Universal Credit (UC) is a new benefit which has been introduced across Scotland for some new claims. At present, the rules about who can claim it vary in different areas, but it will eventually replace most reserved means-tested benefits.

This briefing looks at who can claim UC, and some of the difficulties with its introduction. It includes a glossary of common UC terminology.
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ABBREVIATIONS

APA  Alternative payment arrangements  JSA  Jobseeker’s Allowance
CAB  Citizens Advice Bureau  LCW  Limited capability for work
CAS  Citizens Advice Scotland  LCWRA  Limited capability for work-related activity
CTR  Council Tax Reduction  PBS  Personal Budgeting Support
CPAG  Child Poverty Action Group  PIP  Personal Independence Payment
DLA  Disability Living Allowance  RTI  Real-Time Information
DWP  Department for Work and Pensions  SI  Statutory Instrument
EEA  European Economic Area  SSAC  Social Security Advisory Committee
ESA  Employment and Support Allowance  UC  Universal Credit
HMRC  Her Majesty’s Revenue and Customs  USdl  Universal Support – delivered locally
IT  Information technology
EXECUTIVE SUMMARY

Universal Credit (UC) will replace six means-tested benefits for working age people with a single monthly payment. It is intended to simplify the social security system, by removing the need to make new benefit claims when moving into or out of work.

UC has been introduced for a limited group of claimants across Scotland, and is currently being rolled out for all new claims for the benefits it replaces, area by area. Its introduction has been delayed, in part due to the complexity of the computer systems required. At present there are two different versions of UC – some areas use the live service and others use the full service. By December 2016, 42,000 people in Scotland were receiving the new benefit.

UC has a series of basic conditions and financial conditions that claimants must meet. Most claimants are subject to personalised work-related requirements, set out in a claimant commitment. Compared to the system it replaces, UC extends conditionality requirements to more claimants in work, a measure that appears to be without international precedent. If a claimant fails to meet these commitments without good reason, they can be sanctioned. The length of a sanction depends on the level of conditionality the claimant has and whether a failure is the first of its kind. Hardship payments can be made to sanctioned claimants as a recoverable loan.

Whilst the principles underlying UC are widely supported, some claimants appear to be having difficulty adjusting to the new system. To mitigate this, the UK Government has put into place additional support arrangements. The level of difficulties seems to be more pronounced in the full service areas, where the system has to deal with claimants in far more complicated circumstances. The aspects of UC that are causing difficulty include:

- confusion about which benefit to claim
- single monthly payments to the household
- the delay before the first payment
- changes to the way in which earnings are calculated.

A problem for landlords may result from the apparent rise in rent arrears when UC has been introduced to an area.

Whilst UC remains reserved to Westminster, the Scotland Act 2016 gives the Scottish Government the power to vary the housing costs element for people renting their homes and to alter the payment arrangements. Use of these powers will require negotiation with the DWP. The Scottish Government is currently consulting on draft regulations that give claimants the option of twice-monthly payments, and to have the housing costs element paid to their landlord.

Another effect of UC on Scottish Government responsibilities results from the fact that it replaces the benefits which a number of different “passported benefits” use as a proxy for low household income. It also changes the way in which Council Tax Reduction (CTR) is calculated, although CTR remains a separate entitlement to UC.

Annexe 2 to this briefing provides a list of technical terms related to Universal Credit and an explanation of their meaning.
INTRODUCTION

Announcing Universal Credit (UC), the DWP (2010) described it as “the most significant change to the welfare system since the Beveridge reforms in 1947.” In Scotland, UC was first introduced to the area around Inverness in November 2013. Initially just for single jobseekers in some areas, it has started to replace six different means-tested benefits. The rollout has been repeatedly delayed, largely due to difficulties designing the IT systems needed to deliver an online benefit. However, the DWP (2016a) has now announced plans to transfer every area of Scotland to the final UC system, known as the “full service”. The dates on which different areas are expected to transfer is set out in Annexe 1 to this briefing.

This briefing gives an introduction to how UC works, and where it will fit within the wider social security system. It looks at the progress of its introduction to date, and at some of the difficulties faced by UC claimants. It considers some ways in which UC affects Scottish Government responsibilities, including the powers over some aspects of UC devolved by the Scotland Act 2016. It also includes in Annexe 2 a glossary of technical terms relating to UC. Terms listed in the glossary are identified by inverted commas the first time that they are used in this briefing.

WHAT IS UNIVERSAL CREDIT?

UC is a new working-age benefit, administered by the DWP. It is designed to be administered mainly online. It is intended to simplify the benefits system, (DWP, 2010) by eliminating the need to make new claims when moving into or out of work and by replacing a range of different benefits. It is a means-tested benefit, which compares most sources of household income with a “maximum amount” of UC entitlement for the household.

Despite the simplification of the social security system resulting from the introduction of UC, a range of other benefits will continue to exist alongside it. Some of these are to be devolved by the Scotland Act 2016 (see Table 1 on page 5).

UC is normally a single monthly payment to an eligible household, paid seven days after the end of the monthly “assessment period”. Earnings should be automatically passed to the UC system by HMRC’s Real Time Information system, meaning that employed claimants do not need to report fluctuations in their earnings.

Benefits replaced by UC

UC replaces the following benefits (sometimes called “legacy benefits”): (2012 c. 5)

- Income Support
- Income-based Jobseeker’s Allowance (JSA)
- Income-related Employment and Support Allowance (ESA)
- Working Tax Credit
- Child Tax Credit
- Housing Benefit.¹

Whilst all of these are means-tested benefits, the entitlement conditions for them vary. For example, Child Tax Credit and Working Tax Credit do not assess the level of a claimant's capital (only the taxable income received from that capital). The other benefits listed above are not payable to households with capital worth over £16,000 (although some types of capital are disregarded).

¹ Housing Benefit will initially continue to exist alongside Universal Credit for claimants who live in certain types of supported accommodation (referred to in the legislation as “specified accommodation”).
The current benefits system is extremely complex. Claimants entitled to several different benefits may have to deal with several agencies. For example, Housing Benefit is currently administered by local authorities, Tax Credits by HMRC and the other benefits above by the DWP. UC should simplify social security by moving away from a system in which “many recipients have to deal with several different national and local government bodies, providing the same information multiple times.” (DWP, 2010)

Benefits continuing alongside UC

Whilst UC combines a number of legacy benefits, it is far from creating a single benefit to replace the whole social security system, even for claimants of working age. Table 1 lists just some of the social security benefits that will continue to exist alongside UC. It also shows which benefits are being devolved to the Scottish Parliament by the Scotland Act 2016. More details of the devolution of social security powers are in the SPICe briefing SB 16-45 New Social Security Powers.

Table 1 – Benefits that will remain outside UC

<table>
<thead>
<tr>
<th>To be devolved</th>
<th>To remain reserved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carer’s Allowance</td>
<td>Child Benefit (HMRC)</td>
</tr>
<tr>
<td>Disability Living Allowance</td>
<td>Guardian’s Allowance (HMRC)</td>
</tr>
<tr>
<td>Personal Independence Payment</td>
<td>(Contribution-based) Jobseeker’s Allowance</td>
</tr>
<tr>
<td>Attendance Allowance</td>
<td>(Contributory) Employment and Support Allowance (ESA)</td>
</tr>
<tr>
<td>Severe Disablement Allowance (only some existing claimants will remain on SDA)</td>
<td>Incapacity Benefit (all claimants of which are transferring to ESA)</td>
</tr>
<tr>
<td>Industrial Injuries Benefits</td>
<td>Bereavement Benefits</td>
</tr>
<tr>
<td>Sure Start Maternity Grant</td>
<td>Pension Credit</td>
</tr>
<tr>
<td>Social Fund Funeral Payment</td>
<td>State Pension</td>
</tr>
<tr>
<td>Winter Fuel Payment</td>
<td>Maternity Allowance</td>
</tr>
<tr>
<td>Social Fund Cold Weather Payment</td>
<td>Statutory Sick Pay and Statutory Maternity, Paternity, Adoption and Shared Parental Pay</td>
</tr>
</tbody>
</table>

Source: 2016 c.11

Many of these benefits can be claimed alongside UC, depending on the claimant’s circumstances. Other financial support for people on low income that remains outside UC includes Council Tax Reduction and the Scottish Welfare Fund. These are both administered by local authorities, with regulations set by the Scottish Government.

Means-tested benefits are also frequently used as a proxy for low household income when setting eligibility criteria for a range of “passported benefits”, such as free school lunches or access to legal aid. The implications of this for the Scottish Government are discussed further below.
UNIVERSAL CREDIT ENTITLEMENT CONDITIONS

Claimants must meet both a series of basic conditions and financial conditions to be entitled to UC. Most of these conditions are similar to those that apply to the benefits which UC is replacing. The “basic conditions” are set out in Part 1 of the Welfare Reform Act 2012 c. 5. They are that the claimant:

- is at least 18 years old,
- has not reached the qualifying age for state pension credit\(^2\)
- is in Great Britain,
- is not receiving education, and
- has accepted a claimant commitment.

Exceptions to all of these conditions are set out in the Universal Credit Regulations 2013 No. 376. For example, certain groups of claimants are able to claim UC from their 16th birthday, including carers and claimants responsible for children. Similarly, a student responsible for children, who has a non-student partner, who studies part-time, and some disabled students are able to get UC.

The regulations treat claimants who are not “habitually resident” as not being in Great Britain (and so they are not entitled to UC). For European Economic Area (EEA) nationals, this requires consideration of whether the claimant has a “right to reside”. This complex concept involves an examination of whether the claimant is exercising certain European Union Treaty rights in the UK, or is a family member of someone else who is doing so. Many claimants from outside the EEA are excluded from UC by their immigration status. (CPAG, 2016a)

In addition, to be awarded UC, claimants must meet the financial conditions. Again, the detail of how this calculation works is set out in the UC regulations. The first stage is to calculate the “maximum amount” - the total of the “standard allowance” and any additional “elements” that the claimant is entitled to. This is then compared with the level of income and capital that a claimant has (or the joint income of a couple). This calculation is explained below.

Elements of a Universal Credit award

Each claimant entitled to UC has a standard allowance, which is different for single claimants and couples, and depends on the age of the claimant(s). The maximum amount of UC is the total of this standard allowance and any additional elements that the claimant qualifies for, due to their circumstances. These elements are set out in Table 2 below. Annexe 2 gives details of the conditions that must be satisfied to receive the elements, and planned changes to them.

Table 2 – Elements of a Universal Credit award

<table>
<thead>
<tr>
<th>Element</th>
<th>Monthly Amount (2016/17)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard allowance (single claimant)</td>
<td>£251.77 (under 25)</td>
</tr>
<tr>
<td></td>
<td>£317.82 (25 or over)</td>
</tr>
<tr>
<td>Standard allowance (couple)</td>
<td>£395.20 (both under 25)</td>
</tr>
<tr>
<td></td>
<td>£498.89 (one or both 25 or over)</td>
</tr>
<tr>
<td>Child element (see Annexe 2 for changes from April 2017)</td>
<td>£277.08 (first child)</td>
</tr>
<tr>
<td></td>
<td>£231.67 (others)</td>
</tr>
</tbody>
</table>

\(^2\) This age is currently rising from 60 to 65, and is the age at which a woman with the same date of birth first qualifies for a state pension. It reaches 65 in November 2018, and in November 2016 was around 63 and 6 months, depending on the person’s exact date of birth. (CPAG, 2016a)
<table>
<thead>
<tr>
<th>Element</th>
<th>Monthly Amount (2016/17)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disabled child addition</td>
<td>£367.92 (higher rate)</td>
</tr>
<tr>
<td></td>
<td>£126.11 (lower rate)</td>
</tr>
<tr>
<td>Limited capability for work element</td>
<td>£126.11</td>
</tr>
<tr>
<td>Limited capability for work-related activity element</td>
<td>£315.60</td>
</tr>
<tr>
<td>Carer element</td>
<td>£150.39</td>
</tr>
<tr>
<td>Childcare costs element (meets 85% of eligible costs up to</td>
<td></td>
</tr>
<tr>
<td>the limit)</td>
<td>Up to £646.35 (one child)</td>
</tr>
<tr>
<td></td>
<td>Up to £1,108.04 (two or more children)</td>
</tr>
<tr>
<td>Housing costs element</td>
<td>Variable, depending on housing tenure and household</td>
</tr>
<tr>
<td></td>
<td>circumstances</td>
</tr>
</tbody>
</table>

Source: SI 2013/376

Whilst most benefit rates are frozen for four years, by the Welfare Reform and Work Act 2016 c. 7, the UK Government proposes to increase the following elements in 2017-18: (DWP, 2016b)

- the higher rate of the disabled child addition (which will rise to £372.30)
- the limited capability for work-related activity element (which will rise to £318.76)
- the carer element (which will rise to £151.89).

Once the maximum amount has been determined, the next stage of the calculation is to compare this with the income and capital of the claimant(s), to establish whether the financial conditions for an award of UC are met. Some households are also subject to the “benefit cap” which restricts entitlement to certain benefits to a total of £20,000 a year for couples and families, or £13,400 a year for single claimants.

**The effect of income and capital on Universal Credit entitlement**

**Capital**

No claimant can qualify for UC if their capital (or joint capital for couples) is more than £16,000. However, some types of capital are disregarded. Disregarded capital includes the value of the claimant's normal home, and the value of any savings in a pension fund. (CPAG, 2016a)

Claimants may be treated as still possessing capital if they have disposed of it in order to increase entitlement to UC; with some exceptions, such as if capital is used to pay off debts. Claimants with capital of over £6,000 are assessed as having income of £4.35 a month for every £250 of savings over this amount, which reduces the UC award. (CPAG, 2016a)

**Income**

Many other types of income reduce UC entitlement pound for pound. These include personal pensions and most student loans and grants (albeit with an amount of the latter disregarded). Some benefits count as income, including Carer’s Allowance, Contributory Employment and Support Allowance and Maternity Allowance. (CPAG, 2016a)

Other types of income are completely ignored for UC purposes, including child maintenance payments and fostering allowances. Social security benefits that are ignored include Child Benefit, Disability Living Allowance, and Personal Independence Payment. (CPAG, 2016a)

**Treatment of earnings**

More complicated rules apply to the treatment of earnings. Claimants who are responsible for children or who have “limited capability for work” are entitled to a “work allowance” - which ignores a set monthly amount of earnings before the UC award is reduced. Only one work
allowance is included for a couple entitled to UC. The amount disregarded depends on whether the claimant has a housing costs element included in their UC award, and is shown in Table 3 below. Those without housing costs included in their award get a higher work allowance. This is because the housing costs element for owner-occupiers is not included if the household has any earned income at all.

**Table 3 – Universal Credit work allowances**

<table>
<thead>
<tr>
<th>Housing costs element included in award?</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work Allowance (per month)</td>
<td>£192</td>
<td>£397</td>
</tr>
</tbody>
</table>


The UC award is reduced by 65% of net earnings above the work allowance. This taper rate will be reduced to 63% from April 2017. (HM Treasury, [2016](https://www.gov.uk/government/publications/universal-credit-full-tables-and-figures)) The amount of earnings taken into account for employees should be recorded automatically through HMRC’s Real Time Information system.

In contrast, self-employed claimants must report their earnings monthly. This is broadly equivalent to the profits of the business during an assessment period. It is calculated by taking the total receipts during the period, and subtracting certain permitted expenses and any tax, National Insurance or pension contributions paid.

In addition, many claimants in self-employment are subject to the “minimum income floor”. This treats a claimant as earning the National Minimum Wage for their “expected hours” of work, if their earnings (calculated using the standard calculation above) are lower than this. There is no minimum income floor for some claimants who have been self-employed for less than a year, and for those who do not have to meet all of the work-related requirements (see below).

### Universal Credit work-related requirements

Most UC claimants must meet some “work-related requirements”, and their award can be reduced by a “sanction” if they fail to meet them without good reason. These requirements are set out in the “claimant commitment” document. Agreeing to a claimant commitment is one of the basic conditions of entitlement to UC. Each member of a couple must normally agree their own claimant commitment. ([2012 c. 5](https://www.legislation.gov.uk/ukpga/2012/5/contents))

When setting work-related requirements, claimants are divided into four broad groups, depending on their circumstances:

- **no requirements** (for example claimants caring for a severely disabled person for 35 hours per week or more, heavily pregnant women, claimants with “limited capability for work-related activity” or claimants earning above their “earnings threshold”)
- **work-focused interviews only** (for example a main foster carer, or a lone parent/main carer in a couple whose youngest child is aged one or two)
- **work preparation and work-focused interviews** (a lone parent/main carer in a couple whose youngest child is aged three or four, and people with limited capability for work)
- **all work-related requirements**, which normally includes the requirements above, as well as work search and work availability requirements (for claimants not in one of the groups above, including those in low-paid work, lone parents of school-age children, or claimants waiting for a “Work Capability Assessment”).

From April 2017, lone parents and main carers whose youngest child is two will be moved to the work-preparation group. Those whose youngest child is three or older will have all of the work-related requirements. ([2016 c. 7](https://www.legislation.gov.uk/ukpga/2016/7/contents))
A notable feature of UC conditionality is that a work search requirement includes a set amount of time that the claimant must spend each week looking for work (known as the “expected hours” of work); as opposed to taking a reasonable number of actions, as was the case for claimants of Jobseeker’s Allowance. There is scope for the work search requirement to be eased if a claimant has done all that is reasonable in a particular week - this decision is at the discretion of the DWP work coach. The House of Commons Committee of Public Accounts (2015) noted that whilst the work search requirement had led to an increase in the number of hours UC claimants spent looking for work, they had not applied for more jobs as a result.

The rationale for the new work search requirement is that claimants expected to look for work “should be spending as much time as possible looking for work – until claimants find employment this should be their job. ...[T]herefore, claimants should be engaged in work search for at least the number of hours we expect them to be available for work.” (DWP, 2011c)

In-work conditionality

One major change under UC is the extension of conditionality requirements to more claimants in low-paid work (usually up to earnings equivalent to working 35 hours per week and earning the National Minimum Wage). A randomised control trial of “in-work conditionality” was rolled out across the UK from December 2015, to inform the options for full delivery. Selected claimants are required to attend a Jobcentre Plus office either every 2 weeks or every 8 weeks, to review mandatory actions aimed at increasing their earnings. They also have access to support from DWP work coaches. A control group has no mandatory actions. An interim report on the trial is expected in early 2017 (DWP 2016c). Whilst the trial continues, claimants not selected who earn over £78 per week3 are not required to be available for or search for further work (SI 2015/89).

The extension of work-related requirements (and the accompanying possibility of a sanction if these are not met) to a large number of working claimants is a feature of UC that appears to be without precedent. An inquiry into the pilot of in-work conditionality by the House of Commons Work and Pensions Select Committee (2016) welcomed its cautious approach, particularly given the fact that “no one... presented... evidence of such a reform being operated anywhere else in the world.” The Committee’s report emphasised the scale of the change of approach required, given that the willingness to work of claimants who are already actually working is hard to question, and the fact that this policy may eventually apply to up to a million working UC claimants across the UK.

Work-related requirements of current UC claimants

Figure 1 on page 10 shows the number of UC claimants in Scotland with different work-related requirements. “Planning for work” is used by the DWP to refer to claimants only subject to a work-focused interview requirement. Given the majority of claims are currently made by single people who would previously have claimed Jobseeker’s Allowance; it is perhaps unsurprising that the majority of claimants are either in work or looking for work.

Interim Scottish findings from an ongoing study of the behavioural effects of conditionality found that, despite some positive experiences, “linking continued receipt of benefit and services to mandatory behavioural requirements under threat of sanction created widespread anxiety and feelings of disempowerment among [claimants].” (Dwyer, Wright & Bright, 2016) The same group of researchers found that “for some who were eligible, UC conditionality created a disincentive to access financial support or engage with services.” (Wright et al, 2016).

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3 Couples must earn £124 a week between them.
The Secretary of State for Work and Pensions’ response to these findings is that his Department’s “approach is designed to treat claimants fairly. …This has included ensuring that claimant commitments are reasonable, but stretching; and that claimants see the benefits of following them through.” (Green, 2016)

DWP (2015a) analysis suggests that the changes to conditionality in UC are having an effect, as UC claimants are slightly more likely to be in work than, and earning more than, similar Jobseeker’s Allowance claimants.

**Figure 1 – Work-related requirements of Scottish UC claimants (8 December 2016)**

![Pie chart showing the distribution of work-related requirements among Scottish UC claimants as of 8 December 2016.]

Source: DWP (2016d)

**Universal Credit sanctions**

If a claimant does not meet their work-related requirements, their UC award can be reduced by imposing a “sanction”. In most cases, a sanction will not be imposed if the DWP claim manager accepts that the claimant has a good reason for the failure. For most claimants, a sanction lasts for a set period and is equivalent to the UC standard allowance. Claimants aged 16 or 17 and other vulnerable groups who are sanctioned have a reduced rate of sanction and in some cases, shorter sanction periods.

If a claimant fails to meet the same requirement less than a year after a previous failure (but more than two weeks later) a longer sanction period applies. Only claimants subject to all work-related requirements can be given high and intermediate level sanctions. Table 4 on page 11 shows the structure of UC sanctions.

Sanctioned claimants can apply for a hardship payment of UC as long as they have met their ongoing work-related requirements and are accepted as being in financial need. Hardship payments are a loan of UC, which is normally recovered from the claimant's future entitlement unless they move into full-time work. Hardship payments must be re-applied for each month.

Another new feature of the UC sanctions regime is that a sanction can continue in some circumstances when the claimant’s work-related requirements change. In the legacy benefits
system, a sanction applied to a Jobseeker's Allowance claim would not continue if the claimant later moved to Income Support or Working Tax Credit, for example.

Table 4 – Universal Credit sanctions

<table>
<thead>
<tr>
<th>Sanction level</th>
<th>Description of failure (most failures include caveats about good reason)</th>
<th>Length of UC sanctions (Different for under 18s)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>First failure</td>
</tr>
<tr>
<td>High level</td>
<td>Failure to apply for or take a job</td>
<td>13 weeks</td>
</tr>
<tr>
<td></td>
<td>Losing a job due to misconduct</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Leaving a job voluntarily</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Losing pay</td>
<td></td>
</tr>
<tr>
<td>Intermediate level</td>
<td>Failure to be available for work</td>
<td>4 weeks</td>
</tr>
<tr>
<td></td>
<td>Failure to take all reasonable action to seek work</td>
<td></td>
</tr>
<tr>
<td>Low level</td>
<td>Failure to take part in a work-focused interview</td>
<td>Until comply plus 1 week</td>
</tr>
<tr>
<td></td>
<td>Failure to undertake work preparation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Failure to take a specific action to get paid work</td>
<td></td>
</tr>
<tr>
<td>Lowest level</td>
<td>Failure to take part in WFI (if this is the only work-related requirement)</td>
<td>Until comply (sanction is 40% of standard allowance)</td>
</tr>
</tbody>
</table>

Sources: 2012 c. 5, SI 2013/376

HOW IS UNIVERSAL CREDIT BEING INTRODUCED?

Live service and full service areas

Universal Credit (UC) was first introduced in Scotland on 25 November 2013, in the area around Inverness. It was rolled out across Scotland by April 2016, in different areas at different times. This initial stage has been restricted to a limited group of single claimants without children who satisfy a series of “gateway conditions”, referred to by the DWP as the UC “live service”. Over the next two years, the DWP plans to remove the gateway conditions for new claimants on an area by area basis. This is referred to as the transition to the “full service” (also referred to in the UC regulations as the digital service).

Difficulties with developing the necessary IT systems for the new benefit have resulted in these two different versions of the UC system existing simultaneously. The live service uses the first attempt to develop a computer system to deliver UC, and this system will eventually be mothballed following the "reset" of the UC programme (National Audit Office, 2014). This approach allowed the roll out of the new benefit to continue whilst the DWP developed a permanent IT solution in-house, which is now used in the full service areas. Whilst both systems require an online claim, only claimants in the full service areas are expected to manage their claim online on an ongoing basis. In the DWP's own words "the UC live service’s online system was a simple submit of an electronic form, whereas the UC digital service’s online process is a substantial customer journey." (DWP 2016e)

Transfer to the full service

Since March 2016, areas have been transferring to the UC full service. The regulations introduce the change by postcode areas, but the DWP describe it in relation to individual
Jobcentre Plus offices. In most cases, Jobcentre Plus catchment areas map closely onto Scottish local authority areas.\(^4\) Annexe 1 to this briefing shows the dates on which different local authority areas are expected to transfer to the full service.

Once the full service is introduced to an area, it is no longer possible to make a new claim for a legacy benefit, so many changes of circumstances may result in a need to claim UC (such as moving into a full service area and needing to claim help with housing costs, or leaving work due to health problems). In the most recent schedule, set out in July 2016, the DWP intends to transfer claimants of legacy benefits whose circumstances have not changed to UC between July 2019 and March 2022 (HC Deb 2016).

It should be noted that the plans for the introduction of UC have been repeatedly delayed. In spite of this, concerns have been raised about whether areas are ready for the introduction of the full service. When asked in evidence to the Scottish Parliament’s Social Security Committee (2016a) if she would want to delay the introduction of the full service, at that time two weeks away from being introduced, a witness from Inverclyde Council responded that “if any of us in Inverclyde could hit the pause button, we probably would.” Witnesses in this evidence session identified the level of support that many claimants will need with managing an online system as a key issue. This is discussed further below.

**Number of UC claimants**

On 8 December 2016, there were 43,426 UC claimants in Scotland (DWP 2016d). This represents a tiny proportion (around 6%) of the eventual Scottish UC caseload, which has been estimated at 700,000 (Wilson and Kennedy, 2015). Figure 2 on page 13 shows which local authority areas currently have the most UC claimants.

The introduction of UC has taken significantly longer than was originally planned. Most official estimates in recent years have predicted that the rollout of UC will be completed within the five years following the date of the prediction. The most recent estimate (made in November 2016), is that it should take until 2021-22. (Office for Budget Responsibility, 2016, chart 4.7)

**Additional support for claimants**

By default, UC is a single monthly payment made directly to one claimant in a household, including any housing costs element to help with rent charges. The DWP has always acknowledged that some claimants would need extra support to manage the transition to UC. This extra support is delivered in partnership with local authorities, under the name “Universal Support delivered locally (USdl)”, or recently, simply Universal Support.

When someone claims UC, the DWP undertakes an initial assessment of whether extra support is needed. The process is set out in guidance (DWP, 2016g). Every claimant should be offered “money advice”, although this may just be signposting to sources of budgeting help in the course of making an online claim. Those with greater needs are offered more intensive support and potentially “alternative payment arrangements” (discussed further below).

The issues of budgeting support and alternative payment arrangements were picked up by the Social Security Advisory Committee (SSAC, 2015), which described the operation of USdl as “an area that will require sustained and very close focus.” The DWP (2015b) response to SSAC set out some further details of the process at that time, including a statement that “Personal Budgeting Support (PBS) is discussed between the claimant and the work coach as part of the initial Work Search Interview and all claimants are given a Money Advice Service leaflet.”

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\(^4\) For example, when Dalkeith and Penicuik Jobcentre plus offices move to the UC full service on 22 March 2017, this will see the vast majority of Midlothian postcodes transferred. However, Leadburn (EH46) and Hillend (EH10) will not transfer to the full service at that point – see Reg 8 and the Schedule to SI 2017/57.
Figure 2

Universal Credit caseload
By Local Authority
8 December 2016

- Under 250
- Between 251 and 500
- Between 501 and 1,000
- Between 1,001 and 2,500
- Between 2501 and 5000
- Over 5000

Source: DWP (2016f)
It appears that this may leave some vulnerable claimants without a clear route to accessing support. This is because, as the UC full service rolls out, “some claimants will be exempt from attending these interviews and instead accept an auto-generated claimant commitment online e.g. those [who are] severely disabled.” (DWP, 2016e)

The views of local authorities about the process of commissioning and delivering PBS are captured in a DWP Local Authority Insight Survey. This describes the wide range of arrangements that have been put in place in different areas, and the anticipation of a steep increase in demand for local authority services as UC is rolled out. (DWP, 2017)

The DWP is currently reviewing the additional support arrangements. In a recent speech, the DWP Parliamentary Under Secretary of State for Welfare Delivery described how:

“Local trials have helped build our evidence base about the complex, often multiple barriers to work that harder to help claimants face. Using these findings, we are reviewing our Universal Support approach and considering how best to address a broader range of barriers.” (Nokes, 2017)

The DWP (2016) evaluation of trials for additional support to claimants contained a series of recommendations for effective USdl arrangements. Policy in Practice, co-authors of the report, drew nine lessons from the trials, and listed the five elements that they consider are required for a successful service model. These are:

- clear and common success measures
- the right governance, partnerships and local management
- the use of different ways to identify and engage claimants
- exploration of the possibility of co-location and integration of services
- that the right systems and processes are in place to allow effective data sharing, service mapping and case management. (Policy in Practice, 2016)

**Alternative payment arrangements**

The alternative payment arrangements (APAs) that the DWP will consider allow:

- housing costs for people renting their home to be paid directly to the landlord⁵
- more frequent payments
- split payments between members of a couple.

DWP guidance (2016g) sets out a list of risk factors that increase the likelihood that an APA will be needed, including addiction problems, being homeless, or having multiple debts. APAs are intended to be short-term and are decided on a discretionary basis. The power to make alternative payment arrangements has now been devolved to the Scottish Parliament, and is discussed further below.

Claimants who have been on UC for six months or more (time on some other benefits can count towards this) can request a “budgeting advance” to help with certain household costs. An advance can be awarded sooner than this for work-related expenses. Advances can only be awarded for claimants with no or low earnings, and must be repaid from future UC entitlement. (SI 2013/383)

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⁵ The housing costs element for owner-occupiers is always paid directly to the mortgage lender.
WHAT DIFFICULTIES ARE UNIVERSAL CREDIT CLAIMANTS HAVING?

Impact of the transition to the UC system

As discussed above, in most areas a series of gateway conditions restrict who is eligible to claim UC. As the UC system will leave some people better off than the benefits that it replaces and others worse off, confusion over whether claimants meet the gateway conditions or not can have a significant financial impact for some groups.

Evidence from Citizens Advice Scotland (2016), the Child Poverty Action Group (2016b) and McKechnie (2015) suggests that there is often confusion about whether claimants should be claiming UC or one of the benefits that it replaces, and difficulties for claimants who have claimed UC in the live service areas and then wish to return to the legacy benefits system. In evidence to the Scottish Parliament’s Social Security Committee (2016a) Citizens Advice Scotland explained that it is:

"very difficult to assess whether someone might be eligible for universal credit or for one of the legacy benefits. ...[P]eople ...go to the website, which says that universal credit is available in their area and that they cannot claim jobseekers allowance and should therefore claim universal credit, but they then find on the universal credit website that they fall foul of one of the criteria. ...which means that they have to go back and forth between websites.

At the initial stages, even when people phone up, it is unclear what they should be claiming and in some cases it will take several phone calls to find out what benefit they are entitled to."

Differential entitlement under the UC system

Claiming UC rather than the benefits that it replaces results in lower entitlements for some claimants. In evidence to the House of Commons Work and Pensions Select Committee (2017a), the Resolution Foundation argued that “Universal Credit will now overall be less generous than the current tax credit system when it is fully in place.” Within this, they acknowledged that there will be individual claimants who will be better off. Following changes to UC made by the 2016 Budget, the Institute for Fiscal Studies predicted that more out of work claimants would eventually be financially worse off after the transition to UC than will gain from it. (Browne, Hood & Joyce, 2016) Timmins (2016) provides a summary of the changes to the design of UC since it was originally conceived.

Single jobseekers without any other income (most people who meet the gateway conditions) are likely to initially have the same total benefit entitlement under UC, and may see greater incentives to move into work. However, many people who develop health conditions after claiming UC will have lower entitlements than in the legacy benefits system. Overall, couples with children where only one adult works are the only household type expected to gain on average from the introduction of UC (Browne, Hood & Joyce, 2016). Regulations to provide transitional protection for claimants moving to UC from the legacy benefits system are yet to be made, and will only apply to claimants moved to UC who have not had any change in their circumstances. (Keen & Kennedy, 2016)

Single monthly payments

When the plans for Universal Credit (UC) were first set out, many claimants were concerned that the move to a single household payment might leave them destitute if there were any
problems with scheduled payments. (DWP, 2011a) This is a logical concern, given that UC replaces up to three different benefits paid at different intervals with a single payment.

MPs in areas where the UC full service has been introduced have highlighted difficulties where scheduled payments have not been made to claimants. In September 2016, East Lothian MP George Kerevan called for an inquiry after a system crash meant scheduled payments were not received. (Burns, 2016)

The same month, Tom Brake MP, a Liberal Democrat whose constituency was the first to trial the UC full service, expressed frustration with the system:

"On a weekly basis I see residents who don’t receive payments or are forced to use a clunky system which is unusable and unsuitable for people with disabilities.

Every day new problems arise as a result of poor staff training, IT failures and poor IT systems. The government must get its act together and realise that this defective pilot scheme is having a serious effect on many people’s lives." (Butler, 2016)

A DWP spokesman responded that it is “misleading to draw wider conclusions from the anecdotal evidence of a small number of people.” (Butler, 2016)

Delay before UC payment

Since August 2015, most new UC claimants have seven “waiting days” between the date on which they make a claim and the start of their UC entitlement. The exceptions are those who have recently been in receipt of other benefits, and some groups not expected to look for work.

Combined with receipt of the first payment seven days after the end of the first month’s assessment period, this means that many claimants wait at least six weeks after making a claim to get any payment. Whilst advance “payments on account” are available, these must be repaid from future UC entitlement. (SI 2013/383) The House of Commons Work and Pensions Select Committee (2017a) heard evidence that advance payments “are not well advertised. They rely upon claimants alerting someone at the DWP to their situation for it to be considered.”

No UC entitlement for short periods

The one month assessment period also means that claimants may not be entitled to UC at all in a particular month, if they fail to meet the entitlement conditions at the end of the month. This is due to the approach that the DWP has taken to changes of circumstances under UC. As most changes are treated as happening on the first day of an assessment period, there is no entitlement to UC if a change in circumstances, which ends entitlement, happens during the month. (SI 2013/381) CPAG (2016b) give an example of this, where a UC claimant started studying full-time just before the end of their first assessment period, and so was not entitled to any UC at all.

Effect on claimants in work with fluctuating earnings

UC is designed to interact with the HMRC “real-time information” (RTI) system. The claimant’s award should be automatically adjusted based on actual earnings received. Citizens Advice Scotland (2016) cites evidence of the difficulties that can be caused where employers do not use the RTI system correctly.

Another issue with the monthly structure of UC is the fact that claimants paid weekly, fortnightly or four-weekly will experience fluctuations in their award when multiple pay days fall within the same assessment period, even if they earn the same every week. (DWP, 2016h) For some claimants this will lead to months in which they are not entitled to UC at all. This will need to be
planned for. Lower earners are less likely to be paid monthly, and the DWP’s (2011b) own estimate when developing the UC system was that only 51% of people earning under £10,000 a year received their earnings monthly.

Self-employed claimants face a different set of challenges. They must report their accounts monthly (as opposed to yearly for income tax and Tax Credits). Most claimants are also treated as earning the National Minimum Wage for their expected hours of work once they have been self-employed for a year, if their profits are lower than this amount. This is known as the "minimum income floor", and is discussed further above.

In most areas, claimants whose earnings have been too high to get UC for less than six months can currently be automatically awarded UC again if their earnings drop. However, in the full service areas, claimants must make a new claim after any assessment period in which earnings are too high to get UC (by the end of the following assessment period). This may cause difficulties for claimants with fluctuating earnings who are unsure of what their next month’s earnings will be. Claimants who wait more than seven days to make a new claim after leaving work will receive a reduced award in their first assessment period. (SI 2014/2887)

The DWP has introduced this change to prevent accidental overpayments if there have been changes of circumstances whilst the claimant is not receiving UC. The process for re-claiming is "far more straightforward than an initial claim - it simply requires people to reconfirm their circumstances and tell [the DWP] about any changes that have taken place." (Green, 2016)

Rent arrears

Most tenants of social landlords currently have financial support with their rent (through Housing Benefit) paid directly to their landlord. The DWP (2010) decided that this should change with the introduction of UC to “encourage people to manage their own budget in the same way as other households”. Since the Welfare Reform Bill 2011 was being debated at Westminster, the National Housing Federation (2011) has been amongst the stakeholders expressing concern about the impact of paying amounts of UC for rent direct to claimants.

Some landlords suggest that the introduction of UC has led to an increase in the level of rent arrears. Research in England by the National Federation of Arm’s Length Management Organisations and the Association of Retained Council Housing (2016) found that 79% of UC claimants were in rent arrears (with only 50% in arrears before claiming UC). All landlords responding to the survey cited the waiting period before the first payment as frequently contributing to the increased levels of rent arrears of tenants on UC.

When local authorities gave evidence to the Scottish Parliament Social Security Committee (2016a) in November 2016, of UC claimants in the Highland Council area, 82% of council tenants in the live service areas and 96% of tenants in the full service areas were in rent arrears. East Lothian Council, which is a full service area, also reported an increase in rent arrears to 82% of tenants who had claimed UC. (Scottish Parliament Social Security Committee, 2016b) The Edinburgh Evening News quotes Councillor Willie Innes (the leader of East Lothian Council) as stating that “as the introduction of Universal Credit has resulted in significant loss of income to the council [they] are seeking financial recompense from the UK Government.” (Swanson, 2016)

This contrasts with the results of DWP (2015c) research, which found that 48% of UC claimants were in rent arrears, falling to 33% in a follow-up survey three months later. The proportion of UC claimants in rent arrears stating that their arrears began after they claimed also fell, from 45% to 35%.
In November 2016, Inside Housing reported that UC may be making private landlords less willing to rent to benefit claimants. This had led Great Yarmouth Borough Council (one of the areas in which the full service has been introduced) to write to the DWP asking them to suspend the Housing Benefit aspect of UC, unless the speed of decision making and communication with landlords could be significantly improved. (Barnes, 2016)

In a debate in July 2016 on the effect of Universal Credit on rent arrears (HL Deb 2016), Lord Freud stated that he had “commissioned work from the [DWP] to help understand the true level and causes of these arrears.” He also suggested that these figures may be partly “book arrears”, caused by the payment of UC in arrears whilst rent is charged in advance. In recent evidence to the House of Commons Work and Pensions Select Committee (2017b), Lord Freud was questioned about similar evidence to that cited above about the level of rent arrears of UC claimants. He acknowledged that “there is an arrears issue… and there are things that need to be done to sort it, but it is not the dramatic story that you are hearing from people.”

Feedback from November 2016 meetings of Scotland’s Housing Network (2016) – a forum for social landlords – highlighted ongoing difficulties in communicating with DWP staff, both in terms of contacting the UC service centre and receiving notifications for tenants who have claimed UC. It has also been argued that a likely contributing factor to the level of rent arrears is that the structure of UC can leave single claimants who are sanctioned with no income at all except their housing costs element, which may then be spent on other needs. (Stothart, 2016)

However, the DWP has not produced statistics on the number of UC claimants who receive the housing costs element and have been sanctioned.

*Alternative payment arrangements and rent arrears*

In an Inquiry on Benefit Delivery, the House of Commons Work and Pensions Select Committee (2015a) heard evidence of alternative payment arrangements (APAs) being ended without notification to either claimants or landlords. The Committee’s recommendations included that DWP guidance on APAs should be revised to clarify that there was no need for a claimant to be in rent arrears, and that APAs should never end without notification being given to the claimant. The response to the inquiry report from the DWP (2016i) stated that there is no need for there to be pre-existing rent arrears in order to have an APA agreed, and that the ending of APAs without notice should not happen.

Whilst rent arrears are not required to consider whether APAs would be appropriate, it does appear that the current guidance strongly implies that a payment of the housing costs element to the landlord will only be made if the claimant is in rent arrears. The following quote is taken from the current version of the DWP (2016g) guidance:

> “When can a Managed Payment to a landlord be requested?

A Managed Payment to a landlord can be made when:

- a claimant is in arrears with their rent for an amount equal to, or more than, two months of their rent… or
- a claimant has continually underpaid their rent over a period of time, and they have accrued arrears of an amount equal to or more than one month’s rent.”

The guidance goes on to state that proof of rent arrears will be required to allow a managed payment to the landlord to be made.

By May 2016, DWP (2016j) statistics showed that, of the 38% of all UC claimants being paid an amount towards their rent, 42% of social tenants had an APA which paid the housing costs element to their landlord, compared to 3% of private tenants. One reason for this difference may
be that the DWP (2016k) should automatically notify social landlords when a tenant claims UC, so they are more likely to be aware of the claimant’s circumstances. In evidence to the House of Commons Committee of Public Accounts (2015) six months before these statistics were published, the DWP had estimated that a third of social tenants and 20% of private tenants would have their rent paid directly to their landlords. In the latter case, this was based on the proportion of Housing Benefit claimants with similar arrangements.

In evidence to the Scottish Parliament Social Security Committee (2016a), some local authority witnesses suggested that automating the alternative payment arrangements process might be helpful in reducing the level of rent arrears, given the current difficulties with the processes involved.

**WHAT CHALLENGES DOES UNIVERSAL CREDIT POSE FOR THE SCOTTISH GOVERNMENT?**

**UNIVERSAL CREDIT FLEXIBILITIES**

Since 5 September 2016, the Scottish Government has had the power to vary certain aspects of UC. Changes must be made in consultation with the DWP, who can delay the start date of any changes if implementing them to the Scottish Government's proposed timescale would not be reasonably practicable. The powers devolved by the Scotland Act 2016 allow the Scottish Government to:

- vary the amount of the housing costs element for claimants renting their home
- change the frequency of payment of UC
- change the person to whom UC is paid.

The Scottish Government (2016a) has previously committed to use these powers “to effectively abolish the bedroom tax”.

A current consultation (Scottish Government 2017), which runs until March 2017, announces plans to use these powers to:

- give claimants the option of being paid twice monthly
- give tenants the option of direct payment of the housing costs element to their landlord.

The draft regulations included in the consultation document provide that they will only apply in the UC full service areas. The Scottish Government plans to extend the option to request direct payment of rent to the landlord to all tenants. The previous commitment (Scottish Government 2016a) was to making this change for social sector tenants only.

The draft regulations included in the consultation do not allow for UC payments to be split between members of a couple. The consultation document states that “analysis of the responses to the social security consultation exercise held during 2016 and discussions with individuals and relevant organisations will shape what other UC flexibilities the Scottish Government may decide to progress at a later date.” (Scottish Government 2017)

**CLAIMANTS' NEED FOR SUPPORT WITH UNIVERSAL CREDIT**

Evidence is emerging of a significant need for support to manage claims for UC. As the UC full service is rolled out across Scotland the numbers of claimants will increase dramatically, and will increasingly include more vulnerable groups.
DWP (2016e) research has found that, in the live service areas, 45% of claimants were experiencing difficulty with the (simpler) online claim form. Once the UC full service is rolled out, changes of circumstances will be reported online as the default method. DWP statistics show that in Musselburgh (the only Scottish Jobcentre Plus office using the UC full service at the time) 84% of changes of circumstances were reported online, compared with up to 97% in other offices. The DWP (2016e) suggest that "some of these differences may be due to small volumes. However, it might also be because of the composition of claimant types, in terms of health, education and digital skills, and the locality’s access to the internet."

Scottish Government (2012) research found that low household income and living in a deprived area were factors making households less likely to use the internet. More recent Citizens Advice Scotland (2016) research showed that computer literacy and internet access were improving, but that around one in five CAB clients still could not use a computer and a similar number did not use the internet at all.

In 2014 and 2015 a number of trials looked at potential models for identifying claimants in need of extra assistance with UC, and delivering practical support, known as Universal Support delivered locally (USdl). This is discussed in more detail above. Two trials were in Scotland – run by Dundee City Council and Argyll and Bute Council. The DWP (2016l) evaluation of the trials found “that participation in USdl had no statistically significant impact on either digital or financial capability.”

Given this finding, it seems likely that effective agreements will be needed to ensure that vulnerable groups are able to manage their claims to UC in the longer term. It appears that these arrangements may not be providing sufficient capacity to meet demand in some areas. The Scottish Parliament Social Security Committee (2016a) heard evidence of the pressure that the introduction of the UC full service had placed on local advice agencies in East Lothian.

There was also discussion of the difficulties that claimants without bank accounts or necessary information face in getting their claim started, even with support. Witnesses suggested that in full service areas “some of the most vulnerable people ... have had to start their claim again, because a claim lapses after seven days if someone has not had their appointment”. (Scottish Parliament Social Security Committee 2016a) If correct, this is concerning, given that the regulations actually provide for a one month period to remedy a defective claim. (SI 2013/380)

The wait for the first payment of UC

As discussed above, the first payment of UC may not be made until six weeks after the date of claim. Advance payments from the DWP are effectively a loan of future UC entitlement, which is recovered from future UC payments. DWP research into local authorities’ experience of helping UC claimants quotes a Scottish local authority as expressing frustration at the difficulty of providing budgeting help to UC claimants awaiting their first payment: “You can’t budget with somebody who’s got no money. There’s no point doing income and expenditure with them because they have no income.” (DWP, 2017)

East Lothian Council gave evidence to the Scottish Parliament Social Security Committee (2016b) of the pressure that the rollout of the UC full service placed on their Scottish Welfare Fund (SWF) budget:

“The Council’s experience under UC [full service] has shown that advances from the claimant’s own UC award are often not sufficient to cover their living costs for the duration of the UC waiting and processing times. Invariably UC claimants have been making applications for SWF Crisis Grants in order to minimise the risk of starting their UC claim with excessive debt which then is then recovered from their ongoing UC
entitlement. As a consequence the Council’s SWF budget is currently 20% ahead of its profiled spend.”

In oral evidence to the Committee, the Council confirmed that the SWF budget could not support the increased level of spending until March 2017, and expressed the view that these “problems are an inevitable consequence of the waiting period.” (Scottish Parliament Social Security Committee, 2016a)

Citizens Advice Scotland (CAS) also believes that “the six-week wait for a universal credit payment is going to place massive pressure on the Scottish Welfare Fund budget across the country.” (Scottish Parliament Social Security Committee, 2016a) CAS (2016) has called for payments on account to no longer be recoverable from claimants, citing evidence of the hardship caused by recovery from ongoing awards. They also recommended that both the Scottish Government and the DWP explore the possibility of introducing a non-recoverable assessment payment for claimants awaiting their first payment of UC.

UNIVERSAL CREDIT AND OTHER DEVOLVED RESPONSIBILITIES

Universal Credit (UC) has an impact on many devolved responsibilities, including Council Tax Reduction (CTR) and “passported benefits” such as free school meals and support with some NHS charges. One of the challenges in deciding who should qualify for other support on the basis of their entitlement to UC is that withdrawal of several different entitlements using the same income threshold can result in claimants being significantly worse off after a small increase in their earnings.

Council Tax Reduction

The fact that CTR exists outside UC means that many claimants face two different reductions to financial support operating alongside each other as their earnings increase. The Scottish Government's approach to drafting the Council Tax Reduction (Scotland) Regulations 2012 provides that if a CTR claimant is entitled to Universal Credit (UC), the local authority must use the UC “maximum amount” to determine the rate at which CTR entitlement starts to taper away. The local authority must also use the DWP calculation of the claimant’s income, but with the claimant’s award of UC included as income. A result of this is that that in effect it is the DWP that sets the point at which CTR begins to taper away. There will be more detail of the Council Tax Reduction scheme in a forthcoming SPICe briefing.

If a claimant’s income (including their UC entitlement) is greater than the UC maximum amount, the entitlement to CTR is reduced by 20p for every £1 of excess income. This combines with the UC taper rate of 65% of net earnings, to produce a 72% marginal deduction rate for claimants not earning enough to pay income tax and National Insurance contributions. When the UC taper reduces to 63% from April 2017, this marginal deduction rate will reduce to 70%. This will also result in an increase in council tax liability for UC claimants (as their excess income will be greater for the same earnings), potentially generating additional income for local authorities. In evidence to the Scottish Parliament Social Security Committee (2016c), the Joseph Rowntree Foundation suggested that the CTR taper rate for working claimants could be an area for the Scottish Government to consider in future reforms.

Scottish Government plans for reform of Council Tax Reduction

The increase to the support through CTR for families with children from April 2017 announced by The Scottish Government (2016e) will not apply to UC claimants as the regulations currently

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6 A marginal deduction rate is the percentage of every £1 of increased income that is clawed back either through taxation or reductions to benefit entitlements.
operate. Unless the structure of the regulations is changed, the provisions in the Welfare Reform and Work Act 2016 to limit most claimants’ means-tested financial support to their first two children from April 2017 will also apply to CTR claimants getting UC.

Claiming Council Tax Reduction alongside UC

CTR must be claimed separately to UC. Whilst acknowledging that other changes to CTR have reduced expenditure, East Lothian Council told the Scottish Parliament Social Security Committee (2016b) that “the fact that UC Housing Costs and CTR have to be claimed separately has also been a significant factor [in the 7.6% reduction in year to date expenditure on CTR by 30 September 2016].” Highland Council gave evidence to the Scottish Parliament Social Security Committee (2016a) that their staff “who are administering the council tax reduction can no longer phone the service centre to get information [in the UC full service area].”

Passported benefits

The Scottish Government (2016b) lists a number of income-related passported benefits that are affected by the introduction of UC. Table 5 gives a basic explanation of their financial eligibility criteria in relation to UC.

Table 5 – Universal Credit and Scottish passported benefits

<table>
<thead>
<tr>
<th>Passported Benefit</th>
<th>UC qualifying criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Aid</td>
<td>UC is a qualifying benefit for advice and assistance under the Legal Aid (Scotland) Act 1986 (subject to the claimant’s level of capital).</td>
</tr>
<tr>
<td>Court fees exemption</td>
<td>Any UC gives automatic entitlement, and a separate rule exempts people receiving legal aid from certain fees. (Scottish Courts and Tribunals Service, 2016)</td>
</tr>
<tr>
<td>Free school lunches</td>
<td>Any UC gives automatic entitlement. (SSI 2009/178)</td>
</tr>
<tr>
<td>Free NHS dental treatment</td>
<td>UC gives automatic entitlement, if the claimant has no earned income or income below £935 a month (claimants with limited capability for work or dependent children) or £435 a month (other claimants). Those who do not meet this condition, but have a low household income, can get full or partial help with costs. (NHS Business Services Authority, 2016)</td>
</tr>
<tr>
<td>NHS patient travel costs</td>
<td></td>
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<tr>
<td>NHS optical vouchers</td>
<td></td>
</tr>
<tr>
<td>Individual Learning Accounts</td>
<td>Any UC gives automatic entitlement, and there is a separate rule giving anyone with an income under £22,000 access to the scheme. (SSI 2011/107)</td>
</tr>
<tr>
<td>Education Maintenance Allowance</td>
<td>Household income must be below £24,421 if there is one child in the household or £26,884 if there are two or more children. Official guidance is yet to be updated to explain how household income is calculated for UC claimants. (Scottish Government, 2016c)</td>
</tr>
<tr>
<td>Early Learning and Childcare Entitlement</td>
<td>Any UC gives automatic entitlement to a place for a two year old (this is a universal entitlement for three and four year olds). (Scottish Government, 2016d)</td>
</tr>
</tbody>
</table>

From this list it appears that at present there is not a single point at which a claimant can lose access to several passported benefits following a small increase in household income. However, there are still circumstances in which a modest increase in earnings could result in loss of valuable entitlements. For example, a household with three children in secondary school would lose entitlement to free school lunches if their income increased just enough to bring to an end a small entitlement to UC.
### ANNEXE 1

**Dates on which local authorities in Scotland will transfer to the UC full service**

<table>
<thead>
<tr>
<th>Month</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar-16</td>
<td>East Lothian</td>
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<tr>
<td>Apr-16</td>
<td></td>
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<tr>
<td>May-16</td>
<td></td>
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<tr>
<td>Jun-16</td>
<td>Highland (Inverness area)</td>
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<tr>
<td>Jul-16</td>
<td></td>
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<tr>
<td>Aug-16</td>
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<td>Sep-16</td>
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<tr>
<td>Oct-16</td>
<td></td>
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<tr>
<td>Nov-16</td>
<td>East Dunbartonshire &amp; Inverclyde</td>
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<tr>
<td>Dec-16</td>
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<tr>
<td>Jan-17</td>
<td></td>
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<tr>
<td>Feb-17</td>
<td></td>
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<tr>
<td>Mar-17</td>
<td>Midlothian</td>
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<tr>
<td>Apr-17</td>
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<tr>
<td>May-17</td>
<td></td>
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<tr>
<td>Jun-17</td>
<td>Clackmannanshire &amp; Stirling</td>
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<tr>
<td>Jul-17</td>
<td>Highland (other areas)</td>
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<tr>
<td>Aug-17</td>
<td></td>
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<tr>
<td>Sep-17</td>
<td></td>
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<tr>
<td>Oct-17</td>
<td>East Ayrshire &amp; South Lanarkshire</td>
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<td>Nov-17</td>
<td>Angus, Dundee &amp; North Ayrshire</td>
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<td>Dec-17</td>
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<td>Mar-18</td>
<td>Aberdeenshire, Falkirk &amp; Scottish Borders</td>
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<td>Sep-18</td>
<td>Glasgow City</td>
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Source: DWP (2016a)
This Annexe is a list of common terms used by the DWP in relation to Universal Credit (UC). It briefly explains the meaning of each term, and relates it to the language used to describe other social security benefits, as appropriate.

| **Alternative payment arrangements** | UC is normally a single monthly payment to one member of a household. Alternative payment arrangements are currently a discretionary change to this, which can include:  
- payment of the "housing costs element" direct to the landlord  
- more frequent payment of UC  
- splitting UC payments between members of a couple.  
The power to make these arrangements by regulations has been devolved to the Scottish Parliament. |
| **Assessment period** | UC entitlement is calculated monthly. An "assessment period" normally starts from the claimant’s date of claim, and ends on the same day of each month. Most changes of circumstances are treated as happening on the first day of the assessment period in which they happen, and the following month’s award depends on the amount of earnings received during an assessment period. |
| **Benefit cap** | A limit on the amount of benefits that some out of work households can receive, which is applied by restricting the amount of a claimant’s UC award. (The benefit cap can also reduce the Housing Benefit award of claimants not yet getting UC.) There are exemptions for some working households, and for households in which someone gets certain carer’s or disability benefits. |
| **Budgeting advance** | Effectively a loan of a claimant's future UC entitlement. To qualify, claimants must have been in receipt of Universal Credit for six months (time on some other benefits counts) unless the advance is for work-related expenses. A single claimant must not have earned over £2,600 in the previous six months (for couples the limit is £3,600 joint earnings). The maximum advance is limited, the amount depending on the household type. |
| **Carer element** | Paid if the claimant spends 35 hours a week caring for someone who is severely disabled, and no-one else gets the element or Carer’s Allowance for looking after the same person. It is £150.39 a month (£151.89 from April 2017).  
A claimant can only qualify for either the carer element or one of the two “limited capability for work” elements (see below), whichever is higher. |
| **Child element** | Paid for a child or young person a claimant is responsible for. Only one parent can get this for a child if they are not living together as a couple. Not paid for most children in local authority care. It is £277.08 a month for the first child and £231.67 for other children.  
The higher rate will no longer be paid for a first child born from April 2017, and no element will be included for a third child from that date (with some exceptions). |
| **Childcare costs element** | An amount included to help with the cost of formal childcare. Normally all adults in the household must work (with exceptions for ill or disabled adults and carers) and the costs must be related to the claimants’ work. Meets 85% of eligible costs up to a maximum monthly amount of:  
- £646.35 (one child)  
- £1,108.04 (two or more children). |
| **Claimant commitment** | A basic requirement for entitlement to UC is that the claimant agrees to a claimant commitment. Both of a couple must normally agree individual commitments. The claimant commitment sets out the “work-related requirements” that a claimant is expected to meet. It can be updated by the DWP work coach as required, and the claimant must then agree the updated version to remain entitled to UC. |
| **Disabled child addition** | Extra amount of UC for households containing a disabled child. The higher rate of £367.92 a month (£372.30 from April 2017) is included for each child entitled to the DLA highest rate care component, the PIP enhanced rate daily living component or registered blind. The lower rate of £126.11 a month is included for each child entitled to DLA or PIP who does not get the higher rate. These amounts will still be included for all children once the number of “child elements” is limited (see above). |
| **Earnings threshold** | The amount of earnings above which any conditionality requirements must be removed. It is normally set in relation to the National Minimum Wage for the number of hours that a claimant is expected to spend on their “work search” each week – 35 hours for most claimants. For claimants who are not expected to look for work but are subject to some other “work-related requirements” it is set at 16 hours at the National Minimum Wage. |
| **Expected hours of work** | The number of hours that the DWP considers it is reasonable to require a claimant to work. The standard number is 35, although this can be reduced for claimants with a health condition, disability, or caring responsibilities and for claimants who already work. |
| **Full service** | Also known as the “digital service” in the regulations. This is the final UC system and is in use in the areas where UC has been rolled out for all new claimants. This is done by removing the “gateway conditions” in a particular area from a given date, so replacing the “live service”. The full service system includes more online elements to maintaining a claim, and claimants are expected to communicate with DWP staff and report changes through an online “journal” function. This system has to cope with claims from people in more complicated circumstances. |
| **Gateway conditions** | A series of conditions that claimants must meet to be able to make a claim for UC in the “live service” areas. However, once receiving UC most claimants stay in the new system, even if their circumstances change. The gateway conditions are that the claimant:  
  - is a single UK national without children  
  - is aged between 18 and 60 and 6 months  
  - has lived in the UK for the past two years (ignoring any absence of up to four weeks)  
  - has a National Insurance number and a bank, building society credit union or Post Office Account.  
  In addition, the claimant must not be:  
  - living with a child for whom the claimant is responsible (including foster children, and those planning to adopt a child within two months)  
  - pregnant or within 15 weeks of giving birth  
  - liable to pay child maintenance  
  - caring for a disabled person (unless as paid or voluntary employment)  
  - self-employed or expecting to start self-employment within a month  
  - expecting to earn over £338 in the month after claiming  
  - studying or undertaking training, or planning to do so within a month  
  - getting Income Support, Income-based JSA or Income-related ESA, awaiting the outcome of a claim for one of these, or challenging a decision refusing one of them  
  - awaiting the outcome of a claim for Housing Benefit or Tax Credits (or in some circumstances the outcome of a challenge to a refusal)  
  - getting a disability benefit or unfit for work  
  - a homeowner, homeless, or in temporary/supported accommodation. |
**Habitually resident**
This is the overall test of whether a claimant meets the residence conditions to be entitled to UC, looking at the claimant’s length of presence in the UK, how settled their life is and their future intentions. EEA nationals are treated as not habitually resident unless they have a “right to reside”. Non-EEA nationals should seek legal advice, as their immigration status may be affected if they claim UC.

**Housing costs element**
An amount included in the UC “maximum amount” which provides help towards a claimant’s rent or mortgage interest. People in some kinds of supported accommodation do not get this element, and can currently claim Housing Benefit instead (alongside UC).

The help with rent is restricted by the number of people occupying the home, under either the Local Housing Allowance rules (private sector) or the social sector rules, which include the under-occupancy reduction (bedroom tax). The UK Government plans to remove the housing costs element for some 18-21 year olds from April 2017 (regulations are yet to be made).

Claimants in paid work cannot receive the housing costs element for mortgage interest. The UK Government plans to replace the housing costs element for mortgage interest with a repayable loan from 2018.

**In-work conditionality**
Also referred to as “in-work progression”. This is the possibility of conditionality requirements (and sanctions) applying to claimants who are in work and earning below their “earnings threshold”. A randomised control trial of the concept is expected to report in 2017.

**Journal**
In the UC “full service”, this is an online portal that a claimant can use to communicate with the DWP. It records previous actions taken by the claimant, and can be used to ask questions about an award, report changes of circumstances or record “work search” activity, for example.

**Legacy benefits**
This term is used to describe the social security benefits system before Universal Credit (UC) was introduced (and where the majority of claimants still remained at the end of 2016). It can also be used to refer specifically to the benefits being replaced by UC, namely:

- Income Support (DWP)
- Income-based Jobseeker’s Allowance (DWP)
- Income-related Employment and Support Allowance (DWP)
- Working Tax Credit (HMRC)
- Child Tax Credit (HMRC)
- Housing Benefit for most claimants (local authorities).

**Limited capability for work (element)**
“Limited capability for work” (LCW) is the legal term for someone who cannot reasonably be expected to work due to a health condition or disability. This is assessed by the “Work Capability Assessment”, which is the same test used to decide entitlement to Employment and Support Allowance.

UC claimants with LCW qualify for a “work allowance” and their work-related requirements cannot include “work search” or “work availability”.

The LCW element is an extra amount of UC (normally payable after three months) for claimants who have LCW. It is £126.11 a month.

The UK Government plans to remove this element for new UC claimants from April 2017.
| **Limited capability for work-related activity (element)** | “Limited capability for work-related activity” (LCWRA) is assessed by the “Work Capability Assessment”, and is also the test used to decide which Employment and Support Allowance claimants are placed in the Support Group for that benefit. UC claimants with LCWRA qualify for a “work allowance” and are not subject to any “work-related requirements”. The LCWRA element is an extra amount of UC (normally payable after three months, but paid straight away to terminally ill claimants and some others) for claimants who have LCWRA. It is £315.60 a month (£318.76 from April 2017) |
| **Live service** | The UC system that was in use in most areas at the end of 2016. Claimants must meet a series of “gateway conditions” to make an initial claim for UC. The computer system used and some administrative processes are different to the UC “full service”, with less online interactions with the DWP. |
| **Mandatory reconsideration** | If a claimant disagrees with a UC decision, before being able to appeal to an independent tribunal they must first request a “mandatory reconsideration”. In legal terms this is requesting a “revision” of the decision, and in practice it means that there is a one month time limit (which can be extended in some circumstances), to dispute the decision by asking the DWP to look at it again. |
| **Maximum amount** | This is the amount of the claimant’s standard allowance and any additional “elements” that they are entitled to. It is similar to the “applicable amount” in other means-tested benefits. |
| **Minimum income floor** | Most self-employed UC claimants with low earnings are treated as earning the amount that they would earn for their expected hours of work if they earned the National Minimum Wage if their profits are lower than this level. There are exceptions for newly self-employed claimants, and those for whom self-employment is not their main activity. |
| **Money advice** | In the UC context, this is support for claimants who might need help to budget monthly payments. It may be as simple as signposting to online sources of information, or may include referral to a local support organisation. |
| **Passported benefits** | This is an umbrella term used to describe support for people on low incomes that uses receipt of a particular social security benefit as a proxy for low household income. The fact that UC replaces several benefits that have been used by the Scottish Government as proxies in different contexts creates a challenge for the design of passporting arrangements. |
| **Personal budgeting support** | This is an umbrella term for extra support that claimants who may struggle with a single monthly UC payment can access. It could include “money advice”, support from local services, or “alternative payment arrangements”. |
| **Real-Time Information (RTI)** | This is an HMRC system used by employers to report employees’ earnings monthly. UC is designed to take into account the earnings reported through RTI, to calculate the claimant’s award for the following month. |
| **Right to Reside** | This is part of the test of whether a claimant is “habitually resident”, that in practice affects EEA nationals from outside the UK. Claimants who are exercising certain European Union freedom of movement rights, including workers and self-employed people, and their family members, have the right to reside. This is a complex area of the law and different types of right to reside are sufficient to qualify for different benefits. |
| **Sanction** | Reduction to a UC award for failure to meet “work-related requirements”. Normally equivalent to the “standard allowance”. The length of a sanction depends on the failure and the claimant’s work-related requirements. Sanctioned claimants can apply for hardship payments, which are effectively a loan. Hardship payments must normally be repaid from a claimant’s future UC entitlement. |
### Service Centre
This is an office that manages UC claims. It can be contacted by phone, or online in the full service areas. It is not necessarily located in or near the area it manages claims for. Claimants are expected to attend meetings at Jobcentre Plus offices, which are separate from service centres.

### Standard allowance
The basic amount of UC, paid at one of the following four monthly rates:
- £251.77 – single claimants, under 25
- £317.82 – single claimants, 25 and over
- £395.20 – couples, both under 25
- £498.89 – couples, one or both over 25

### Taper
Whilst most forms of income either reduce a UC award pound for pound or are completely ignored, a different rule for earned income reduces the award by 65% of a claimant’s net earnings above the “work allowance”, or 65% of all earnings if no “work allowance” is included.
This taper rate will reduce to 63% from April 2017.

### To do list
In the UC full service, this is an online resource that DWP staff can use to assign tasks to a claimant – either in relation to maintaining their claim or specific “work-related requirements”.

### Universal Credit account
In the full service area, each individual claiming UC creates an online account to be able to claim UC, and receive notifications about a claim.

### Waiting days
Most UC claimants are not entitled for the first seven “waiting days” after making a claim. Exceptions include those who have recently received a benefit that is replaced by UC, and some claimants who are not expected to look for work.

### Work allowance
The amount of earnings that a claimant can keep before their UC award starts to be reduced. This is similar to the earnings disregards in the benefits that are replaced by UC. Only claimants responsible for children or who have “limited capability for work” are entitled to a work allowance. It is:
- £192 a month for claimants with a “housing costs element” included in their award
- £397 for claimants without a housing costs element.

### Work availability
This is one of the UC “work-related requirements”. It requires that a claimant is available to take a job if offered. Most claimants must be immediately available for any work. Those with caring responsibilities, a recent work history, or whose health problems or disability limit the kind of work that they are able to do may be able to ask for restrictions.

### Work Capability Assessment
The test used to determine whether a claimant has “limited capability for work” (which is also used to decide whether someone is entitled to Employment and Support Allowance). Normally involves completing a self-assessment questionnaire, and attending an assessment with a private contractor.
For UC the test is used to decide:
- which work-related requirements are appropriate
- whether the claimant qualifies for a work allowance
- whether an extra element is payable in the UC award.

### Work Coach
A DWP staff role involving face to face contact with UC claimants, to agree a claimant commitment, and give support with work-related requirements.

### Work-focused interview
This is one of the UC “work-related requirements”. Claimants who only have a work-focused interview requirement are sometimes referred to by the DWP as “planning for work”. It is a mandatory discussion between a claimant and a “work coach” about the claimant’s skills, attributes and any barriers to work, and what other support may be available to move towards work.
<table>
<thead>
<tr>
<th><strong>Work preparation</strong></th>
<th>This is one of the UC “work-related requirements”. It is mandatory activity such as training courses, skills assessments and unpaid work placements, aimed at assisting the claimant to prepare for a return to work.</th>
</tr>
</thead>
</table>
| **Work-related requirements** | This is an umbrella term for the conditionality requirements normally placed on UC claimants. Individual claimants are divided into four broad groups, based on their circumstances:  
- no requirements (for example claimants caring for a severely disabled person for 35 hours per week or more, heavily pregnant women, claimants with “limited capability for work-related activity” or claimants earning above their “earnings threshold”)  
- work-focused interviews only (for example a main foster carer, or a lone parent/main carer in a couple whose youngest child is aged one or two)  
- work preparation and work-focused interviews (a lone parent/main carer in a couple whose youngest child is aged three or four, and people with limited capability for work)  
- all work-related requirements, which normally includes the requirements above, as well as work search and work availability requirements (for claimants not in one of the groups above, including those in low-paid work, lone parents of school-age children, or claimants waiting for a “Work Capability Assessment”).  
  
From April 2017, lone parents and main carers whose youngest child is two will be moved to the work-preparation group. Those whose youngest child is three or older will have all of the work-related requirements.  
Some requirements can be reduced or removed by a DWP work coach on a discretionary basis, and they must be changed after certain changes of circumstances. |
| **Work search requirement** | This is one of the UC “work-related requirements”. It requires that a claimant take any reasonable action to secure paid work (or more paid work), as well as any specific actions directed by a “work coach”. Claimants are normally expected to spend 35 hours a week on their work search, but this can be reduced if the claimant is working, or if reasonable due to caring responsibilities, health problems or disability. |

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