SOCIAL SECURITY COMMITTEE

SOCIAL SECURITY AND IN-WORK POVERTY INQUIRY

SUBMISSION FROM North, South and East Ayrshire HSCP’s (Joint Response).

The Scottish Parliament’s Social Security Committee is asking for views on any or all of the following questions

- What impact will Universal Credit have on in-work poverty in Scotland?
- 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?
- What is known about those experiencing in-work poverty in Scotland who do not claim or are not eligible for Universal Credit?
- What can or should the Scottish Government do to mitigate any detrimental impact?

This is a joint response from North, South and East Ayrshire HSCP’s compiled by the Welfare Rights services.

East Ayrshire commenced Universal Credit (UC) Full Service on 25/10/17 and North Ayrshire commenced UC Full Service on 22/11/17. Both advice services have experienced numerous issues with UC Full Service which have affected people in work or leaving work.

South Ayrshire have been in full service since 07/02/18. They have limited information in relation to the impact Universal Credit is having on in-work-poverty as many working families in South Ayrshire have yet to meet a trigger that would result in their legacy benefit closing and the new claim being made to UC.

Q1. What impact will Universal Credit have on in-work poverty in Scotland?

Whilst in some circumstances, individuals/families will be slightly better off by claiming UC, others will lose out but this is very much on a case by case basis depending on family circumstances. Allied to the fact of waiting times before receipt of the first payment, budgeting issues for those not used to being paid monthly plus the repayment of any advance of UC made during the claim period, which has to be paid back over the course of the next six, ten or twelve months will cause additional hardship to UC recipients during this period.

The Universal Credit Full Business Case, signed off by HM Treasury, shows that when fully rolled out, Universal Credit is forecast to incentivise 200,000 more people to take employment than would have under the previous system and deliver £8bn of benefits to the UK economy per year.

The recent National Audit Office Report “Rolling out Universal Credit” states “the Department will never be able to measure whether Universal Credit actually leads to 200,000 more people in work, because it cannot isolate the effect of Universal Credit from other economic factors in increasing employment.”
The DWP currently plans to migrate over 2.5 million benefit claimants from the 6 Legacy Benefits onto Universal Credit from July 2019 through to March 2023. The Resolution Foundation recent report Universal Remedy: ensuring Universal Credit is fit for purpose, estimate that compared to the existing tax credit system:

- 2.2 million working families are expected to gain, with an average increase in income of £41 a week.
- 3.2 million working families are expected to be worse off, with an average loss of £48 a week. 600,000 of those individuals, mostly couple parent families, will no longer be entitled at all.”

The Resolution Foundation also stated its “noteworthy that close to two-thirds of the estimated employment gains due to financial incentives in UC are at under 16 hours of work. As we’ve previously warned, one of the risks in the current design of UC is that it risks trapping people in short-hours, low paid work with some groups, particularly single parents, likely to reduce their hours under UC”.

Being in work was traditionally seen as protective against poverty but changes in employment patterns and the benefits system mean in our opinion this is no longer the case. It is our view that Universal Credit will lead to more in work poverty in Scotland due to:

- The financial implications for claimants with working families in Scotland being worse off.
- The UC process which will force claimants working under 35 hours pw to seek more hours or additional employment, thus potentially leading to people not claiming their legal entitlement to UC.
- Potentially more UC sanctions
- Budgeting issues for those not used to being paid monthly at the commencement of their claim.
- The repayment of any UC advance payments placing people in debt at the start of their claim.
- The increase in rent arrears experienced by UC full service areas.

**Q2  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?**

**In Work Poverty and effects of UC**

An example of this is a recent North Ayrshire HSCP Money Matters case which required considerable Welfare Rights work to establish and resolve the clients issues. Court Proceedings had commenced as clients had rent arrears of £1065.40. Clients did have UC managed payment in place however housing had not received any payments for over 3 months.
It was established when client went into her journal in April, 18 to notify DWP of annual rent increase she accidentally clicked a button stating "no housing costs", which cancelled her managed payments of housing element to RSL which caused the rent arrears.

As a result of the above from clients UC entitlement of £649.22 they have deductions of Advanced payments of £16.67p/m, rent arrears £39.52p/m and DWP recovery £59.28p/m = deductions of £115.47

All of the above required the intervention of a Welfare Rights Officer to establish clients UC entitlement and assist this young family understand their legal entitlement to UC. The effects of the above on this young family has led to considerable stress in managing the household budget for over 3 months.

Advice services are encountering numerous cases like the one above on a daily basis.

Kinship Carers & Looked after Children

Kinship Carers who make new claims to Universal Credit will not be paid for the child if he/she is a “Looked After” child. At present North Ayrshire has 249 Kinship Carers with 6 of them since Nov’17 excluded from receiving the Child Element.

UC regulations excluding the Child Element for “Looked After” children impact on In Work Kinship Carers. North Ayrshire has case examples whereby In Work Kinship Carers do not receive UC.

The consequences of this is an additional burden on local authority Kinship Care Budgets.

Rent Arrears

People claiming UC will immediately fall into arrears with their rent and will not necessarily use any advance to make any payments towards rent costs as they will have other priorities, such as feeding their family. This could result in their landlord taking action against them to evict them. Most landlords taking such action which results in the case being referred to Court will have court costs added to their arrears which makes it even more difficult for UC recipients to make appropriate arrangements to repay rent arrears.

Even if an Alternative Payment Arrangement is applied to prevent arrears from increasing, deductions of up to 20% can be applied to repay any arrears, thus causing additional hardship.

The impact of rent arrears affects both individual tenants and local authority landlords.

For example, in North Ayrshire as of 26 November 2017, 3,640 tenants were in arrears, totalling £875,475.07. On 28 May 2018, 4,112 tenants were in arrears totalling £1,107,768.41

The number of tenants claiming Universal Credit rose from 464 on 26 November 2017 to 1,366 on 28 May 2018. In comparing arrears for UC claimants only, this has risen from £129,337.56 to £467,509.86 during the same period.
North Ayrshire Council are receiving direct rent payments from the DWP for almost 600 tenants claiming Universal Credit.

**Lack of Advice from Jobcentres**

Local Jobcentres have confirmed they will only assist someone to make a claim for UC and not provide advice. This can be problematic for claimants particularly if they have final earnings from an employer as these will be taken into account during their UC Assessment period if they make the UC claim prior to receiving these earnings.

*E.g.* Claimant calls into Jobcentre 04/07/18 and assisted to make UC claim. Date of UC claim 04/07/18. Assessment period 04/07/18 - 03/08/18. Due 2 weeks wages on 05/07/18. These wages will be taken into account during the assessment period.

Claimant could have delayed making claim by one day and the wages would not be taken into account. Jobcentres will not advise claimants of this.

**Better Off” calculations**

From an advice service provision we have received more calls from service users requesting “Better Off” calculations if they were to take up employment. It is worthwhile noting that Jobcentre’s are not providing this service which has resulted in more work for our Advice Services.

The complexity of the calculations involves assessing the impact work has on benefits including calculating “better off” on UC or Working Tax Credit, implications for Housing Benefit and the potential removal of Disability benefits. An added complication is if the employment ceases for any reason this results in the claimant not being able to return to their legacy benefit, having to claim UC and the potential consequences of this.

**Claiming UC and starting work in First Assessment Period.**

Single man, signs off Jobseekers Allowance as commencing 14 day (21/12/17 – 03/01/18) employment contract with the Council to cover Xmas holidays. Paid JSA till 20/12/17. Claims UC 04/01/18 given advance payment. Starts another job 15/01/18. Wages from 14 day contract paid in 1st UC assessment period exceed £251.77. Therefore no UC entitlement thus creating UC overpayment of advance payment, despite advance payment being there only income from 21/12/17 to 26/01/18.

**Claiming UC and ESA**

Numerous cases of claimants being incorrectly advised by UC advice line and local jobcentre’s that they cannot claim UC and ESA Conts based after ceasing employment.

Claimants coming off ESA going onto UC for whatever reason, be it starting work / claiming Housing costs continue to receive their ESA after the date of UC claim, thus resulting in an overpayment which is subsequently deducted from their UC. This causes additional hardships to families/individuals moving into work
Q3. What is known about those experiencing in-work poverty in Scotland who do not claim or are not eligible for Universal Credit?

Our experience so far includes claimants wishing to avoid Universal Credit due to a variety of reasons including:

UC being paid monthly and includes Housing costs,

Fear and possibility of being sanctioned.

Loss of Severe Disability Premium.

Having to look for work for additional hours to make up 35 hours pw Claimant Commitment.

More overpayments of benefits.

Increase in Rent Arrears.

Lack of digital access and knowledge.

Difficulty in budgeting and managing household budget.

Difficulty in coping with debts and deductions from benefits.

Benefit claimants have generally wished to remain on their Legacy Benefits.

Q4. What can or should the Scottish Government do to mitigate any detrimental impact?

As UC is a reserved benefit, ability for Scottish Government to alter UC is very limited.

Given the rise in demand for Welfare Rights advice services, the complexity of UC / legacy benefits and the benefits of welfare rights services to service users and the local economy we believe the Scottish Government should be devolving funding for this service to the Local Authorities.

We believe this is vital to avoid duplication of services and ensure local planning can be targeted to meet the needs of those who require welfare rights services as well as debt and financial inclusion services.

We are also of the view additional funding is required for local authorities to meet the shortfall in Universal Credit for Kinship Care funding.

The Scottish Government should consider extending first tier tribunals to all landlords, including local authority and RSL’s, rather than proceeding through Court. Currently this only applies to Private Landlords. This would negate the need for any ‘Court Costs’ to be added to any rent arrears, thus reducing long term hardship to the tenant. This could also
promote a ‘presumption not to evict’ ethos to find a solution as evictions not only cause severe hardship to tenants but also can be very costly to local authorities who, in many circumstances, may have a duty to re-house a family that they have recently evicted.

To mitigate the impact of In Work Poverty the Scottish Government should:

- Use existing devolved taxation powers to introduce a more progressive tax system that would be a real benefit to low paid workers, hopefully taking them out of the benefits system.
- As Scottish Parliament has no legislative powers to amend the National Living Wage, it could provide incentives for employers to pay the Scottish Living Wage to employees.
- Trainees and Modern Apprentices be paid the Living Wage.
- Progress as a matter of urgency, the trials for Universal Basic Income as a possible longer term solution to all poverty.
- Seek a Scottish Variance with the DWP to introduce a Scottish Work Allowance on top of existing UC Work Allowance rates which would be disregarded when calculating earnings. This agreement should not allow the DWP to take any Scottish Variance into account when making a determination for The Benefits Cap. This, along with other areas suggested, including progressive taxation and business incentive to pay Scottish Living Wage could help life thousands of in-work people living in Scotland out of poverty

Scottish Government should also call for:

- DWP to accept notification from landlords for rent increases in relation to UC.
- Accept paper claims to UC.
- 5 paydays or 2 monthly payments in an assessment period should not result in UC claims closing.
- Using a claimant’s regular pay amounts to determine universal credit awards in each assessment period.
- Claimants should have continued access to their journal after claim closes.
- DWP to disregard income from pay or tax rebates relating to a period preceding the claim and disregard Tax Rebates during a claim.