

## SOCIAL SECURITY COMMITTEE

### SOCIAL SECURITY AND IN-WORK POVERTY INQUIRY

#### SUBMISSION FROM Falkirk Council

#### What impact will Universal Credit have on in-work poverty in Scotland?

Falkirk Council is concerned about the growing issue of in-work poverty and the impact that Universal Credit is likely to have on people who are working but on a low income.

In particular we are concerned about the:

- challenge of budgeting on universal credit
- impact of sanctions on a claimants ability to work
- impact of the reduced work allowances on poverty
- issues around data sharing

**Challenge of budgeting on Universal Credit:** Evidence from our Community Advice Services team who provide Personal Budgeting Support to Universal Credit claimants highlights the challenge of managing your money, particularly for those on zero hours contracts:

*Advisor 1: I have only seen a handful of cases where the client was working and claiming UC since I started providing PBS support. The cases I recall were zero hours contract cases. The clients had real difficulty managing their money. Clients may be paid a wage at the start of an assessment period and have to wait 4 weeks to see how this will impact their universal credit claim. Neither of my clients understood how to calculate how the fluctuation in their wage would impact on their next UC payment and therefore found budgeting extremely difficult. Perhaps ensuring more in work clients are better guided on how a calculation of their entitlement is reached each month, thus allowing them to better budget their money would be a real help.*

*Advisor 2: I have been dealing with a client who is working Part Time and in receipt of Universal Credit. The client was awarded a Housing element payment through Universal Credit for May however did not received a payment in June as the client was given a Tax Rebate which Universal Credit took into consideration while assessing income. As we do not know what the payment for Universal Credit is going to be each month, the repayment for Rent Arrears will vary on a month to month basis.*

*Client has been relying on friends and family for food and help with Gas & Electricity. I have given client Budgeting advice, but as client is on a very low income she is limited on what more she can reduce.*

**Impact of sanctions on a claimant's ability to work:** Under Universal Credit, a working claimant can be sanctioned if they do not take sufficient steps to increase their hours or income. We are concerned that this sanction could have a detrimental effect on the

claimants ability to continue to work, due to lack of money to pay for transport to work, food whilst at work or even electricity to heat water for personal hygiene in preparation for work. Given that hardship payments are now recoverable, claimants may end up unable to afford the costs associated with maintaining their employment, which in turn could lead to further sanction and hardship.

**Impact of the reduced work allowances on poverty:** The Universal Credit work allowance was reduced from April 2016, reducing the amount of money a claimant could earn without reducing their Universal Credit payment. This change is likely to increase poverty for people in low paid work.

**Issues around data sharing:** Without appropriate data sharing, it is more difficult for local authorities to administer support services for those in receipt of Universal Credit, such as Discretionary Housing Payment (DHP), and Free School Meals and Clothing Grants. Therefore, people in receipt of Universal Credit who are working will find it more difficult to access these important sources of additional support, potentially offsetting any positive effects of the lower income tapers UC offers.

It is also more difficult to provide additional support to those in work through the Discretionary Housing Payments scheme. Assessments need to be made month to month (in line with Universal Credit assessment period), and therefore support is always retrospective and cannot be guaranteed. This creates uncertainty for those who need certainty to make informed decisions about how many hours to work, childcare requirements etc.

### **What is the experience so far in full-service areas in Scotland for those who are in work who are moving or have moved on to Universal Credit?**

Universal Credit full service was introduced to the Falkirk Council area in March 2018. We are therefore only just beginning to see the impact of Universal Credit full service in our area.

### **What is known about those experiencing in-work poverty in Scotland who do not claim or are not eligible for Universal Credit?**

As yet we are not aware of any specific issues in relation to people experiencing in work poverty and not claiming Universal Credit however we are concerned that the requirement to apply for and manage your Universal Credit application online will result in a greater number of people not applying for a benefit that they are entitled to, particularly people who lack digital skills, have limited language or literacy skills or suffer from mental health issues.

The uptake rate for Job Seekers Allowance (50% 2014-15 DWP and HMRC figures) is extremely low with only half of those entitled to the benefit taking it up. Informal feedback from claimants on their experiences of applying for Universal Credit suggests that it is more challenging to make and manage a claim and therefore there is a risk of an even lower uptake level.

**What can or should the Scottish Government do to mitigate any detrimental impact?**

The Scottish Government should continue to lobby DWP to give Housing Costs element of Universal Credit back to Local Authorities to administer or make the Scottish “choices” re paying direct to landlord mandatory or the default option instead of something they have to actively select.

They should also continue to pressurise DWP to increase the funding given to Local Authorities to administer benefits. DWP have continually reduced the admin subsidy in respect of a reducing HB caseload without considering the increased amount of admin staff actually do. For Universal Credit, Local Authority staff have to:

- action stops on Universal Credit cases
- gather a separate Council Tax Reduction claim and relevant evidence
- provide assistance to claimants to go online and manage their journals.

The Scottish Government should to continue to lobby DWP to mitigate size criteria shortfalls at source. This would reduce the amount of time Local Authorities have to spend administering Discretionary Housing Payments for these cases. Additionally this will ensure that people do not miss out on support they are eligible for but are not aware that they need to claim.

The Scottish Government should Lobby DWP to share Universal Credit data for the purposes of DHP and other assessments, e.g. Free School Meals and Clothing Grants.

The Scottish Government should provide stronger guidance to LA's on CTR scheme (possibly set new regulations), and allow LA's to accept UC data share as an application for CTR.