

## BRIEFING PAPER

# Scotland Act 2016: Universal Credit

## A summary of the SPICe (Scottish Parliament Information Centre) Briefing

Universal Credit is a reserved benefit designed to support people of working age who are on a low income or are out of work. It replaces six existing benefits, including Housing Benefit, and is being rolled out on a phased basis.

The Scotland Act 2016 gives Scottish Government Ministers regulation making powers to vary the housing element (for rented accommodation) of Universal Credit, along with powers to vary how Universal Credit is paid. This briefing provides background to Universal Credit and information on the powers relating to Universal Credit in the Scotland Act 2016.

More information can be found on the SPICe website:

<http://www.parliament.scot/parliamentarybusiness/99847.aspx>

June 2016

[www.scottishwomensconvention.org](http://www.scottishwomensconvention.org)

email: [info@scottishwomensconvention.org](mailto:info@scottishwomensconvention.org)

or call 0141 339 4797



@swcwomen

or find us on



## Universal Credit Overview

**Universal Credit (UC)** is a means tested benefit for working age people who are unable to work, are unemployed or are in low paid work. It will replace the following six existing benefits:

- **Housing Benefit;**
- **Income Support;**
- **Income based Jobseekers Allowance;**
- **Child Tax Credit;**
- **Working Tax Credit; and**
- **Income Based Employment and Support Allowance.**

The aim of **UC** is to simplify the benefits system and improve work incentives. It takes away the need to claim difference benefits from different agencies when in and out of work.

## Calculation of UC

The amount of **UC** awarded will depend on the income and circumstances of the household overall. Each household has a 'standard allowance' to which other elements are added, depending on the circumstances of the household.

Additional elements can include amounts for children, childcare costs, housing costs, limited capacity for work and carers. When these elements are added together this results in the maximum **UC** that can be awarded.

## Administration of UC

The Department for Work and Pensions (DWP) is responsible for administering **UC**. It has also been working with local authorities, social landlords and other service providers to create and develop local support services to help **UC** claimants. This programme is called '*Universal Support - delivered locally*'.

The default position is that **UC** will be paid to the household as a single payment on a monthly basis. There have been concerns raised that this could be challenging for families who are not used to budgeting on a monthly basis, but instead manage their money round the payment of small amounts on a weekly or two-weekly basis. This system also has the potential to increase rent arrears.

## Alternative Payment Arrangements

The DWP has developed a programme of Personal Budgeting Support. There are two elements to this:

1. **Money advice** to help claimants cope with managing their money on a monthly basis and paying their bills on time.
2. **Alternative Payment Arrangements** for those claimants who cannot manage the single monthly payment and where there is a risk of financial harm to the claimant and/or their family.

Alternative payment arrangements can include rent paid directly to the landlord, more frequent payments or payments split between partners. The expectation is that these alternative arrangements will only be made in exceptional circumstances. They will be reviewed by the DWP in order to move the claimant back to monthly, single payments.

## **Implementation of UC**

The implementation of UC has been described as “a highly ambitious and challenging transformation programme.” It is being implemented on a phased basis, which started with what were classed as ‘simple claims’ (new claims from single people, newly unemployed and who do not have children), in selected areas from April 2013. In Scotland, the areas covered by Inverness Jobcentre were the first to take UC claims and it has now been rolled out to Jobcentres in all Scottish Local Authority areas.

The UK Government expects that by mid 2018 it will no longer be possible to claim the benefits that UC is being brought in to replace. The process of migrating existing claims of these benefits to UC is expected to be completed by 2021.

### **Scottish UC Claimants**

By April 2016, there were around 26,600 UC claimants in Scotland. That is expected to rise to 700,000 households once UC is fully implemented.

## **The Housing Element of UC**

The housing element can provide support for housing costs for people in rented or owner-occupied accommodation. Housing costs are calculated by taking account the household size and circumstances, as well as the actual rent charged.

In 2010 the UK Government announced a series of reforms to Housing Benefit (HB) prior to the roll out of UC. These have been carried over into UC.

### **Local Housing Allowance Reforms**

Tenants in private rented accommodation have their level of HB determined by the Local Housing Allowance (LHA) rules. The maximum HB that will be paid to a claimant is the LHA rate for a similar sized property on one of the 18 Broad Market Rental Areas in Scotland. It is under the LHA reforms that changes have been made for young people’s access to HB. For many single people under 35 years old, for example, HB will only cover the cost of rent for a room in shared accommodation.

### **Social Sector Tenants - Bedroom Tax**

The so called ‘bedroom tax’ has been in operation since April 2013. The Scottish Government is mitigating the impact of the bedroom tax by providing Local Authorities with additional funding through Discretionary Housing Payments (DHPs). The Scotland Act 2016 devolves responsibility for DHPs.

## **Changes to the Housing Element of UC**

In 2015 the UK Government announced changes relevant to the housing element of UC. These include:

- From April 2016, LHA rates will be frozen for 4 years.
- From April 2017 the automatic entitlement to the housing element of UC for out of work 18-21 year olds will be removed (with some exceptions).
- The benefit cap will be lowered from £26,000 to £20,000 for couples and lone parents, and from £18,200 to £13,400 for a single person with no children at some point before the end of 2016.
- The amount of rent that HB will cover in the social rented sector will be capped to the relevant LHA rate that applies in the private rented sector. This will apply to tenancies signed after 1st April 2016.

## Future Use of Devolved Powers

### Power to Vary the Housing Element of Universal Credit

The Scottish Government has committed to using the new powers to abolish the bedroom tax for UC claimants. It has also committed to continue to use DHPs to mitigate the bedroom tax for HB claimants.

The Scottish Government has not announced if any other changes will be made to the housing element of UC. As noted earlier, there have been a series of changes made to the housing element of UC by the UK Government which, potentially, the Scottish Government could alter in Scotland.

The Welfare Reform Committee of the Scottish Parliament (now the Social Security Committee) held an inquiry into *The Future Delivery of Social Security in Scotland* in Autumn 2015. The Committee heard support for the Scottish Government's use of the powers to abolish the bedroom tax. Other recommendations made by the Committee and their Scottish Government response included:

#### Welfare Reform Committee Recommendations

- That the Scottish Government should investigate the housing element of UC to provide that maintenance costs for adaptations are included as an eligible charge.
- That the UK and Scottish Government identify the differences in housing policy for young people between Scotland and England and work constructively together to make sure they are closed.
- The Committee recommends that a common sense approach to be taken to housing cost contributions when the housing element of UC comes under Scottish control. It would encourage the Scottish Government to consider reviewing the current list of exemptions to see if any additional exemptions are required.
- The Local Housing Allowance system currently limits the number of bedrooms claimants are entitled to in the same way as the bedroom tax applies to social housing. As the Scottish Government is taking steps to resolve the issue of the bedroom tax for social renters it should also be investigating ways in which it can help support private renters on benefits who may need to pay for larger accommodation than their LHA covers.

#### Scottish Government Response

- We will listen to stakeholder feedback about the housing element of UC before considering options to vary the calculation, including reviewing what is included as an eligible charge.
- We were in discussion with DWP to identify differences between housing policy in Scotland and England which might affect young people aged 18-21 and will look at options to address the gaps thereafter. We remain opposed to the UK Government's proposals to remove HB for under 21's.
- We agree with this approach and can look at the exemptions for housing cost contributions as part of our consideration of the calculation of the housing element of UC.
- We are listening to stakeholder feedback about LHA rates and will take a range of views into consideration before looking at options to vary the existing system. Private Rented Sector households experiencing financial hardship may apply for the Scottish Welfare Fund or for a DHP.

### **Housing Costs outwith UC**

The Scottish Government will not have direct powers to change other UK benefits that support housing costs for those who are not entitled to UC. They will not, for example, have direct powers over:

- The current HB regime.
- Housing costs for pensioners.
- Help for housing costs for those living in 'Exempt Accommodation', which is currently paid separately from UC.
- Restoring entitlement to the housing element for those who are not entitled to UC.

There are other powers in the **Scotland Act 2016** that the Scottish Government could potentially use to support those not entitled to UC with their housing costs, for example, DHPs and new benefits.

**A key consideration for the Scottish Government's future use of these powers would be how any changes would potentially affect, and interact with, other areas of housing policy and other benefits.**

### **Power to vary UC Payment Arrangements**

The Scottish Government plans to use new powers to vary payment arrangements for two key reasons:

1. To give UC claimants the choice of having their payments made twice monthly rather than calendar monthly. The Scottish Government have said:  
*"Many people in Scotland, both in and out of work, are used to budgeting their money more frequently than monthly. Many have told us that moving to monthly payments under UC is a worry for them and that fortnightly payments would make it easier for them to manage their household budgets."*
2. To give claimants the choice of having the housing element paid direct to landlords, where the claimant is renting from a social landlord. The Scottish Government said:  
*"We are discussing with stakeholders the opportunity to offer tenants in the private sector the same choice of having their rent paid directly to their landlord."*

The Scottish Government is discussing the timing for implementing UC flexibilities with the DWP (who will be delivering the changes). The implementation dates will depend, in part, on the development and testing of the new UC IT system.

### **Split Household Payment**

The Scottish Government has noted that while split payments are available as an Alternative Payment Arrangement, there have been no examples of this being used. The Scottish Government will monitor how these arrangements work in practice and, if there is a case for change, they will use powers to bring this about.

### **Funding**

The Smith Commission recommended that any additional administration and programme costs directly associated with the use of the Scottish Government's powers over UC must be met by the Scottish Government themselves. This will be the case going forward.

The total cost of mitigating the impact of the bedroom tax in Scotland is around £45million (based on existing HB caseload data). The Scottish Government is already effectively mitigating the impact of the bedroom tax in Scotland through providing additional DHP funding worth £35million.

## LINKS

- **Universal Credit**  
<https://www.gov.uk/universal-credit/overview>
- **Department of Work and Pensions (DWP)**  
<https://www.gov.uk/government/organisations/department-for-work-pensions>
- **Personal Budgeting Support and Alternative Payment Arrangements**  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/521367/personal-budgeting-support-guidance.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/521367/personal-budgeting-support-guidance.pdf)
- **Housing Benefit**  
<https://www.gov.uk/housing-benefit/overview>
- **Local Housing Allowance**  
<https://lha-direct.voa.gov.uk/search.aspx>
- **Discretionary Housing Payments (DHPs)**  
[http://scotland.shelter.org.uk/get\\_advice/advice\\_topics/paying\\_for\\_a\\_home/housing\\_benefit/discretionary\\_housing\\_payments](http://scotland.shelter.org.uk/get_advice/advice_topics/paying_for_a_home/housing_benefit/discretionary_housing_payments)
- **Scottish Parliament Social Security Committee**  
<http://www.parliament.scot/parliamentarybusiness/CurrentCommittees/social-security-committee.aspx>
- **Scottish Parliament Welfare Reform Committee Inquiry—*The Future Delivery of Social Security in Scotland***  
<http://www.parliament.scot/parliamentarybusiness/CurrentCommittees/94823.aspx>

