

## **Welfare safety net inquiry**

### **Written evidence submitted by Changing Lives and Fulfilling Lives Newcastle Gateshead, December 2018**

#### **1. Introduction**

1.1 Changing Lives is a national charity which provides a range of support services to people at society's edges. We deliver supported accommodation across the North East, North West and York, as well as providing affordable rented properties for our clients in the North East. In the last year we have prevented 189,842 nights of homelessness and helped 1,444 people through our outreach services. Changing Lives regularly contributes to policy activities in the areas of homelessness, drug and alcohol work and criminal justice – welfare reform is currently having a major impact in all these areas.

[www.changing-lives.org.uk](http://www.changing-lives.org.uk)

1.2 The Fulfilling Lives programme is an 8-year national learning programme funded by the Big Lottery Fund, ending in 2022. The programme works with people experiencing multiple and complex needs, many of whom are now on Universal Credit. This is a joint submission from Changing Lives and Fulfilling Lives Newcastle Gateshead.

[www.fulfillinglives-ng.org.uk](http://www.fulfillinglives-ng.org.uk)

#### **2. Executive Summary**

- Universal Credit and welfare reform have played a significant role in both creating and exacerbating hardship and deprivation for people experiencing homelessness, addiction, and other forms of social exclusion
- Together, they have forced people to use foodbanks and accrue debts and arrears. This has directly increased people's likelihood of homelessness and had a damaging effect on their mental health
- Delays and sanctions are some of the biggest problems created by Universal Credit; systematic barriers to communication with DWP and Jobcentre Plus are also significant
- Increasing levels of arrears are having a direct impact on the viability of supported accommodation services – potentially reducing available levels of support as demand continues to increase
- There is still confusion about how, exactly, housing benefit will be retained for vulnerable clients within the new system

#### ***3. Is our welfare safety net working to prevent people falling into deprivation? What role does Universal Credit play in relation to deprivation, or could it play in tackling it?***

3.1 Changing Lives and Fulfilling Lives Newcastle Gateshead collectively work with 17,500 people each year. A recent survey of projects shows that:

- Universal Credit has resulted in **significant numbers of the people we work with experiencing hardship**. Delays in payment are the main contributory factor. The monthly payment schedule and, in fewer instances, a reduction in payment value, can also cause hardship
- Claims typically take six-eight weeks, but some projects indicate the **average wait time is two-four months** – during which time clients will be **without any income at all**
- The claims process can be hampered by **systematic communication barriers**; our client's lack of digital inclusion can compound this
- **Benefit sanctions are also commonplace**; four in ten projects report that the '**majority**' of their clients have received a sanction in the past 12 months
- The vast majority of our services (80%) support clients to make Universal Credit claims. This process is widely considered to **require 'much more' staffing resource** compared to the previous Housing Benefit system
- The impact of this hardship is **profound**. The people we work with are already vulnerable; moving to Universal Credit is described as creating feelings of "**hopelessness, frustration and loss of control**, as well as feeling further alienated from society"
- Common sources of support provided by projects are **food parcels, and budgeting support**, as well as signposting to other services
- Only two Project Managers identified cases in which Universal Credit had **improved the circumstances** of the people they support. In both instances this involved service users being encouraged into employment.

3.2 Since the financial crisis and the advent of austerity we have seen services and support for vulnerable people cut, creating increasing demands for our support. It is our view that the welfare safety net is not working to prevent people falling into deprivation, and that Universal Credit is the main cause of this failure. For people experiencing social exclusion as a result of multiple and complex needs<sup>1</sup> Universal Credit, combined with other changes to the welfare system, are making it even harder to move on from poverty and deprivation, trapping people in cycles of debt, destitution and despair. In the sections below we provide specific examples of how Universal Credit, combined with wider welfare reforms, affect our clients and services.

#### **4. Universal Credit and financial inclusion**

4.1 Changing Lives recently delivered a project funded by the Money Advice Service to help people experiencing homeless, and associated needs, address financial crisis and develop skills for improved financial capability. The [project evaluation](#) found two specific **housing problems** caused by Universal Credit.

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<sup>1</sup> Such as mental ill health, homelessness, drug and alcohol misuse, contact with the criminal justice system, and family breakdown. Sexual exploitation and domestic abuse can also feature, especially for women experiencing multiple and complex needs.

4.2 Firstly, for most clients the changeover to Universal Credit from a previous benefit resulted in **a reduction in their weekly or monthly income**. Most commonly, this was caused by being moved from Employment Support Allowance to Universal Credit, where the housing element was lower than previous payments.

4.3 Secondly, most clients consulted reported a significant **lack of flexibility** within the Universal Credit system. For example, some clients reported that previously the Department for Work and Pensions (DWP) would take a more flexible approach to making smaller deductions over a longer period to recover overpayments, where deductions were causing real hardship. Under Universal Credit clients reported, and staff confirmed, that this type of flexibility is now much more difficult to secure.

4.4 The impact of these dual pressures were that clients were unable to pay their rent and were running up **higher rent arrears**; some were borrowing money and **running up debts** (e.g. with utilities providers) just to cover basic living costs; and some had **resorted to using foodbanks**. As the evaluation concluded, "It is clear that, for some clients, Universal Credit is compounding financial hardship at a time when they are already facing financial problems. It is placing some clients **at greater risk of homelessness**".

#### **4.5 Case Study 1: George, Tyneside**

4.5.1 George works with Changing Lives' floating support team whilst holding a tenancy with a local social housing provider. George is an older disabled man who was recently taken off Disability Living Allowance. He was then assessed as ineligible for Personal Independence Payment, and subsequently failed an Employment Support Allowance medical assessment. George therefore had to apply for Universal Credit (UC). Once the transition to UC took place George did not realise that, unlike under his previous benefits, the housing element was paid to him directly and he was responsible for paying the landlord. Based on this misunderstanding George failed to make arrangements to pay rent to his landlord and large arrears built up very quickly.

4.5.2 Changing Lives' staff became involved when **problems had escalated** to the point that a County Court Possession hearing had been scheduled. Our worker reviewed George's financial situation and began liaising with the Housing Association's Income Management Officers to develop a positive resolution to the case. After providing detailed information about the client's financial situation the Association's Income Management Officers agreed to request that the Possession hearing be adjourned by the court for four to six weeks to allow the client time to resolve his debt issues.

4.5.3 During this time our staff worked with the client to develop a budgeting plan; we also managed to negotiate lower payments to the furniture store Brighthouse. Brighthouse were taking £150 a month for household goods

repayments; with support this was reduced to £50 month to make repayments more manageable for George.

4.5.4 Working with Housing Association staff we jointly agreed to the client starting to pay his rent directly as well as contributing an extra £3.70 a week towards his arrears. This was manageable based on his overall income and revised budget. Our staff supported George to set up direct debit payments for all his other costs, so that his UC payment was meeting all necessary outgoings. When the case returned to court six weeks later the landlord asked the Judge for a Suspended Order of Possession, which was granted. Provided George continues to meet his rent and arrears repayments his tenancy will be secure.

## **5. Universal Credit and food poverty**

5.1 The Trussel Trust, the main supporter of food banks in the UK, had found that low income, benefit delays, benefit changes and debt are the top four reasons people are referred to food banks. Providing access to food parcels or foodbanks was the most common example of practical support that our project managers gave to help people with hardship created by Universal Credit. This was particularly common amongst drug and alcohol and employment services, suggesting possible areas of particularly acute need for emergency access to food.

### **5.2 Case study 2: Melina, Tyneside (composite case study)**

5.2.1 Melina was referred to her local Floating Support Service. When staff first made contact with Melina she and her child had no food or electricity. They had been surviving on £20.70 a week child benefit for several months after Melina had been **refused Universal Credit** on two occasions.

5.2.2 Staff helped Melina to make an immediate application to her City Council for crisis support for food and credit for the electricity meter. An award was made which provided money for two weeks' worth of costs. After that staff helped Melina to access emergency food and toiletries from a local Food Bank. She also received food and goods donated to Changing Lives from its Fareshare project, which provides surplus food to food banks and community groups.

5.2.3 During this time a further application was made and Melina was supported to attend interviews and appointments at the Jobcentre. This application was successful; Melina is now in receipt of Universal Credit and the housing component is paid directly to her landlord. Melina was also at risk of eviction due the rent arrears she had accrued when she had no income. Through the support of partner agencies her eviction was suspended on condition she continues to meet an agreed repayment plan.

## **6. Do Jobcentre Plus procedures and benefit delays play a role?**

6.1 Benefit delays and problems with processing claims play a significant role in the hardship caused by Universal Credit and welfare reform. Benefit sanctions are commonplace; in a survey of Changing Lives' Project Managers conducted in November 2018, four in ten projects reported that the **'majority' of their clients have received a sanction in the past 12 months**. Nine out of ten Project Managers have witnessed clients receiving benefit sanctions in the past 12 months. The incidence of benefit sanctions appears to be high with 44% of managers indicating that the *'majority'* of their clients are impacted by this, compared to 44% stating this was experienced by only *'some'* clients and only 4% stating this happened to only a few people. As the UN Special Rapporteur on Extreme Poverty and Human Rights noted some of these sanctions periods will soon extend from months to years.

6.2 The vast majority (84%) of project managers feel there are communication barriers between clients or staff working on their behalf, and the DWP which can *"cause major frustration and often ends in clients giving up"*. Our clients are also often digitally excluded; they lack access to the digital systems and support needed for them to access *'digital by default'* services.

6.3 Key barriers are to engaging effectively with Jobcentre Plus and DWP identified by our staff are:

- **Digital engagement:** *"Not everyone has access to the internet. They are told to go to their local library but not everyone has one in their area. Also they might not have credit on their phone, [or it] doesn't have internet access" "If clients are unable to use a computer / internet and often are told this can't be dealt with on the phone"*
- **Telephone engagement:** *"Length of time on phone" "Taking so long to get through" "It is very difficult to actually speak to someone on the phone, clients become very frustrated" "Not being able to make direct contact if they are unable to attend an appointment due to genuine reasons and then end up getting sanctioned"*
- **Advocacy:** *"Staff being unable to speak on behalf of clients" "Staff explaining lots of times before the UC staff understand what the query is about"*
- **Clarity of messages:** *"Mixed messages, clients are informed they can be sanctioned if they don't work with us, benefit agencies say that's not the case" "DWP staff who don't explain things properly or provide a lack of advice to individuals" "Also, clients with issues such as mental health, substance misuse and homelessness / living in hostels are unlikely to be treat as having limited capability to job search, only physical disabilities seem to be taken into account"*

## **7. What are the remaining weaknesses, how should these now be addressed?**

7.1 The combination of increasing hardship and system errors and failures created by Universal Credit and welfare reform is having a secondary impact on the services and organisations supporting people most in need.

## **8. Increasing Arrears**

8.1 In late 2017 Changing Lives' completed a snapshot survey to identify and estimate the likely impact of Universal Credit on its accommodation services. It found that for a representative sample of services in Newcastle the percentage of arrears cases in which Universal Credit was cited as a factor had doubled from 23% to 47% during the period measured.

8.2 The introduction of Universal Credit affected the **value of arrears** and the **duration of arrears**. The indirect cost of Universal Credit as a contributory factor to arrears was 24% of arrears value in Newcastle. Applying 24% to arrears costs across the organisation for the same period, we forecasted **£92,776 (an 80% rise)** of arrears costs potentially attributable to Universal Credit.

8.3 Amongst our Newcastle accommodation services, the average duration of arrears in the same period was 12.6 weeks. The average duration of arrears where Universal Credit was a factor in the same period **rose to 16.8 weeks**. Whilst the government has recently slowed the roll-out of Universal Credit to address a range of difficulties with the system, supported accommodation providers like Changing Lives expect to see an increase in impacts on the quantity and duration of arrears in accommodation projects. This also has a direct impact on how likely people are to engage with support. Fulfilling Lives research found that, once they are in arrears, clients can avoid staff when the service charge is due to be paid. This 'avoidance strategy' means that they can then cut themselves off from other key forms of support, such as help to manage their use of substances, further compounding the problems they are experiencing.

## **9. Where does Housing Benefit fit in the new system?**

9.1 August 2018 the government confirmed that supported housing, refuges and all forms of short-term supported housing would continue to be funded by housing benefit and would be kept outside of the Universal Credit system. Whilst this change in policy is welcome it remains unclear how government expects housing benefit to be administered in future.

9.2 Universal Credit is administered by the Department of Work and Pensions. As a consequence (and due to funding cuts) councils have reduced or removed their housing benefit teams. This lack of administrative capacity presents risks for the continued smooth payment of housing benefit costs. The government has committed to developing a 'robust oversight regime', and this could limit the schemes to which local authorities are permitted to pay housing benefit, for example, those without support contracts attached. In this scenario, if accommodation providers are increasingly expected, or are forced, to separate

housing and support activities, this could make the provision of such support services financially unviable.

9.3 In addition, accommodation projects are also expecting to face:

- Uncertainty about how councils plan to treat housing benefit
- Further cuts to management charges
- Increased scrutiny of costs by government and councils
- Rising inflation and other costs

9.4 In combination this could mean that housing benefit allocations may not keep pace with the real costs of running supported accommodation services – services which have already faced significant cuts since 2010.

## 10. Recommendations

- **Information available to providers around third party exemption is unclear** – DWP needs to clarify this guidance in consultation with supported accommodation providers
- **Exempt supported accommodation projects should be able to apply for third party deductions on behalf of clients** – There is currently conflicting advice on setting up third party deductions to cover service charge for residents. This has led to a number of residents in receipt of Universal Credit falling into arrears

## 11. Conclusion

11.1 It is the view of Changing Lives and Fulfilling Lives Newcastle Gateshead that welfare reform, and specifically Universal Credit, have played a major role in increasing levels of deprivation and hardship, especially for people experiencing complex needs and facing social exclusion. The people we work with are both those most in need of an effective safety net, and most at risk when that safety net fails. In the words of one of our workers Universal Credit is a *"failed experiment; the only things being experimented upon are people's lives"*. We hope this inquiry is an opportunity to address these failings and finally move the Government towards reform.

**If you would like to discuss any aspect of this response please contact Stephen Bell OBE, Chief Executive, Changing Lives:**

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