://www.ifs.org.uk/publications/8136>

A North of Scotland CAB reports of an 18 year old client who claimed Universal Credit. Her partner, who is currently unemployed, is due to move in with her. If they were to claim Universal Credit they would be £23 per week worse off than if they made a joint claim from JSA. Couples were excluded from UC by the gateway conditions at that time. If the client were to stop her UC claim and he was to make a joint claim from JSA, according to the rules they would still be excluded from Housing Benefit for six months after the UC claim. The couple was faced with a choice of a loss of income or not moving in together.

The success of Universal Credit, or indeed any other social security benefit should not be judged solely on the monetary value of its components. For people who require assistance what matters is getting the support they need at the time they need it, in particular to avoid gaps in income entirely.

However, this lengthy list of changes to Universal Credit, all of which have the effect of reducing the financial support to people who claim it will inevitably have the result of causing an increased number of individuals and families who are struggling to cope on a very low income. It will also not help inspire confidence in people that require Universal Credit that it is more than a tool to make cuts to social security spending, when its original purpose was not to do so.

Self-employed

As Universal Credit rolls out to people who are self-employed there will be particular issues that will need to be taken into account. Some of these issues have been the focus of work by the Social Security Advisory Committee.⁷⁹

One issue that may cause inadvertent detriment to self-employed people relates to the 'minimum income floor' which assumes for the purposes of the calculation that they are earning at least the appropriate level of National Minimum Wage/National Living Wage for full time work (currently £1,092 per month for those aged 25 and over). However the income of self-employed people can fluctuate depending on the nature of their business, so in some months their actual income, including expenses may be lower than this, and in some cases considerably more. This may mean that the amount of Universal Credit they receive may not reflect their actual earnings across different assessment periods.

For instance, in a hypothetical example of a self-employed joiner who claims Universal Credit, they would be treated as earning at least the minimum income floor each month. If they were working on a contract that they would be paid £8,000 for on

⁷⁹ Universal Credit: Priorities for Action – Social Security Advisory Committee, July 2015
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/446891/universal-credit-priorities-for-action-ssac-july-2015.pdf

completion, they might incur £2,000 of expenses in one month without receiving any income. However, they would only have their actual income and expenses taken into account for each separate assessment period, so in the first month their business would be seen as having made a loss of £2,000, and the £8,000 will be ignored, even though it will arrive in the second month.

Unfortunately because of his MIF he will be treated as having had £1,092 in the first month. In the second month they would have to declare the £8,000 payment and no expenses, so in that month his UC will go down. Over the two months the claimant would be treated as having earned £9,092 (£1,092 in the first month and £8,000 in the second) despite them actually earning only £6,000 (£8,000 minus expenses of £2,000).

Due to the limited rollout, the number of self-employed people receiving Universal Credit is small. Bureaux have advised clients where it appeared initially unclear how the rules applied to their situation.

A West of Scotland CAB reports of a client who is a self-employed beauty therapist who is in receipt of Universal Credit. The client recently attended an appointment at the Jobcentre where she was told by the adviser (who admitted that his own knowledge was limited) that there was a possibility that her UC would not continue to be paid after one year as she is not showing a profit. Whilst the client is struggling to make a profit she is trying to persevere with the business. She sought advice from the CAB as she was concerned that Universal Credit will stop in a few months if she cannot make the business profitable.

CAS recommends that the DWP keep the rules for self-employed people receiving Universal Credit under review to ensure that people do not lose out because of a fluctuating business income.

Housing Support for Prisoners

Currently, if someone is sentenced to a prison sentence of six months or less they are eligible for support for housing costs whilst in prison through Housing Benefit. In some cases, someone will have been working immediately prior to being incarcerated and will not be in receipt of any benefits.

Under the current system, a new claim for Housing Benefit can be made upon conviction on the basis of having a nil income. However, under Universal Credit, only people who were in receipt of UC prior to conviction will be eligible to receive the housing element whilst in prison.

CAB advisers currently help clients who are on remand or have been imprisoned for a short sentence to apply for Housing Benefit to prevent them from becoming

homeless on release. Without this support, there is concern that an increased number of people who have been held on remand, or incarcerated for a short period will be made homeless, which places further pressure on local authorities' homelessness services and makes it harder to re-integrate people upon release, increasing the chances of people being placed in crisis situations.

CAS recommends that people on remand, or imprisoned for six months or less should be entitled to claim housing support through Universal Credit to prevent them becoming homeless on release.

CONCLUSION

The founding principles of Universal Credit – simplifying the benefits system and making work pay - have always been worthy ones, and ones that Citizens Advice Scotland supports. As Universal Credit rolls out across the country we are starting to get a glimpse of how those principles are reflected in practice, and to what extent it meets its aims.

As we have set out in this report, CAB evidence shows that there are many challenges to overcome – elements of Universal Credit's design, some administrative areas related to the transition, and recent policy changes that affect the way UC will appear to people who receive it in reality.

In particular, if left unchecked, the lengthy waiting period for a first Universal Credit payment, transitional issues caused by having two benefits systems in operation in parallel, teething problems with the Real Time Information system and the further wave of change brought about by the Budget and Autumn Statement cuts to spending will continue to cause problems for the people who need support from Universal Credit. And, with a rollout to people in vulnerable situations and with more complex claims still to come, the acid test is still ahead.

However, it is important to note that in a project on such a large scale, and with ambitious aims it is inevitable that it will face challenges. On their own, none of these challenges we present should derail Universal Credit. Our intention is to present CAB evidence at an early stage so that issues can be identified and tackled. The DWP's 'Test and Learn' approach is correct, and we hope these recommendations will prove useful to that process.

It is important however, that the worthy principles of Universal Credit are not compromised by a desire to use it as a vehicle for attempting to make constant savings to the social security bill. Each of these changes affect people's lives, and as citizens advice bureaux see, often in a negative way.

There are hundreds of thousands of people in Scotland who will require support from Universal Credit, and these citizens should be at the heart of the process and the continued rollout. It is important that Universal Credit can win their confidence. If it is seen as a negative thing that is purely designed to cut already low incomes then that will be a most considerable challenge to overcome. We should not lose sight of the fact that the social security system is a safety net for people who need support at various times of their lives. This is perhaps the most important principle, and practice of all.

SUMMARY OF RECOMMENDATIONS

Design Challenges

Citizens Advice Scotland recommends:

- The seven 'waiting days' at the start of a Universal Credit claim are abolished.
- A single, additional, non-refundable Assessment Payment is made to new Universal Credit claimants to avoid hardship being caused by having no income for six weeks.
- This payment is considered by both the UK Government as part of the Universal Credit process, and by the Scottish Government utilising new devolved 'top-up' powers.
- The Scottish Government uses its administrative flexibility over frequency of Universal Credit payments to give claimants the choice of being paid weekly, fortnightly or monthly.
- The UK Government also consider giving Universal Credit claimants the choice of weekly, fortnightly or monthly payments.
- The choice of frequency of payments is included on the initial Universal Credit application form for applicants in Scotland if possible.
- The Scottish Government should give people who receive Universal Credit the choice of whether they would like the housing element of their payment made directly to their landlord, or to receive it as part of their single payment.
- The UK Government also consider giving people who receive Universal Credit the choice of who their housing payment is made to.
- There needs to be a fundamental review of the purpose and efficacy of the sanctions regime and the impact it has on individuals, families and other services. There should be a moratorium on sanctions until the review is completed, so that people do not need to suffer the adverse impacts of sanctions unnecessarily.
- To prevent claimants being left with no income at all, sanctions should cut benefit to a proportion (for example to hardship payment levels of 60%) rather than the entire amount of benefit to ensure people can meet essential living costs.
- Hardship Payments should be available from day one of a sanction period in all cases. The process should be instigated by the DWP and payments made automatically: it should not be left to claimants to apply for them.
- Hardship Payments should not require to be repaid by the claimant.

- The DWP should ensure that in every case consideration is given to whether a claimant had good reason for any failure to comply with their benefit conditions.
- The use of non-financial sanctions, particularly written warnings, should be piloted and implemented as an alternative.
- More effort must be put into communicating to claimants why jobsearch requirements are meaningful, or jobsearch requirements should be revised to ensure they do genuinely support people to find work. This should include reducing the 35 hour requirement if it is found to be unreasonable or affects the client's mental health.
- Universal Credit claimants who leave zero hours contracts due to the lack of work available, or who decline offers of zero hours work for the same reason should not be sanctioned.
- It would not be appropriate to sanction Universal Credit claimants who are in work, until a fundamental review of the purpose and efficacy of the current JSA, ESA and UC sanctions regime and the impact it has on individuals, families and other services has been conducted. This review should also address whether applying sanctions has a clear and demonstrable positive impact on helping in-work claimants find appropriate, better paying work.
- As a matter of urgency, the DWP make arrangements to ensure that adequate face-to-face or telephony support is provided to Universal Credit claimants, including providing training to advisers to ensure that they understand the Universal Credit system.
- People should be given the option of applying for Universal Credit by phone other than in 'exceptional circumstances'.
- Digital Jobcentres should provide phones for claimants to use to contact the Universal Credit Helpline if they do not have access to a phone at home.
- The Universal Credit Helpline should be an 0800 Freephone number.
- Jobcentres must ensure that the support provided to those who lack computer skills is appropriate and that alternatives are provided for those who may never be able to use digital services due to illiteracy, disabilities or other complex needs.
- If the current advance payment system is to remain in place, then it should be made clear to all Universal Credit claimants that an advance payment is possible, with any repayment arrangements made clear.
- Advance payments of Universal Credit should not require to be repaid.

- The DWP review its processes for dealing with vulnerable claimants to ensure that they are adequately supported by the existing process.
- Universal Credit overpayments due to official error should not require to be repaid.

Administrative and Transition Challenges

Citizens Advice Scotland recommends:

- The JSA and Universal Credit online applications should be better synchronised to prevent claimants being unable to use either due to their circumstances.
- Full training in the current eligibility criteria for Universal Credit, JSA and ESA should be provided to DWP telephony advisers and Jobcentre staff. This should include information about the different status of Universal Credit in different areas of the country, given that some are on the 'live service' and some the 'digital service' with different eligibility conditions.
- The 'gateway conditions' for Universal Credit should be better publicised.
- The DWP consider what more could be done to prevent vulnerable claimants who should be ineligible from inadvertently claiming Universal Credit. This could include allowing them to transfer their claim from UC to ESA.
- The DWP takes all steps to ensure that the processing of Universal Credit claims is not delayed. In particular, it should ensure that additional information required from claimants, particularly in relation to housing costs, is appropriate and is processed in a timely manner.
- The DWP increase resources for the Universal Credit Helpline and Service Centre to cope with enquiries, changes of circumstances and new claims when people are unable to apply online.
- Digital Jobcentres provide phones for claimants to use to contact other DWP departments if they do not have access to a phone at home.
- Processes to correct employer Real Time Information reporting errors should be simplified to ensure that Universal Credit claimants do not lose out through no fault of their own.
- HMRC and DWP work to raise awareness amongst employers of the importance of accurate RTI reporting to ensure that their employees are not disadvantaged through inaccurate UC payments.
- HMRC should pursue employers who repeatedly submit inaccurate RTI returns that cause problems for their employees' benefit entitlements. Resources should be increased to ensure employers who wilfully submit

inaccurate information in order to avoid paying employees' Income Tax contributions are prosecuted.

- The DWP ensure that people paid weekly do not lose out in four or five-week months under Universal Credit, particularly around entitlements to housing payments.
- The DWP discourage employers from misusing zero hours contracts.
- The UK Government should ensure that sufficient administrative resources are made available to cope with changes of circumstances to ensure that any delays are kept to a minimum, prior to the introduction of the full digital service.
- Providers of passported benefits should ensure Universal Credit is included amongst eligibility criteria where equivalent legacy benefits are included as qualifying benefits.
- Providers ensure that Universal Credit is included as an option on application forms for passported benefits and is included in training for staff administering the benefit.
- The DWP, Scottish Government, and local authorities work together to explore whether data-sharing could make accessing passported benefits easier, particularly when only certain Universal Credit recipients (such as those with an income below a certain threshold) would be eligible.

Future Challenges

Citizens Advice Scotland recommends:

- Couples and families who claim UC are given the choice of whether they would prefer a single household payment, or individual payments to each partner. This choice should be given at the outset of the claim, and should be possible to change options at any time thereafter.
- The Scottish Government removes the Bedroom Tax in Universal Credit when it has the power to do so.
- The Scottish Government and DWP work closely to ensure the smooth devolution of the administrative flexibilities with the needs of people who receive Universal Credit at their heart.
- In-work progression support provided should be appropriate to an individual claimant's circumstances. Support should aim to help claimants find a job that is better suited to their skills, experience, ambitions and individual requirements.

- If mandatory requirements are set, caution should be taken that they are reasonable and appropriate.
- In addition to the groups already exempted from the pilot, mandatory requirements should not be placed on people who require childcare to be able to work, people in part-time employment with health conditions or disabilities which limit the amount of hours they can work or people employed on zero hours contracts or other arrangements which mean they work varying hours in each week.
- Universal Credit claimants who are in work should not be sanctioned until a fundamental review of the purpose and efficacy of the current JSA, ESA and UC sanctions regime and the impact it has on individuals, families and other services has been conducted. This review should also address whether applying sanctions has a clear and demonstrable positive impact on helping in-work claimants find appropriate, better paying work.
- The UK Government reverse the changes to Universal Credit work allowances as they undermine the principles of Universal Credit, and may lead to an increase in in-work poverty.
- The Limited Capability for Work element should not be removed in April 2017.
- The Benefit Cap should not be lowered to £20,000.
- The UK Government keeps the freeze on the value of Universal Credit under review, and raises the value if there is a significant rise in inflation or living costs.
- In parts of Scotland where suitable childcare is not available that discretion is applied when expecting lone parents to carry out mandatory work-related requirements.
- The DWP prioritises young people who are vulnerable to becoming homeless when determining which 18-21 year olds will be exempt from restrictions to receiving the housing element of Universal Credit.
- The DWP keep the rules for self-employed people receiving Universal Credit under review to ensure that people do not lose out because of a fluctuating business income.
- People on remand, or imprisoned for six months or less should be entitled to claim housing support through Universal Credit to prevent them becoming homeless on release.

APPENDIX A - UNIVERSAL CREDIT ROLLOUT IN SCOTLAND

The Universal Credit 'Live Service' was introduced on the following dates. Unless otherwise stated, this initial rollout is limited to claimants who meet the eligibility criteria, which excludes most vulnerable claimants.

- 25 November 2013 Inverness
- 30 June 2014 Inverness – extended to claims from couples
- 26 January 2015 Inverness – extended to claims from jobseekers with children
- 16 February 2015 Rest of Highland
- 9 March 2015 West Dunbartonshire; North Lanarkshire; City of Edinburgh
- 27 April 2015 Dumfries and Galloway; East Lothian; Midlothian; North Ayrshire; Scottish Borders
- 11 May 2015 Eilean Siar; Orkney Islands; Shetland Islands
- 25 May 2015 Aberdeenshire; Clackmannanshire; Falkirk; Stirling
- 8 June 2015 Glasgow City
- 22 June 2015 Renfrewshire
- 5 October 2015 South Lanarkshire
- 12 October 2015 Moray; South Ayrshire
- 2 November 2015 Dundee City
- 16 November 2015 Aberdeen City; West Lothian
- 14 December 2015 East Dunbartonshire
- 15 February 2016 East Ayrshire; East Renfrewshire
- 7 March 2016 Argyll and Bute
- 11 April 2016 Fife
- 25 April 2016 Angus; Perth and Kinross

The Universal Credit 'Digital Service' will launch in areas of Scotland between 2016 and 2018. This is the full service, open to all claimants who would have previously claimed one of the legacy benefits.

- 23 March 2016 Musselburgh
- June 2016 Inverness
- November 2016 Rest of Highland

Dates for the remaining Scottish local authorities are to be announced. These will be during 2017 and 2018.

APPENDIX B – GATEWAY CONDITIONS FOR CLAIMING UNIVERSAL CREDIT

Aside from Inverness and Musselburgh where a wider range of people are eligible for Universal Credit, in the rest of Scotland people who met all of the following eligibility conditions would have to apply for Universal Credit rather than the legacy benefits (as of April 2016)⁸⁰:

- Are 18 or over but under 60 years and 6 months old
- Are single
- Are a British citizen
- Have lived in the UK for two years before the date of the UC claim
- Have not left the UK for any reason for a continuous period of four weeks or more during the period
- Live at their usual address
- Meet all the basic conditions of entitlement for UC (e.g. accepting a Claimant Commitment)
- Are not claiming an existing legacy benefit
- Are not appealing a decision not to award them JSA, ESA, Income Support or Housing Benefit
- Are not entitled to certain other benefits (contribution-based JSA, contribution-based ESA, Incapacity Benefit, Severe Disablement Allowance, Disability Living Allowance or Personal Independence Payment)
- Have a bank, building society or post office account, or a current account with a credit union
- Have a National Insurance number
- Do not have a child or children living with them
- Are not pregnant
- Have not given birth within the last 15 weeks or had a stillbirth
- Are not a foster carer
- Are not a kinship carer
- Are not liable to pay Child Support Maintenance
- Are not going to adopt a child
- Do not have Limited Capability for Work (not currently fit for work)
- Do not have a doctor's statement saying they have limited capability for work, or are waiting on one
- Do not consider themselves to be unfit for work
- Are not responsible for caring for someone with a disability (unless doing this as paid or voluntary employment)
- Are not homeless or living in temporary accommodation
- Do not live with someone in the armed forces who is away on duty
- Do not own or part-own their own home
- Do not need care or support to live in their home
- Do not live in supported accommodation
- Do not have someone acting on their behalf in relation to the UC claim (e.g. an appointee, attorney, deputy, advocate or a CAB adviser)

⁸⁰ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/515475/admm3.pdf

Learning From Testing Times
Early Evidence of the Impact of Universal Credit in Scotland's CAB Network

- Do not expect to earn more than £330 in the next month (if aged over 25) or £270 (if aged under 25)
- Do not have capital (e.g. savings) of more than £6,000
- Are not self-employed
- Do not expect to get any earnings from self-employment in the next month
- Are not in full-time or part-time education
- Are not expecting to start education or training in the next month
- Are not a company director or a member of a limited liability partnership



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